



Advancing the Frontiers  
of Economic Citizenship

2023 **INTEGRATED  
REPORT**



## Explaining the cover of the Integrated Report 2023

The cover of this Integrated Report 2023 captures a droplet in graceful descent, a liquid atom whose union with the watery expanse below will unleash a symphony of ripples that are both an act of awe and of magic. The droplet symbolises the National Empowerment Fund (NEF) whose mandate is to promote Black participation across the economic mainstream. Like the water in the image, the NEF is a source of hope, transformation and growth.

Like a pebble cast into a pond, the ripples become waves of opportunity as the Funder with a Soul continues to provide investor education, business-planning support, entrepreneurial training, business incubation, rural and community development, innovative funding and mentorship support to propagate the continual outward flow of growth across the length and breadth of South Africa.







"The inaugural Black Industrialists Conference in July last year showed the successes of black South Africans in producing food, car parts, furniture, clothing, steel, chemicals and mining products, creating many thousands of jobs and adding to our gross domestic product. We now have almost 1,000 black industrialists participating in the black industrialists' programme."

**President Cyril Ramaphosa,**  
SONA 2023



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<b>Approved:</b>	Final committee approval obtained
<b>Black:</b>	Black as defined in terms of the Broad-Based Black Economic Empowerment (Act 53 of 2003, as amended (B-BBEE Act)), and the B-BBEE Codes of Good Practice
<b>Commitments:</b>	Legal agreements signed. (Deals may have been approved in current and/or previous financial periods). All Conditions Precedent may not have been met yet
<b>Disbursements:</b>	Full or part cash advancements made against all approved and committed deals (deals may have been committed in current and/or previous financial periods) subject to all Conditions Precedent having been met by the investee
<b>Drawdowns:</b>	Advances made against approved facilities based on agreed-upon milestones
<b>The Board:</b>	Board of Trustees
<b>the dtic:</b>	The Department of Trade, Industry and Competition
<b>The NEF:</b>	The National Empowerment Fund

"In the reporting period, the NEF approved R1.2 billion worth of investments to businesses owned and managed by Black South Africans, mainly in townships and rural areas (against the target of R1 billion). A total of R692 million was disbursed into the domestic economy, creating and maintaining 4 598 jobs. The NEF reported a notable improvement in the percentage of disbursements to black women-owned and managed businesses in the period under review, achieving 37% as compared to an average of 31.5% of the past two financial years. The improvements are welcome and I look forward to further strengthening of performance."

**Mr Ebrahim Patel**  
Minister of Trade, Industry and Competition





# FOREWORD BY THE MINISTER

Mr Ebrahim Patel  
Minister of Trade, Industry and Competition



## National Empowerment Fund

It is my pleasure to table the Annual Report of the National Empowerment Fund (NEF) for the 2022/23 financial year.

In the reporting period, the NEF approved R1.2 billion worth of investments to businesses owned and managed by Black South Africans, mainly in townships and rural areas (against the target of R1 billion). A total of R692 million was disbursed into the domestic economy, creating and maintaining 4 598 jobs. The NEF reported a notable improvement in the percentage of disbursements to black women-owned and managed businesses in the period under review, achieving 37% as compared to an average of 31.5% of the past two financial years. The improvements are welcome and I look forward to further strengthening of performance.

The report also reflects the work of the NEF in implementing its core mandate, and the outcome of joint efforts to align work of the dtic's entities towards a set of three shared outcomes:

- **Industrialisation** by drawing the link between interventions and patterns of production, investment, export and job creation;
- **Transformation** by connecting interventions to empowering black South Africans, women- and workers;
- **Capable state** by reporting on improved performance and deeper partnerships.

Focusing around these central outcomes allows the diverse set of entities in **the dtic** Group – comprising regulators, financiers and technical institutions – to pool capacities and collaborate to best deliver for the South African people.

The NEF will continue to align its work around stronger delivery on its core mandate and contribution to a common set of outcomes defined for **the dtic** Group, including the forty-five central outcomes established for the 2023/24 Financial Year. These outcomes are focused on measuring performance in terms of real impact, defined through key measures like the number of jobs supported, investment unlocked, and output generated by our work.

The entity is also required to attend to the material findings raised by the Auditor that arises from the application of the PFMA to businesses within the NEF, a challenge faced by public entities with subsidiaries involved in market-based activities.

I extend my gratitude to the outgoing CEO, Ms Philisiwe Mthethwa, who has served the NEF with passion and dedication. She contributed to transformation and the participation of black-owned businesses in the country's economy and led a process of the NEF attracting funding that it managed on behalf of other clients, for goals consistent with the NEF mandate.

I also wish to thank the Board, led by Dr Nthabiseng Moleko, the management team and the staff of the NEF for their contribution to the performance and impact of the NEF for the year.



**Mr Ebrahim Patel**  
Minister of Trade, Industry and Competition

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**Mr Ebrahim Patel**  
Minister of Trade, Industry and Competition



## ABOUT THIS REPORT

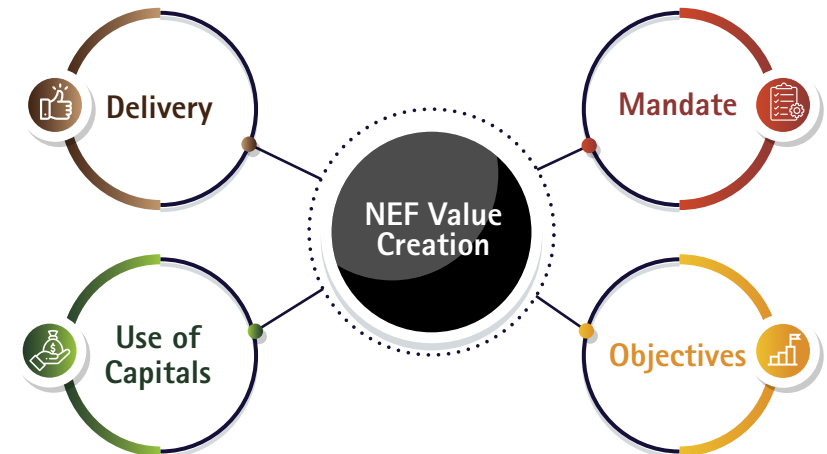
The NEF's Integrated report aims to provide stakeholders with an account of the strategy, performance, and future outlook of the organisation and how the usage of capitals through various value-creating activities in the short, medium and long term creates value for the organisation and its stakeholders. It reflects the past as well as the current performance achievements of the NEF. The NEF's mandate positions it as a significant entity through which economic transformation is being facilitated. It is intended that, through this report, our stakeholders will be provided with detailed insight about the organisation's mandate, alignment of strategic objectives, strategic partnerships, and the value it creates for them.

This report is prepared in accordance with the International Integrated Reporting Council's Integrated Reporting (IR) Framework; its fundamental concepts, guiding principles, content elements and presentation guidance. The IR is also aligned to the National Development Plan (NDP) and the Joint Key Performance Indicators (JKPI) introduced by the Department of Trade, Industry and Competition (**the dtic**) in 2021 and updated in 2022. This is the ninth year the NEF presents its Integrated Report, consistently applying good corporate governance guidelines. The NEF's Integrated Report provides material information relating to the organisation's strategy, business model, operating context, material risks, stakeholder interests, performance, risks, and opportunities as well as governance in relation to the reporting period, which ended on 31 March 2023.

The NEF's office footprint is distributed across the nine provinces, and services walk-in clients from across the country. This forms part of the NEF's strategy to operationalise its mandate through mobilising its human capital for all its stakeholders. Refer to page 70 of the report for more details.

The below diagram reflects the pillars contributing to how value is created for our stakeholders through the use of capitals. These are further unpacked on page 29 of the report.

How the NEF Creates Value.



This report contains information on financial and non-financial performance and activities of the NEF Trust as well as its subsidiaries. A high-level overview of the three subsidiaries in the group is provided on page 24.

The group's annual financial statements are prepared in accordance with standards of Generally Recognised Accounting Practice and, where relevant, the International Financial Reporting Standards. Additionally, the requirements of the Public Finance Management Act, 1999 (Act no.1 of 1999 as amended by Act 29 of 1999 (PFMA)) and the National Empowerment Fund Act (Act no.105 of 1998 (NEF Act)) have been complied with. The NEF financial statements are included in full in this report as part of the regulatory reporting obligations in terms of the PFMA.

The financial and key performance information in this report has been independently assured by the NEF's external auditor, SKX Audit Services Inc. In addition, the Internal Audit Department of the NEF conducts quarterly reviews of the performance milestones to give ongoing assurance of the integrity of the information provided to stakeholders throughout the year and at financial and year-end. Feedback, views, inputs, and suggestions on how the NEF can better improve its presentations regarding this integrated report are welcome. Please send us your feedback at [info@nefcorp.co.za](mailto:info@nefcorp.co.za).

## Approval of the Integrated Report

The Board of Trustees, with inputs from the Audit Committee, acknowledges its responsibility to ensure the integrity and completeness of this report. The Board confirms that it has collectively reviewed the contents and that this report covers reportable material issues and provides a fair representation of the performance and prospects of the NEF.

The Integrated Report contains certain statements about the NEF that are or may be deemed to be, forward-looking. These statements include those relating to the financial position, strategy, objectives, and operational plans for the future. By their nature, these statements involve assumptions, risks, and uncertainties as they relate to future events and depend on circumstances that may or may not occur in the future. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect or incomplete, then actual future performance and achievements may be materially different from those expressed or implied by such statements. Board of Trustees, therefore, advises stakeholders to apply caution regarding interpretation of any forward-looking statements in this report as these statements have not been reviewed or Audited by independent auditors.

Board of Trustees approved this report.



Dr Nthabiseng Moleko  
Chairperson of the Board of Trustees



Ms Philisiwe Mthethwa  
Chief Executive Officer



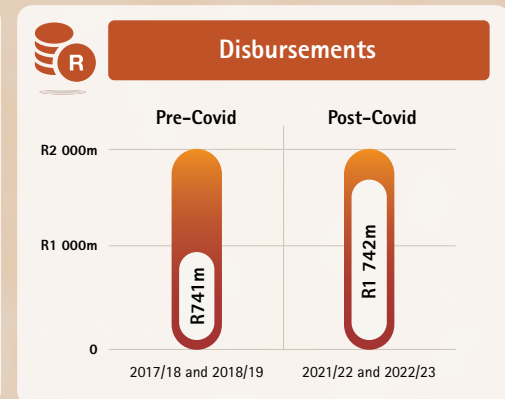
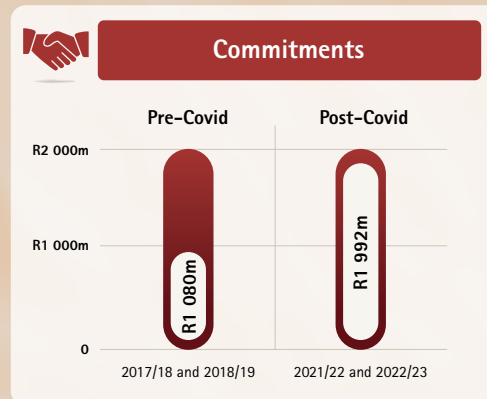
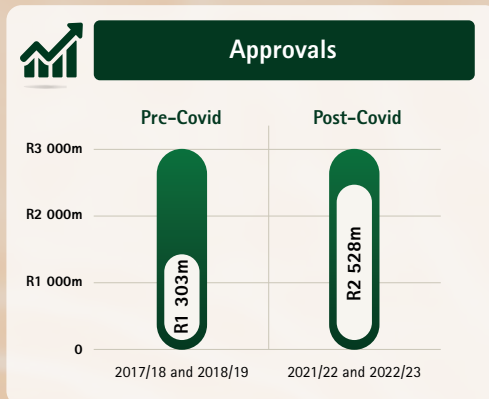


# PERFORMANCE HIGHLIGHTS

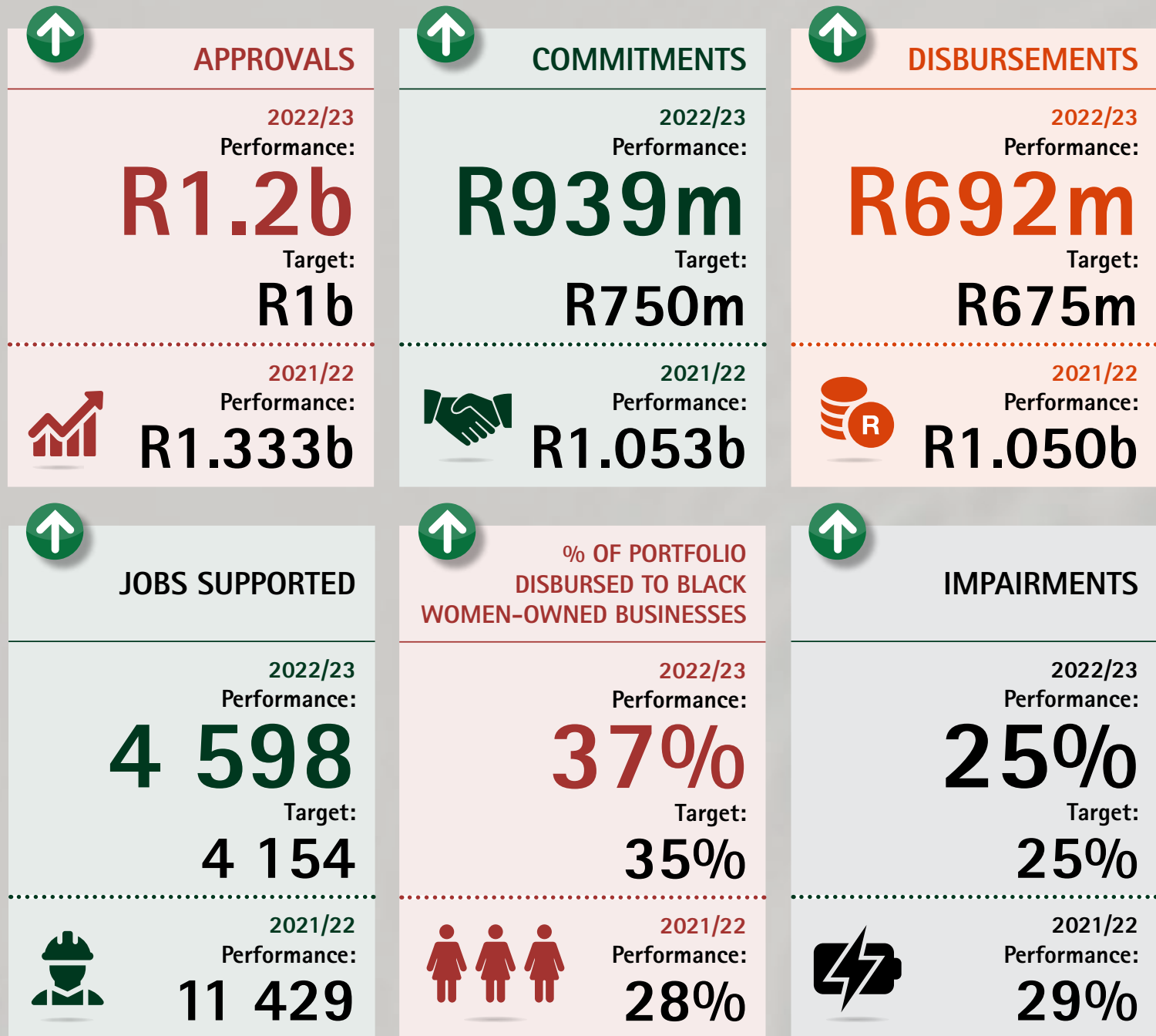
## NEF overall performance highlights

The NEF has showcased an awe-inspiring performance over the past two years, particularly in the face of the challenges brought by the COVID-19 pandemic. Given its commitment to empowering Black businesses, with a specific focus on Black women, the NEF has proven to be a vital force in driving economic transformation. The organisation's financial allocations speak volumes about their dedication. From having approved R1.3 billion in the two years prior to the pandemic and an impressive R2.53 billion in the last two years, the NEF has demonstrated a substantial increase in its support for Black-owned enterprises.

Moreover, the NEF's commitment to its mission is further evidenced by its financial commitments and disbursements. Before the pandemic, the organisation committed R1.08 billion in two years, and in the last two years, this commitment has increased to R1.992 billion. Additionally, the NEF's disbursements have surged from R741 million in the two years before COVID-19 to an impressive R1.742 billion in the last two years, showcasing its determination to provide the necessary financial support to fuel the success of Black-owned businesses.



## PERFORMANCE OVERVIEW





## TARGETED PROVINCES

2022/23  
Performance:

**22%**

Target:

**25%**

A total of

**R152m**

was invested in the Eastern Cape,  
Free State, Limpopo, Mpumalanga  
and Northern Cape



2021/22  
Performance:

**18%**



## RETURN ON INVESTMENT

2022/23  
Performance:

**9.96%**

Target:

**7%**



2021/22  
Performance:

**8.23%**





## PERFORMANCE OVERVIEW (CONTINUED)



### INVESTOR EDUCATION

Performance:

**88**

2022/23

Target:

**45**



2021/22  
Performance:

**73**



### BUSINESS INCUBATION AND REFERRALS

Performance:

**224**

2022/23

Target:

**150**



2021/22  
Performance:

**332**



### ENTREPRENEURIAL TRAINING

Performance:

**216**

2022/23

Target:

**135**



2021/22  
Performance:

**174**



### SOCIAL FACILITATION

Performance:

**26**

2022/23

Target:

**24**



2021/22  
Performance:

**39**



### COLLECTION RATIO

Performance:

**83.9%**

2022/23

Target:

**80%**



2021/22

Performance:

**83.71%**



### PARTNERSHIPS CONCLUDED

Performance:

**R120m**

2022/23

Target:

**R100m**



2021/22

**R1.771b**



### COST TO INCOME RATIO

Performance:

**47.7%**

2022/23

Target:

**54%-  
58%**



2021/22

**64%**

NEF Taxi Relief Fund performance highlights

The NEF, having been allocated the responsibility to disburse R1.135b to taxi operators, progressively found means to extend the impact of the implementation plan by initiating a call center through which enquiries and queries could be attended to. Further, the NEF updated its systems to enable the implementation of this project.

The NEF employed over 93 graduates throughout the country which has provided many of the trainees who were educated, however seeking job opportunities to access skills that have enabled a significant portion of them find employment as the project wound down.

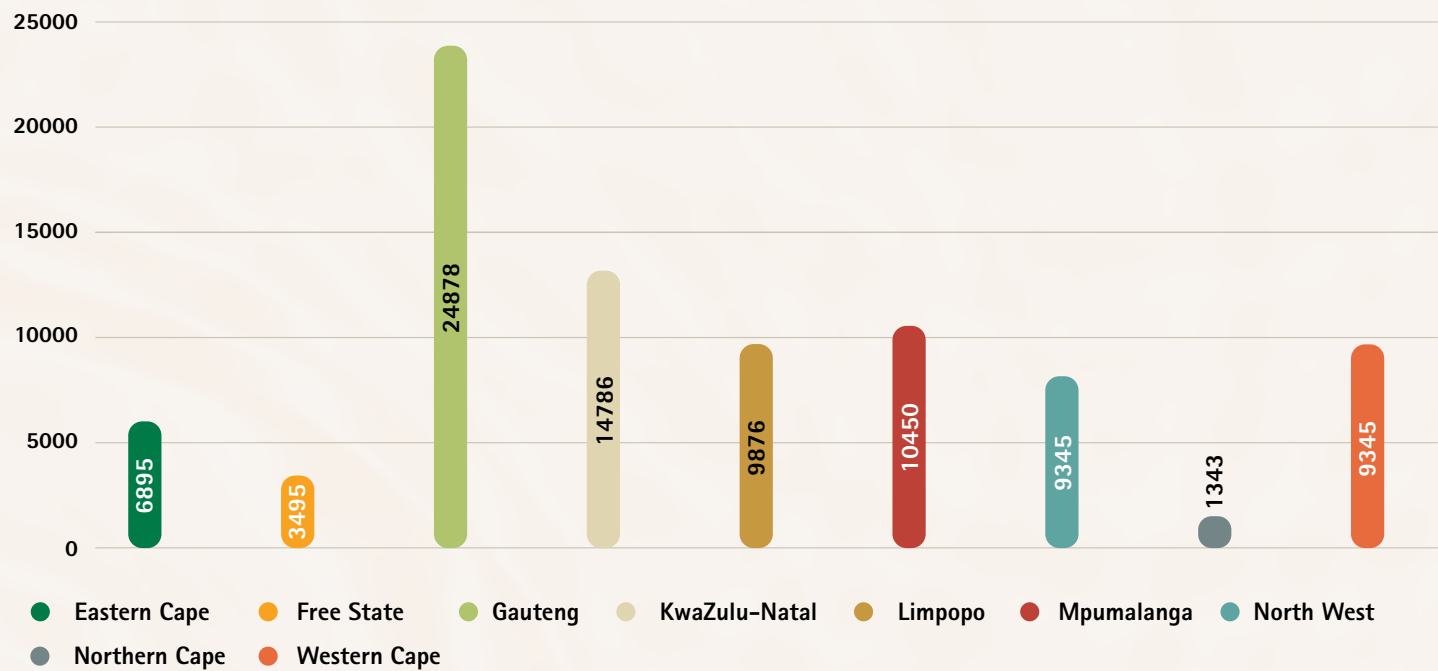
To ensure buy-in from all stakeholders, the NEF sought to reach

stakeholders both through digital and in-person means. Whiles the applications were lodged and finalized on an online platform, over 70 districts around the country were travelled to create the awareness of the Fund, including reaching the elderly and those in remote areas. The stakeholder relations also included securing endorsement from President Tsebe of the South African National Taxi Council (SANTACO) and the General Secretary, Mr. Mlalazi of the National Taxi Alliance (NTA).

Through sterling efforts, the NEF reached over 35 000 applicants (82% male and 18% female).

Most licenses in the industry are in Gauteng, however, the NEF was able to reach all provinces through roadshows and activation initiatives.

Operating licenses per Province



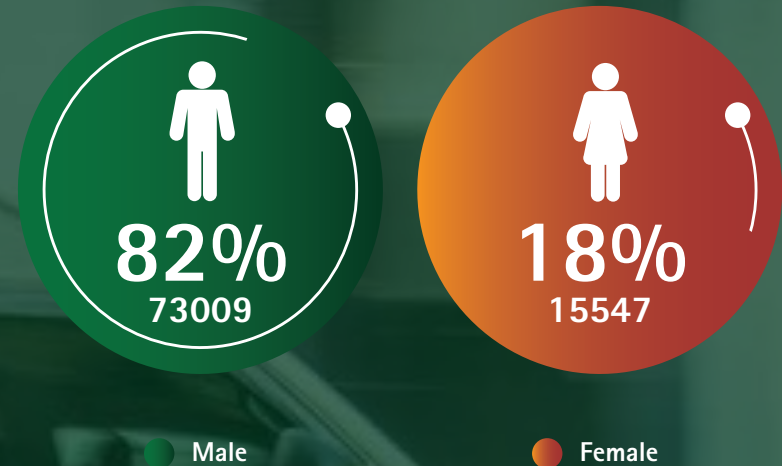




"We should consciously avoid tying our mindset to the idea that economic opportunities can only be found in major developed cities and metros such as eThekweni or Johannesburg. We must be strategic in our approach and efforts, and use what nature and history have already given us to better our lives and play a meaningful role in building the economy of our country, where we find ourselves at the moment."

**Deputy Minister  
Nomalungelo Gina,**  
business seminar in  
Ladysmith,  
30 June 2023

#### Total Taxi operating licenses by gender



# CHAIRPERSON'S REPORT



Dr Nthabiseng Moleko  
Non- Executive Trustee and Chairperson

## REBUILDING THE WASTE PLACES – A MORAL, CONSTITUTIONAL AND HISTORICAL OBLIGATION

### Bridging the economic divide

Imagine a South Africa that is abundant and prosperous, with the wealth of its resources equally distributed in a context where the participation of all South Africans in the economic output produced is a norm. They would not only be employees, but owners, employers and innovators across various economic sectors. Imagine a South Africa where we see a rebuilding of the cities, towns in both rural and urban terrains, and those sectors that have been confronted with desolation and depression are now vibrant and her people no longer economic migrants seeking opportunities to escape poverty and underdevelopment. Imagine a South Africa where infrastructure is equally distributed, maintained and efficient, with economic infrastructure utilised to not only maintain extractive historical pathways but to advance new productive capabilities. A nation where the destinies of her people are realised, with the potential of black South African businesses unleashed. This is the South Africa I imagine, with the National Empowerment Fund (NEF) playing a pivotal role in

unlocking capital to the majority of our people, economic exclusion a term of the past as envisaged by the B-BBEE Act.

This *Integrated Report 2023* of the National Empowerment Fund (NEF) coincides with the 20th anniversary of the Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 [as amended by B-BBEE Act No. 46 of 2013], introduced by the South African Government in the attempt to address the inequalities suffered by black South African citizens as a result of the legacy of apartheid and colonialism. 20 years ago, the nation took a decision that inequality and exclusion was systemic in nature and that this required a systemic response to change the long term outcomes inherited by several decades of exclusion, prejudice and hostility to Africans' contribution to the economy of the nation. The B-BBEE legislation embarked on redress to transform the economy, achieve meaningful change in ownership patterns and enhance composition of management that reflects the population. Embarking on an inclusive growth strategy necessitated championing the funding of black entrepreneurs, a necessary condition to transforming the systemic exclusion they faced in the economy. Thus, as the mandated entity to fund government's transformation



objectives, we were armed with R2.4 billion capitalisation in our inception years. From this injection, the entity is self-financed from collections of loan repayments, dividends and interest income with historical asset sales improving financial sustainability.

To make the impact we continue to make re-capitalisation of the entity a priority, this will not only enable the massification of impact but widen the reach of impact creating sustainable SMEs, especially in townships and rural areas, providing the potential to stimulate economic growth in economically depressed regions of the country, ultimately bridging the national economic divide. The innovation required by the NEF due to the inability of the entity of raising capital from the markets due to legislation means the alternative is to implement alternative capital raising models. The board is well aware of such and is putting in place strategies that innovate and will enhance the impact as we have approved finance for 17 businesses at inception, the multiplier effect resulting in 705 small and medium firms affected as supplier or customers. A total of R688 million was disbursed to these 17 entities translating into a potential combined future equity value of R2.8 billion. Imagine the impact if this was massified? It is clear that we need greater capital allocation to have the necessary impact required for the economic transformation that is required.

These SME firms need both financial and non-financial structural and systematic support to be established and to remain viable. The NEF has developed a close understanding of the demands, market shortcomings and the solutions necessary for South African SMEs to flourish. With the overwhelming majority of the NEF's performance metrics met, the 2022–23 financial year ending performance is the fruit of the seeds sown and maintained over the course of two decades to best serve this segment, including those poised to become industrialists. The Board of Trustees of the NEF is pleased to table a report that outlines one of the finest moments in the 20-year operational history of the entity.

### Rising stars showing economic emancipation

We embarked upon site visits to investees that have been funded by the

NEF to gain insights on their remarkable journeys and how the funding portfolio has shown impact on investees. The visit to Pamodzi Unique Engineering, BT Industrial and Crowie Holdings showed the direct impact of the strategic investments the NEF has pursued. Pamodzi Unique Engineering is led by a woman, CEO Ms Sindiswe Dlamini, and it has contributed to the transformation of the local manufacturing industry and supplies the mining industry and rail companies with high quality engineered products. It also supplies eco and wilflo pumps, BES pantographs and unique barricades that are distributed to local and international customers. BT Industrial is a leading manufacturer of HDPE pipes and related accessories. Through innovation and versatility it not only manufactures pipe solutions for water infrastructure, but has expanded to supply optical fiber and polymer-based medical fabrics and components for clinical environments. Both these 100% black-owned firms supply solutions to Europe, USA, Africa and Asia showing world class production and solutions in manufacturing emanate from NEF funded firms.

"The NEF has accelerated economic transformation by funding entrepreneurs across various industries in manufacturing, properties and affordable housing sector, tourism, agro-processing, energy sectors. This has also supported the township and rural economy whilst contributing to the development building black industrialists who have manufacturing and industrial capacity."

NEF Chairperson,  
**Dr Nthabiseng  
Moleko,**  
Integrated Report  
2023



The construction sector has made significant contribution to growth and employment, an estimated 10% of South Africa's workforce are employed in the construction sector. The NEF has sought to ensure black ownership in a highly concentrated sector. The investments and funding of Crowie Holding have ensured that it has not only grown to become one of the largest construction companies in the sector. It has also seen the company strengthen its property development, building and construction companies but it has also been enabled to offer turnkey contracting and solutions in the range of projects it has completed. The turnover of these companies is well over R2.5 billion, with more than 1200 employed.

The NEF has accelerated economic transformation by funding entrepreneurs across various industries in manufacturing, properties and affordable housing sector, tourism, agro-processing, energy sectors. This has also supported the township and rural economy whilst contributing to the development building black industrialists who have manufacturing and industrial capacity.

### **Has the South African economy transformed?**

Despite many spirited efforts on the part of Government, including a raft of progressive legislation, policies and sector charters, the national economy has remained largely unchanged in respect of ownership, management and control. To the extent that the status quo may ultimately pose a threat to the stability of South Africa's constitutional democracy.

The impending introduction of the Preferential Procurement Bill, which promises to repeal the controversial Preferential Procurement Policy Framework Act under its various legislative iterations, provides for this new and bold ideological shift. Government is the largest buyer of goods and services in South Africa. The last State Procurement Spent report shows that national and provincial departments spent R938 billion, accounting for about 67% of total consolidated government procurement which is estimated in the region of R1.5 trillion in the past financial year. As the custodian of the aspirations of the people

and as the defender of the historically dispossessed, Government has an inalienable duty to support and enable economic transformation and to ensure that the current economic dispensation benefits black people, and in particular black women as well as rural and township communities.

In the enlightened view of progressive society, the future Preferential Procurement Act must also mandate State-Owned Entities to implement preferential procurement strategies and report on performance thereof to the Shareholder and to Parliament. Such a strategy must be underpinned by the courage to set aside a minimum 40% of annual Government procurement for eligible black businesses while also allocating a significant portion to black women in business.

What would affirm those who suffered under apartheid colonialism is a Preferential Procurement Act that fully upholds the objectives set out in Section 217 of the Constitution, which state as follows:

1. When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
2. Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for
  - a. categories of preference in the allocation of contracts; and
  - b. the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
3. National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented."

This, we believe, is South Africa's duty to the call of history because economic emancipation is a moral, constitutional and historical obligation.



### Economic overview

South Africa's lacklustre growth of 2.5% in the last year (National Treasury, 2023) and projected 0.3% real GDP growth for 2023 (SARB, 2023), is also attributed to global economic growth slowed down significantly to 3.4% in 2022. The cost-of-living crisis as a result of inflation, resultant tightening of financial conditions globally and lingering Covid-19 fallout weighed heavily on global economic activity. These concerns have largely been reflected in interest rate increases by the central banks to offset spiralling inflation.

Although inflation remains well above the target of most central banks, there are initial signs that it is now beginning to come within the inflation targets of many central banks' monetary frameworks. The International Monetary Fund (IMF) estimates global growth will continue to decelerate to 2.8% in 2023, driven largely by advanced economies which are projected to shed 1.7 percentage points.

The year 2022 saw headline inflation in South Africa reach 6.9%, which is 0.9 percentage points higher than SARB's target band of 3% to 6% (Stats SA, 2023). The main drivers of inflation were food and non-alcoholic beverages, transport and housing utilities. Inflation is expected to average 6% in 2023 before normalizing at 5% in 2024 as concerted monetary and fiscal policy efforts begin to bear some fruit (SARB, 2023).

The recent scare over bank solvency levels and potential exposure across financial institutions, especially in the United States, will lead to tighter funding and credit conditions by banks as well as stricter regulation and oversight. This will weigh on household and business demand which may result in depressed economic activities locally and have spillover effects across the world. Although most emerging market economies are expected to shed some growth in 2023, China is projected to report significant growth of 5.2% as mobility improves which is essential in driving demand. Growth in Sub-Saharan Africa is expected to slow slightly to 3.6% in 2023 due to weak commodity and household demand (IMF, 2023).

South Africa's economic growth slowed to 2% in 2022, reflecting

global challenges of high inflation and interest rate coupled with high frequency of load-shedding and other domestic structural constraints. The tertiary sector remains the main source of growth in the domestic economy with transport, storage and communication industries recording growth of 8.6% in 2022 (Stats SA, 2023). This growth is attributable to a shift towards online shopping services as well as the trade and services industries. It is followed by finance, real estate and business services (3.9%), trade, catering and accommodation (3.5%).

Despite the challenging environment for households, growth in these industries signifies that the domestic economy is heavily dependent on demand and not supply, an indication of the scope to expand the productive sector through industrialisation. While overall GDP growth was positive in 2022, major sectors such as mining, construction, and electricity, gas and water as well as manufacturing recorded year-on-year declines during this same period (Stats SA, 2023).

Outlook for the domestic economy is expected to remain sluggish over the short to medium term largely due to weak demand and trade. In addition, persistent load shedding will continue to be a major impediment to the productive side of the economy. The South African Reserve Bank (SARB) forecasts a slowdown in domestic growth to 0.4% in 2023, picking up to reach 1.0% and 1.1% in 2024 and 2025, respectively (SARB, 2023).

On the labour market front, South Africa's expanded unemployment rate reached 42.4% at the end of the first quarter of 2023 (Stats SA, 2023), and more than 3.3 million discouraged work seekers who have simply given up looking for work. Black people are mostly affected by the scourge of unemployment either by not being gainfully employed or by financially assisting those family members who are not gainfully employed. In the context of slower economic activity especially in the labour-absorbing sectors such as manufacturing and construction, prospects of reducing this alarming level of unemployment appear dim in the short to medium term.

If we are to change South Africa's economic trajectory, the need to address economic reforms that stimulate not only economic growth



but the inclusion of the excluded is a necessary condition for economic transformation. We must see policy instruments that translate to inclusive growth whilst responding to the structural constraints and historical exclusion of black people from majority of sub-sectors. The need for stimulating productivity requires a deliberate strengthening of development finance institutions that will expand labour absorptive sectors such as manufacturing, construction, agro-processing and services sectors. There has to be an aggressive transfer of factors of production to black South Africans. This will ensure that industry supply chains, market access are improved and bring about a more rapid distribution of capital to strengthen black South African capabilities. The NEF provides a institutional mechanism for the deliberate financing of black entrepreneurs that will promote strengthening of productive capabilities, but also provide for the realisation of the destiny of black South Africans. This directly builds a diversified and resilient economy, whilst ensuring economic transformation and economic growth that diversifies and deepens the participants changing the narrative of South Africa remaining the most unequal society in the globe.

### **A commitment to Governance and Ethics**

The NEF remains committed to the highest standards of governance, ethics, and integrity at all levels. The Board, as the custodian of corporate governance, understands that good governance supports good performance and sustainable value creation. Thus, the NEF embraces robust governance and risk frameworks that enable the NEF to fulfil its mandate. The Board reviews these frameworks on an ongoing basis, being mindful of the dynamic landscape in which it operates. In this regard the achievement of a clean external audit for the 20th consecutive year, is a seminal illustration of the NEF's enduring commitment to governance.

### **Governance imperatives**

#### **a. Composition of the Board**

For the period under review, the Board was constituted with a total number of eight board members, the majority (seven) of whom are independent non-executive trustees, and 1 is an executive trustee. These members hold expertise in finance, strategy, risk management, human resources, development finance, governance,

economic and policy development. The Board is supported by six sub-committees, including the Audit Committee, Risk and Portfolio Management Committee, Board Investment Committee, Human Capital and Remuneration Committee, Nomination Committee, as well as the Social and Ethics Committee.

The Board also appointed independent non-trustee members to serve on the Board sub-committees whose terms of appointment are also subject to the same provisions of the NEF Act. The Board has commenced the process of filling those vacancies.

#### **b. Performance of the Board and its sub-committees**

For the year under review, the Board considered and approved key reports including the Board and the Board Committees Charters, the 2023/24 NEF Annual Performance Plan, 2021/22 Integrated Annual Report, 2021/22 Annual Financial Statements, 2021/22 Development Impact Report and revised the Delegation of Authority Framework. The Board has also put in place governance structures that enable compliance to legislation, policy, and regulatory requirements. The Board and its subcommittees hold regular meetings to also approve various policies, frameworks and ensure effective systems are applied in the institutions. The Board and its sub-committees have maintained independence and foresight in establishing strategies and in reviewing the policies of the institution.

In addition, the Board prioritised key strategic priorities since its appointment. The first has been recapitalisation, which has been a preeminent focus for the past decade to date. However, while the NEF has not been adequately recapitalised, the NEF has received allocations valued at R3 billion from the dtic over the last two fiscal years. The other key focus of the Board was active management of impairments, which appears to be coming well under the target as shown at the end of the 2022/23 financial year and the first quarter of the 2023/24 financial year, after a few years of turbulence caused largely by Covid-19 related disruptions to the performance of the NEF loan book. It is the Board's view that low impairments are central to the sustainability of any financing institution.





### Key issues for the Board during the period

#### a. Accountability

During 2022, the NEF transitioned from its auditors to a new auditing firm still under the guidance of the Office of the Auditor General. The delivery of a clean audit and providing assurance was maintained by the Board and Audit Committee's monitoring the systems and control environment. The adherence to accounting standards in the preparation of financial statements was in compliance to all applicable legal and regulatory requirement due to the committees role in safeguarding the institutions assets. It worked together with the Risk and Portfolio Monitoring Committee in conducting risk assessments and risk profile for the organisation and managing the risk universe of the NEF.

The Board's Investment Committee was able to ensure the approval of transactions as mandated by the board in terms of the delegations of authority. Ensuring the Board fulfils its main function as a development financier. The Social and Ethics Committee has played a pivotal oversight function implementation of the NEF's contribution towards social and economic imperatives. The Board and the sub-committee have played an oversight role in promotion

of equality, prevention of corruption and unfair discrimination, promotion health and public safety and oversight over the environment. The Human Capital and Remuneration Committee has overseen and monitored compliance with human capital policies, remuneration structures to ensure employees are fairly rewarded for their individual contributions to the NEF's overall performance. In addition they review and develop human capital policies and procedures to ensure strengthening and appropriate mechanisms to deliver the NEF mandate within the organisation.

#### b. The recapitalisation of the NEF.

The NEF largely supports business ventures of Black entrepreneurs who require well-coordinated financial and non-financial support to this segment of the population has the potential to unlock enormous benefits for small entrepreneurs across various industries. SMEs are vital in stimulating competition, innovation, economic growth and job creation. The NEF is constrained by inadequate financial resources.

At the end of June 2023, the NEF had R398 million uncommitted cash at hand while it receives an average of about R5.5 billion worth of applications from Black entrepreneurs on an annual basis.



For the 2023/24 financial year, the approved and tabled APP of the NEF requires at least R1.2 billion and an additional R1.5 billion in 2024/25. At bare minimum, the NEF requires an annual allocation of at least R1.5 billion annually over the next five years to be able to address the sizeable demand for funding among Black entrepreneurs who hope to become industrialists to help bridge the country's formidable historical divide and to drive the transformation agenda.

In 2004, Government undertook at Parliament that it would fund the NEF to the tune of R10 billion over the next five years. This undertaking has not materialised. Over the years, numerous applications for funding through the MTEF have been unsuccessful, including solicitations for the NEF to be granted limited borrowing rights. This has led to the NEF engaging other partners for sustainable funding solutions, one of these was a facility of R500 million approved by the Board of the Industrial Development Corporation. This facility could not be disbursed due to the need to first secure Cabinet approval. The NEF will however through looking at alternative methods to mobilise resources from private and public sector entities to financing black entrepreneurs. The NEF continues to successfully leverage third party funding and remains a trusted partner by various partners including but not limited to the Black Business Manufacturing Fund, the DTIC Economic Recovery Fund, Department of Transport's Taxi relief Fund, Transnet Port Terminals, , DoED Western Cape, , SARS, DTIC Energy and Furniture Fund, the Steve Tshwete Municipality, the City of Ekurhuleni and NC Government Economic Development & Tourism. Available uncommitted Third- party Funds amounts to R510 million. Life to date, the NEF has raised of R3.4 billion in third-party funding from partnerships with these and more public and private sector stakeholders.

For the NEF to maximise its trajectory in driving the economic empowerment of Black people, women and youth, it will require greater financial resources from Government to enable increased leveraged funding through partnerships with the private sector.

### c. Succession planning

The NEF's Talent Management and Succession Plan is aimed at facilitating and promoting the achievement of the organisation's objectives and business plans. Over the years, this has been achieved through the process of identifying, developing, training, mentoring and retaining individuals with high potential. The NEF nurtures internal talent to prepare the cohort of young black professionals to occupy key management roles in future as incumbent managers exit for varying reasons including promotions, retirement and other career pursuits.

The NEF is committed to nurturing its employees, many of whom hold various qualifications and possess different technical skills and capabilities and provides the necessary tools and a conducive working environment as well as continuous learning and development. The NEF prides itself with growing its own timber and grooms its leadership internally as demonstrated by the number of Managers and Executives that have been promoted internally, over the years. This has also ensured the retention of institutional memory and continuity.

### Appreciation

The Board and management are grateful to have served under the stewardship of Minister Ebrahim Patel. We hold the Minister of Trade, Industry and Competition, Mr Ebrahim Patel as well as Deputy Ministers Fikile Majola and Nomalungelo Gina and the entire team at **the dtic** in the highest esteem for their continued support of the NEF and for entrusting the NEF with the gigantic task of transforming the South African economy, ensuring that Black entrepreneurs, in whose esteem we serve, play a catalytic and leading role in the nation's economic growth.



Since July 2005, the CEO of the NEF, Ms Philisiwe Mthethwa, has been at the executive helm of the organisation, during which period she was instrumental in driving the institutional maturity of the NEF. It is her diverse knowledge of banking, capital markets and international investment that helped grow the NEF into a high-performing organisation, one whose integrity is exemplified by 20 years of uninterrupted clean external audits. Today the NEF is an authority on the development of black industrialists, rural and township development, women empowerment, enterprise and supplier development, among others, which are some of the areas that the CEO has been passionate about.

It is because of these many distinctions that we are all proud to serve in the advancement of such an esteemed and exemplary institution that is making a meaningful impact in deepening entrepreneurship and inclusive growth across the country. The Board thanks Ms Mthethwa for the legacy of sterling leadership that she leaves behind.

The Board is also grateful to management and the frontline workers of the NEF for their significant roles in the implementation of the noble mandate of empowering Black people to play an active part in the economic mainstream.

Last but not least, my appreciation also goes to the Board of Trustees and members of Board sub-committees for their foresight and dedication in steering the organisation in the successful achievement of considerable results as outlined in the various sections of this Integrated Report.

**Dr Nthabiseng Moleko**  
Chairperson  
NEF Board of Trustees

"The NEF remains committed to the highest standards of governance, ethics, and integrity at all levels. The Board, as the custodian of corporate governance, understands that good governance supports good performance and sustainable value creation. Thus, the NEF embraces robust governance and risk frameworks that enable the NEF to fulfil its mandate. The Board reviews these frameworks on an ongoing basis, being mindful of the dynamic landscape in which it operates. In this regard the achievement of a clean external audit for the 20th consecutive year, is a seminal illustration of the NEF's enduring commitment to governance."

NEF Chairperson,  
**Dr Nthabiseng Moleko,**  
Integrated Report  
2023



## **RICHES ARE YOURS**

**By Dr Nthabiseng Moleko**

With the rushing of a mighty wind  
Flood our nations with healing  
The land is yours, revive it  
Azania a land of gold, platinum and iron ore  
Diamonds of Sierre Leone,  
Oils spring from Angola, Libya and Nigeria  
From the tip of Egypt it drips to Chad  
To the shores of the Cape Coast  
Rich in dark cocoa beans  
May your spirit rest on our shores  
Stretching from the horn of Africa  
Racing down the deserts of the Kalahari  
Diamonds hidden in those granules  
Flood us to the rocks of the Umhlanga  
As gold drapes South Africa

Enriched us you have with illustrious goods  
The world without us cannot produce  
Yet our minds enslaved, our hands begging  
Fill our minds with a mind to work  
Generate, produce, creative ability  
For the inputs like Solows model are ours  
The systemic have called them commodities  
To me they are not common, rare assets  
Priced according to world demand  
Summated to inferior goods  
We take whatever price  
For we sell our nations souls to the highest bidder

Yet it's the lowest return, like prostitutes any price  
Yet without them production it would cease  
Enforce o child of the soil  
Legislate for it has been given you  
The source of production  
The gems and cobalt was hidden in you  
The diamonds and ore of iron a gift from above  
The oil spills from your womb constantly  
With new spills overflowing  
Petroleum, oil in its crudest form you give away  
Refusing to process so in recession you remain  
Iron ore, copper and aluminium you give away  
Raw to buy it back refined awake from slumber  
Gold endowed with glory is your land  
Why seek your wealth elsewhere?  
It is here in your midst  
The acres of land, arable, waters been given you  
Selling it to the East, your slavery to the West you trade for another  
Taskmasters you always seek them  
Enslaved yet Canaan you've been given  
Land of milk and honey is Africa  
Aid is not foreign, you've chosen to make her domestic  
As you enslave yourself in debt  
Like a beggar you are  
Yet the wealth it lies with you  
Work the resources, produce, develop  
Work with your hands  
Ngezandla  
Set in your mind a heart to work  
Determine in your people to produce



Yet like a dark cloud our people perish  
Locked in the womb are the benefits of her minerals  
By a few lions who slaughter the people  
Fall to the ground and be entrapped  
The net of the provinces be cast over you  
Lions who roar and devour the people  
Parasitic elite  
Guarding citadels of narrow interests  
Judgment come upon your strongholds  
Searched out til you're found no more  
Righteous arm of the Lord  
For the sake of the helpless  
For the sake of the poor  
For the sake of the black man and woman  
We too are your creation  
Despised, mocked at, ridiculed  
We too are your creation  
Judge the web, for we cannot reach it  
Global systems, agreements, indebted we are  
But to you we yield our earthly endowment  
Blood of Jesus blot out the legal requirements  
Enslaving our nations  
Stealing our wealth  
Enslaving the people  
To abject poverty  
Paralysis to dark forces  
That we do no see  
The repercussions obvious

Riches are yours  
Strength is yours  
Arise on our behalf  
Raise an army that will take responsibility  
Raise an army that will enforce productivity  
Raise an army that will sound an alarm  
That change is upon the nations of Africa  
Til they walk into their jubilee  
Til' we walk into the inheritance God has for us  
And every family fulfills her destiny  
And the NEF fulfils its destiny





# CEO'S REPORT



Ms Philisiwe Mthethwa  
Chief Executive Officer (CEO)

## THE RESOLVE TO REACH FOR THE STARS

### A tribute to the empowerment fraternity

One of the hidden gems of African history is the story of the all-female Agojie warriors, reprised on the silver screen in September 2022 through the epic film, *The Woman King*. This all-female military regiment of the Kingdom of Dahomey in today's West African country of Benin, existed from the 17th century until the early 19th century, and their role was to protect the Dahomey from local hostility and colonial subjugation, enabling the Kingdom to enjoy centuries of unprecedented socio-economic prosperity. The story of the Agojie warriors is yet another affirmation for the protagonists who believe in the glory of Africa's past and future grandeur.

This *Integrated Report 2023* of the National Empowerment Fund (NEF) is a tribute to the modern-day regiment of South Africa's economic warriors, the women and men who are at the forefront of the quest for transformation and inclusive growth.

These are the pathfinders who have been the pride of my service over

the past 18 years at the helm of the NEF. As I begin the countdown to the end of my tenure as CEO of the NEF in December 2023, I must thank the current and past administrations of our democratic Government, Parliament, the empowerment fraternity, the staff and management of the NEF as well as Trustees dating back from 2005 to date, for having entrusted me a role in the construction of the modern-day pyramids of hope and black excellence.

This is a tribute to our investees in the rural areas, in the townships and cities across South Africa, who are making a difference on a daily basis creating jobs and adding value to our economy. This is homage to the game-changers who straddle the various sectors of our national economy.

### The triumph of institutional maturity

The early years of the NEF were characterized by an uncertain and tentative start, hamstrung by challenges in crafting a credible, compelling and long-term operational strategy, market-related products and services and a value-proposition that would secure both Government and Parliament's faith in the future of the entity. Given its





many subsequent accomplishments, the empowerment fraternity has much to be grateful for that Government suspended plans to disband the earlier iteration of the NEF.

In July 2005 the NEF had approved only R35 million for the benefit of 17 black businesses. As the NEF began to define its path and to construct a definitive structural architecture, the entity's fund management resolve began to find purpose.

As recorded in the Chief Executive Officer's Report for the period ending April 2006, "we embarked on an extensive recruitment drive across all levels of the organisation – from the executive to investment associates. It is extremely gratifying to report that the calibre of individuals we have brought on board is tangible. The dynamic energy and intelligence of our team is evident in the feedback from clients and stakeholders. We currently have 53 employees. We expect to nearly double this number to 93 over the new financial year, predominantly in the Fund Management Division".

Also outlined in the same report was the following assertion: "As part of our restructuring and recruitment drive, we have adopted a 'cradle to grave' philosophy to streamline our investment process and address the backlog of applications. Separate teams are now responsible for pre-investment screening, another for due diligence while the post-investment team monitors and mentors for sustainability the entities we finance. This new approach encourages expertise, structure and focus; and acknowledges the ultimate accountability of the NEF to our applicants and investees from various divisions of specialised expertise. We are seeing results and have removed the backlog of applications to date".

As acknowledged by the then Minister of Trade and Industry, Hon. Mandisi Mphahla, progress had been made compared to the year prior: "The NEF has made steady progress towards achieving these objectives of facilitating economic equality and transformation by approving transactions in the order of R491 million, of which R277 million had already been disbursed as at 31 March 2006".

This exuberance was shared by the Chairperson of the Board of Trustees at the time, Mr Ronnie Ntuli, who enthused: "The NEF architecture is in place and a solid foundation has been cast. The team looks forward to building on this in the coming year. The continued commitment, drive and energy from the Board, the executive and all our employees and stakeholders in supporting the NEF initiatives will certainly contribute to achieving this success".

"NEF-funded investees are involved in the manufacture of a range of products, and these included lithium batteries for solar power, high-density polyethylene, railway components, industrial steel wheels and rims, aerial platforms, livestock, fruit and vegetables, maize meal, dairy products, frozen food products, detergents, condoms, roof tiles, bricks, window and door frames, mining technology, furniture, pesticides, building panels, sanitisers, personal protective clothing and much more. Some have built state-of-the-art hospitals, affordable housing units, student accommodation complexes, community-owned shopping malls, office parks, hotels and lodges and much more, placing them at the forefront of the nation's commitment to transformation, recovery and growth."

NEF CEO,  
Ms Philisiwe  
Mthethwa,  
Integrated Report  
2023

## CEO'S REPORT (CONTINUED)

A total 18 years later, the NEF is a vastly different place, with a solid set of performance milestones as outlined below, as at 31 March 2023:

### APPROVALS

Approved **1 490** transactions worth more than **R13.082 billion** across the country.



### DISBURSEMENTS

Over **R9.097 billion** disbursed to these companies since inception.



### COLLECTIONS

Over **R5 billion** has been repaid by investees.



### INTEGRITY

Secured **clean external audit** opinions for **20 years running**.



### SUPPORTING JOBS

Since inception, the number of job opportunities supported is **119 045** of which **73 850** were new.



### INDUSTRIALIZATION

**24** strategic and industrial projects worth **R12.6 billion**, with the potential to support over **52 000** jobs. 87% of the transactions are at an advanced development stage. Since inception **3 600** job opportunities have been created.



## A CULTURE OF SAVINGS AND INVESTMENT

In a transaction worth over **R1 billion** the NEF Asonge Share Scheme made available more than **12 million** MTN shares to over **87 000** investors comprising black individuals and groups. **49%** of investors were women.

## INVESTOR EDUCATION

Reached approximately **8 678 658** people in villages and townships through **723** community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets.

## ENTREPRENEURSHIP TRAINING / INCUBATION

Business skills training provided to over **6 814** potential entrepreneurs who attended **895** seminars from 2012 to date.

## NATIONAL FOOTPRINT

Approximately **72%** of the number (76% by value) of approved transactions emanated from the eight regional offices and the Pre-Investment Unit.





## CEO'S REPORT (CONTINUED)

### Funding across key sectors of the economy

Over the years, the NEF has been a driver for the implementation of the Code of Good Practice of Broad-Based Black Economic Empowerment, as outlined in the NEF Act.

In this regard, the NEF has used a sector-targeted approach in developing its portfolio and has striven to support the initiatives of **the dtic**, including the Industrial Policy Action Plan (IPAP) and more broadly the National Development Plan, by championing and funding

the advancement of emerging entrepreneurs into black industrialists, across key sectors of the economy.

The Government priorities that the NEF has sought to support include:

- 1) Acceleration of economic growth and transformation and creating decent jobs;
- 2) Infrastructure, rural and township development;
- 3) Skills transfer and human resource development, as well as
- 4) Improving public service in line with national industrial objectives.



As a result, the NEF has registered key breakthroughs in embedding black participation across various industries, with the following highlights as at 31 March 2023:

#### Black Industrialists

Create new manufacturing and industrial capacity alongside local and international partners. To date the NEF has invested about **R900 million** in developing projects (with a total of 24 projects currently under development) with a total of 5 operational businesses that have created over 3600 jobs and leveraged over R4 billion of third-party funding. The projects have a combined economic value of **R12.6 billion**.

#### Support SMEs

A dedicated fund that has supported entrepreneurship, procurement and franchise funding, as well as business planning, incubation, training and mentorship support. To date, NEF disbursed over **R2.8 billion** in the support of **705 small and medium enterprises**.



## Township and Rural Economy

A dedicated fund that supports businesses in rural areas and townships. The businesses are in various sectors including property (shopping malls), petroleum sector (petrol stations) and tourism. To date the NEF disbursed just under **R2.4 billion** in support of over **380 entities** in rural and township economies.

### Property

To respond to the market failures of low ownership of property by Black businesses, the NEF introduced the property funding product to contribute to transformation of the sector. To date the NEF has disbursed over **R684 million** in the property sector. These investments are expected to contribute in job creation, infrastructure development, addressing the lack of student accommodation and supporting Government's economic stimulus and recovery plan.

### Tourism

The NEF continues to invest in community-owned hotels and lodges to drive the growth of the tourism sector. This includes investments in tourist attraction projects like the Graskop Gorge Lift, a flagship project that will drive tourism development in the Panorama Tourist Route in Mpumalanga and is the first of its kind in Africa. To date the NEF has disbursed over **R251 million** into this sector and continues to identify opportunities in partnership with the Department of Tourism.

### Affordable housing

In partnership with various industry stakeholders, supported the construction of several social housing, student accommodation and related projects. To date, NEF invested over **R375 million** in this sector.

### Agro-processing

Supported beneficiation investments across the agricultural value chain such as processing of castor oil, fruit juices, condiments etc. To date, NEF has invested over **R373 million** in this sector. To date, NEF invested over **R478 million** in the agriculture and agro-processing value chain sector.

### Energy

Invested over **R778 million** in **126** service stations countrywide, of which 43% are owned and managed by Black women. These investments have supported at least **4 006** jobs to date.

## CEO'S REPORT (CONTINUED)

### NEF investee products

While the services sector has formed a key component of NEF funding, the manufacturing sector has also been another important pillar of the NEF's funding philosophy.

As a result, NEF-funded investees are involved in the manufacture of a range of products, and these included lithium batteries for solar power, high-density polyethylene, railway components, industrial steel wheels and rims, aerial platforms, livestock, fruit and vegetables, maize meal, dairy products, frozen food products, detergents, condoms, roof tiles, bricks, window and door frames, mining technology, furniture, pesticides, building panels, sanitisers, personal protective clothing and much more.

Some have built state-of-the-art hospitals, affordable housing units, student accommodation complexes, community-owned shopping malls, office parks, hotels and lodges and much more, placing them at the forefront of the nation's commitment to transformation, recovery and growth.

### Funding women and youth

In pursuit of maximising the Empowerment Dividend, the provision of financial and non-financial support for Black women and youth is at the centre of the organisation's empowerment philosophy. In this regard, over the past 12 years, 40% of the NEF's total disbursements have benefited businesses that are partially or wholly owned by Black women entrepreneurs.

This has been made possible by the dedicated efforts of the NEF's Women Empowerment Fund (WEF), established in 2014 to drive the value and volume of approvals and disbursements to businesses that are owned and managed by Black women.

A highlight in this regard is in healthcare where a 100% Black woman-owned business, Thring Kunene, is involved in the local manufacture of dialyzers for the treatment of kidney disease.

To support the NEF's commitment to empowering businesses owned

and managed by Black women entrepreneurs, in April 2021 the dtic allocated the NEF a total R141 million to help place more Black women at the forefront of the economy in agro-processing, beneficiation, construction, franchising, manufacturing, procurement, property, renewable energy, services, tourism, transportation and various other opportunities. Under this programme, funding was provided in the form of concessionary loans or equity with a maximum interest rate of 1.5%, which is below the market rate.

The NEF has also continued to support youth-owned businesses primarily through entry into the 4th Industrial Revolution as well the creative industries, particularly in film and television production.

An example in this space is in mining services where Mohlalefi Engineering, a Black youth-owned and managed business, manufactures roof support structures that improve safety in the mining sector. The company now exports to 4 SADC countries, namely Zambia, the Democratic Republic of Congo, Zimbabwe and Mozambique.

### Capitalising the NEF

Despite the NEF's distinction as a high-performing organisation, the entity has not received secure and sustainable funding from the fiscus, as envisaged in its founding legislation.

Section 18 of the National Empowerment Fund Act No. 105 of 1998 provides for the NEF to be funded by Government as follows: "The operating and capital expenses of the Trust will be financed by grants, loans, income generated by the Trust or money appropriated by Parliament for that purpose".

In 2004 Government undertook at Parliament to fund the NEF to the tune of R10 billion over the next five years. This, however, did not materialise. The NEF was capitalised in 2004 by Government to the value of R2.4 billion, all of which was fully disbursed by 2010, as planned.

Since then, the NEF has been self-financed with proceeds from





dividends and interest income from its investments and proceeds from the sale of shares in 2007 through the Asonge Share Scheme of a portion of the NEF's holding in the MTN Group. This resulted in more than 87 000 Black South Africans becoming investors in one of the country's leading cellular operators, and generated R1 billion in revenue.

Additional capital was generated from loan repayments totaling R5 billion, which are still being collected in the normal course for reinvestment into funding operations. Over the past 12 years, applications for funding through the fiscus have not yielded success.

Equally important, the NEF is classified under Schedule 3A in the Public Finance Management Act (PFMA), which precludes the NEF from any form of borrowing in the capital markets. Since 2012, the NEF applied unsuccessfully to National Treasury for reclassification as a Schedule 2 entity, in order to be granted Limited Borrowing Rights.

Whereas such condonation would inevitably increase the cost of borrowing for and from the NEF and thereby precipitate a greater cost burden for Black entrepreneurs, reclassification for limited borrowing rights is still a plausible avenue for raising capital to fund the implementation of the NEF's mandate. The NEF needs a hybrid funding model which would allow the entity to receive direct allocations from the fiscus and to raise funding from the capital markets.

Despite these setbacks, the NEF is grateful to Minister Ebrahim Patel, who has made a positive and historic difference since his appointment in 2019 as Minister of Trade, Industry and Competition. Together with the leadership of **the dtic**, over the past three years Minister Patel has entrusted the NEF with more than R1.4 billion for the execution of the mandate of the NEF, including the current Alternative Energy Fund for businesses affected by loadshedding.

The NEF is also grateful to former Trade and Industry Minister, Alec Erwin, who had the foresight many years ago when MTN was licensed by Government, by designating the NEF as a 3% shareholder in the mobile phone giant. This has been instrumental in sustaining the NEF over the past 2 decades from the distribution of over R2 billion.

The NEF will continue to engage with Government to secure predictable and assured allocations of a minimum R1.5 billion per annum to be able to service the considerable demand for funding from Black entrepreneurs to be able to build a grown number of Black business pyramids.

### Propelling citizens to play an active role in the economic mainstream

A significant factor of a thriving economy is a sizeable contribution from its middle-income earners, which is typically the result of the prevalence of small to medium sized businesses. The creation and sustainability of such businesses requires financial and non-financial structural and systematic support. The NEF, through its mandate has, over two decades, become intimate with the needs, market failures and delivery of solutions to this South African segment. It is the recognition that for South Africa to thrive, its citizens require support to take up their active economic roles. The 2022/23 financial year ended performance is the fruit of the seeds sewed and nurtured over twenty years to best serve this segment, with all performance indicators met, barring one indicator.

The NEF fosters active economic citizenship through various initiatives that continue to support and enable Black South Africans to participate in the economic mainstream. Due to its deep understanding of factors that impede the development of local SMEs derived from 2 decades of portfolio evidence, the NEF continues to champion and mobilise financial and non-financial products that are tailored to support the dreams and aspirations of Black South Africans, including youth and women across all corners of the country. More specifically, the solutions are intended to bridge the information, skills and financial gaps that exist in the South African economy.

Over the years, our focus has always been rooted in financing projects that have the potential to expand the economic base of the country. Four Black Industrialists, funded by the NEF, won awards during the inaugural Black Industrialist and Exporters' Conference in June 2022, validating programmes and initiatives offered by the NEF. These Black Industrialists, comprising Mohlalefi Engineering, Khabokedi Waste

## CEO'S REPORT (CONTINUED)

Management, Tshellaine Holdings and BT Industrial were awarded the Presidential BIEC Awards for Job Creator, the Young Black Industrialist award, and the Local Manufacturer awards, respectively. These investees, amongst others, continue to play significant roles in ensuring meaningful participation of citizens in productive sectors of the economy.

### **Factors that shaped the operating environment at a glance**

Multiple factors played a pivotal role in shaping the operating environment for the NEF due largely to a challenging operating reality for our clients, both nationally and globally. As an organisation driven by a developmental mandate, the NEF places significant emphasis on advancing South Africa's economic transformation agenda. The mandate continues to be implemented diligently and in a sustainable manner, ensuring enduring benefits for all stakeholders involved.

While 2022 largely saw the GDP return to pre-pandemic levels, growth remains sluggish in various key sectors such as mining and quarrying, manufacturing, and construction. The decline in the construction sector presented noteworthy challenges, resulting in six consecutive years of negative year-on-year growth. The NEF has intensified its support for all its clients during this tough economic environment, particularly those in these sectors. This prudent approach helped safeguard the NEF's investments and ensured the organisation's continued positive impact on the overall economy.

Despite the challenges posed by spiraling inflation, central banks worldwide responded proactively by significantly raising interest rates within a relatively short timeframe. In line with this global trend, the South African Reserve Bank raised the repo rate from 5.5% in April 2022 to 7.75% by March 2023, marking a notable increase of 225 basis points.

While the rising interest rate environment led to a reduction in household demand and disposable income for local consumers, it is important to view this situation from a broader perspective. The high interest rate environment, coupled with sluggish economic activity, presents some potential upside risks for financing institutions.

However, it is crucial to note that the NEF is well-prepared to navigate such challenges.

Recognizing the potential impact on their ability to collect, maintain acceptable impairment levels, and achieve desirable returns on investments, financing institutions have adopted proactive measures. These measures include prudent risk management strategies, enhanced monitoring frameworks, and the implementation of responsible lending practices. By adapting and responding effectively, the NEF withstood and overcame these challenges.

The demand for funding from Black Industrialists has remained exceptionally high, reflecting the strong entrepreneurial spirit and ambition within Black communities. Over the past five years, the NEF received a remarkable total of 8 162 applications from potential industrialists, amounting to an impressive R27.5 billion. This translates to an average of approximately R5.5 billion per annum, clearly demonstrating the overwhelming demand for financing, particularly from Black entrepreneurs, a group that the NEF is specifically mandated to support.

However, it is worth noting that Black industrialists still face challenges when it comes to securing the necessary equity for significant industrial projects. Recognizing this, the NEF understands that effective capitalization is crucial in ensuring sustainable financing for Black industrialists. By adequately capitalizing the NEF, the entity can provide the necessary resources and support to enable the growth and success of Black entrepreneurs on a sustainable basis.

Through strategic partnerships and collaborations, the NEF has already made significant strides in extending financial support to Black entrepreneurs during the year under review. Effective capitalization is fundamental to unlocking the full potential of Black Industrialists and facilitating their long-term sustainability. By ensuring a well-capitalized NEF, the organisation can continue to empower Black entrepreneurs, foster economic growth, and drive sustainable development in our country.





The NEF's professional resources hold highly sought-after skills and expertise, resulting in a challenge of retention of top talent in a highly competitive labour market.

To address these challenges, the NEF has implemented a range of measures to create an environment that promotes work-life balance, offers competitive benefits, and provides ample opportunities for career development and growth. These factors have been instrumental not only in attracting but also retaining top talent within the organisation during the year under review.

By fostering a work environment that values the well-being of its employees and offers avenues for professional advancement, the NEF ensures that it can consistently acquire and retain the skilled individuals required to drive its mission forward. The NEF recognizes the importance of its personnel and continues to create an environment where the talent is valued, cultivated, and rewarded, ultimately contributing to the success experienced in the 2022/23 financial year.

### **Robust performance for the year 2022/23.**

Despite several social and economic challenges that faced the country and affected households and businesses, in particular Black entrepreneurs, the NEF delivered against set targets for the year under review. The resolve to reach for the stars is entrenched in the NEF's tenet, driven largely by the quest for the economic empowerment of Black people as conferred through the NEF Act. The 2022/23 performance is testament to that, with the development financier achieving all set targets for the year under review except for one. It is pleasing to announce that under the strategic objective; advancing B-BBEE, we have approved R1.2 billion worth of investments to businesses owned and managed by Black South Africans mainly in townships and rural areas (against a target of R1 billion). A total of R692 million was disbursed into the domestic economy, creating, and maintaining 4 598 jobs.

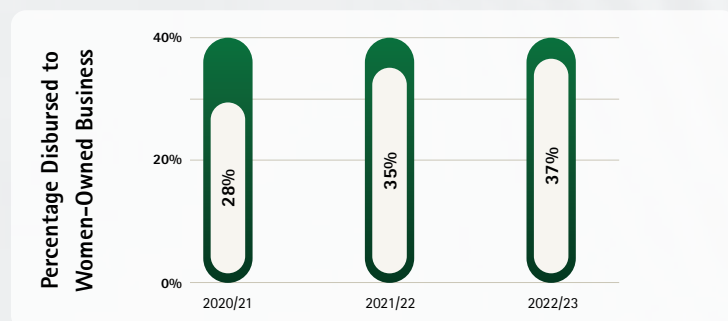
As a development finance institution, our value proposition extends to socio-economic impacts. In this regard, the NEF's average cost per job for the year under review was approximately R270 000. This represents an efficient management and allocation of financial resources by the NEF especially in the context of the challenging operating environment for households, businesses, and Governments globally as costs rise. The strategic focus of our investments in townships and rural areas is intended to alleviate the triple challenges of poverty, unemployment and inequality which are more prevalent in the areas that the majority call home. This is vital in addressing the economic exclusion of Black people which perpetuates socio-economic instabilities across the country. In an economy that is shedding jobs, the NEF's approach is to re-direct investment towards industries that absorb a large number of low and semi-skilled labour.

One of the great leaders of our generation, former President Nelson Mandela, once said "if you want to change the world, help the women". The NEF prioritises the empowerment of Black women owned and managed businesses through a dedicated Women Empowerment Fund, focusing on businesses that are at least 52% owned by Black women. In his State of the Nation Address in 2023, His Excellency President Cyril Ramaphosa indicated that "a key aspect of the National Strategic Plan is the economic empowerment of women". The NEF reported a notable improvement in the percentage of disbursements to Black women-owned and managed businesses in the period under review, achieving 37% as compared to an average of 31.5% of the past two financial years.

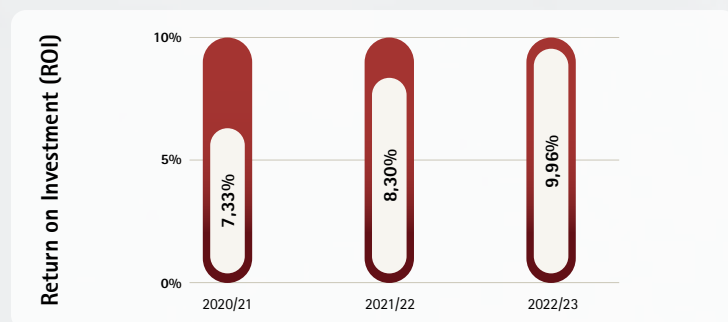
Addressing the Women Economic Assembly Convention in October 2022, President Ramaphosa acknowledged the role of the NEF in "opening doors for women-owned businesses that have been able to trade and do business so well that they have been able to pay their loans. That is one of the things that women in business do well – they pay back the money. This is thanks to the partnerships that are forged between the public and private sectors. Our economy cannot thrive without the full and equal participation of women."



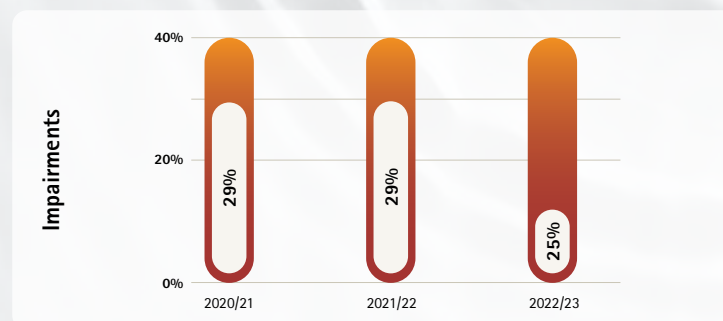
## CEO'S REPORT (CONTINUED)



Financial efficiency and sustainability forms part of the NEF's strategic performance objectives. The NEF's approach has yielded desirable results as the development financier exceeded expectations, with impairments of 25% and ROI of 9.96% in the year under review despite subdued economic activities across major domestic industries and weak consumer demand which is essential for businesses to thrive. The figure below depicts NEF's return on investment over the past three financial years.



The figure below shows the NEF's impairment levels over the past three financial years. The significant improvements in impairment performance should be viewed in the context of the recent financial years which saw impairments reaching 30% as well as challenging operating environment for businesses which led to deteriorating impairment levels for major domestic and global commercial banks. We believe the NEF's performance in this regard is commendable and is attributable to the increased percentage of collateral against the loan book, effective credit risk management, monitoring, collection, and recovery processes.



### Transforming the economy through partnerships

The NEF has expanded its efforts to grow B-BBEE by partnering with various stakeholders to leverage funding opportunities for Black enterprises. Strategic relationships that unlock third-party capital have been fostered, thus increasing the availability of affordable capital for deployment to applicants/investees along with the organisation's own unencumbered capital. The NEF recognized that active and meaningful participation of Black people in the mainstream economy requires a more concerted approach involving everyone. As a result, the NEF has partnered with government and private institutions in the quest to accelerate transformation of the domestic economy.

In the year under review alone, the NEF has partnered with the Solidarity Fund, Sun City, South African Revenue Services (SARS), Industrial Development Corporation (IDC) and the dtic. Despite the global and domestic economic environment of recent years, the NEF raised approximately R3 billion in the past three financial years. These partners include the likes of Nissan South Africa; Transnet, BP South Africa; Bakubung Minerals; Sun City; the Department of Tourism; the dtic; the Department Sport, Arts and Culture; the Northern Cape, Limpopo and Western Cape Provincial Governments as well as the Steve Tshwete and Ekurhuleni Municipalities, among others.

The NEF also successfully implemented and concluded several third-party funds during the past financial year. These include Women Empowerment Fund, Economic Distress Fund, Covid19 Black Business Fund, Black Business Manufacturing Programme and Taxi Relief Fund. In addition, we have existing partnerships with private partners,



especially in the retail industry, and this has seen an increase in the participation of Black entrepreneurs in fast food franchises, fuel service stations and big retail stores.

The NEF funds across all sectors of the economy and has had a track-record of success as an implementing partner in enterprise and supplier development, having collaborated with various stakeholders in the public and private sectors.

The potency of these partnerships with both the private and public sectors enable the NEF to provide concessionary funding, including grant funding, which reduces the cost burden on black SMEs to enable far greater traction for stability and growth.

### Supporting Black entrepreneurs in townships and rural areas

The NEF has several initiatives to assist Black entrepreneurs especially in townships and rural areas as a large proportion of aspiring Black entrepreneurs are based in these areas. They are often characterized by inadequate financial and business management skills as well as limited access to finance. Through the entrepreneurial development programme, the NEF conducted 216 entrepreneurial training sessions in the year under review relative to the 174 conducted in the prior financial years, an increase of 24%. The training programme reached hundreds of Black people across the country, bridging the information and basic business skills gap. The programme is also aimed at stimulating entrepreneurship which is vital in creating sustainable small businesses and jobs.

Over the past two years, the NEF assisted Black entrepreneurs across a wide variety of sectors in townships and rural areas. The retail industry received the largest share of NEF investments to the tune of R296 million in the past two financial years. It was followed by property and manufacturing industries accounting for R171 million and R84 million, respectively. These are priority industries identified by Government through the master plans and Economic Recovery and Reconstruction Plan (ERRP) to stimulate economic recovery, growth and job creation. In pursuit of the transformation agenda, the NEF has provided financial support to Black entrepreneurs, women and youth

owned businesses in township and rural areas across 38 districts.

The NEF also successfully implemented the distribution of relief funds to Taxi Operating License holders through the Taxi Relief Fund. The funds for this initiative, R1.135 billion, were allocated to the NEF by the Department of Transport (DoT). Over 35 000 applicants were reached through extensive awareness campaigns driven in over 70 districts. The proportion of women Taxi Operating License holders was 18%. The NEF employed 93 trainees who were upskilled and as a result

"The NEF fosters active economic citizenship through various initiatives that continue to support and enable black South Africans to participate in the economic mainstream.

Due to its deep understanding of factors that impede the development of local SMEs derived from 2 decades of portfolio evidence, the NEF continues to champion and mobilise financial and non-financial products that are tailored to support the dreams and aspirations of Black South Africans, including youth and women across all corners of the country. More specifically, the solutions are intended to bridge the information, skills and financial gaps that exist in the South African economy."

NEF CEO,  
Ms Philisiwe  
Mthethwa,  
Integrated Report  
2023

## CEO'S REPORT (CONTINUED)

were able to find job opportunities as the project wound down.

### APPROVALS

a total of **174 transactions** to the value of **R1.2 billion**, outperforming the **R1 billion** target by **R200,000**.



### COMMITMENTS

committed transactions to the value of **R939 million** against a target of **R750 million**, outperforming the target by **R189 million**



### DISBURSEMENTS

deployed **R692 million** into the domestic economy against a target of **R675 million**, outperforming the target by **R17 million**



### JOB

funding disbursed into the economy supported **4 598** job opportunities against a target of **4 154**



### DISBURSEMENT TO BLACK WOMEN ENTREPRENEURS

**37%** disbursed to businesses that have black women ownership against a target of **35%** as the NEF prioritises the empowerment of black women.

### TARGETED PROVINCES

a total **R152 million** was invested in the Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North West, representing **22%** of annual disbursements against a target of **25%**. The target was not achieved as GP and KZN account for the largest share of disbursements, primarily, due to the finalisation of the ERF.

### INVESTOR EDUCATION

to promote a culture of savings and investment among black people, **88 investor education sessions** were held against a target of **45**, countrywide. This benefited and inspired about **2.8 million black South African** in villages and townships to form or join existing stokvels.

### ENTREPRENEURIAL TRAINING

**216** entrepreneurial training sessions were held across the country, against a target of **135**



### BUSINESS INCUBATION AND REFERRALS

**224** entrepreneurs were referred for incubation and **62** entrepreneurs were fully incubated against a target of **150** and **30**, respectively.







## SOCIAL FACILITATION

26 social facilitation sessions held during the period against a target of 24



## IMPAIRMENTS

Impairment of 25% against a target of 25%. The target was achieved owing to increased percentage of collateral in relation to the loan book value, write offs and recoveries.



## RETURN ON INVESTMENT (ROI)

ROI at 9.96% against a target of 7%. The increase during the financial year of the prime lending rate resulted in higher collections.



## COLLECTIONS

83.9% against a target of 80%.

### NEF Performance against targets

#### Appreciation

In 2003, before joining the NEF, I had the privilege to lead the conceptualisation, formulation and the finalisation of Government's Broad Based Black Economic Empowerment strategy, the BEE Act and the various charters, including the Mining, ICT, Construction, Paper, Automotive and the Financial Services Charters. This privilege extended to leading the development of the Codes of Good Practice on B-BBEE, a roadmap that turns 20 years in 2023.

It is my wish to see the NEF continue the role of shaping the country's quest for transformation. I have no doubt that the exceptional calibre of black professionals that I leave behind, the management and staff of the NEF, will be equal to the task because as thought-leaders and midwives of hope I have seen them in action, building a small organisation with a big mandate, into a formidable lodestar. I extend my deepest gratitude and commend you on your collaborative nature and your ability to work with agility and flexibility.

To the current and past chairpersons, the present and erstwhile trustees of the NEF, along with sub-committee members, past and present, I salute your valued partnership as an inspiration, a sounding board and as co-builders whose distinction is founded on your rare and phenomenal expertise.

To the entrepreneurs in whose name we have served, the current, the exited and the black panthers of the future, here's to you.

Ms Philisiwe Mthethwa  
Chief Executive Officer

# ABOUT THE NEF



## Mandate

Established by the National Empowerment Fund Act (Act 105 of 1998), the NEF is the only Development Finance Institution (DFI) mandated to be a driver and thought leader in promoting and facilitating Black economic participation.

The NEF has been diligently and passionately undertaking this mandate for 19 years and has achieved significant milestones through the provision of financial support worth more than R13.5 billion to 1 490 Black-owned and managed businesses since inception, in turn assisting these businesses to support over 123 000 jobs opportunities. This performance has been underpinned by various non-financial support tools provided to its clients.



## 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 (Bx-BBEE) in South Africa. Its mission is to promote, enable, implement, and develop innovative investment and transformation solutions to advance sustainable Black economic participation in the economy.





## Policy and regulatory framework

The NEF's strategy and operations are informed by various government policies as well as the NEF Act. Other policies to which the NEF strategy and operations are aligned include those directing macro-economic imperatives and governance practices.

Relevant legislation and policies include, but are not limited to the following:

- Basic Conditions of Employment Act (Act 75 of 1997);
- Broad-Based Black Economic Empowerment (Act 53 of 2003, as amended (B-BBEE Act)), and the B-BBEE Codes of Good Practice; Companies Act (Act 71 of 2008);
- Employment Equity Act (Act 55 of 1998);
- Occupational Health and Safety Act (Act 85 of 1993);
- Preferential Procurement Policy Framework Act (Act 5 of 2000);
- Promotion of Access to Information Act (Act 2 of 2000);
- Protected Disclosures Act (Act 26 of 2000, as amended);
- Protection of Personal Information Act (Act 4 of 2013); Protocol on Corporate Governance in the Public Sector, 2002; Public Finance Management Act (Act 1 of 1999, as amended (PFMA)), including National Treasury regulations; and
- The National Development Plan (NDP).
- Financial Intelligence Centre Act (Act 38 of 2001, as amended); Industrial Policy Action Plan (IPAP);
- Integrated Small Business Strategy, 2004;
- Labour Relations Act (Act 66 of 1995, as amended);

In its quest to achieve inclusive economic growth and to discharge its mandate as outlined in the NEF Act, the Executive Committee and Board of Trustees have translated these policy objectives into strategic objectives, which represent the NEF's priorities for the future. These priorities are also shared by **the dtic** as reflected in the introduction of the Key Performance Indicators (JKPIs) in 2021 and amended in 2022. The strategic objectives are used to monitor and review the performance of the NEF.



## NEF's Values

The NEF's values play a significant role in its ability to successfully execute its strategic plans. The values are instilled in employees as the ethos and tenets inspired by senior management to all employees.

These values are tools used to drive business strategy to create a strong competitive advantage by aligning employees to the mission, purpose and vision of the organisation.

The values are denoted in the acronym "EMPOWER" and are further explained in the following diagram:

**E**

### **Ethics**

Choosing to do what's right over what's wrong

**M**

### **Motivation**

Being self-driven and passionate in what we do

**P**

### **Performance**

Achieving results timeously and with impact

**O**

### **Ownership**

Owning our actions, our decisions, and consequences of actions

**W**

### **Worthy**

Recognising the value of others' contribution

**E**

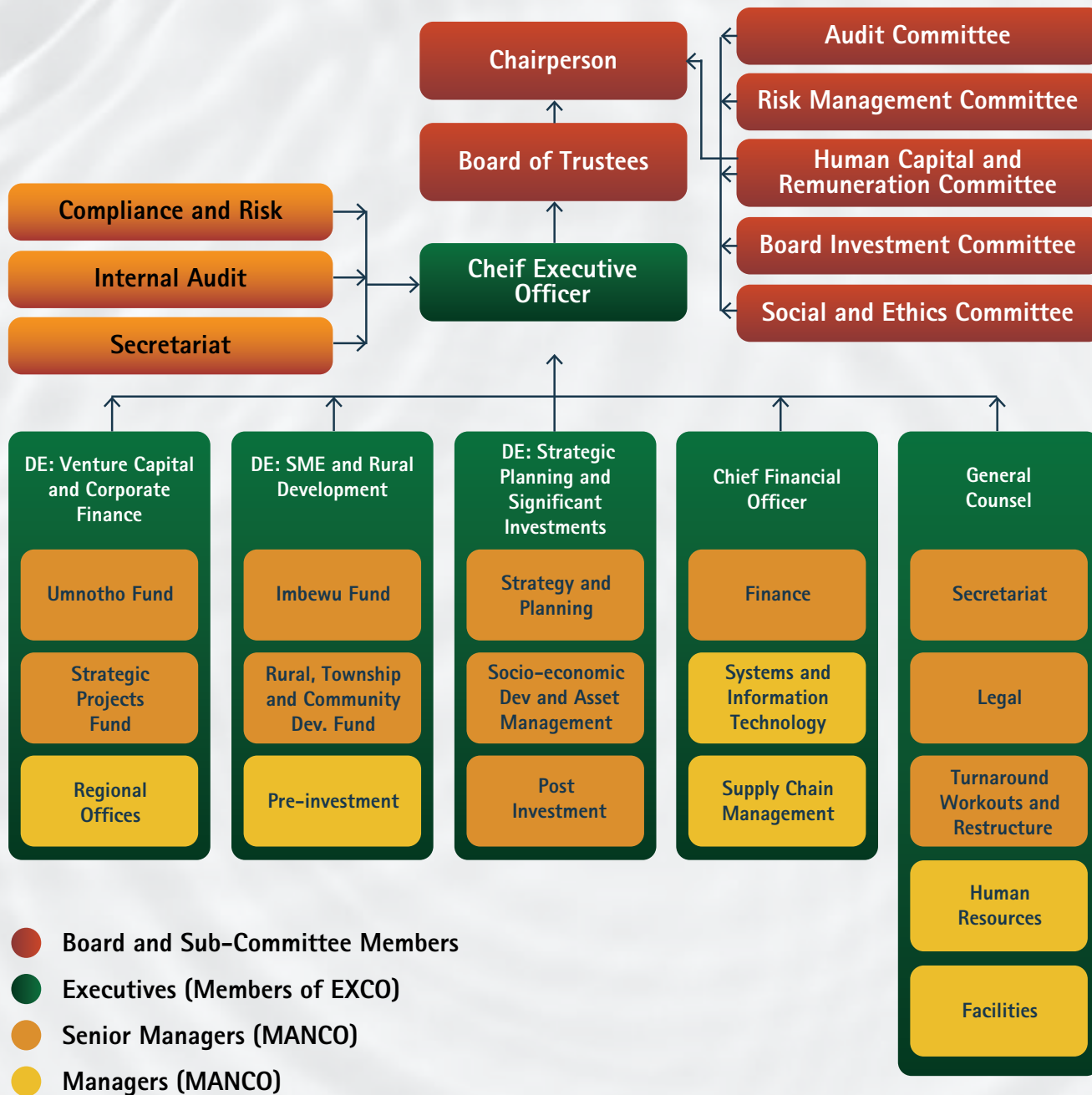
### **Excellence**

Exceeding our clients' expectations

**R**

### **Respect**

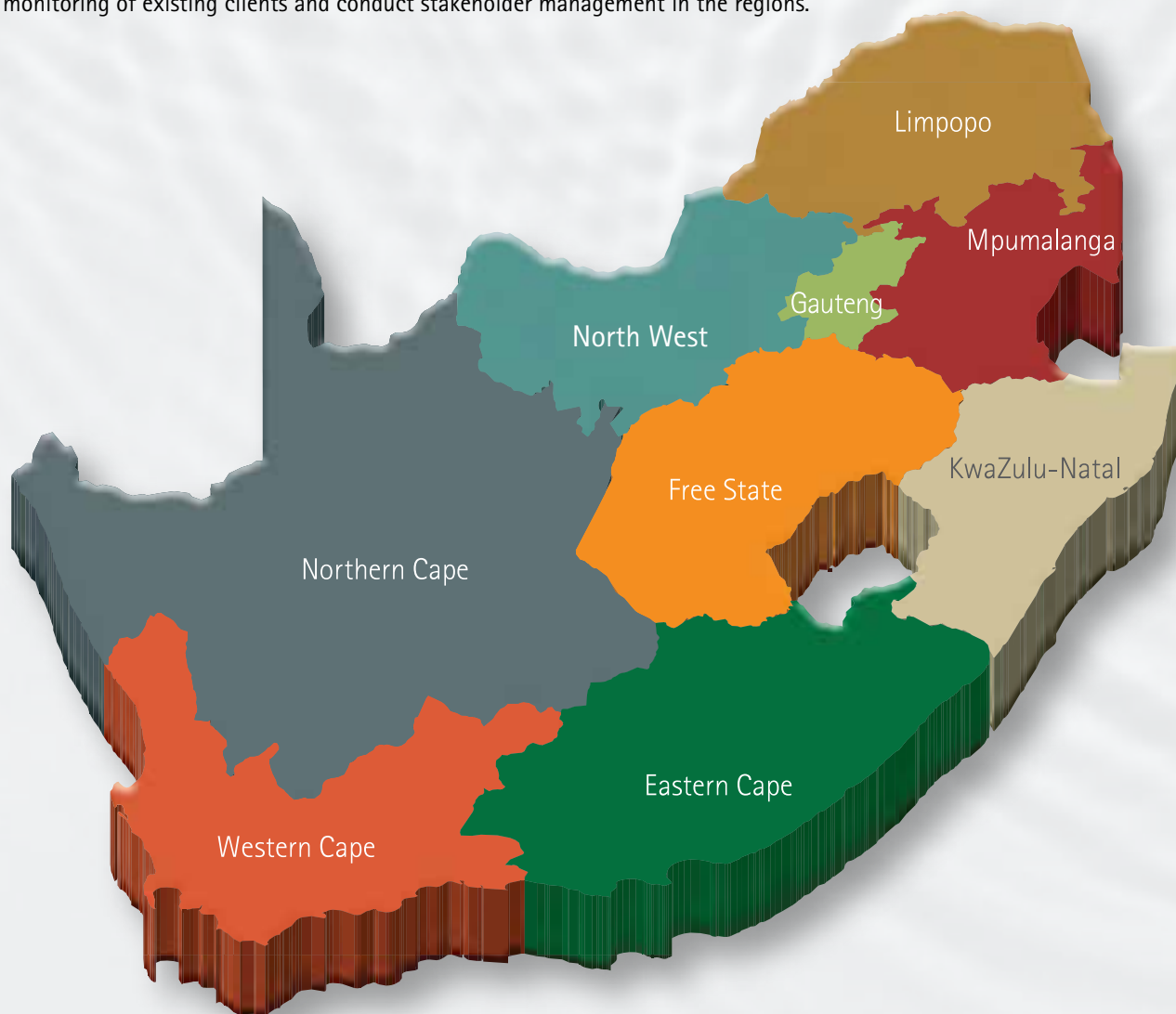
Treating everyone with dignity and meaning



## Our regional presence

NEF has regional presence in all nine provinces of South Africa, with its head office located in Johannesburg, Gauteng.

The regional offices are an integral part of the functioning of the NEF as they bring the NEF closer to its stakeholders in the 8 provinces. The regional offices also receive funding applications, process and package them for approval. Amongst other functions, they also perform post investment monitoring of existing clients and conduct stakeholder management in the regions.







## Group structure

### NATIONAL EMPOWERMENT FUND TRUST

#### NEFCorp SOC Ltd

**100%**

NEFCorp is an investment holding company that was established by the NEF Trust in 2002.

The company has made strategic acquisition of the land and property on which the Goseame business is conducted and earns rental income.

#### Zastrovect Investment (Pty) Ltd

(Trading as Goseame)

**100%**

The NEF invested in Goseame in June 2012. The business is involved in the wholesale and retail of fresh produce, groceries, flowers, and meat in Limpopo. In September 2013, the NEF took over ownership and management of the business. It is currently going through a rigorous turnaround. Since the take-over of the business by the NEF, it has shown steady profitability supported by new markets. Goseame is able to support 300 permanent jobs. With a successful turnaround, the NEF is seeking to dispose its interests in Goseame in due course.

#### Surgetek (Pty) Ltd

**100%**

Surge Technologies (Pty) Ltd (Surgetek) is a leading manufacturer and distributor of earthing, lighting, and over-voltage surge protection devices in Africa.

The NEF assumed control after the company experienced financial distress and was placed under business rescue. The business is currently undergoing a turnaround after which a suitable equity investor will be identified.

#### Delswa (Pty) Ltd

**100%**

Delswa is a wholly owned subsidiary of the National Empowerment Fund whose primary purpose is a property holding company. The NEF originally invested into the Delswa group, which was a corporate clothing manufacturing group founded in 1931. The group had its head office in Johannesburg, while manufacturing took place in Kimberly. The business was forced to close its doors in 2017, subsequent to an unsuccessful turnaround attempt, after which the NEF took ownership of the entity housing the factory premises in Kimberly. The property is now in the process of a sale to a third party.

## Our strategic objectives

As depicted below, the business model is premised on the four main strategic objectives that advance the creation of value for the NEF and its stakeholders.

Strategic objectives	Advancing B-BBEE	Maximising empowerment dividend	Establish the NEF as a financially sustainable DFI	Optimising non-financial support
Key outputs	<ul style="list-style-type: none"> <li>Provide finance to business ventures established and managed by Black people.</li> </ul>	<ul style="list-style-type: none"> <li>Invest in Black owned businesses that have high employment-creation opportunities.</li> <li>Support the participation of Black women in the economy.</li> <li>Facilitate investment across all provinces in South Africa.</li> </ul>	<ul style="list-style-type: none"> <li>Establish the NEF as a financially sustainable DFI. This is achieved by ensuring that the organisation invest in transactions that have economic merit, through sound financial management of the NEF itself, as well as through portfolio monitoring and support activities.</li> </ul>	<ul style="list-style-type: none"> <li>Encourage and promote savings, investments, and meaningful economic participation by Black people.</li> <li>Advance Black Economic Empowerment through commercially sustainable enterprises.</li> </ul>
Key performance indicators	<ul style="list-style-type: none"> <li>Value and number of deals approved.</li> <li>Value of new commitments.</li> <li>Value of new disbursements.</li> </ul>	<ul style="list-style-type: none"> <li>Number of jobs created and or supported.</li> <li>Percentage of investments in women-owned and managed businesses.</li> <li>Percentage of investment activities to be invested in the following targeted provinces: Eastern Cape (EC), Free State (FS), Limpopo (LP), Mpumalanga (MP), Northern Cape (NC), and North West (NW).</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of portfolio impaired.</li> <li>Collection ratio</li> <li>Target Return on investment (ROI) before impairments.</li> </ul>	<ul style="list-style-type: none"> <li>Number of entrepreneurial training sessions provided.</li> <li>Number of entrepreneurs referred to and successfully completed business incubation.</li> <li>Number of social facilitation sessions for NEF investees.</li> <li>Number of investor education sessions held across the country.</li> <li>Number of enterprise development partnership agreements concluded, and amounts raised.</li> </ul>



The business financing landscape in South Africa consists of the private banks and development finance institutions as well as venture capital and private equity. The NEF's competitive advantage is underpinned by its mandate which positions the NEF as a thought leader in financing

Black entrepreneurs, in-depth understanding of the needs of the target market which is the largest segment in the South African economy. This is done through the use of its capitals to deliver on the set strategic objectives. The capitals are expanded in details on page 29.





## NEF business – financial support

The NEF is structured and transacts through its funds to address the needs of businesses as demonstrated by the nature of products housed in each of the five (5) funds listed below. The NEF supports businesses that require funding of R250 000 to R75 million.

The businesses that have funding requirements larger than R75 million are assisted through co-funding arrangements, in conjunction with other financing institutions appropriate to the structure and developmental mandate of transactions under review. The involvement of NEF regional offices extend through various stages of a transaction relevant to the province in question.



## The Funds

	Strategic Projects Fund	iMbewu	uMnotho	Rural, Township and Community Development	Women Empowerment Fund
Objectives	<ul style="list-style-type: none"> <li>Funds the development of projects which undergo various stages that are strategically aligned with the priority sectors (growth sectors that demonstrate high employment creation opportunities).</li> </ul>	<ul style="list-style-type: none"> <li>Supports start-up businesses.</li> <li>Provides start-up and expansion capital required for SMMEs.</li> </ul>	<ul style="list-style-type: none"> <li>Provides financing for expansion.</li> <li>Funds the acquisition of equity in existing businesses.</li> <li>Funds new ventures.</li> </ul>	<ul style="list-style-type: none"> <li>Supports businesses that are broadly owned by communities and entrepreneurs.</li> <li>Such transactions are in rural areas, townships, or peri-urban areas with the aim to stimulate rural and township economies.</li> </ul>	<ul style="list-style-type: none"> <li>Supports businesses that are more than 50% owned and managed by Black women.</li> </ul>
Products	<ul style="list-style-type: none"> <li>Venture capital funding structures.</li> <li>Development of Black Industrialist funding in strategic sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Franchise finance.</li> <li>Procurement/contract finance.</li> <li>Entrepreneurship funding.</li> </ul>	<ul style="list-style-type: none"> <li>Business acquisition funding</li> <li>New ventures funding</li> <li>Expansion funding</li> <li>Capital markets funding</li> <li>Liquidity and warehousing funding</li> </ul>	<ul style="list-style-type: none"> <li>New ventures funding</li> <li>Business acquisition funding</li> <li>Expansion funding</li> </ul>	<ul style="list-style-type: none"> <li>The product offerings cut across all products provided by the different Funds.</li> </ul>
Fund- ing range	<ul style="list-style-type: none"> <li>Funding up to R75 million.</li> </ul>	<ul style="list-style-type: none"> <li>Funding from R250 000 to R15 million.</li> </ul>	<ul style="list-style-type: none"> <li>Funding from R2 million to R75 million.</li> </ul>	<ul style="list-style-type: none"> <li>Funding from R1 million to R50 million.</li> </ul>	<ul style="list-style-type: none"> <li>Funding from R250 000 to R75 million.</li> </ul>

NEF business – non-financial support

The non-financial support below is extended through various functions within the NEF at various stages of a transaction, from the initiation stage to the end.

Post-Investment Unit (POIU) and Regional Offices	Turnaround Workouts and Restructure Unit (TWR)	Legal Services Department
Post-Investment Unit and Regional Offices perform portfolio management through monitoring of investee operational performance, credit control, and collections; and to provide advice and support through mentorship programmes.	TWR is responsible for the turnaround and restructuring of distressed investees within the portfolio of the NEF. In addition, all investees who are in business rescue fall within the TWR Unit. Should a turnaround not be possible, the TWR Unit attends to a managed exit for the NEF by disposal of assets or shares.	The Department's function is to protect the legal interests of the NEF. It is responsible for the conducting of legal due diligence as well as the drafting, negotiation, and conclusion of legal agreements on behalf of the NEF. It also has the obligation to institute legal action to recover losses incurred, including recoveries in instances of illegal and criminal conduct.





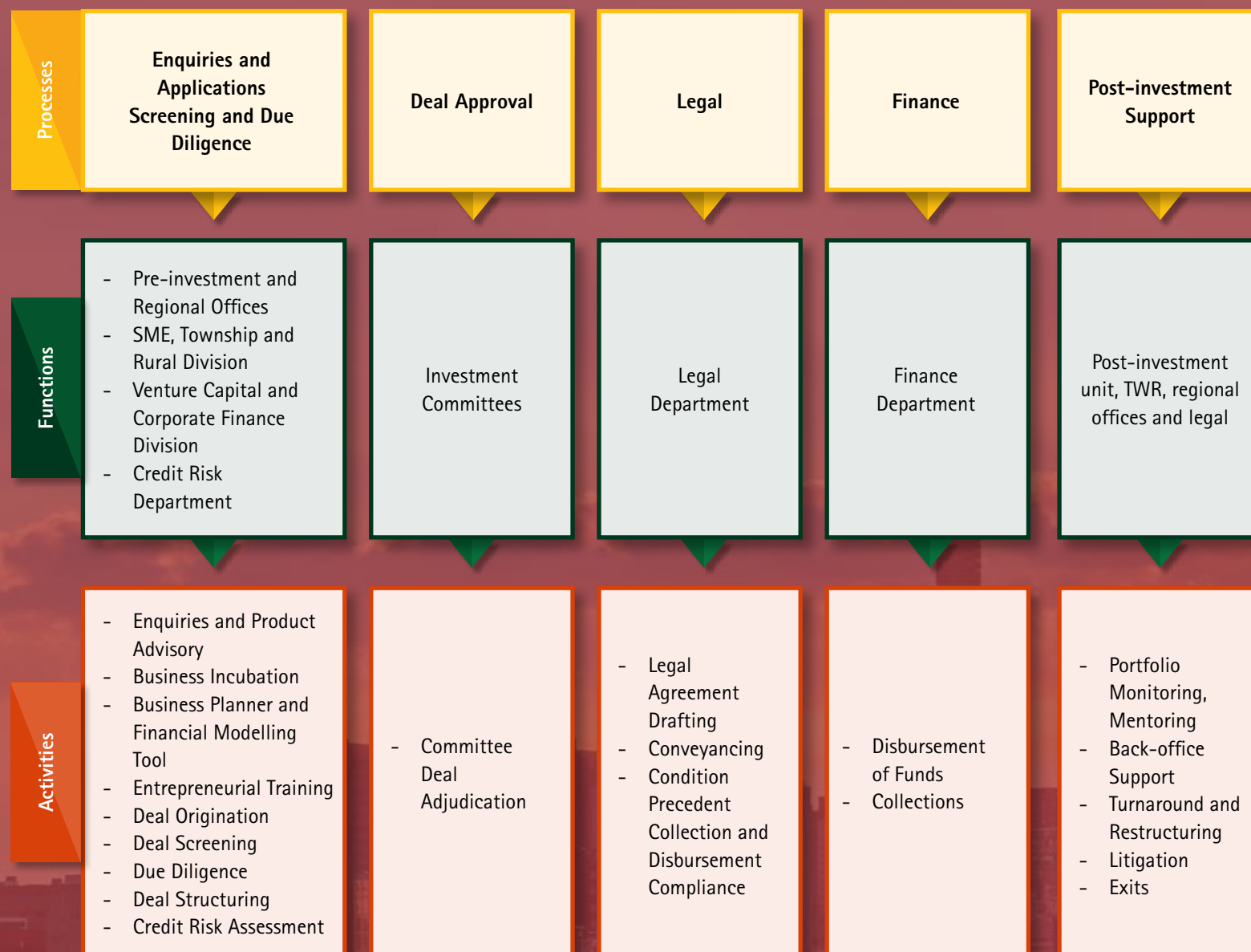


Pre-Investment Unit (PIU) and Regional Offices	Socio-Economic Development Unit (SEDU) and Regional Offices
<p>Pre-Investment and Regional Offices are responsible for:</p> <ul style="list-style-type: none"><li>• <b>Application administration</b>, which entails the registration of new applications and distribution of applications to the respective Funds for assessment.</li><li>• <b>Product advisory</b>, which entails the handling of enquiries from clients and business development support.</li><li>• <b>Business Planner Tool</b>, which includes a financial modelling tool, is an online tool that assists users to compile business plans and financial statements.</li><li>• <b>Business incubation</b>, which is aimed at providing support to clients that have an idea that is at an early stage; but is not ready for funding and therefore needs nurturing.</li><li>• <b>Entrepreneurial training</b>, which is targeted at entrepreneurs that require capacity building and enhancement in running their fledgling businesses.</li></ul>	<p><b>Social Facilitation</b> SEDU, with the assistance of Regional Offices, facilitates social interventions in NEF- funded transactions with broad-based groups, communities, or employee empowerment structures. The team identifies economic opportunities for the targeted beneficiaries in transactions and assists in creating market linkages and identifying other development intervention areas for meaningful participation in the economy.</p> <p><b>Enterprise Development</b> The Unit also mobilises funding through partnerships with third parties as well as for the NEF Enterprise and Supplier Development Fund to benefit targeted investees in different sectors of the economy.</p> <p><b>Investor Education</b> In addition, the team facilitates a culture of savings and investments through the NEF Investor Education programme.</p> <p><b>Corporate Social Investment (CSI)</b> SEDU also manages the NEF CSI programme.</p>

### Value creation business model

Human resources are essential in creating value through effective and efficient implementation of the NEF's business model. Our human resources strategy is centered around talent: attraction; training and development; recognition and reward; performance management; and succession planning to ensure achievement of targets entailed on the business' balance scorecard. Further details are provided on page 96 of the report.

The NEF executes its business model through these operational processes:





### Maximising value creation

The NEF continued to deliver on its mandate through various funding initiatives and partnerships. The table below highlights the inputs of the four (4) forms of capital that have enabled the NEF to achieve its key performance measures (outputs) and ultimately the strategic objectives aligned to them to have meaningful impact towards its mandate and stakeholders.

Capitals	Inputs and Business Activities	Outcomes	Impact
Financial Capital	<ul style="list-style-type: none"><li>• Cash generated from investments made.</li><li>• Cash raised through partnership agreements.</li><li>• Recoveries from Post Investment, TWR and Legal Services Unit.</li></ul>	<ul style="list-style-type: none"><li>• A total of 174 transactions approved valued at R1.2 billion.</li><li>• Committed transactions valued at R939 million.</li><li>• Disbursement of funding to the value of R692 million.</li><li>• Collected R562 million during the year.</li></ul>	<ul style="list-style-type: none"><li>• Financial sustainability.</li><li>• Continued achievement of the NEF mandate to empower and enable Black-owned businesses to participate and contribute to economic growth.</li></ul>
Human Capital	<ul style="list-style-type: none"><li>• High performing workforce.</li><li>• Experienced and skilled leadership team.</li><li>• Positive ethical culture, skills, capacity and motivated staff.</li><li>• Trainee and vacation programmes.</li><li>• HR policies and systems.</li><li>• Employee wellness programmes.</li></ul>	<ul style="list-style-type: none"><li>• 185 employees, 55% of whom are female.</li><li>• Females account for approximately 50% of senior management staff.</li><li>• Employee turnover is at 15%.</li><li>• The value of training and bursaries spent on the employees is R332 000.</li></ul>	<ul style="list-style-type: none"><li>• Talent attraction and retention.</li><li>• Career development through training interventions.</li><li>• High levels of employee engagement and longevity.</li><li>• Positive employee morale and work-life balance.</li></ul>



## Maximising value creation (continued)

Capitals	Inputs and Business Activities	Outcomes	Impact
<b>Social And Relationship Capital</b>	<ul style="list-style-type: none"> <li>Partnerships with business organisations.</li> <li>Funding activities to maintain jobs in new investments, increase investment in Black women-owned business and provincial distribution.</li> <li>Stakeholder engagements.</li> <li>Bursary scheme and other CSI programmes.</li> <li>Socio-economic development and investor education seminars.</li> <li>Activities to increase brand reputation.</li> </ul>	<ul style="list-style-type: none"> <li>37% of disbursements to Black women-owned investments.</li> <li>27 transactions worth approximately R152 million (22% of disbursements) have been invested in targeted provinces.</li> <li>4 598 jobs were preserved.</li> <li>26 social facilitations against a target of 24 and 216 entrepreneurial training sessions held against a target of 135.</li> <li>88 investor education sessions, impacting 2.8 million beneficiaries.</li> <li>Advertising value equivalence (AVE) of R21.5 million with a reach of 109.5 million audiences.</li> </ul>	<ul style="list-style-type: none"> <li>Continued achievement of mandate to empower and enable Black-owned businesses to participate and contribute to economic growth.</li> <li>Our NEF brand is viewed in a more positive light.</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>Alternative and innovative funding solutions.</li> </ul>	<ul style="list-style-type: none"> <li>The NEF has extended knowledge in supporting Black SMEs, particularly those in townships and rural areas.</li> <li>Special funds such as the Alternative Energy Fund, are created to respond to current market conditions, and expedited to release financial capital into the economy.</li> <li>Additionally, post investment support is provided to businesses financed by the NEF.</li> </ul>	<ul style="list-style-type: none"> <li>Township and rural businesses able to operate, scale up and contribute to reduce the unemployment rate.</li> <li>The alternative energy fund initiated in the current year contributes to the reduction of the carbon footprint in addition to assisting business remain operational during periods of loadshedding.</li> </ul>



## STAKEHOLDER ENGAGEMENTS

Among the NEF's critical strategic pursuits is the need to nurture mutually constructive relations with a broad range of stakeholders across the private and public sectors, inclusive of the mass media and other players in civil society.

These are stakeholders which have been instrumental in providing additional funding for the NEF's invested portfolio.

### Partnerships with Business Bodies

The NEF has built solid and dependable relations with organised business formations which include the Association of Black Securities and Investment Professionals (ABSIP), African Women Chartered Accountants (AWCA), Black Management Forum (BMF), Black Business Council (BBC), Black Business Executive Circle (BBEC), Business Unity South Africa (BUSA) and the National African Federated Chamber of Commerce (NAFCOC), among others.

## Strategic Objectives for Stakeholder Relations

The NEF's stakeholder relations strategy is anchored on the following objectives:

- Mobilise public, institutional and stakeholder support for economic transformation;
- Synthesize and align NEF policies, procedures and praxis with stakeholder expectations and needs;
- Contribute to the development of a progressive and enabling policy framework in support of economic transformation and growth;
- Maximise access to developmental opportunities and resources for Black entrepreneurs and communities;
- Marshal moral, financial and stakeholder endorsement for the programmes and activities of the NEF;
- Mobilise direct financial investment in the various Funds and initiatives of the NEF for the growth of its investees, and
- Secure the sustainable recapitalisation of the NEF so that it may maximise the implementation of its mandate successfully.

From its operational inception in 2005 to the end of the current financial year ended 31 March 2023, the NEF has approved funding worth more than R13.7 billion that supported 1 523 businesses across the country. As a testament to the NEF's stakeholder relations milestones, life-to-date, the NEF had leveraged third-party funding amounting to R10.12 billion, with resources invested for the stabilisation and growth of the NEF's funded portfolio across virtually all sectors of the economy to help deepen the quest for inclusive growth.

The potency of these partnerships with both the private and public sectors enables the NEF to provide concessionary funding, including grant funding, which reduces the cost burden on Black SMEs and industrialists to enable far greater traction for stability and growth.

## A winning partnership with the Shareholder Ministry

The NEF has achieved significant breakthroughs in terms of approvals, commitments, and disbursements because of the success in securing allocations from its shareholder Ministry, **the dtic**, and the Solidarity Fund, in the year under review.

Over the past three years, **the dtic** and other partners have entrusted the NEF with substantial allocations in excess of **R2.7 billion**, distributed as follows:

- R141 million from **the dtic** for Women Empowerment Fund
- R200 million from **the dtic** for the COVID-19 Black Business Support Fund
- R150 million from **the dtic** for the Economic Distress Fund to support businesses that were affected by the pandemic and the consequent lockdowns
- An allocation of R150 million was made by **the dtic** to the NEF for the commencement of Black Business Manufacturing Fund
- Following the social unrest that devastated businesses in Gauteng and KwaZulu-Natal during the month of July 2021, **the dtic** allocated a total of R650 million to the NEF, for the Economic Recovery Fund which the NEF contributed R100 million
- From the Solidarity Fund, the NEF secured R273 million to support businesses that were affected by the slump in the economy as a result of the social unrest referred to above
- R1.135 billion was secured by the NEF from the DOT for the Taxi Relief Fund





Having collaborated closely with various stakeholders in the public and private sectors, the NEF's track-record of success as an implementing partner in enterprise and supplier development has positioned the entity favourably as a partner trusted by many. The long-standing trusted relationship with various partners is amplified by continued statutory compliance and upholding high ethical financial discipline that resulted in the NEF achieving clean external audits for 19 consecutive years.

This has helped unlock additional capital, resulting in year-on-year successes in the amounts mobilised from partnerships.

The NEF continues to co-invest to help Black entrepreneurs in their commitment to taking the economy forward by creating jobs and inclusive growth. In this regard, the NEF has been entrusted with the amount of R120 million in the current year by a variety of public sector investors to extend the mandate in alignment with its partners mutual goals.

### Supporting the taxi industry

Equally significant, through facilitation by **the dtic**, the Department of Transport (DoT) committed funds amounting to R1.135 billion to the NEF to be disbursed to the taxi industry as part of the government's undertaking to provide relief funding to the taxi businesses that were affected by the COVID-19 pandemic.

As a vote of confidence in the fund-management and disbursement expertise of the NEF, DoT initially set aside R1.135 billion to provide once-off financial relief to qualifying South African taxi operators to help the sector following the devastating effects of COVID-19 lockdowns and to implement additional safety measures. This figure was subsequently revised downwards to R710 million by DoT following an internal audit review process on the number of valid taxi operating licences across the country.

The Taxi Relief Fund (TRF) was managed and administered by the NEF having been selected as the implementer of the Fund due to its unique track-record as a development finance institution that plays a crucial role in supporting Black entrepreneurs and development of SME businesses across various sectors of the South African economy.

As a result of COVID-19 lockdown measures resulting in many employees being encouraged to work from home, the transport sector globally experienced a significant loss of passengers and revenue. Under the first lockdown introduced in South Africa, taxis were allowed to carry 50% of their licensed vehicle capacity and this was later increased to 70% when the lockdown restrictions were eased. The industry also had to contend with the increased cost of procuring cleaning materials for vehicles and sanitisers for passengers.

The effect of these measures on the industry was a declining revenue base and an increase in costs, which undermined the financial viability of taxi operators.



## STAKEHOLDER ENGAGEMENTS (CONTINUED)

In implementing the TRF, the NEF developed close working relations with the South African National Taxi Council (Santaco) as well as the National Taxi Association (NTA), both of which were instrumental in mobilising the voluntary participation of respective taxi operators.

Call-to-action roadshows were also undertaken in partnership with the National and Provincial Government Departments of Transport. For this purpose, a total of 72 roadshows were undertaken to localities across the country, supported by a robust media engagement campaign conducted through the public broadcaster, community media, social media as well as print publications countrywide. It is for this reason that the mass media collectively constitute a valued and primary stakeholder and conduit between the NEF and its varied publics.

The NEF has paid out a total of 92% of applications received, representing in excess of 81 000 taxi operating licences valued at more than R409 million.

Through this performance, the NEF has demonstrated its fund management efficiency, integrity, and diligence as a catalyst for development across key sectors of the economy.



### Empowering youth through the Taxi Relief Fund

In an effort to combat the unemployment rate, the NEF employed 93 trainees as part of the implementation of the TRF, and 63% of the cohort were young women recruited and deployed throughout the NEF's nine regional offices. These unemployed graduates hold qualifications in different professions, including engineering, accounting, commerce, town planning, law, marketing, human resources, and various others.



### Empowering women in business

In pursuit of maximising what the NEF refers to as the Empowerment Dividend, the provision of financial and non-financial support for Black women is at the centre of the organisation's empowerment philosophy. In this regard, the NEF through its five-year strategic plan targets to allocate 40% of its investment portfolio to businesses owned and managed by Black women particularly in township and rural areas.

This has been made possible through the dedicated efforts of the NEF Women Empowerment Fund (WEF), established in 2014 to drive the value and volume of approvals and disbursements to majority-owned and managed businesses by Black women.

For this reason, the NEF will continue to collaborate closely with women-based business organisations to generate deal-flow countrywide because the indictment of inequality across South African society needs more women at the forefront of the economy. These organisations include the Women Economic Assembly (WECONA) and the African Women Chartered Accountants (AWCA), amongst others, to advance the cause of women's economic liberation. Already, women constitute the majority of beneficiaries from the NEF's business skills training and incubation interventions. The entrepreneurial training commitment dates back to 2012 and to date has reached well over 6 000 beneficiaries, across the country.

Similarly, the Investor Education programme of the NEF, whose aim is to entrench a culture of savings and investment among Black people, will continue to reach villages and townships nationwide to promote the understanding of how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets.



During the year under review alone, the NEF held 190 public outreach campaigns/stakeholder engagements across the length and breadth of the country. These engagements ranged from Investor Education roadshows, seminars, and business conferences on funding for women, youth, and people with disabilities in township, rural and peri-urban areas, where the majority of the NEF's target market resides.

It is through vibrant and dedicated interactions with these varied stakeholder bodies that the NEF has been able to take its mandate to the people.



## KEY RISKS AND MATERIAL ISSUES

The NEF identifies and manages all key risks through a continuous risk assessment process. Risk management activities cut across the entire organisation and cover all processes within the NEF, from investment to support processes such as human resources and marketing, with the intention of creating an awareness of risk and embedding a risk management culture within the NEF.

The 2022/23 financial year saw business enterprises having to contend with multiple risks, because of both international and local market conditions. On the international front, the impact of geopolitical tensions as well as war in Europe impacted energy and food prices. In addition, higher rates of inflation globally and locally also had an adverse impact on the interest rate environment resulting in higher rates of interest cost for businesses.

Locally, the impact of electricity load shedding negatively affected the operations of businesses. NEF clients which are generally more susceptible to external shocks were severely impacted by extended periods of load shedding. The NEF Post Investment Unit completed a survey of NEF clients, studying the impact of load shedding on clients' business operations. The survey showed that 90% of respondents had been severely affected by the Blackouts and would benefit immensely from an alternative energy solution such as a solar energy option. In the last quarter of 2022/23, the NEF began the process of implementing an Alternative Energy Fund to assist NEF's own clients as well as other qualifying Black-owned businesses to manage the impact of load shedding.

The NEF is a Development Finance Institution (DFI) whose primary role is the provision of finance to Black entrepreneurs and Black-owned and managed enterprises. The entrepreneurs supported by the NEF are characterised by inadequate own financial resources or assets to make meaningful equity contributions towards the establishment, acquisition, and/or expansion of their enterprises or to provide collateral to access traditional finance. Consequently, the majority of these entrepreneurs and their enterprises, ordinarily, do not qualify for funding from traditional financial institutions. This means that the NEF is exposed to higher credit risk than traditional financial providers. The credit risk assessment of the funding by the NEF is, as such, focused on commercial viability or the ability of these enterprises to service debt facilities. Less emphasis is placed on the ability of the applicants to provide large equity contributions and collateral to secure debt facilities raised.

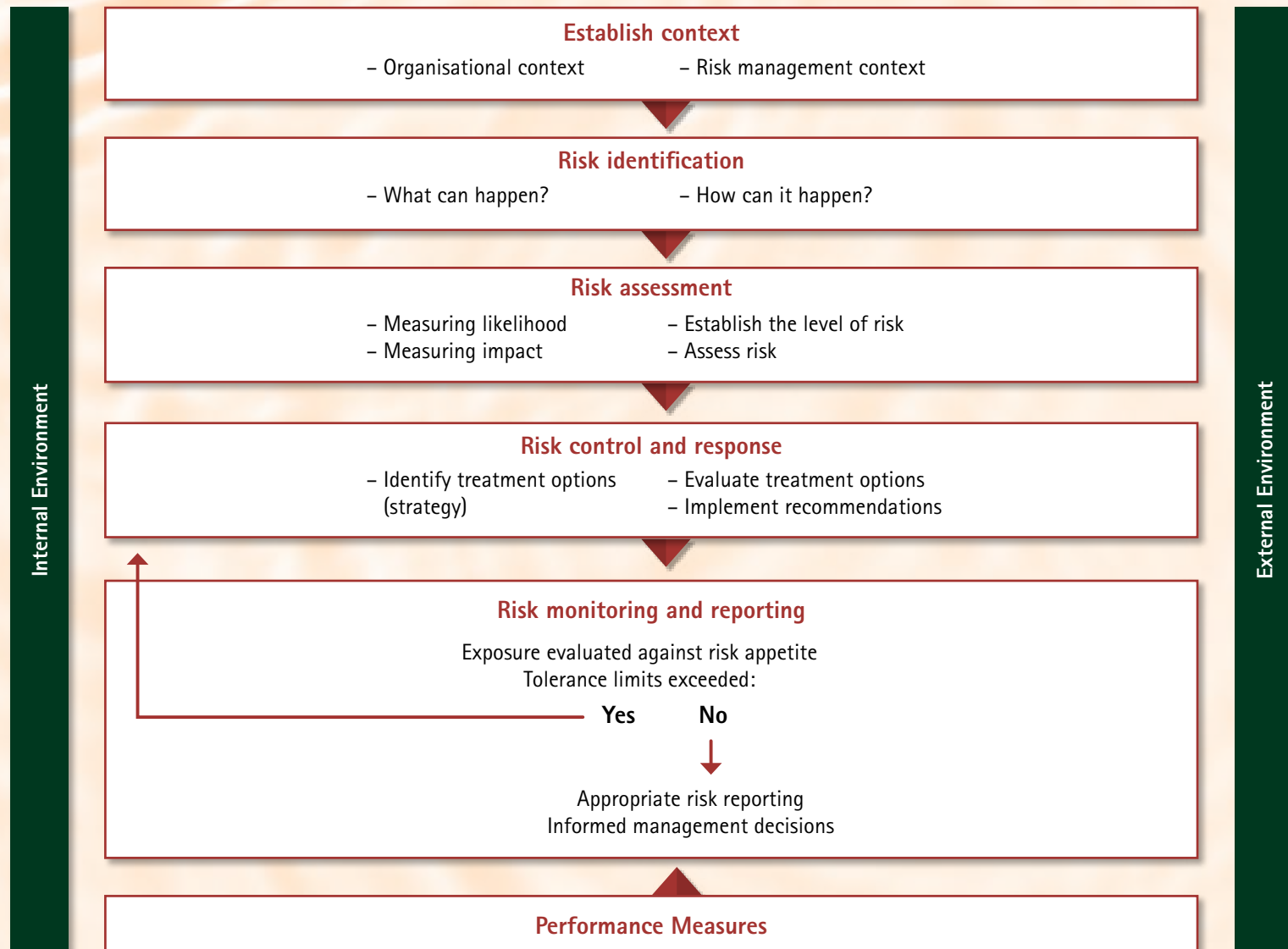
As can be observed from above, there is an inescapable obligation for the NEF to take on high risk in order to achieve its mandate, and, as such, it becomes imperative that the NEF maintains a strong risk management environment to manage all internal and external risks.

The strategic and key risks of the NEF are tracked on a quarterly basis by its management. In the 2022/23 financial year, the monitored risks included changes in local and international economic conditions (market risk), credit risk, failing infrastructure risk, and ability to attract and retain key skills, among others. The monitored risks and several other events such as geopolitical issues in Europe, rising inflation and ageing infrastructure challenges within South Africa negatively impacted businesses, particularly small businesses.



The NEF continuously scans the environment for risks that may impact on its operations and explores various ways for managing the organisation's risk exposure. NEF manages its risk exposure using the following risk management framework (Figure 1) which depicts the important elements necessary for effective risk management:

Figure 1: NEF Risk Management Process



# KEY RISKS AND MATERIAL ISSUES (CONTINUED)

Figure 2: Risk Management Framework







The NEF Risk Management framework seeks to entrench sound risk management processes and structures that are aimed at effectively managing potential threats while taking advantage of opportunities within the NEF's operating environment and cultivating a risk conscious organisational culture. This framework is continuously benchmarked to best practice.

Figure 3 depicts the Risk Management Standards the NEF adheres to and is aligned with and which is considered best practice in the field of Risk Management.

Figure 3: Risk Management Standards



# KEY RISKS AND MATERIAL ISSUES (CONTINUED)

The Board of Trustees of the NEF is responsible for oversight and is accountable for directing and monitoring the NEF’s risk management performance in a structured framework in line with best governance practice. The Board established the Risk and Portfolio Management Committee (RPMC), as its sub-committee, to govern and oversee the risk management function of the NEF. The Board, therefore, performs this oversight role through RPMC.

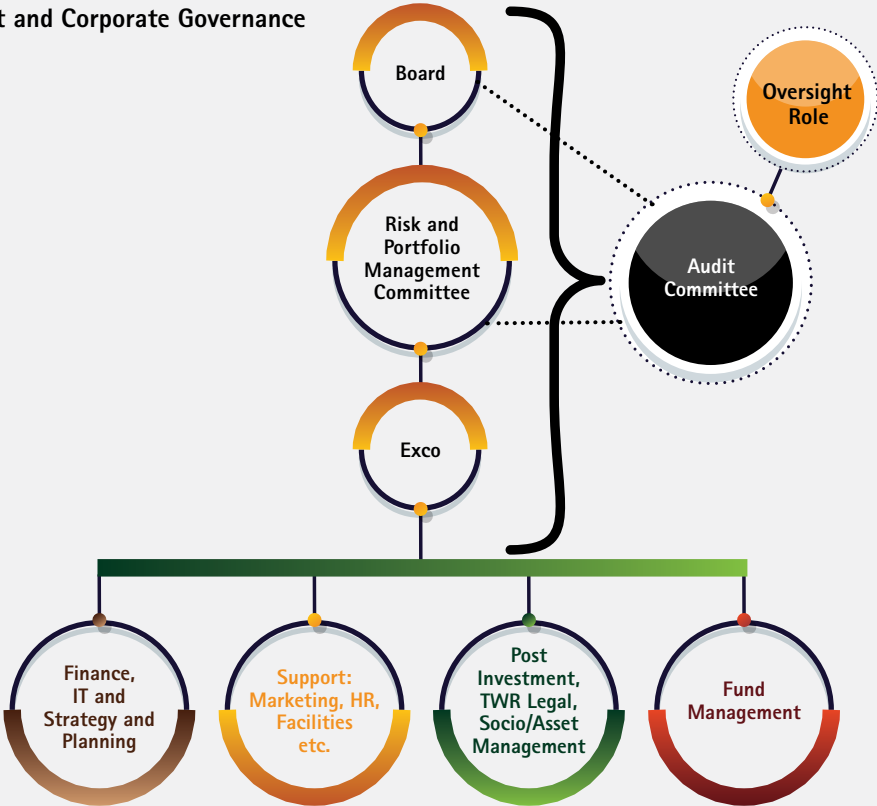
The NEF’s executive committee, with the assistance of the Chief Risk Officer, in turn, is tasked with the responsibility of implementing the

enterprise-wide risk management process. The Board also established the Audit Committee (AC) to provide the necessary oversight over assurance obtained mainly on financial reporting, the risk management process, and internal controls on an annual basis.

All business divisions of the NEF support the Board and its sub-committees to implement the risk management process.

The risk management structure of the NEF is detailed in Figure 4 below.

Figure 4: Risk Management and Corporate Governance Structure





## Strategic Risks

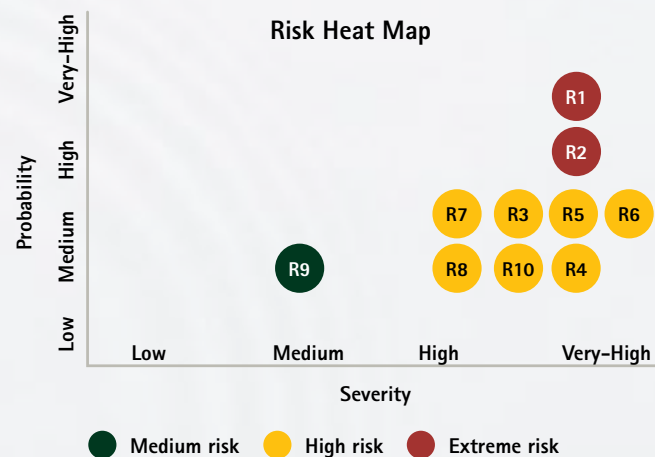
The NEF identifies strategic risks as part of its risk management process undertaken on an annual basis. All material issues that could prevent the organisation from achieving its key objectives and mandate are identified and the mitigating measures are considered simultaneously. The resultant residual risks are rated in terms of probability of occurrence and the severity of the impact they may have on the achievement of the organisational objectives in the

event of the occurrence of such risks. Where there is a risk, there is equally an opportunity to exploit such a risk to the advantage of the organisation. As these risks are identified, an effort is made to also consider opportunities created by the existence of these risks.

## Key Risk Heat Map

The key risk heat map in **Figure 5** is a graphic representation of the residual risks and the rating thereof after management applied all necessary control measures to mitigate these key risks.

Figure 5: Key Risk Heat Map



Risk#	Risk
R1	Changes in local and international economic conditions (Market Risk)
R2	Unsustainable levels of impairments (Credit Risk)
R3	Failing Infrastructure Risk
R4	Ability to attract and retain staff
R5	Concentration Risk
R6	Recapitalisation Risk
R7	Third-Party Fund Risk (including Taxi Relief Fund)
R8	Reputation Risk
R9	Inability to meet cash commitments (Liquidity Risk)
R10	Fraud and Cybercrime Risk



## KEY RISKS AND MATERIAL ISSUES (CONTINUED)

The key risk heat map above depicts ten (10) key risks that the NEF has identified and monitored during the 2022/23 financial year. Two (2) of the ten (10) key risks identified and monitored remained very high due to the adverse events that occurred during the financial year under review. Such events include global and local economic conditions and unsustainable level of impairments as explained below:

- **Changes in global and local economic conditions** – The risk relates to geopolitical tensions and the war in Europe, as well as the high inflation and rising interest rates that impact operating environments for businesses.
- **Unsustainable levels of impairments and credit risk** – the risk relates to the inability of NEF's clients to fulfil their debt repayment obligations due to the challenging operating environment as well as high-interest rates which negatively impact the performance of the NEF's portfolio.



Figure 6 shows the movement in the rating of the key risks from the previous financial year:

**Figure 6: Movement in Key Risk ratings**

Risk#	Risk	Movement in residual risk from prior year
R1	Changes in local and international economic conditions (Market Risk)	↑
R2	Unsustainable levels of impairments (Credit Risk)	↑
R3	Failing Infrastructure Risk	→
R4	Ability to attract and retain staff	↑
R5	Concentration Risk	→
R6	Recapitalisation Risk	→
R7	Third-Party Fund Risk (including Taxi Relief Fund)	→
R8	Reputation Risk	→
R9	Inability to meet cash commitments (Liquidity Risk)	→
R10	Fraud and Cybercrime Risk	↑
<div> <span>● Medium risk</span> <span>● High risk</span> <span>● Extreme risk</span> </div>		
↑	Increase in the residual risk rating from the prior financial year	
→	No change from the previous year	
↓	Decrease in residual risk rating from the prior financial year	



While the majority of the key risks have remained unchanged, there were movements in four of the 10 tracked key risks as follows:

- Changes in global and local economic conditions – this is as result of the impact of geopolitical tensions, increasing inflation and interest rates and difficult local operating conditions for business including load shedding.
- Unsustainable levels of impairments – the difficult operating conditions may impact on performance of the NEF's loan book.
- Ability to attract and retain key skills – the NEF staff, who obtain relevant skills and experience while working at the NEF are sought after in the market and being recruited by other organisations offering higher remuneration packages.
- Fraud and Cybercrime risk – The NEF has noticed an increased frequency of phishing incidents with syndicates targeting various staff members. The NEF's IT department, in conjunction with the Risk department, has been conducting various awareness workshops as well as implementing Multi Factor Authentication (MFA).

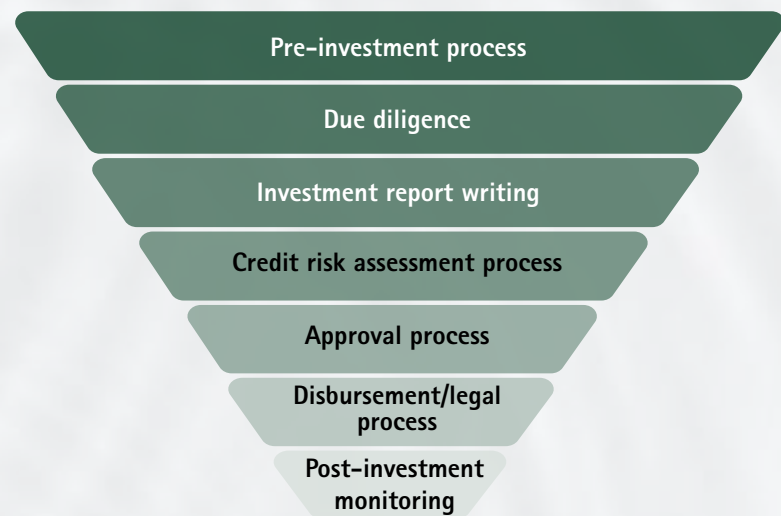
### Credit risk management

Credit risk management is an important function of the Enterprise-wide Risk Management (ERM) process of the NEF. Provision of finance, in the form of debt and quasi equity instruments, is at the core of the NEF's business, which thus renders credit risk management a significant part of the ERM process that is assigned priority and necessary resources to ensure NEF's profitability, sustainability, and lasting execution of the organisation's mandate.

Credit risk is the risk of a borrower or a counterparty falling short of honouring an obligation(s) arising from a credit agreement, resulting in financial loss to the credit provider or lender.

The principal role of the credit risk function, within the ERM process, is to ensure that the funds of the organisation are advanced to enterprises that are credit worthy and have proven to be commercially viable enterprises showing sustainable business models. In other words, the function plays an active role in the investment process as shown in Figure 7.

Figure 7: Investment Process



## KEY RISKS AND MATERIAL ISSUES (CONTINUED)

Although there is a dedicated and independent department responsible for credit risk assessment of all applications presented to approving committees, the NEF Board of Trustees apportions the responsibility for credit risk management across all departments making up the investment process (as detailed below).

Responsible Team	Credit Risk Management actions	Desired Outcome
<b>Investment Team</b>  The interdisciplinary team of financial, technical, community development and legal specialists.	<ul style="list-style-type: none"> <li>• Identification of factors that may expose the NEF to credit risks including mitigating measures on each credit application, reviewed and conclusion on the: credit worthiness; feasibility; and commercial viability of such a credit proposal.</li> <li>• Performance of adequate due diligence investigations to confirm the existence of mitigating measures and commercial viability of credit applications.</li> <li>• Performance of independent legal due diligence for each application to identify legal risk factors.</li> <li>• Structuring of credit proposals such that the credit advance to the applicant does not burden the businesses' finances but reduces credit risk.</li> <li>• Preparation of a credit approval (investment) report that is factual and assists investment committees in making informed credit decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Informed decision to proceed to due diligence investigation or to decline the application.</li> <li>• Adjudication by a delegated committee based on an investment proposal presented by the investment team.</li> <li>• Structuring of transactions, use of instruments, and pricing to mitigate risks accordingly.</li> </ul>





Responsible Team	Credit Risk Management actions	Desired Outcome
<b>Credit Risk Department</b>  A department independent of the due diligence and deal-generating team.	<ul style="list-style-type: none"><li>• Independent identification of credit risk factors for each credit application or investment proposal which is bound for the adjudication committees.</li><li>• Detailed review of credit and investment reports prepared by the investment teams.</li><li>• Provision of support to the adjudication committees with objective opinion on viability of the evaluated credit application or investment proposal with regards to the level and acceptability of credit risk.</li></ul>	<ul style="list-style-type: none"><li>• Adequate and independent credit risk assessment.</li><li>• Credit Risk Assessment report</li><li>• Well informed adjudication committee decisions.</li></ul>
<b>Investment Committees</b>  Approval committees evaluating funding proposals in line with delegation of authority.	<ul style="list-style-type: none"><li>• Analysis of credit application or investment proposals or reports to ensure that all credit risk elements have been adequately addressed.</li><li>• Formulation of an informed credit or investment decision on the basis of economic viability and acceptable credit risk exposure.</li></ul>	<ul style="list-style-type: none"><li>• Well informed committee decision.</li><li>• Approval or decline of funding application.</li></ul>



## KEY RISKS AND MATERIAL ISSUES (CONTINUED)

Responsible Team	Credit Risk Management actions	Desired Outcome
<b>Legal Services Unit</b>  Unit responsible for ensuring legal compliance in the funding process.	<ul style="list-style-type: none"> <li>• Drafting, negotiating, and concluding of legal agreements and other legal documents with investees and other external stakeholders involved in the applicant's business in line with applicable statutes.</li> <li>• Investigation and acting on investees transferred to the Legal Unit as a result of failure by these investees to honour their obligations, including those for which all turnaround options have been exhausted.</li> <li>• Acting on securities or collateral to recover some or all debts from investees failing to honour their debt obligations.</li> <li>• Legally pursuing and litigating on behalf of the NEF against investees defaulting on their credit obligations to ensure all possible avenues to collect or recover debts are exhausted.</li> </ul>	<ul style="list-style-type: none"> <li>• Mitigation of legal risk in each credit proposal.</li> <li>• Watertight agreements that ensure applicants adhere to the legally agreed business plan and thus ensure collection and for the legal services unit to handle in case of default.</li> <li>• Credit recovery or acting on security.</li> <li>• Credit or loan recovery and/or default judgements listed with credit bureaux and civil and criminal convictions of investee companies and/or their directors.</li> </ul>
<b>Post Investment Unit</b>  A department supported by Portfolio Management Committee responsible for managing the portfolio during the life cycle of each transaction and maintaining portfolio risk within acceptable parameters.	<ul style="list-style-type: none"> <li>• Provision of on-going post-investment monitoring to ensure and support the investees in adhering to the business plan or to address emerging operational risks of the investees.</li> <li>• Monitoring of non-performing or slow paying investees and collection of outstanding debts promptly.</li> <li>• Provision of mentorship and other support deemed necessary in areas of business management in which the NEF investees lack experience, skills and capacity to successfully operate their enterprises for which funding was provided.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitation of financially sustainable enterprises that are profitable, capable of making debt repayments and/or dividend distribution while enhancing their equity value.</li> <li>• Timely interventions and collections by the NEF.</li> </ul>



Responsible Team	Credit Risk Management actions	Desired Outcome
<b>Turnaround, Workouts and Restructure Unit (TWR)</b>  Unit responsible for reviving distressed NEF funded businesses.	<ul style="list-style-type: none"><li>• Provision of specialist services and intensive monitoring of investees experiencing difficulty in implementation of the agreed business plan, thus affecting cash flow or liquidity challenges and similar challenges affecting debt repayment.</li><li>• Analysis of the causes of financial distress leading to operational challenges and repayment defaults.</li><li>• Restructuring of business operations to ease the cash flow constraints and devising turnaround or workout strategies.</li></ul>	<ul style="list-style-type: none"><li>• Turnaround of distressed business and/or collection.</li><li>• Turnaround, collections and/or exit.</li></ul>





# KEY RISKS AND MATERIAL ISSUES (CONTINUED)

## Key credit risk indicators

The risk and compliance division closely monitors the key risk indicators for potential credit risk factors that may adversely affect the overall performance of the organisation. Any unfavourable movement in the credit risk indicator (year-on-year) or against the risk appetite and risk-bearing capacity represents a potential increase in credit risk. These indicators are further analysed and explained below to provide a broader understanding of the level of credit risk monitoring at the NEF:

- **Impairments**

The impairment ratio indicates the potential erosion of the book value of the investment/credit portfolio of an organisation. It also indicates the extent of the potential credit risk to the existing portfolio. An impairment provision refers to the possibility that an investment cannot be recovered. An increase in the impairment ratio reflects a possible increase in credit risk. The impairment ratio improved from 29% in 2021/22 to 25% in 2022/2023. The NEF's loan portfolio was not spared from the devastating post effects of the COVID-19 pandemic, high interest rates, and high inflation rates as well as macro-economic challenges. The improved impairment ratio is largely owing to the persistent efforts by the Post Investment Unit, the Turnaround Workouts and Restructure Unit, and the Legal Services Unit.

- **Financial performance**

Return on investment (ROI) is an indicator of the financial performance of the organisation's investments determined as a percentage of total returns over the total investment book value. An increase in ROI from the previous period (year-on-year) and/or above the organisational target reflects good quality investments made and lower credit risk,

whereas a lower than budgeted ROI and decrease in ROI (year-on-year) means a possible increase in credit risk of the portfolio. ROI increased from 8.3% in 2021/22 to 9.96% in 2022/2023 which could be driven by the following:

- Higher interest calculated on instruments that are prime linked, driven by the increases in repo rates by the South African Reserve Bank.

An increase in loan disbursements has also bolstered the increase in ROI as additional funds are deployed into the economy, which begins the process of earning interest at high rate than bank fixed deposit rate.

## Concentration risk

The concentration risk in the investment portfolio is decreased through industry diversification. Investment projects in the NEF's portfolio with a cumulative exposure of R2.7 billion are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. No single investment represents more than 5% of the total investment portfolio by value, limiting the concentration of single investments. As the economic hub of the country, the portfolio is highly concentrated to Gauteng which represents 45% of the total portfolio by value. There are continuous efforts to decrease the concentration risk through the following:

- Active operation and presence of NEF regional offices in all provinces;
- Increasing the NEF's exposure to potential transactions in other economic areas of the country through referrals from other provincial DFIs such as Sefa, Seda, NYDA, etc;



- Co-funding strategic partnerships with both private and public sectors such as the Limpopo Economic Development, Environment and Tourism Agency, Northern Cape Economic Development Agency, Steve Tshwete Local Municipality, Sun City Resort, etc., by providing blended funding (grants and concessionary loans) to SMMEs that are domiciled in their respective and under-served provinces; and
- Supporting the stimulation of rural and township economies. Currently, the NEF has partnered with **the dtic** to fund businesses that are majority women-owned (at least 51%) and businesses that are based in rural, township, or economically underdeveloped areas.

### Compliance Management

The NEF Compliance Function requires a robust, agile, and comprehensive internal compliance framework to remain abreast of its ever-evolving regulatory landscape.

In the 2022/23 financial year, the Compliance Function played an active role in critical NEF projects and initiatives and ensured that a compliance culture was maintained across the organisation through various training and awareness programmes, and by acting as a trusted business advisor and enabler to various departments along the investment process.

The Compliance Function's four core pillars can be summarised as follows:

- Trusted Advisor:** The Compliance Function remained a trusted advisor of all regulatory changes and obligations and provided regulatory direction on matters such as the new regulations issued by the National Treasury relating to the Preferential Procurement

Regulations of 2022, where points will be allocated for the "Specific Goals" only as listed in Section 2 (1) (d) (i) and (ii), and Section 10 of the B-BBEE Act (Act 53 of 2003 as amended by Act 46 of 2013).

Additionally, the NEF maintained its position as a key member of the Taxi Relief Fund, wherein it provided ongoing advice on FICA documentation.

- Compliance Training:** The Function worked tirelessly to provide training that would ensure that the NEF maintains a strong compliance culture. The training subject matter areas included the Financial Intelligence Centre Act (FICA), Labour Relations Act (LRA), and the Cybercrimes Act.

- Monitoring:** To ensure that all regulatory obligations relevant to the NEF were being adhered to, several monitoring exercises were completed on key pieces of legislation such as the Public Finance Management Act and the Preferential Procurement Policy Framework Act (PPPFA) together with ongoing FICA monitoring.

- Business Enabler:** The Compliance Function was steadfast in conducting regulatory research that would assist the Funds in achieving their business targets. This included compiling information on key business areas pertaining to the Financial Advisory and Intermediary Services Act (FAIS) and the National Credit Act (NCA).

The Compliance Function took great pride in ensuring that the NEF remains an abiding organisation where its regulatory universe is concerned. The Function will continue to provide proficient regulatory direction to all departments of the institution in the forthcoming reporting period.

# CHIEF FINANCIAL OFFICER'S REPORT



Mr Phumudzo Siphuma  
Chief Financial Officer (CFO)

The NEF has yet again achieved positive results under difficult circumstances. It reported a net surplus (before fair value adjustments) of R369 million against a budget of R40 million. However, after considering the fair value movement of -R670 million from listed and unlisted investments, the surplus moved from a positive R369 million to a net deficit of R324 million.

The actual total revenue exceeded the target by R344 million whilst operating expenditure was contained within the budget, coming in below budget by R8 million (3%) actual operating expenditure of R293 million against a budget of R321 million. The NEF also realised an interest income of R351 million against the budget of R104 million from investments and banks, resulting in a positive variance of 30% year-on-year.

Collections from investees have increased by 18% year-on-year from R476 million to R562 million, resulting in a collection ratio of 83,9%, against the target of 80%. Despite an unfavourable macroeconomic climate, increase in the interest rate, and sluggish economic growth, the impairment ratio has improved from 29% to 25% for the first time since the start of COVID-19 in 2020.

The NEF has also raised and received third-party funds, which amount to R120 million during the 2022/23 financial year.

The investment in listed shares in MTN declared a final dividend of R33.4 million during the 2022/23 financial year. Two of the NEF's unlisted investments, namely, Colliery Dust Control (Pty) Ltd and Ithuba Holdings have declared a dividend of R2.8 million and R45 million respectively, which amounts to a total of R47.8 million.





Table 1: Financial metrics

Financial Indicator	March 2023	Budget 2023	Indicator
Collection Ratio	83.9%	80.0%	
Return on Investment (ROI)	9.96%	7.0%	
Impairment Ratio	25%	25.0%	
Cost to Income Ratio	48%	54-58%	
Surplus before fair value adjustments	R369m	R40m	
Overall, Surplus / (Deficit)	(R324m)	R10m	
Unencumbered Cash	R399m	R400m	
Disbursements	R692m	R675m	
Net Asset Value (NAV)	R4.78b	R4.27b	

● Favourable performance

● Adverse performance

● Neutral performance

## Information Systems and Technology (IST) Management

Technology is a powerful market force that has the potential to significantly impact the success of the NEF. In today's digital age, traditional systems and technology converge in all daily business and personal activities of employees and customers through the devices they use. The NEF strategy in technology transformation and digital enablement of the remaining manual processes includes improvements in technology, processes, and people to ensure that full value is derived from opportunities, which are presented by the advancement in technology. Digitisation requires a range of skills, both technical and non-technical with training on the latest tools, which are provided to employees to ensure that a diverse set of skills is available for creativity and innovation.

The NEF implemented improvements in Loan Management and Customer Relationship Management (CRM) systems to automate some of the manual tasks and improve controls. Robotic process automation and integration were also implemented in the Taxi Relief Fund processes to ensure quality and performance improvements.



## CFO REPORT (CONTINUED)

As hybrid working conditions continued throughout the year, an important activity was to ensure that efficient and effective technology services were provided to employees who were working from home and at the office. Despite a challenging environment, which was caused by continuous load shedding, system availability was excellent at 99.25% during office hours.

The NEF continues to improve defence mechanisms related to cybersecurity as it remains the primary technology risk facing the NEF. Significant resources in the form of time and finances are spent to ensure that vulnerabilities are mitigated with a multi-layered approach which ensures employees are protected both at the office and at home. Several workshops were held to inform employees about cybersecurity risks and the latest tactics being used by cybercriminals. The workshops also provided employees with training to avert cybersecurity threats.

The main objective of the technology strategy is to achieve an improvement in business system automation and user satisfaction using innovation and rapid product development, leveraging our ability

to collaborate, innovate, adapt, and persevere to achieve technology solutions that will enable the NEF to achieve greater success in furthering the mandate.

A strong control environment in IST continues to be maintained, with no audit findings pending past their implementation date by year-end. Good governance in the areas of IT general controls, business continuity, and cyber and network security remains a priority. The IST Governance Framework was developed using the well-established Control Objectives for Information and Related Technologies (COBIT) framework to ensure technology and business objectives are aligned.

High-priority projects for the year included the implementation of the new regional office network connectivity, migration of on-premises email to the cloud, automation, and digitisation. In addition, infrastructure support to the Taxi Relief Fund was undertaken to ensure efficient and controlled processing of applications. Significant effort was spent on the loan management system processes to improve areas with shortcomings and reduce manual tasks.



## Supply Chain Management

During this financial year, nine new tenders were issued and two tenders from the 2021/22 financial year were awarded. Of the nine total tenders, one was cancelled, five have been awarded and three are still in progress. These tenders were evaluated against the process set out in the NEF Supply Chain Management Policy, the National Treasury Supply Chain Management Regulations and Preferential Procurement Policy Framework Act, and all the relevant practice notes.

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 significant Black ownership and whose owners are operationally involved in the management of these businesses. Furthermore, the emphasis on developing Black-owned emerging businesses in targeted sectors as part of the NEF Supply Chain Management Policy is underpinned by specific targets set in the annual business plan.

The NEF's total procurement for the year was R41 million from 230 suppliers. Included in this performance is an achievement of 82.30% against a target of 65% of procurement from suppliers with Black ownership of between 51% to 100%. An analysis of our procurement spend of the last five years also indicates that we have managed to shift the composition of our increasing procurement spend on Exempted Micro-Enterprises (EMEs) from 47.17% during the previous financial year to 49.72% in the 2022/23 financial year.

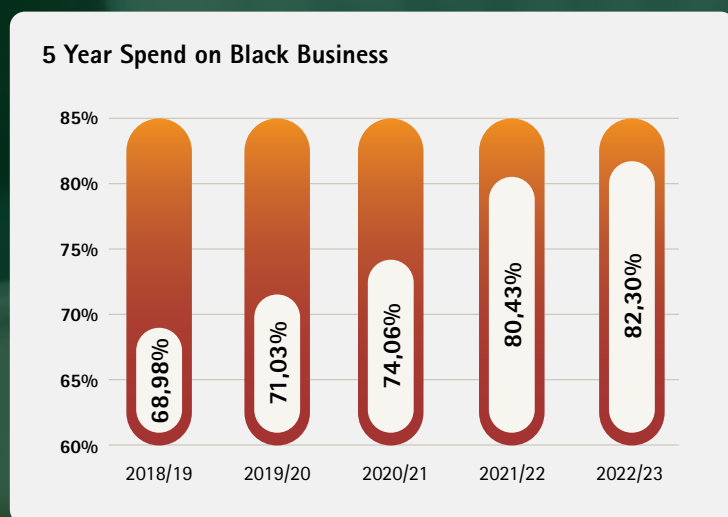




## CFO REPORT (CONTINUED)

The traction made in the past five years in procuring from majority Black-owned entities is demonstrated in Figure 1 below.

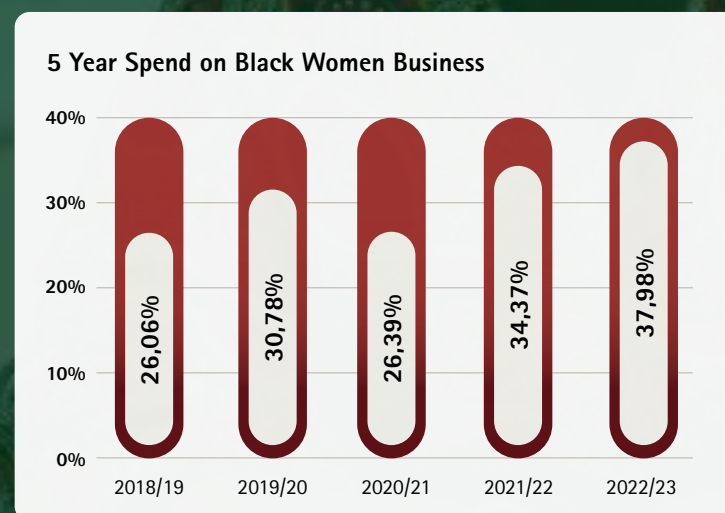
Figure 1: Five Year trend on spend towards Black-owned entities



In Addition, the NEF achieved a 37.98% procurement from businesses that are majority (50+1% shareholding) Black women-owned against a target of 30%, which is an achievement the NEF takes pride in. Furthermore, the NEF achieved a 48.45% total procurement from Black women-owned and managed businesses if using the minimum acceptable target of 25.1% according to the Codes of Good Practice as amended. The NEF continues to support and empower Black women-owned businesses.

The performance of the past five years of procurement from the majority of Black women-owned entities is demonstrated in Figure 2 below:

Figure 2: Five Year trend on spend towards Black-women-owned entities



Supply Chain Management practice has been maintained at the highest levels of good governance with no audit findings during the financial year. The Procurement Committee reported that no procurement irregularities were identified in the financial year ending 31 March 2023.



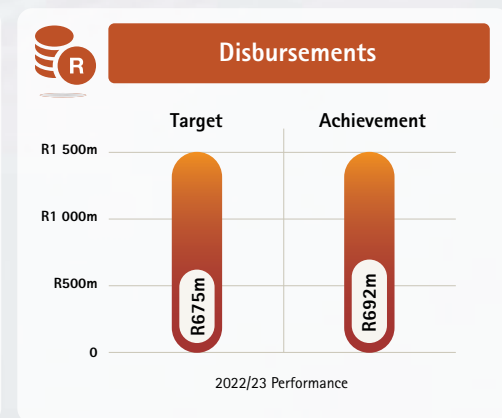
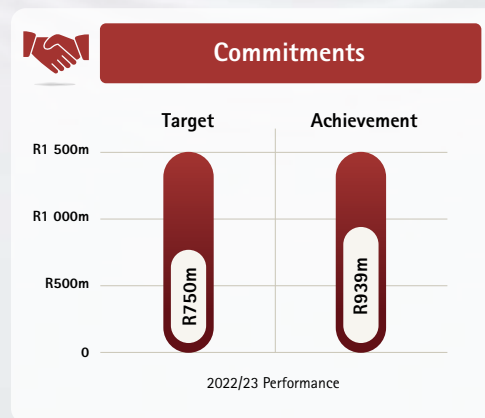
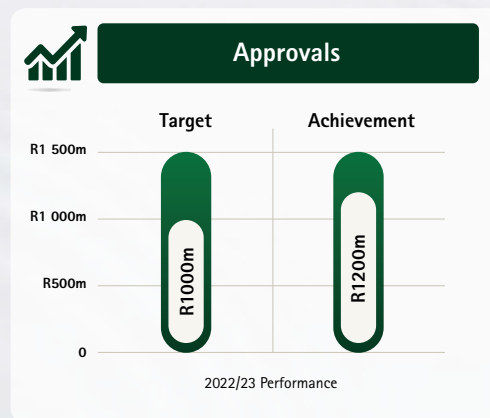
## PERFORMANCE REVIEW

Performance information for the NEF 2022/23 financial year is based on the Annual Performance Plan (APP) targets that the Hon. Minister of Trade, Industry, and Competition has approved and tabled in parliament.

### Achievements against strategic objectives

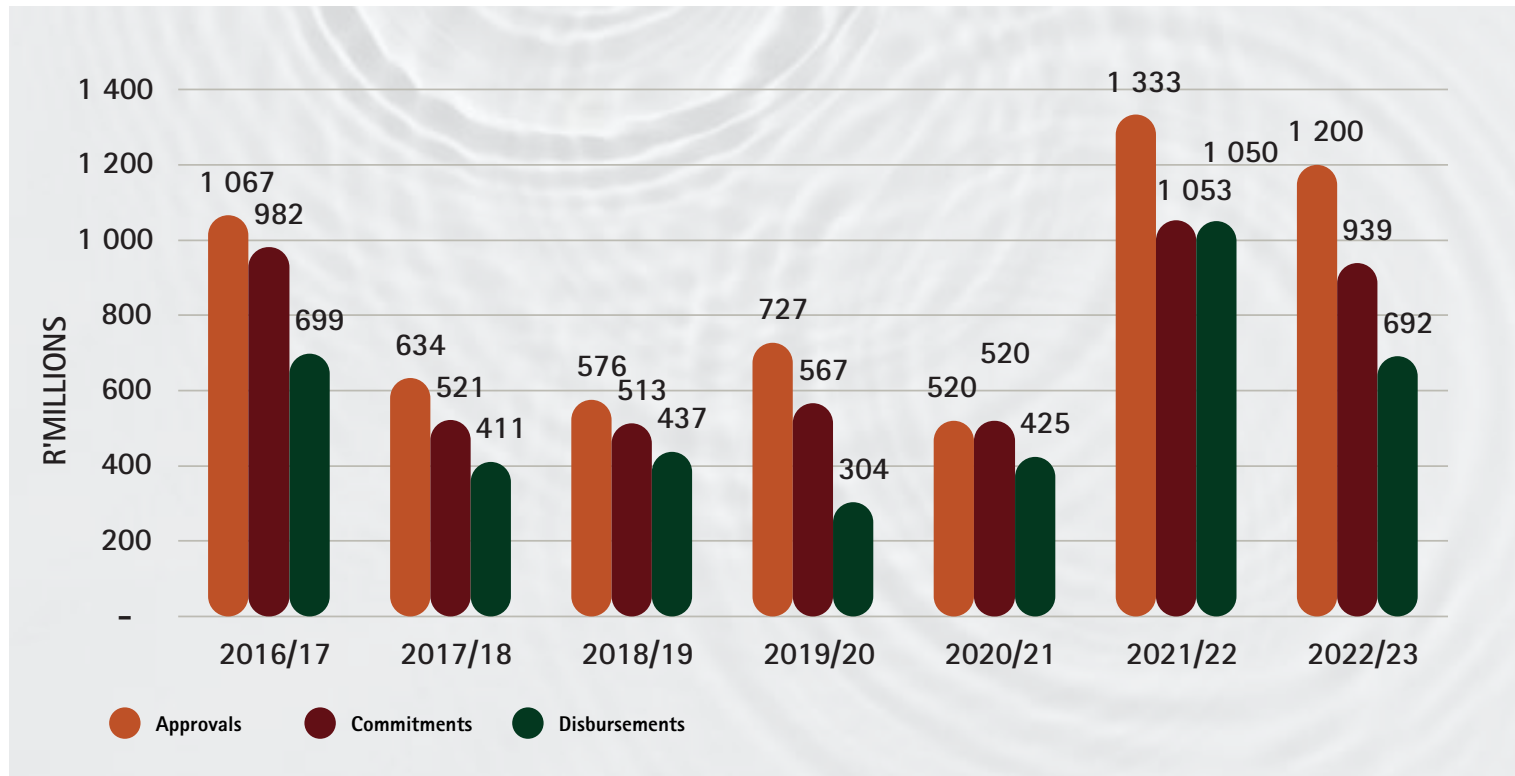
#### 1. ADVANCING B-BBEE BY PROVIDING FINANCE TO BUSINESS VENTURES

##### 2022/23 Performance



## PERFORMANCE REVIEW (CONTINUED)

The NEF greatly surpassed the targets established for approvals, commitments, and disbursements for the fiscal year ending in 2022/23. Against its approval target of R1 billion, the NEF approved deals worth R1.2 billion, committed R939 million versus a target of R750 million, and disbursed R692 million versus a target of R675 million, into the economy.

































The chart above depicts the organisational performance of the NEF. It shows that performance improved significantly in the past two financial years with approvals, commitments, and disbursements peaking as depicted in the graph above, as a result of third-party funds, mainly the funds from **the dtic** under the Economic Recovery Fund, to fund businesses affected by the July 2021 unrest in the Gauteng and KwaZulu-Natal provinces. The NEF sustained the momentum into the 2022/23 financial period, recording approvals, commitments, and disbursements of R1.2 billion, R939 million, and R692 million respectively.





## 2. MAXIMISING EMPOWERMENT DIVIDEND

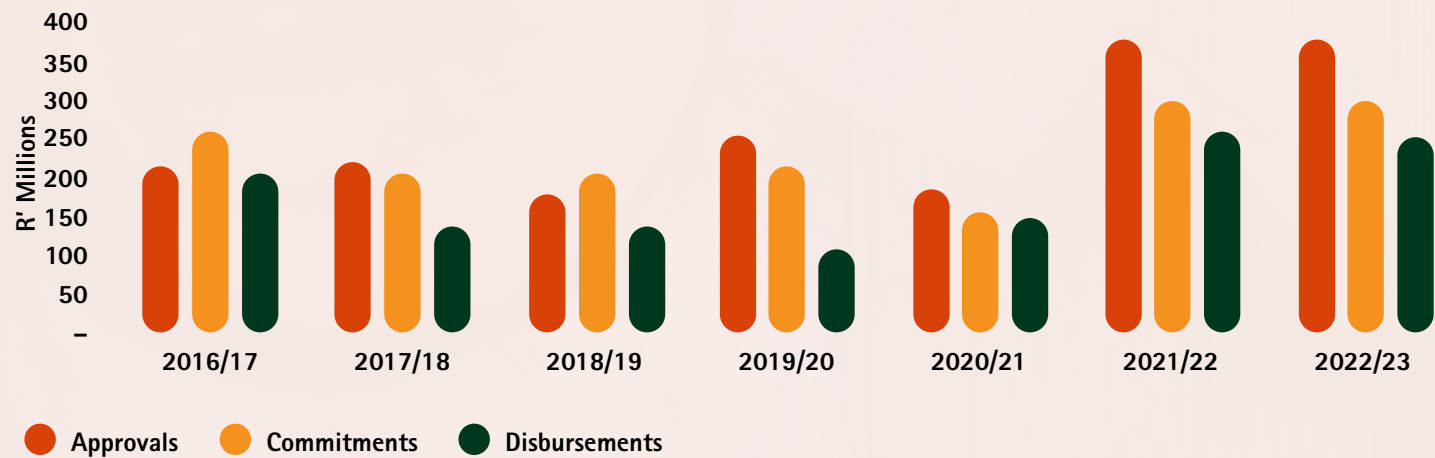
	2020/21		2021/22		2022/23	
Jobs Created 	 1 846	 2 488	 3 456	 11 429	 4 154	 4 598
% of disbursements to women 	 40%	 35%	 40%	 28%	 35%	 37%
% of disbursements targeted provinces 	 25%	 17%	 25%	 18%	 25%	 22%
Disbursements 	 R300m	 R418m	 R652m	 R1.050b	 R675m	 R692m

 Target  Actual

## Jobs Created

The organisation facilitated 4 598 job opportunities for the year against a target of 4 154. Since inception, the number of job opportunities supported increased to 123 151.

WEF Performance





## Women Empowerment Fund

The NEF Women Empowerment Fund is comprised of businesses that are 51% or more owned and managed by Black women. The purpose of the fund is to accelerate the growth of businesses owned and managed by Black women, specifically in rural and township areas.

The results of a six-year women's empowerment fund are displayed in the graph above. It demonstrates a notable increase in the 2021/22 financial year compared to the prior year, primarily as a result of increased transaction volumes in that year owing to various economic recovery initiatives. The normalised volume and value of approved, committed, and disbursed funds are R377 million (Approved), R296 million (Committed), and R253 million (Disbursed) over 114 transactions (Approved), 84 transactions (Committed) and 122 transactions (Disbursed), respectively.

## Regional Activity

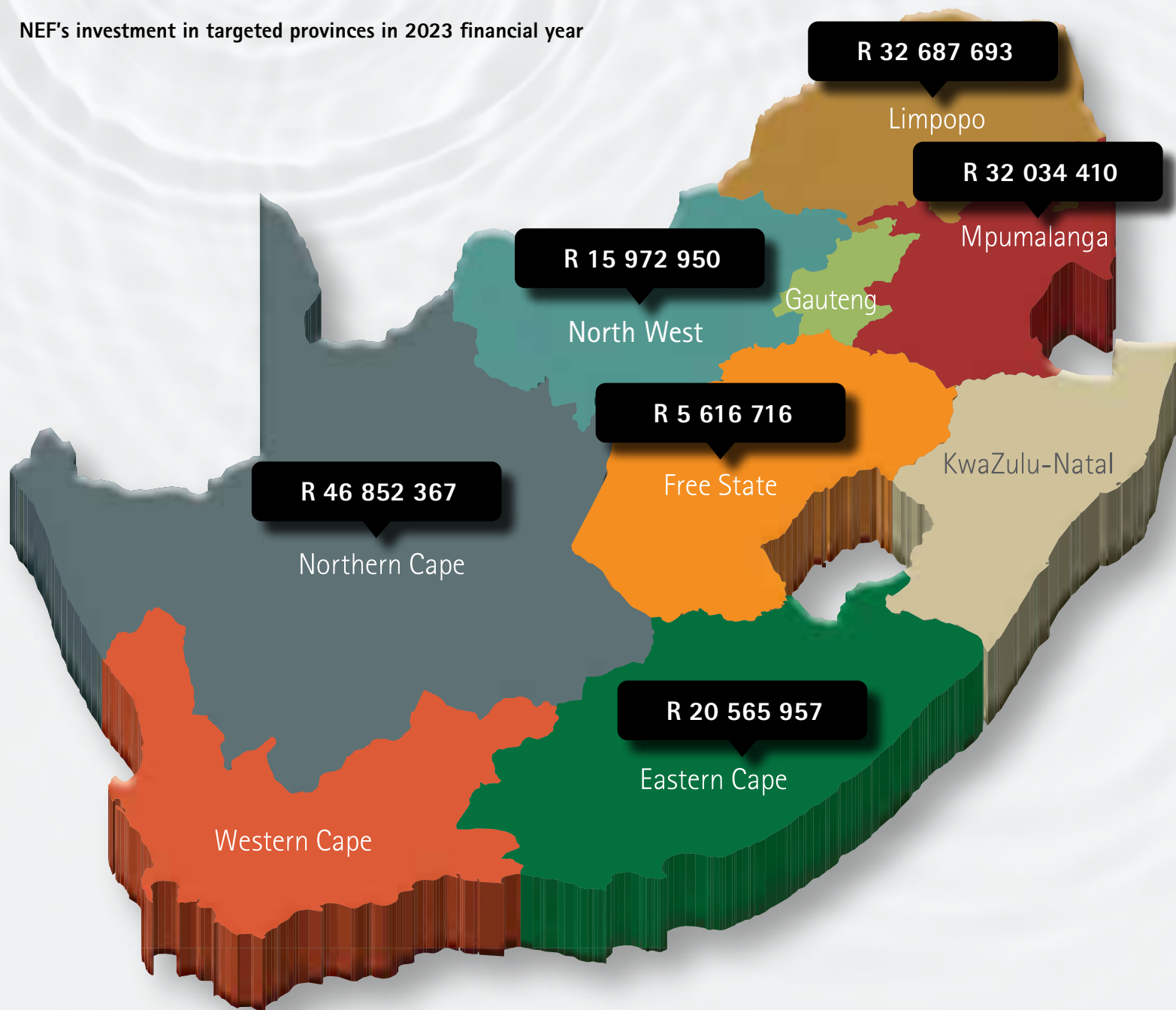
The NEF targeted six provinces in South Africa in order to grow its portfolio and induce economic activity. These provinces are the Eastern Cape, Free State, Limpopo, Mpumalanga, Northern Cape, and North-West. A total of R152 million over 27 transactions was invested in the targeted provinces, which represents 22% of annual total disbursements versus a target of 25% in the current year. There was an evident decline in reaching this target in the periods of 2021 and 2022 financial years. This was due to the decline in economic activities in the wake of COVID-19 and the July 2021 unrest, which necessitated a specific focus on the KwaZulu-Natal and Gauteng provinces in the 2022 financial year. As a result, the targeted provinces experienced lower activity in terms of approvals, commitments, and disbursements. The NEF pursues this target annually and places a high emphasis on expanding its geographical reach. There is a noticeable increase in this target in the 2023 financial year.





## PERFORMANCE REVIEW (CONTINUED)

NEF's investment in targeted provinces in 2023 financial year





## 3. OPTIMISING NON-FINANCIAL SUPPORT

	2020/21		2021/22		2022/23	
Investor Education 	 45	 95	 45	 73	 45	 88
Entrepreneurial Training 	 35	 141	 135	 174	 135	 216
Business Incubation 	 130	 440	 150	 332	 150	 224
Business referral 	 20	 124	 30	 86	 32	 62
Social Facilitation 	 20	 28	 29	 39	 24	 26
 Target  Actual						

The non-financial support forms an integral part of the NEF's mandate and is just as crucial to the success of the enterprises supported by the NEF. As such, the NEF contributes to the delivery of its mandate through programmes that offer entrepreneurial development and support.

# PERFORMANCE REVIEW (CONTINUED)

## Investor education

Investor Education Programme is rolled out in the country. It is targeted mainly at the Living Standard Measure (LSM) 1 individual (those in South Africa with the least means). It encourages Black people who are members of stokvels (savings or investment societies), cooperatives, SMME's and the general public to save and invest.

The programme is rolled out using a hybrid model of media platforms such as face-to-face, virtual and radio station interventions. This model has widened the reach of the Investor Education Programme. More than 2.8 million beneficiaries across the six targeted provinces were reached through 88 interventions in the 2022/23 financial year.

Since inception, the programme has reached 8 679 934 beneficiaries across the country through 737 interventions.

## Entrepreneurial training

The objective of the training is to provide emerging Black empowered Small and Medium-sized Enterprises (SMEs) an understanding of basic business principles and business management competencies in the areas of finance, human resources (HR), and legal compliance. It also serves to create and maintain awareness of NEF funding products. This is typically a four-day training with 10 to 24 participants. Upon completion, the participants are empowered to progress with:

- The ability to understand the structure of a business plan and produce one;
- An ability to understand and interpret financial statements;
- Competencies in marketing the business and in sales; and
- The understanding of the significance of creating business networks, and the techniques, which are required to foster their own.

The table above depicts that performance exceeded targets with a year-on-year growth of 24%, which was achieved for the period under review from conducting 174 entrepreneurial trainings in the prior year to of 216 entrepreneurial trainings in the period of 2022/23 financial year.

## Business incubation

Business incubation nurtures entrepreneurial ideas into feasible business opportunities. The table above highlights the number of entrepreneurs, that were referred to the incubation programme and equally reflects a measurement of success rates of those fully incubated during a three-year period.

## Social facilitation

The social facilitation function encompasses the NEF non-financial support services. In the year under review, the function continued to offer a beacon of hope for the future to the rural community members and employee-based structures such as the Employee Profit Sharing Schemes and Staff Trusts.

More than 20 NEF transactions with structures representing roughly three thousand beneficiaries were supported through various intervention programmes that could ensure accelerated implementation of transformation and development.

The social facilitation function ensures that there is an understanding of how NEF transactions are structured, and addresses beneficiaries' expectations, identify and prioritise broad-based opportunities, as well as make across-investee linkages.































The facilitation function ensures maximum impact on communities by strengthening relationships with community representatives, ward councillors, and traditional authorities. It also seeks meaningful partnerships with both private and public external stakeholders who share the same values, which are to encourage meaningful participation of rural communities in the mainstream economy.

In the year under review, as per the table above, 26 social facilitations were undertaken against a pipeline of 24 envisaged facilitations, translating to 108% achievement against a target of 90% of the pipeline. The over performance was a result of increased demand for the social facilitation function services during the year.





#### 4. ESTABLISH THE NEF AS A SUSTAINABLE DEVELOPMENT FINANCE INSTITUTION

	2020/21		2021/22		2022/23	
<b>Impairments</b> 						
	18%	29%	25%	29%	25%	25%
<b>ROI</b> 						
	7%	7.33%	7%	8.23%	7%	9.96%
<b>Collection ratio</b> 						
	80%	74.7%	80%	83.71%	80%	83.9%
<b>Partnerships concluded</b> 						
	R50m	R541 m	R50m	R2.245b	R100m	R120m
 Target  Actual						

Active portfolio monitoring is essential to the organisation's long-term sustainability. The impairment, return on investment, and collection ratios are used to gauge the NEF's success.

## PERFORMANCE REVIEW (CONTINUED)



### Impairments

The change in target and performance of this indicator are reflective of the challenging economic climate in which businesses have been operating in, including the NEF and its clients. Concerted efforts have been made by the NEF through relevant departments to support businesses through this challenging time and to maintain the cap of impairments. The impairment ratio target of less than 25% was achieved at a ratio of 25%.



### Return on Investments

The return on investment has been prompted by both the efforts to collect from clients as well as the increasing repo rate and ultimately the prime lending rate, allowing for increased collection per existing facility. The ROI has increased by more than 1% per annum in the last three financial years to the current rate of 9.96%.



### Collections

The collection rate has been increasing gradually over the last three financial years, achieving a rate of 83.9% in the current year. As indicated, this is owing to both the collection efforts by the NEF as well as the increases in the repo rate, and thus the prime lending rate.



### Partnerships

The economic conditions aggravated by global and local challenges has not been conducive for raising of funds through partnerships. The NEF has succeeded despite those challenges to convert commitments into funds deployable into the economy. A total of just over R2.7 billion has been raised in the last three years.



## Performance against the Annual Performance Plan

Strategic Objectives	Output	Performance Measure or Indicator	Annual Target 2022/23	YTD Achievement	Variance	Reason for Variance	Corrective Measures
Growing black economic participation in the South African Economy and job creation	Provide finance to Black-owned business by investing in the form of loans, quasi-equity and equity finance through funds and funding products, targeting Black rural enterprise, SMEs, corporate finance and venture capital.	Value of deals approved	R1 billion	R1.2 billion	R200 million	The target was achieved and exceeded. This indicates that the demand and need for capital by Black businesses remains high. Various funds, including those from the dtic such as the Economic Recovery Fund (ERF) and Women Empowerment Fund (WEF) continued to be expanded in the current year.	None
		Value of new commitments	R750 million	R939 million	R189 million	The target was achieved and exceeded in line with the approvals.	None
		Value of Disbursements	R675 million	R692 million	R17 million	The target was achieved and exceeded, resulting from exceeded approvals and commitments.	None
	Source investment opportunities for the Funding Programmes that focus on the creation of new employment opportunities.	Number of jobs expected to be supported or created.	Support 4 154 new and existing job opportunities.	4 598	444	The target was achieved and exceeded, resulting from exceeded approvals and disbursement targets. The supported businesses were able to retain and create jobs and improve the country's employment rate.	None



# PERFORMANCE REVIEW (CONTINUED)

Strategic Objectives	Output	Performance Measure or Indicator	Annual Target 2022/23	YTD Achievement	Variance	Reason for Variance	Corrective Measures
	Source investment opportunities for the Funding Programmes that are owned and managed by Black women.	Percentage of portfolio disbursements to businesses (partially/ wholly) owned by women	35% of annual disbursements	37%	2%	The target was achieved and exceeded due to continuous efforts being made to address and increase the participation of women-owned businesses in the economy. The WEF from the dtic greatly assisted in the efforts made to provide increased financial support to Black women-owned businesses.	None.





Strategic Objectives	Output	Performance Measure or Indicator	Annual Target 2022/23	YTD Achievement	Variance	Reason for Variance	Corrective Measures
	Increased share of portfolio in under-represented provinces.	Percentage of disbursement to be invested in Eastern Cape, Free State, Limpopo, Northern Cape, Northwest, and Mpumalanga.	25% of disbursement is to be invested in Eastern Cape, Free State, Limpopo, Northern Cape, Northwest, and Mpumalanga.	The NEF disbursed R152 million, translating to 22% of the total disbursement amount of R692 million.	(3%)	Although the percentage of funds disbursed towards targeted provinces increased from 18% in the prior to 22% in the current year, the performance was still short of the set target of 25%. The target was not achieved as Gauteng and Kwa-Zulu Natal continued to be on focus due to the finalisation of the ERF.	Disbursed funds in the targeted provinces is envisaged to increase along with increased efforts that have already shown an improvement in this activity in the current year.
Non-Financial Support	Conduct investor education seminars in provincial towns and increase understanding by participants	Number of Seminars held across the country	45 Investor Education seminars per year	88	43	The target was achieved and exceeded due to a mix of online seminars and in-person seminars. In particular, online seminars enabled a larger reach of beneficiaries.	None

## PERFORMANCE REVIEW (CONTINUED)

Strategic Objectives	Output	Performance Measure or Indicator	Annual Target 2022/23	YTD Achievement	Variance	Reason for Variance	Corrective Measures
	The provision of non-financial support and training for Black-owned businesses and entrepreneurs.	Number of Entrepreneur Training sessions provided	135 entrepreneurial training sessions, with an average score of 60% required in the post-training assessment.	216	81	Similarly, this target was achieved and exceeded due to a mix of online seminars and in-person seminars. Online seminars enabled a larger reach of beneficiaries. Additionally, extensive marketing to entrepreneurs to participate in this programme was made.	None
	The provision of non-financial support and training for Black-owned businesses and entrepreneurs	Number of entrepreneurs who successfully complete business incubation	Refer 150 entrepreneurs for incubation: and 30 entrepreneurs in the final incubation stage	224 62	74 32	The target was achieved and exceeded. The NEF has taken the opportunity to offer pitching sessions immediately after the training sessions to which stakeholders (incubators) are invited. This together with running online sessions has been the catalyst to increased output.	None





Strategic Objectives	Output	Performance Measure or Indicator	Annual Target 2022/23	YTD Achievement	Variance	Reason for Variance	Corrective Measures
	The provision of non-financial support and training for Black-owned businesses and entrepreneurs	Percentage of Social Facilitation Sessions for NEF investees	90% of the SEDU pipeline (Total number of pipeline is 24)	108% (26)	18%	The target was achieved and exceeded. This typically happens when there are multiple inventions required for a single transaction (as different events), e.g., a Corporate Plan and a Social Facilitation Plan.	None
Growing BEE through partnerships	Increase positive brand awareness of the NEF.	Brand Audit Survey findings	Increase brand awareness to 90%	N/A	N/A	N/A	None
Maintaining Financial Sustainability	Obtain an overall real return on fund investments through equity returns, interest on loans and interest on cash balances with minimised impairments and write-offs.	Percentage of portfolio impaired	25%	25%	0%	The target was achieved owing to increased percentage of collateral in relation to the loan book value, write offs and recoveries.	Management continues to make an effort to manage and reduce credit risk through intensive due diligence processes and independent assessments by the Credit Risk department. POIU and TWR are actively monitoring NEF investments to improve this target.

## PERFORMANCE REVIEW (CONTINUED)

Strategic Objectives	Output	Performance Measure or Indicator	Annual Target 2022/23	YTD Achievement	Variance	Reason for Variance	Corrective Measures
		Target ROI before impairments (to be reviewed annually)	7%	9.96%	2.96%	The target was achieved and exceeded. The increase during the financial year of the prime lending rate resulted in higher collections and thus higher returns.	None
		Collection's ratio	80%	83.9%	3.9%	The target was achieved and exceeded.	Please refer to the above comment.
Growing BEE through partnerships	Establish partnerships for increased economic investments.	Value of concluded partnerships per year (or value of mobilised resources)	R100 million	R120 million	R20 million	The target was achieved and exceeded. The NEF has a pipeline of third parties whom it is working on partnering with to further the inclusion of Black people in the mainstream of the economy. The exceeding of the target reflects the success of these efforts.	None



## GROWING B-BBEE THROUGH PARTNERSHIPS

### Enterprise and Supplier Development Fund

The NEF has been growing in its efforts to grow B-BBEE by partnering with various stakeholders to leverage funding opportunities to fund Black enterprises. Strategic relationships that unlock third party capital have been fostered, thus increasing the availability of affordable capital for deployment to applicants/investees along with the organisation's own unencumbered capital.

The NEF has identified an opportunity to partner with and provide a mechanism to private and public sector organisations for the delivery of sustainable B-BBEE solutions to Black enterprises at an accelerated pace. The opportunity entails private sector enterprises making their Enterprise Development (ED) and Supplier Development (SD) contributions to the NEF's Enterprise and Supplier Development Fund ("the NEF ESD Fund"). The NEF utilises these contributions to co-finance its investments in ED and SD beneficiaries, in order to facilitate their development, and financial and operational independence.

The NEF ESD Fund has received contributions from over twenty-eight (28) contributors from both the private and public sectors such as Nissan, Sun City, Steve Tshwete Local Municipality, Department of Transport, **the dtic**, Limpopo Department of Economic Development, Environment, and Tourism, Northern Cape Department of Economic Development and Tourism and Solidarity Fund, valued at over R3 billion since the inception of the fund.

In the year under review, the South African economy has been severely affected by ongoing load shedding that has negatively impacted the ability of businesses to operate. Businesses in diverse sectors are not able to trade efficiently and to their potential capacity due to the prevalent shortage of electricity. The NEF has raised R100 million from **the dtic** to establish the Alternative Energy Support Fund which will commence in the 2023/24 financial year.

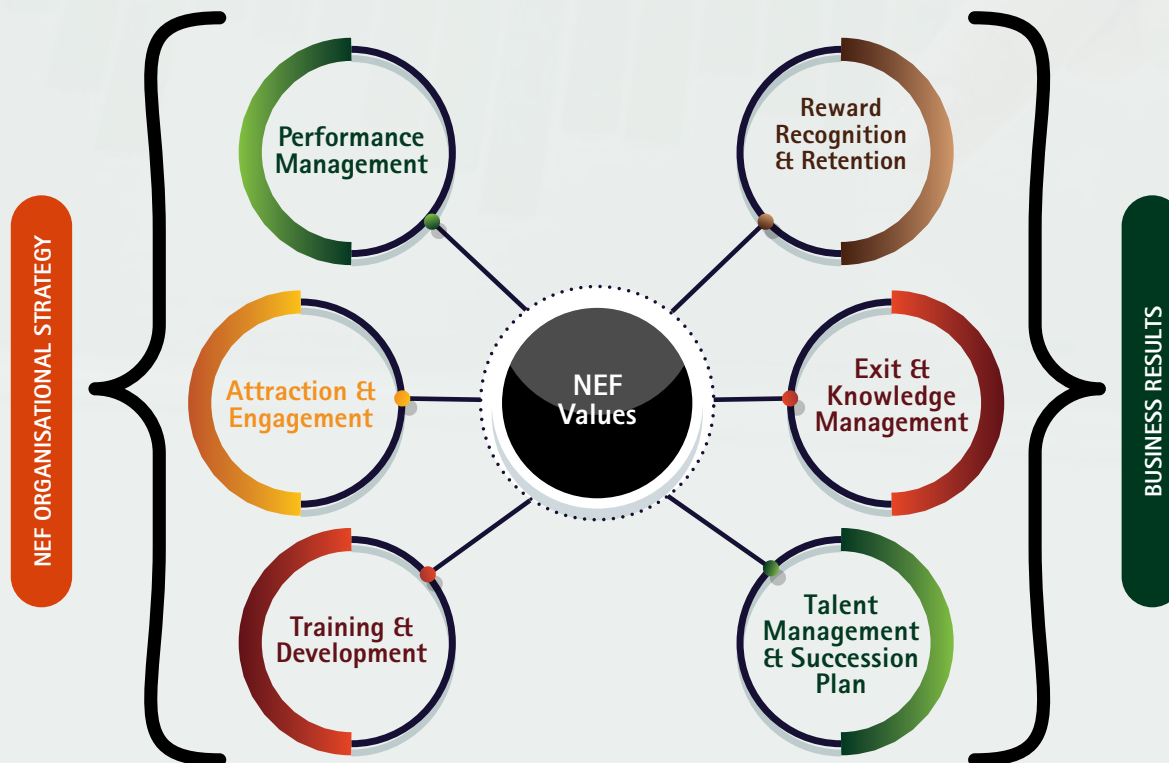
Contributions to the value of R120 million were received in the 2022/23 financial year against a target of R100 million.

# HUMAN CAPITAL MANAGEMENT

The NEF nurtures and refines talent and is an organisation where merit and distinction are founded on the crucible of patriotism. The NEF's recruitment ethos is inspired by the recognition that the quest for economic transformation and growth needs skilled professionals who are honest, hard-working, and willing to go the extra mile. The NEF is such a place. Our vocation, therefore, is to be of service to our country, and indeed to our continent. The highest qualification for being at the NEF, second only to one's professional distinction and performance, is indeed a patriotic commitment to the empowerment dividend, which is the pursuit of the noblest mandate in South Africa today.

## Human Capital Strategy

The Human Capital Department provides an enabling environment for the organisation to carry out its objectives. The human capital management's main objective is to facilitate an environment that optimises the employees' engagement, including performance and career advancement. The human capital strategy guides the talent attraction, development and retention as depicted below in the tools that make up the HR strategy. It further, represents a particularly important element capable of guiding the NEF's value creation process in the economy.







## Growing Employee Capability

The human capital capabilities and experience are shaped and nourished by continuous development which is motivated by innovative learning and development initiatives that are aligned with and support the organisation's values.

## In Pursuit of Gender Parity

The NEF prides itself on being an organisation that is at the forefront of Women's Empowerment. This is through various initiatives and chief among those can be witnessed in the staff complement of its employees where female employees represent a bigger percentage than males. This can also be seen even at management levels, where women form a greater representation and as part of the economically active population, women remain by far the greater of the two.

Leading the way for value creation through championing and placing gender equality at the forefront. Of the 6 Executive staff, 2 are female and 4 are male, whilst at senior management level 10 of 29 staff are female and 19 are male. It is important to note that 80% of the NEF employees are between the ages of 30 to 49 years and this demonstrates that the NEF is a maturing organisation.

## Entrenching a Values-Driven Corporate Culture

The NEF is underpinned by the Values of **E-M-P-O-W-E-R** that all our employees live by. These noble values are the ethos by which our employees solemnly swear by. Our values drive our corporate culture in support of achieving our mandate. As a demonstration of commitment to this solemn pledge to the nation, these values are embedded in our employees' performance contracts and on an annual basis there is a performance measure which each employee is measured against.

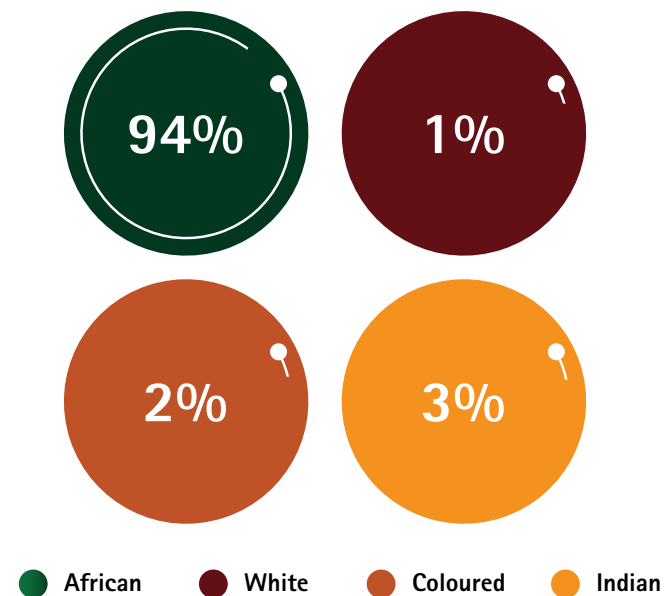
The human-centred NEF values that are driven by leadership unlocks value for the clients and stakeholders. The NEF values plays an important role in enforcing good ethics, integrity and Ubuntu amongst employees. As a Values based organisation, the NEF strives to create an all-inclusive culture with a sense of purpose, belonging and empowerment.

These values have seen one of the NEF's employee (security guard) graduating with a Bachelor of Commerce in Human Resources. This has been enabled by an encouraging and conducive working environment. The employee is currently pursuing a postgraduate diploma in Human Resources Management with the intention to join the NEF Human Resources team.

## Employee demographics

### Race Diversity

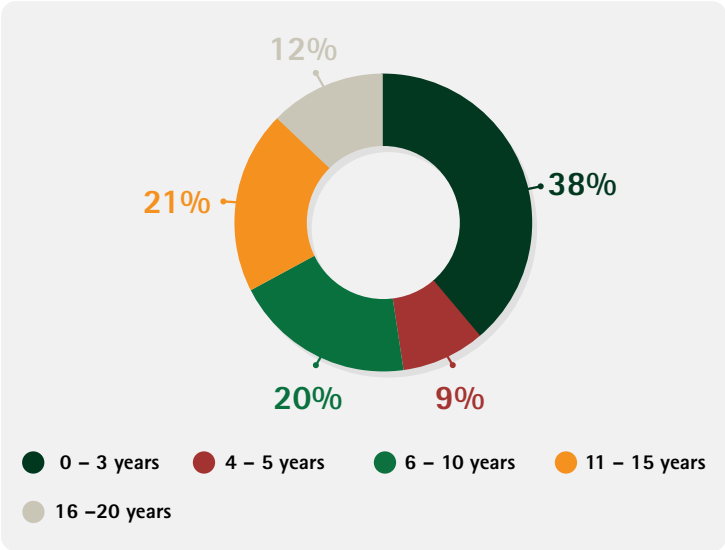
The below graph depicts the race demographic of the 185 NEF staff in the current year:



# HUMAN CAPITAL MANAGEMENT (CONTINUED)

## Tenure

It is worth noting that 53% of NEF employees have had a career with the NEF spanning above six years. This clearly indicates that the NEF has succeeded in creating a work environment that offers diverse opportunities to grow within the organisation. Equally, the solid 53% representation indicates the longevity, commitment and loyalty to the NEF mandate by its employees.



## INVESTING IN HUMAN CAPITAL

### Training and Development

Investing in the development of employees ensures that they remain motivated to excel and be empowered to perform at their best. Funded self-development programmes remain a sought-after benefit offered by organisations for career seekers. For the NEF, the benefit of having these programmes offered to employees is not only that it assists in the retention of talent, but more so that a highly skilled and therefore high performing workforce exists to execute the mandate of the NEF via innovative solutions and to also improve the service offering to clients.

Cost	Number of training interventions	Total
Permanent employees	63	R305 906
Temporary employees	71	R25 882
Grand Total	134	R331 788



## Graduate Programme

Rethinking skills development and training for the future by appointing unemployed youth and providing them with on-the-job training. The NEF has been in a fortunate position as a funder and employer with a soul to partner with the Department of Transport to appoint 80 unemployed graduates into its trainee programme on a 12-month contract to assist with the Taxi Relief Fund. Furthermore, the NEF has an ongoing trainee programme to support young unemployed graduates, in which new intakes are onBoarded every two years. The NEF also absorbs graduates from the NEF bursary programme, as highlighted in the CSI section of the report, into the trainee programme. These trainees gain the much-needed work experience which will launch their careers into the future.



## Qualifications

The table below demonstrates the qualifications that NEF employees possess, and it is through this highly qualified employee cohort that the NEF has consistently managed to be a high performing organisation.

No	Qualifications	Number
1	Chartered Accountants	16
2	Master's degree	13
3	Engineers	3
4	LLB degrees (7 are admitted attorneys)	7
5	Honours degree	28
6	Bachelor's degree	54
8	Diplomas	18
9	Certificates	41
10	Other	5
Total:		185

# HUMAN CAPITAL MANAGEMENT (CONTINUED)

## Hybrid Work From Home

Embracing flexible working practices by encouraging our employees to embrace technological changes. Once the lockdown came to an end, the NEF piloted the hybrid work from home model which was successfully implemented. During the pilot period, employees were able to meet and exceed their KPAs and KPIs. To this end, the NEF has since adopted the hybrid work from home model as its policy as it offers employees flexibility and work-life balance in working hours yet at the same time employees can meet their set objectives.

## Employee Wellness Initiatives

Employee wellness initiatives were intensified during the reporting period, with the NEF partnering with employee wellness providers to assist employees with their well-being.







## CORPORATE SOCIAL INVESTMENT (CSI)

The NEF participates as a corporate citizen in the social upliftment of communities and individuals through the implementation and management of empowering Corporate Social Investment projects.

As such, the following CSI projects were undertaken during the year:

### Eastern Cape / KwaZulu-Natal floods humanitarian aid

True to its ethos of being a funder with a soul, the NEF heeded the call to assist individuals and families affected by the floods that destroyed homes in Eastern Cape and KwaZulu-Natal provinces. In partnership with external stakeholders, the NEF contributed a total amount of R5 million to support displaced families with necessities that ensured that their dignity as human beings are maintained.

The financial contributions made by the NEF, its employees, and other external stakeholders, were able to acquire items such as industrial gas stoves, steel containers that serve as a bath fitted with showers and basins, as well as those serving as kitchens, gas cylinders, deep freezers, blankets, water urn kettles, 450 food parcels, and many other items.

These contributions benefited 3 125 individuals from 900 households in the affected areas.

### Solidarity Fund/ NEF food voucher programme

The NEF and the Solidarity Fund entered into a partnership with the Humanitarian Crisis Relief Fund to assist employees of businesses that were affected by the riots and civil unrest that took place in Gauteng and KwaZulu-Natal in July 2021.

The NEF donated its internal resources in the form of employees' time, travel, accommodation, and related costs to coordinate the food voucher programme, as well as collating information, attending to queries, and providing a database of employees/beneficiaries of the affected businesses that had lost income due to temporary or permanent business closures during the July 2021 civil unrests. The

data collected was utilised to provide regular update reports to the Solidarity Fund.

Solidarity Fund was able to directly disburse R3000 cash vouchers, totalling over R62 million, to over 20 000 affected beneficiaries identified by the NEF.

### External Bursaries

As a DFI, the NEF has a legislative requirement to play a crucial role in the skills development of graduates in the country. Skills development is one of the key pillars of the B-BBEE Codes of Good Practice, of which the NEF is a custodian. In the year under review, an amount of R1.8 million was awarded to 26 students to study in various institutions.

Since its inception in 2016, a total of 77 students have been supported through the NEF bursary scheme.

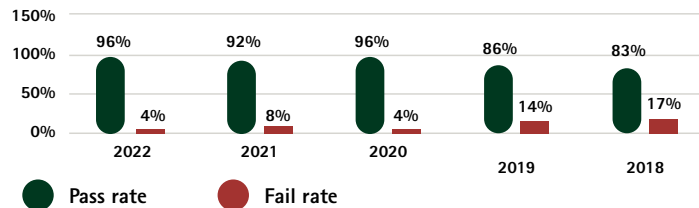
**Table 1: Illustrate students' statistics in numbers and percentage**

Item	2022	2021	2020	2019	2018
Number of students supported at the beginning of the year	26	25	23	29	34
Students who exited by other sponsors / other reasons	0	1	0	0	5
Number of students supported at the end of the year	26	24	23	29	29
Total number passed	25	22	22	25	24
Pass rate	96%	92%	96%	86%	83%

## CORPORATE SOCIAL INVESTMENT (CSI) (CONTINUED)

**Graph 1: Illustrate the four year trend pass rate and completion rate**

**Five (05) year trend success rate**



- Entandweni Development Centre**

Entandweni Development Centre is an after-care Centre established in 2015, to cater to orphaned and disadvantaged learners of Nolutshanyo Township in Bathurst in the Eastern Cape. It cares for 35 (31 female and four male) learners with aftercare services, including homework, daily meals, clothes, and uniforms. The NEF disbursed a total amount of R50 000 towards a 12-month subscription and installation of Wi-Fi, the construction of ablution facilities and funds contributed towards purchasing food, sanitary pads, and school uniforms.

The installation of Wi-Fi provides a platform for e-learning and the development of disadvantaged learners. The Wi-Fi further generates income for the Centre as it is used to offer computer training primarily to the youth. An added benefit is that the project coordinator has access to the internet, which is used, among others, to take advantage of social media platforms to attract more funding and easily engage with current donors.

Prior to the NEF's support, all 35 learners and three teachers were utilising one old ablution facility, and NEF donated funds towards the construction of two additional ablution facilities. This initiative restored some dignity to both the learners and teachers alike.



- Puku Children's Literature Foundation**

In support of the great work done by the Puku Children's Literature Foundation, the NEF donated an amount of R40 000.00 towards the Johannesburg Festival of Women Writers that took place in February 2023. The Puku Children's Literature Foundation provides administrative and logistical support to the festivals such as the Johannesburg Festival of Women Writers.

The Puku Children's Literature Foundation is an award-winning reading promotion and book development organisation whose goal is to ensure that all children have access to books and digital content in the languages they need, a goal reinforced by the UN Decade for Indigenous Languages (2022–2032), and by South Africa's national goal of getting all children reading for meaning by 2030.





# GOVERNANCE

## The NEF Governance Philosophy

The NEF remains committed to the highest standards of governance, ethics, and integrity at all levels. The Board of Trustees, as the custodian of corporate governance, understands that good governance supports good performance and sustainable value creation. Thus, the NEF embraces robust governance and risk management frameworks that enable the NEF to fulfil its mandate. The Board reviews these frameworks on an ongoing basis, being mindful of the dynamic landscape in which it operates.

## The NEF Governance Structures

The NEF is a government owned DFI established under the National Empowerment Fund Act No 105 of 1998 (NEF Act). The NEF was established as the main driver and thought leader in promoting and facilitating Black economic participation by providing financial and non-financial support to Black-owned and managed businesses, and by promoting a culture of savings and investment among Black people. In terms of section 24 of the NEF Act, the NEF has established an investment holding company known as the National Empowerment Fund Corporation. The Corporation's objective is to hold Trust investments commercially soundly and carry out such investment activities as its directors may determine.

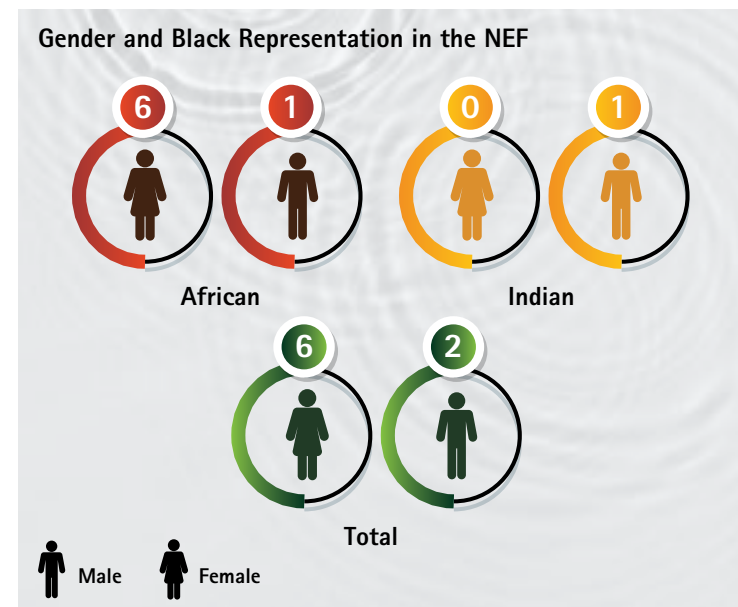
The Honourable Minister of Trade, Industry, and Competition, Mr Ebrahim Patel is the Executive Authority of the NEF. The Minister, in consultation with the Cabinet of the Republic of South Africa, appoints the Board members in terms of Sections 8(1) and 9 (2) (b) of the NEF Act. It is the Executive Authority's responsibility to ensure that Annual Performance Plans are true to the mandate defined in the NEF Act and aligned with the government's priorities. The NEF operations are primarily governed by the NEF Act, the Public Finance Management Act No 1 of 1999, as amended (PFMA), including the National Treasury Regulations, the Companies Act (where applicable), and the Protocol on Corporate Governance in the Public Sector, 2002.

## The NEF Board Composition

The current Board of the National Empowerment Fund assumed its responsibilities in August 2021. The profile of the NEF Board is informed by section 4(2) of the NEF Act, which states that the NEF Board shall consist of no less than seven but not more than eleven trustees appointed in terms of section 8 of the NEF Act. The current Board of Trustees is diverse in its academic qualifications, industry knowledge, experience, and gender. This diversity encourages robust debate at Board and other committee levels to ensure that appropriate and effective judgment and guidance are provided to management in delivering on the NEF's strategic objectives. At the end of the current financial year, the NEF consisted of eight trustees, seven of whom were non-executive trustees and one executive trustee. There were no changes to the Board during this reporting period. The Chairperson and CEO positions are separate.

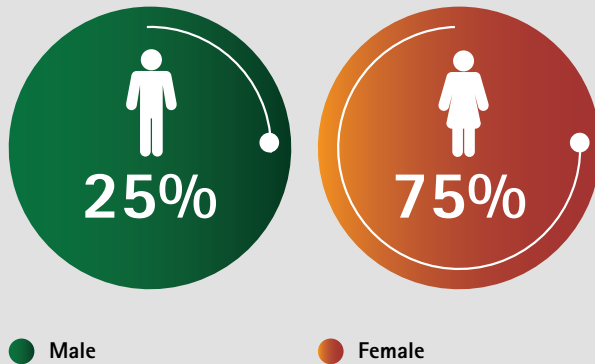
## Board Diversity

The NEF Board is 100% Black and its diversity is depicted below.



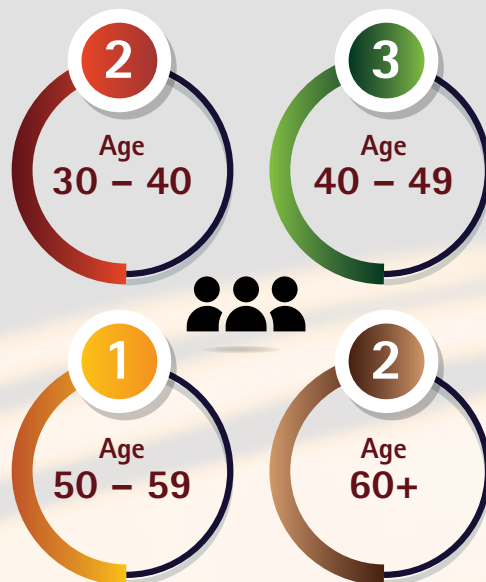
## GOVERNANCE (CONTINUED)

### Gender Representation



### Age Distribution

The NEF Board consists of six females and two males in terms of gender representation. The charts above indicate the large emphasis the NEF places on women empowerment and closing the gender gap in leadership and governance. 75% of the NEF Board are Black women. The Board is also diverse in its age demographic as per the chart below.



### The Role of the Board

The NEF Board plays a pivotal role in setting the strategic direction of the NEF and in providing continuous oversight over material matters. Further, the Board also serves as an independent leader and steerer for the executive management team, whose main responsibility remains the management of the NEF business.

### The Board's Key Focus Areas for 2022/23

Since its appointment, the Board has critically evaluated key risks and challenges faced by the NEF and has adopted key priorities of focus and a defined 5-year performance strategy being pursued by the NEF. The Board also provided oversight on the strategic direction and targets set in terms of the organisational balanced scorecard while monitoring overall performance against set targets. The Board further focused on the NEF's long-term recapitalisation strategy, the strengthening of the NEF succession plans for executive leadership and critical skills, and the review of the HR Strategy and Remuneration Framework to ensure that the NEF human capital is fit for purpose.

### The Key Areas that were on top of the Board agenda in the period under review included:

- The recapitalisation of the NEF towards becoming a sustainable vehicle for meaningful participation of Black-owned companies in the South African economy.
- The in-depth analysis of the performance of the NEF investments with a particular focus on the construction and property sectors.
- The impairments analysis with a view to coming up with strategies that improve the quality of the NEF loan book and maximise the returns on investments.
- The review of the leadership and executive management succession plans.
- The review of the NEF Remuneration Framework is to ensure its alignment with best practices.





### In addition, the Board also considered:

- Detailed feedback from the Chairpersons of Board committees on deliberations of those committees.
- Approved the Board and the Board Committees' Charters.
- Approved the 2023/24 NEF Annual Performance Plan.
- Approved the 2021/22 Integrated Annual Report.
- Approved the 2021/22 Annual Financial Statements.
- Approved the 2021/22 Development Impact Report.
- Approved the revised Delegation of Authority framework.
- Deliberated on the report on the NEF's performance relative to the NEF's Balanced Score Card.

### Chief Executive Officer (CEO)

The Chief Executive Officer (CEO) is appointed by the Board with the approval of the Minister in terms of Section 17 of the NEF Act. The CEO is also a member of the NEF Board. The Board delegated the day-to-day management of the NEF operations to the CEO, assisted by the Executive Management Committee, working on detailed mandates as per the Balanced Score Card. The current NEF CEO joined the NEF in 2007 and has served the NEF for a period of 16 years. Her term of office was set to expire on 30 June 2023. The Board, with the approval of the Minister, has extended the CEO's term for an additional six months and her last term would expire on 31 December 2023 to allow the Board some time to finalise its succession plans for the position and to appoint the new CEO.

### Company Secretary

The NEF Company Secretary has dual reporting lines. The Secretary reports to the CEO/ General Counsel with regard to management and operational matters; and reports to the Board Chairperson on matters that concern the Board. In the current year, the Board was assisted by the Company Secretary who played a key role in providing guidance to the Board members on the execution of their duties, keeping the Board

aware of relevant changes in legislation and corporate governance best practices. The Company Secretary is also secretary to the Board committees and the Board members have unfettered access to the services of the Company Secretary.

### The Board's Term of Office

The NEF currently has seven non-executive trustees who were appointed by the Minister in terms of Section 8(1) of the NEF Act of 1998.

The Board's term of office is determined by Section 9 of the NEF Act. Section 9(1) states that the Chairperson of the Board shall be appointed to serve for a period of three years. The Chairperson of the NEF was appointed in January 2022 and her term would run until January 2025. Section 9(2)(a) further states that some of the Board members should be appointed for a period of three years, in this case, two members were appointed for a period of three years and therefore their terms would run until 2024. Section 9(2)(b) further states that other Board members must be appointed for a term of two years, as such other Board members were appointed for a period of two years and their terms are ending in August 2023. The Chairperson and the Board members may be eligible for reappointment after the expiry of their terms for not more than one additional term in terms of Section 9(5) of the NEF Act.

The Board also appointed independent non-executive, non-trustee members to serve in the Board Committees who are also subjected to the same provisions as per the NEF Act. This means that they can serve for two consecutive terms with no eligibility for further extensions. The current independent members have served for two terms of two years and their terms would be ending in October 2023 and the Board has started a process of filling those vacancies.

# GOVERNANCE (CONTINUED)

Board and Board Committee diagram





## Board committees

In carrying out its oversight responsibility, the Board has established and delegated responsibilities to six committees, namely:

- The Audit Committee (AC),
- Risk and Portfolio Management Committee (RPMC),
- The Board Investment Committee (BIC),
- The Human Capital and Remuneration Committee (HCRC),
- The Nomination Committee (NOMCO), and
- Social and Ethics Committee (SEC).
- In addition, the Board establishes and sets the charters of the Board sub-committees, which provide for the composition, roles, delegation of authority, and responsibilities of each of the Board sub-committee listed below, all of which report on their activities to the Board.

While the Board remains the overall custodian of good corporate governance, each committee promotes integrity and transparency throughout the NEF. Board committees promote independent judgment and enhance the balance of power in decision-making, enabling the Board to discharge its duties effectively. The committee's terms of reference are reviewed regularly to ensure alignment with legislative developments and governance best practices. The following applies to Board sub-committees:

- A non-executive Trustee chairs each Board sub-committee
- The Board appoints independent members of the sub-committees
- Executive management attends meetings where appropriate and by invitation
- Board sub-committee chairpersons report to the Board on deliberations, conclusions, and recommendations of each sub-committee

## Conflicts of interest

Trustees must avoid situations that expose them to conflicts of interest with the NEF's interests. Disclosures of conflicts of interest are standard practice at every meeting and, where required, members are required to recuse themselves from deliberations on conflicting matters. In addition, members submit an updated list of their directorships and interests to the company secretary annually. The NEF Conflict of Interest Policy enables NEF to manage potential conflicts of interest.

## Board and committee evaluation

The effectiveness and performance of the Board and its sub-committees are evaluated periodically to ensure that the Board and its committees perform optimally and satisfy their mandates. The company secretary collates and communicates feedback to sub-committee chairpersons for action. The results of the evaluation of the Board and Board sub-committees are then presented to the Board for implementation of any arising action. The results are also shared with the executive authority to assist guide the extension of the term of the Board.

## Non-executive Trustees' remuneration

Non-executive trustees do not have employment contracts with the NEF nor do they participate in any of its incentives. Their remuneration is determined in reference to market benchmarking conducted annually. The annual fees paid to non-executive Board members are disclosed in the annual financial statements for the reporting period and are submitted to **the dtic**.

# GOVERNANCE (CONTINUED)

## Board meetings and Board of Trustees Attendance

An annual work plan set against agreed Board objectives and goals is in place to ensure that the Board attends to its responsibilities in a structured and orderly manner throughout the year. The Board meets at least four times a year and holds one to two days of strategy sessions per year. The 2022/23 Board strategy session was to be held in January 2023; however, it was postponed as the attendance of the Minister who was key to the items on the agenda could not be secured. Special Board meetings are convened when necessary. The table below sets out the composition of the Board and attendance by the Board Trustees at Board meetings:

Board Members	Scheduled Meetings	Special Meetings
<b>Total Number of Meetings</b>	4	5
<b>Non-Executive Trustees</b>		
Dr Nthabiseng Moleko – Chairperson	4/4	5/5
Ms Thinavhuyo Mpye	4/4	5/5
Ms Rethabile Nkosi	3/4	4/5
Ms Philile Mbokazi	3/4	5/5
Dr Monde Tom	4/4	5/5
Ms Lucretia Khumalo	3/4	4/5
Mr Roy Harichunder	4/4	5/5
Ms Philisiwe Mthethwa (Chief Executive Officer)	4/4	5/5

## Board Committees and attendance

### Audit Committee

The NEF Audit Committee is a statutory committee constituted in terms of the Public Finance Management Act, as amended, and the Companies Act, 71 of 2008, as amended. The committee assists the Board in discharging its responsibilities by providing oversight of the financial reporting process, the audit process, the organisation's system of internal controls, and compliance with laws and regulations. It does this in collaboration with the office of the Chief Financial Officer, the Internal Audit function, and the risk management function. The Audit Committee is also charged with the appointment of external auditors.

### Composition and attendance

The committee consists of five (5) members, three (3) non-executive trustees, and two (2) independent non-executive members. In addition, the Chief Executive Officer, Chief Financial Officer, Internal Auditor, External Auditor, and a representative from the Auditor-General's office are permanent invitees to committee meetings.

- The quarterly meetings of the Audit Committee are aligned with the key reporting and regulatory timelines. During the period under review, the committee held five meetings in line with its work plan and an additional special meeting. The table below sets out the composition of the Audit Committee and attendance at the meetings by its members for the 2022/23 financial year:

Member	Number of Meetings
Ms Thinavhuyo Mpye – Chairperson	6/6
Mr Roy Harichunder	6/6
Dr Monde Tom	6/6
Ms Lebogang Ndadana	5/6
Mr Tyrone Soondarjee	6/6





Key activities and outcomes of the Audit Committee during the period under review included:

- The appointment of the new external auditors
- The appointment of the co-source internal auditors
- Approval of the audit planning memorandum for the external audit of the financial year ended 31 March 2023, which included an additional scope of the Taxi Relief Fund
- Consultations and agreed with executive management on the engagement letter, terms, audit plan, scope of work, and audit fees for the financial year ended 31 March 2023
- Monitoring the effectiveness of internal controls and compliance with the Enterprise-wide Risk Management Framework to ensure the reliability of financial records for preparing the consolidated annual financial statements
- Reviewing reports from the internal auditors
- Assessing the consistency of information disclosed in the Integrated Report with the annual financial statements and information contained in operational reports
- Assessing the NEF's finance function to ensure that it has established appropriate financial reporting procedures and that those procedures are operating effectively
- Reviewing the appropriateness of the expertise and experience of the Chief Financial Officer and the financial management team
- Monitoring the adequacy and reliability of management information and efficiency of management information systems
- Reviewing fraud and litigation matters with a potentially significant impact on the financial statements
- Overseeing the Internal Audit unit in the implementation of audits in the risk-based audit plan

### Risk and Portfolio Management Committee (RPMC)

The Risk and Portfolio Management Committee provides risk governance and independent oversight for the NEF. The RPMC assists the Board in carrying out its risk responsibilities to ensure that the NEF has implemented effective strategies and plans for risk and portfolio management that will enhance its ability to achieve its strategic

objectives and that disclosure regarding risk is comprehensive, timely, and relevant. The RPMC also oversees the development of the NEF's risk appetite framework and ensures that the risk profile is within the risk appetite parameters as well as oversight over the performance of the NEF-funded portfolio and the quality of the loan book. This is essential in ensuring compliance with risk policies and reviewing the overall risk profile of the NEF as well as capital sufficiency.

Member	Number of Meetings
Ms Lucretia Khumalo	3/4
Ms Thinavhuyo Mpye	4/4
Mr Roy Harichunder	4/4
Mr Gerrit Van Wyk	4/4
Ms Rethabile Nkosi	4/4

### Composition and attendance

The RPMC comprises five members, four of which are non-executive trustees, including the Audit Committee Chairperson, and one independent non-executive members. The Chief Executive Officer and the Chief Risk Officer are permanent invitees to committee meetings. The table below sets out the composition of the RPMC and attendance at meetings by its members for the 2022/23 financial year:

### Activities and focus areas

RPMC's key activities and outcomes for the year under review included:

- Consideration of strategic risks and their impact on the achievement of the organisation's strategic goals. Assessed the adequacy of strategies and action plans formulated to mitigate identified risks and the combined assurance provided
- Close monitoring of the top 20 non-performing exposures in the NEF investment portfolio
- Reviewing performance and the NEF's investment portfolio under

## GOVERNANCE (CONTINUED)

challenging economic conditions and global uncertainty related to COVID-19 and social unrest

- Consideration of the NEF's return-to-work plan and the strategies implemented to ensure business continuity whilst safeguarding the health and safety of employees and other stakeholders
- Reviewing the NEF Risk Appetite and Risk Tolerance Framework
- Reviewing the Delegation of Authority Framework
- Reviewing and monitoring the NEF Key Risks

### Board Investment Committee (BIC)

The BIC is a credit-granting committee with delegated authority to consider transactions of up to R50 million per applicant and considers and recommends transactions above this threshold to the Board for approval.

### Composition and attendance

The committee consists of six members, three of which are non-executive Trustees including the Board Chairperson, whilst the other three are independent non-executive members, and the CEO is an executive member. Executives are permanently invited to attend committee meetings. The committee held six meetings during the reporting period. Committee members and meeting attendance are indicated in the table below

Member	Number of Meetings
Ms Rethabile Nkosi – Chairperson	10/11
Mr Gerrit Van Wyk	11/11
Ms Philisiwe Mthethwa	10/11
Ms Cora Fernandez	10/11
Ms Sawa Nakagawa	10/11
Dr Nthabiseng Moleko	11/11

BIC approved 19 transactions amounting to R537 million. These transactions are expected to sustain 3 647 jobs.

### Social and Ethics Committee (SEC)

The SEC is a statutory committee constituted in terms of Section 72 read with Regulation 43 of the Companies Act. It assists the Board in discharging its duties relating to the oversight of organisational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships.

### Composition and attendance

The committee currently has three members, two non-executive trustees, and one independent non-executive member. The Chairperson of the Board attends Social and Ethics Committee meetings as an observer. The General Counsel and the Chief Risk Officer are permanent invitees to the committee meetings. Other executives and senior management are invited to join meetings when matters within their respective areas of responsibility form part of the agenda. During the period under review, the committee held four meetings. The table below sets out the composition of SEC members and attendance of the meetings by its members for the 2022/23 financial year:

Member	Number of Meetings
Dr Monde Tom – Chairperson *Appointed in October 2021	5/5
Mr Setlakalane Molepo *term ended on 30 June 2022	2/5
Ms Philile Mbokazi	5/5
Ms Noxolo Mtembu	5/5

\* Term ended on 30 June 2022



## Activities and focus areas

The SEC's key activities and outcomes for the year under review included:

- Promotion of equality, prevention of unfair discrimination, and corruption
- The NEF's contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed
- Recording of sponsorship, donations, and charitable giving
- Ethical procurement of goods and services for the NEF and ensuring that clients and customers of the NEF conduct themselves in an ethical manner in their dealings with the NEF
- The environment, health and public safety, including the impact of the activities of the organisation and of its products or services
- Consumer relationships, including advertising, public relations, and compliance with consumer protection laws
- Labour relations and employment activities of the NEF

## Human Capital and Remuneration Committee (HCRC)

The HCRC supports the Board to enable alignment of the NEF's business and people strategies. To this end, the committee ensures a current and future focus on key people-related matters, which include:

- Advising and guiding on relevant and appropriate remuneration policies, plans, trends and practices
- Reviewing the NEF HR strategy and headcount to ensure that it is fit for purpose
- Reviewing and confirming the performance of the organisation to ensure alignment of people performance to the NEF mandate and strategies
- Overseeing people-related matters to ensure a robust and people-focused strategy to ensure effective and continued leadership capacitation

- Guiding and advising on human resource policies to ensure appropriate governance while simultaneously ensuring that these policies enable the leadership to attract, retain and manage employees.

## Composition and attendance

During the 2022/23 financial year, the committee consisted of five non-executive trustees, including the Board Chairperson as a committee member. The committee held four scheduled meetings during the reporting period. Attendance for the meetings is depicted below:

Member	Number of Meetings
Ms Philile Mbokazi – Chairperson	4/4
Dr Nthabiseng Moleko	3/4
Ms Rethabile Nkosi	3/4
Ms Getty Simelane	4/4
Mr Sifiso Cele	4/4

## Nominations Committee

The Nominations Committee (NomCo) supports the Board by operating as an overseer and makes recommendations regarding Board committee vacancies for the Board's consideration and final approval. Its duties include:

- Ensuring that the Board committees have the appropriate composition to assist the Board to execute its duties effectively
- Reviewing the succession plans for the CEO and executives

## GOVERNANCE (CONTINUED)

- Ensuring the establishment of a formal process for the appointment of Board Committee Members, including vetting nominations made for Non-Trustee Members and interviewing potential candidates
- Identification of suitable non-trustee members of the Board sub-committees
- Performance of reference and background checks of candidates prior to recommendation to the Board
- Formalising the appointment of non-trustee members through an agreement between the NEF and the non-trustee members
- Overseeing the development of a formal induction programme and continuing professional development programmes for new trustees and non-trustee members

### Composition and attendance

During the 2022/23 financial year, the committee consisted of two non-executive trustees, including the Board Chairperson as a committee member. Two additional trustees attend meetings as standing invitees. The committee held two meetings during the reporting period. Attendance for the meetings is depicted below:

Member	Number of Meetings
Dr Nthabiseng Moleko	2/2
Ms Thinavhuyo Mpye	2/2
Ms Philisiwe Mthethwa	1/2
Ms Philile Mbokazi	2/2
Ms Rethabile Nkosi	2/2





## The Board of Trustees

### Non-Executive Trustee and Chairperson



**Dr Nthabiseng Moleko (41)**  
Appointed as a non-Executive Trustee in August 2021 and a chairperson in January 2022

#### Qualifications and directorships

- PhD in Development Finance
- MPhil in Development Finance
- BBus Science (Economics Honours)
- Presidential B-BBEE Advisory Council
- DBSA Infrastructure Fund Advisory Committee

Dr. Nthabiseng Moleko is a Development Economist who joined Stellenbosch Business School in 2017 as core Faculty. She has worked in macroeconomics, development finance, public finance, economic development, and econometrics fields for 18 years. In 2018 she was appointed as a Board of Trustee for the National Empowerment Fund, where she Chaired the Board Investment Committee. In 2021 she was re-appointed the Chairperson of the National Empowerment Fund and has recently been appointed to the Presidential B-BBEE Advisory Council. She also serves on the strategic advisory committee of the Development Bank of Southern Africa's Infrastructure Fund.

She has authored a wide range of articles published and presented abroad and in South Africa, several research papers, a book chapter, and reports, and has presented conference papers at five international conferences and keynote addresses. As a thought leader, she delivers frequent media commentary on important economic events. A seasoned speaker who has spoken at over 50 events providing economic advisory insights and intelligence.

She also served as a Commissioner, in the capacity of Deputy Chairperson of the Commission for Gender Equality appointed by the President in 2017 to 2022. She completed her PhD in Development Finance at USB in 2019 and is the first South African woman to be conferred a doctorate in this discipline.

### Executive Trustee and Chief Executive Officer



**Ms Philisiwe Mthethwa (59)**  
Appointed in July 2005

#### Qualifications and directorships

- MBA Corporate Finance;
- MSc Economics (thesis not defended);
- Board Member of the Industrial Development Corporation (IDC)
- Board Member of the National Housing Finance Corporation

Ms Mthethwa, through her role as the Chief Director - BEE in the Enterprise and Industry Development Division, played a pivotal role in the conceptualisation, formulation and the finalisation of the Government's Broad Based Black Economic Empowerment strategy, the BEE Act and the various charters, including the Mining, ICT, Construction, Paper, Automotive and the Financial Services Charters. She has been extensively involved in the development of the Codes of Good Practice on BBBEE. Ms Mthethwa brought a diverse knowledge of banking, capital markets and international investment which grew the NEF into a high-performing organisation under her stewardship. She continues the quest to champion South Africa's industrialisation through strategic leadership of the organisation. She has made significant contributions to the NEF's sustainability and capitalisation drive which remains ongoing.

# GOVERNANCE (CONTINUED)

## The Board of Trustees

### Non-Executive Trustee and BIC Chairperson



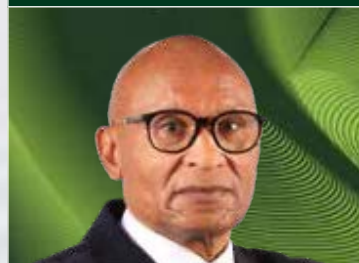
**Ms Rethabile Nkosi (37)**  
Appointed in August 2021

#### Qualifications and directorships

- MBA
- Postgraduate Diploma
- BSc in Agricultural Economics
- Chairperson of Landbank

Thabi is an agricultural economist, investment strategist and a seasoned development finance professional with over 15 years of experience. She has held numerous senior positions in the public and private sectors including the positions of Executive Director of Group Investments at AFGRI Group Holdings, Agribusiness Investment Specialist at the Public Investment Corporation, Lead Economist at Agri SA and Senior Manager for Research, Development and Strategy at the Office of the Auditor General of South Africa. Thabi has also served on multiple boards of entities primarily in the financial services and agribusiness sectors.

### Non-Executive Trustee and SEC Chairperson



**Dr Monde Tom (70)**  
Appointed in August 2021

#### Qualifications and directorships

- Post-Grad Diploma in Economic Principles
- Bachelor of Science (BSc) in Applied Mathematics and Physics
- National diploma in Cost and Management Accounting
- Certificate in Financial Management

Dr Tom has extensive practical experience in public service since 1994 and as part of the advent and architect of the democratic administration, he was one of the administrative leaders in merging the erstwhile homelands Ciskei, Transkei, and then the Republic administration to form the Eastern Cape (EC) provincial administration as currently known. He led a team of leaders to architect the operating model with delivery mode of treasury management in the EC. The opportunity introduced him to the turning around of failed governance jurisdictions.

He has consulting experience in all three spheres of government in South Africa in strategic organisational change, organisational (re)-design, leadership/management, and people/talent management. These Human Resource Management practices are critical under failed governance jurisdictions and for a treasury management function to be constructed right.



## The Board of Trustees

### Non-Executive Trustee and AC Chairperson



**Ms Thinavhuyo Mpye (39)**  
Appointed in August 2021

#### Qualifications and directorships

- (CA)SA
- Non-Executive Director at PRASA,
- Mpye Consulting,
- Phato Financial Services,
- Phato Consulting Intersite Asset Investments,
- Autopax Passenger Services,
- Hoffen Property Investment

After qualifying as Chartered Accountant, Thinavhuyo became a Financial Manager at Barloworld Motor Retail under Toyota and Lexus Centurion for two years, then Club Motors Randburg (BMW Dealership) and Club Motors Fountains Approved BMW Repair Centre for a further two years. She also spent seven years at Kwikspace Modular Buildings (six years as Group Financial Manager and one year as Finance Executive).

Over the last 3 years, she has been running Mpye Consulting, a financial management firm assisting clients with finance-related work like financial policies and internal controls, preparing AFS, turnaround strategies, company registrations, company secretarial services, HR services, tax services and other related functions. She also serves as a Finance Executive of 19th Episcopal District of the African Methodist Episcopal Church.

### Non-Executive Trustee and HCRC Chairperson



**Ms Philile Mbokazi (43)**  
Appointed in August 2021

#### Qualifications and directorships

- Bachelor of Laws (LLB)
- Bachelor of Science degree in Environmental Management

Philile Mbokazi is an admitted attorney of the High Court of South Africa with nine (9) years of post-admission legal experience. Philile is practicing on her own account under the style and name of Mbokazi Attorneys Incorporated, a legal firm that has branches in KZN, Mpumalanga and Western Cape Provinces.

# GOVERNANCE (CONTINUED)

## The Board of Trustees

### Non-Executive Trustee and RPMC Chairperson



**Ms Lucretia Khumalo (43)**  
Appointed in August 2021

#### Qualifications and directorships

- MBA
- BSC Engineering
- Divisional Executive for Client Support and Growth at the IDC

Lucretia is an accomplished executive with a passion for business growth and a track record of success in turning around struggling companies. She is particularly dedicated to supporting the empowerment of youth and women-owned businesses in South Africa and across the continent. With extensive experience in both engineering and finance, including positions with major corporations like Richards Bay Minerals, RBM, BHP Billiton Energy Coal and HSBC. Lucretia has the expertise and vision to drive sustainable growth and job creation. In her current role as the Executive of the Post Investment Division at IDC, she provides strategic leadership and drives the financial sustainability of the IDC book while implementing turnaround strategies to ensure IDC clients can operate profitably and positively impact their communities. Lucretia's commitment to transformation and her ability to identify growth opportunities make her an asset to the African business community.

### Non-Executive Trustee



**Mr. Roy Harichunder (72)**  
Appointed in January 2022

#### Qualifications and directorships

- CA (SA)
- BCom (UNISA)

Roy retired as an assurance partner with a big 4 auditing firm on 1 July 2011, having reached the mandatory retirement age of 60. He served as a partner for 22 years of the 33 years he was at the firm. He has worked extensively in the public sector at National, Provincial and Local government levels as well as in Public entities and has a deep understanding of the issues and challenges facing this sector. In the private sector he has provided professional services to some of the largest companies in the country. Post retirement from the auditing profession he was employed as the Chief Risk Officer of a public entity in the financial services sector until 2020.





## Executive Management

### Chief Executive Officer (CEO)



**Ms Philisiwe Mthethwa (59)**  
Appointed in July 2005

#### Qualifications and directorships

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Industrial Development Corporation (IDC)
- Board Committees and attendance

### General Counsel



**Mr Mziwabantu Dayimani (45)**  
Appointed in November 2015

#### Qualifications and directorships

- Masters in Tax Law
- Masters in Corporate Law
- Admitted Attorney, Notary and Conveyancer
- LLB
- Member of the Council of Nelson Mandela University

### Chief Financial Officer (CFO)



**Mr Phumudzo Siphuma (39)**  
Appointed in May 2023

#### Qualifications and directorships

- CA(SA)
- Hons. BCompt
- Bankseta
- Bapotrans

# GOVERNANCE (CONTINUED)

## Executive Management

### Divisional Executive: Venture Capital and Corporate Finance



**Ms Zama Khanyile (39)**  
Appointed in October 2021

#### Qualifications and directorships

- CA(SA)

### Divisional Executive: SME and Rural Development



**Mr Nhlanhla Nyembe (52)**  
Appointed on May 2021

#### Qualifications and directorships

- BCom Finance
- Busamed Holdings
- BRICS Financial Services

### Acting Divisional Executive: Strategy, Planning and Significant Investments



**Siyabulela Gogo (49)**  
Appointed from 1 July 2022

#### Qualifications and directorships

- Post Grad Certificate in Accountancy
- B Com Accounting
- Board Member of Stutt Brick Company LTD



## NEF INVESTEE PROFILES

Investees Companies	Woman % Shareholding	Province	Jobs (#)	Strategic Sector	Partnerships	Industrial Development	NEF Funded Amount
1. Creslow Energy Solutions (CES) (Pty) Ltd	50%	MP	16	Energy - Lithium-ion battery solutions	the dtic – BBMPF	Manufacturing	R15m
2. Sino Africa Gases (Pty) Ltd	0%	KZN	77	Manufacturing - Conveyor Safety and Control Equipment	the dtic – BBMPF	Manufacturing – industrial food grade gas	R36.6m
3. Black Minds (Pty) Ltd	100%	LP	4	Freight and Transport	the dtic – WEF	Road Freight	R10.5m
4. RT Industries t/a Power Build Tlhabane	100%	NW	44	Retail – Building and Construction	the dtic – WEF	Hardware	R15m
5. ZAD Hiring (Pty) Ltd	100%	EC	88	Tourism – venue hiring and events	the dtic WEF and the Department of Tourism TTF	Tourism	R11.4m
6. GNI Social Housing	0%	GP	132	Social Housing	the Department of Human Settlement's agency – the Social Housing Regulatory Authority SHRA	Housing	R15m
7. Radiological Imaging Services Africa (RISA)	100%	LP	10	Healthcare – Radiology practice	the dtic WEF and Limpopo Economic Development, Environment and Tourism ("LEDET")	N/A	R10.5m

Investees Companies	Woman % Shareholding	Province	Jobs (#)	Strategic Sector	Partnerships	Industrial Development	NEF Funded Amount
8. Khabokedi	59%	GP	500	Solid waste management services	Ekurhuleni Fetola Fund	Waste Management	R39m
9. Baila Tlhantlahagane Medical Devices (Pty) Ltd ("BTMD")	0%	GP	55	Manufacturing	N/A	Industrialisation and transformation	R40m
10. Mandini Group of Companies	0%	GP	141	Manufacturing	N/A	Industrialisation and transformation	R48m
11. Mohlalefi Engineering (Pty) Ltd	0%	GP	70	Manufacturing	N/A	Industrialisation and transformation	R35.7m
12. Xstinct Trading	0%	NC	26	Entrepreneurship Finance	Northern Cape Department of Economic Development and Tourism	Industrialisation and transformation	R6.5m
13. Kambula Street (Pty) Ltd	75%	EC	545	Media	the dtic, ECDC and Netflix	Media and Entertainment	R9.9m
14. KPML Group of Companies	66%	Various	90	Retail, Food	N/A	Industrialisation and transformation	R32m
15. Khanyis Glow Marketing (Pty) Ltd	100%	Various	22	Manufacturing	N/A	Industrialisation and transformation	R3.2m
16. The Hill Boutique Hotel (Pty) Ltd	100%	EC	65	New Venture	The Department of Tourism TTF	Tourism	R14.1m
17. St Eve Guest House	100%	FS	8	Tourism	N/A	Tourism	R6.1m





## Creslow Energy Solutions (CES) (Pty) Ltd



The CES is a 100% Black-owned and 50% Black woman-owned business that operates in the energy storage industry. It was founded in December 2021 by husband and wife Mr Kriban Govender and Ms Reneka Govender. The company manufactures and programmes rechargeable lithium batteries at facilities based in Witbank, Mpumalanga. The customised rechargeable lithium batteries are provided to the original equipment manufacturers (OEMs) in the automotive industry, distributors, and other businesses nationally.

Focus: Manufacturing	
Indicators	
Promoter	Mr Kriban Govender and Ms Reneka Govender.
Type of investment:	Manufacturing
Value funded:	R15.5 million
NEF funded	R15 million
Jobs:	16
Location	Witbank, Mpumalanga

The trademarked products are built to offer the storage of energy to enable the continuity of businesses and household activities during power outages. Creslow currently manufactures eight battery types, differentiated by size, capacity, and voltage under the registered and trademarked Solar smart and Auto smart brands. The NEF in partnership with the dtic Black Business Manufacturing Programme Fund (BBMPF) fund approved R15 million to CES to fund working capital. The funding assisted the company to retain four jobs and created employment for 12 people who were unemployed in a rural province.

## NEF INVESTEE PROFILES (CONTINUED)

### Sino Africa Gases (Pty) Ltd



Sino Gas is 100% Black-owned by Mr Sibusiso Sibisi (47) and Mr Sipho Magudulela (49). It is a new entrant in the industrial food-grade gas market based in Newcastle, KwaZulu-Natal. The company has signed a "take or pay" customer agreement with one of the major gas suppliers in South Africa – Puregas, which supplies food grade gas to major drinks producers such as Coca Cola, Pepsi, and Distel amongst others. Through a raw gas supply agreement, it uses gas harvested from Brother Cisa (Pty) Ltd ("Brother Cisa"), which manufactures Sodium DiChromate.

The project is highly transformative as it represents the first Black owners of a food-grade carbon dioxide manufacturer. The company

Focus: Manufacturing	
Indicators	
Promoter	Mr Sibusiso Sibisi and Mr Sipho Magudulela
Type of investment:	Establishing the food grade carbon dioxide manufacturer.
Value funded:	R58 million
NEF funded	R36.6million
Jobs:	77 jobs – 59 construction jobs and 18 permanent jobs
Location	Newcastle, KZN

has entered a growing sector with high barriers to entry and largely dominated by few players – it is poised for growth as the revenue is secured.

In August 2022, the NEF approved funding of R36.6 million in partnership with the dtic BBMPF for the purchase of production equipment and other equipment. The project and facility setup will be undertaken in a 15-month period. The total project cost is expected to be R58 million. The dtic has approved R20 million grant funding through the Black Industrialist Scheme, whilst the sponsors will contribute R1 million towards the project. The funding assisted the investee to create employment, benefiting 77 people.



## Black Minds (Pty) Ltd



Black Minds (Pty) Ltd is a 100% Black woman-owned and managed entity led by Ms Thembi Doreen Kekana. She identified the opportunity in 2020 when the Department of Mineral Resources and Energy (DMRE) was obstinate that cement manufacturers needed to transform their logistics service providers. The company approached Pretoria Portland Cement (PPC) in 2020 to become a transporter of its cement to all PPC customers in Limpopo. PPC customers are mostly hardware stores that are under national or regional brands. Her proposal was accepted, and she was enrolled in PPC's supplier development programme.

The company is based in Dwaalboom, Thabazimbi, in Limpopo – a transformative opportunity in a less developed area, ensuring the spread of NEF investments. In partnership with **the dtic**, the NEF approved R10.5 million under the Women Empowerment Fund to fund the acquisition of two trucks, flat-deck trailers, and offers. The funding contributed to the much-needed jobs, which resulted in the employment of 4 unemployed South African. People that benefited are from the township of Mahwelereng.

### Focus: Road Freight

#### Indicators

Promoter	Ms Thembi Kekana
Type of investment:	Road Freight Industry
Value funded:	R10.5 million
NEF funded	R10.5 million
Jobs:	4
Location	Dwaalboom, Thabazimbi in the Limpopo Province





# NEF INVESTEE PROFILES (CONTINUED)

## RT Industries t/a Power Build Tlhabane



RT Industries is 100% Black woman-owned, founded by Ms. Msizi Nombuso Mazibuko, a 42-year-old Black South African woman who is an accomplished entrepreneur with more than 10 years of entrepreneurial experience. The company has been set up to operate a hardware store in the Tlhabane township in Rustenburg, Northwest. RT Industries has been granted approval by the Power Build Group to operate a 3 000 square meter hardware as a Power Build member store, including an outside area that will be retailing LP Gas.

RT Industries was approved by the NEF in partnership with the dtic through the WEF funding programme to the tune of R15 million for start-up capital, and to implement and acquire the assets. The store will focus on the DIY, outdoor, home market, building materials, tile and bathroom, paint and accessory, and liquified petroleum gas wholesaling. Through the NEF financing, RT Industries assisted 44 people to secure employment.

Focus: Retail – Hardware	
Indicators	
Promoter	Ms. Msizi Nombuso Mazibuko
Type of investment:	Building materials
Value funded:	R15.5 million
NEF funded	R15million
Jobs:	44
Location	Tlhabane township in Rustenburg, Northwest Province







## ZAD Hiring (Pty) Ltd



ZAD Hiring is 100% Black woman-owned and managed by Mrs Catherine Gladys Dunjwa, established in 2014. The company operates in the service industry with specialisation in the provision of hiring out décor items such as furniture (tables and chairs), crockery and cutlery, and flower arrangement to customers in and around East London, Eastern Cape. The entrepreneur has already acquired the farm (property) and intends to use it to expand her business offerings.

The investee proposed a function venue to enable ZAD to offer a One Stop Shop for all kinds of functions in East London. The venue is a sea-facing 28-hectare farm located in an area known as Kidd's Beach and the new building will consist of the main hall with the capacity of 300 people, and a chapel. The NEF in partnership with the dtic and the Department of Tourism approved R11.4 million in funding under the WEF and TTF programmes for ZAD to construct a new building. This comprised of R1 298 524 sourced from the NEF, R5 194 098 from WEF, and R5 000 000 TTF Grant.

Focus: Tourism and entertainment	
Indicators	
Promoter	Ms. Catherine Gladys Dunjwa
Type of investment:	Expansion-acquisition and build function venue
Value funded:	R14.4 million
NEF funded	R11.4 million
Jobs:	88
Location	Kidd's Beach, East London, Eastern Cape



# NEF INVESTEE PROFILES (CONTINUED)

## GNI Social Housing (Pty) Ltd



GNI Social Housing is a new company that is 100% owned by Mr Kgomo tso Nakene, a 39-year-old Black South African entrepreneur who established the company in 2018 to take advantage of opportunities in the social housing markets. The funding requested was for the development of a building for Social Housing in Jeppestown called Unity House. The total project size is R39 million. The project is an inner-city building conversion and extension for the delivery of 95 social housing units, with retail facilities on the ground floor in Jeppestown, Johannesburg. The project is part of the urban rejuvenation programme in the City of Johannesburg.

The project was implemented by GNI Social Housing Company and the Department of Human Settlement's agency – the Social Housing Regulatory Authority. 75% of the funding came from the Social Housing Regulatory Authority, while the remaining R15 million came from a combination of loan and equity financing given by the National

Focus: Housing	
Indicators	
Promoter	Mr Kgomo tso Nakene
Type of investment:	Property Development – Social Housing
Value funded:	R39 million
NEF funded	R15 million
Jobs:	132
Location	Jeppestown, Johannesburg, Gauteng

Empowerment Fund. The apartments will be utilised by GNI Social Housing as rental stock. Families with a combined household income of between R1 500 and R15 000 will be the target market for the rental stock. After development is complete, the corporation will begin to collect rent, among other things to pay back the NEF facilities.





## Radiological Imaging Services Africa (Pty) Ltd ("RISA")



The RISA is a 100% Black women-owned radiology practice that was established in 2020 and currently offers basic radiology imaging services including X-rays and ultrasounds. The Company is owned by two qualified medical professionals, Dr. Tshivhase and Dr. Dlangamandla. The business is located at the NHC Medical Centre, in Thohoyandou and will offer the much-needed radiology services to the underserved Vhembe region and surrounding area.

The NEF in partnership with Limpopo Economic Development, Environment and Tourism ("LEDET") granted final approval of R10.5 million comprising an R8 million WEF and R2.5 million grant. The funds have been advanced to support RISA's expansion programme. The funding was utilised for the purchase of primary radiology equipment, related IT hardware, and software as well as for working capital. The funding unlocked the expansion of the business into a turnkey radiology practice that offers other high-end procedures such as Mammograms, CT scans, Image Guided Biopsies, and Hysterosalpingograms (HSG).

### Focus: Industrialisation and Transformation

#### Indicators

Promoter	Dr. Tshivhase and Dr. Dlangamandla
Type of investment:	Expansion of Radiology practice
Value funded:	R10.5 million
NEF funded	R10.5 million
Jobs:	10
Location	Thohoyandou, Limpopo Province





# NEF INVESTEE PROFILES (CONTINUED)

## Khabokedi (Pty) Ltd



Khabokedi is a 100% Black-owned company with a majority Black woman-ownership of 59% shareholding, located in Alrode, Alberton, Ekurhuleni. It provides solid waste management services to public and private sector clients located throughout the country. The services include waste collection and disposal; landfill operations management; landfill rehabilitation; landfill audits; consulting and training on waste management.

The NEF in partnership with Ekurhuleni Fetola Fund approved R39 million to fund the purchase of equipment to deliver on contracts. The funding was provided from NEF funds (R29.5 million) and Ekurhuleni Fetola Fund (R10 million). The development impact of this investment into this business resulted in the retention of 342 jobs and the creation of 158 additional jobs. In addition, the NEF seized the opportunity to support the expansion of a Black-owned entity in an industry that is dominated by foreign white-owned companies.

Focus: Industrialisation and Transformation	
Indicators	
Promoter	Mr Sipho Makhasana
Type of investment:	Waste Management
Value funded:	R39 million
NEF funded	R39 million
Jobs:	500
Location	Alrode, Alberton, City of Ekurhuleni







## Baila Tlhantlahagane Medical Devices (Pty) Ltd ("BTMD")



The BTMD is a company that has been formed under the Baila Tlhantlahagane (BT) Industrial Group ("BT Industrial"), a multi-award-winning organisation that is 100% Black-owned and managed. The group specialises and offers polymer and medical device manufacturing solutions to the South African Market. Following years of research, the business has now registered an IP and developed a SAHPRA-accredited range of prefilled syringe products called the BTMD Opti range.

### Focus: Industrialisation and Transformation

#### Indicators

Promoter	Mr. Kgomoiso Lekola
Type of investment:	Manufacturing
Value funded:	R69.7 million
NEF funded	R40 million
Jobs:	55
Location	Alrode, Alberton, City of Ekurhuleni

According to the research, the BTMD Opti range syringes will save 1300 man-days that are required for preparing disparate supplies, whilst generating 12 million fewer plastic items waste (80% less waste and 8% lighter) and reducing opportunities for error and cross-contamination. Considering the associated economic savings and improved treatment outcomes, the market is ready to move from standard syringes to prefilled syringes.

# NEF INVESTEE PROFILES (CONTINUED)

## Mandini Group of Companies



Mandini Wealth (Pty) Ltd is a Black-owned commercial enterprise with an explicit strategy towards pursuing a circular economy approach by thermochemically recycling end-of-life tyres to high-value end-products. The investee identified the opportunity after realising that South Africa has about 30 million tons of waste tyres in landfills and stockpiles, with an additional 250 000 tons of waste tyres disposed of every year. Mandini has operated a Tyre Pyrolysis Facility in Gauteng for over seven years. Since its inception, the facility has processed over 70 000 tons of waste tyres as a registered Waste Bureau processor. The facility processes waste tyre material into four sets of products, namely: oil, steel, carbon Black and; gas. Mandini Wealth (Pty) Ltd offers an environmentally friendly method of processing waste tyres and reducing stockpiles and landfills.

Focus: Industrialisation and Transformation	
Indicators	
Promoter	Mr. Wanda Shuenyane
Type of investment:	Manufacturing
Value funded:	R48 million
NEF funded	R48 million
Jobs:	141
Location	Gauteng

In 2021, the NEF approved an investment of R9 million into the business, this funding was used for retrofitting the reactors to speed up the cooling process, the process of emptying the reactor after a cycle, and also minimising safety hazards. A further investment of R38.98 million was approved in 2023 for expansion in the downstream market, ensuring vertical integration through the establishment of a tyre cutting business (to process mining tyres) as well as a recovered carbon Black milling business (for blending with virgin Black in the manufacture of new rubber products). This investment was approved to 3 entities of Mandini, being Mandini Reclaim (R6.7 million), Mandini Resize (R6.7 million) and Mandini Refine (R15.5 million). The remaining R10 million was approved to Mandini Group as equity participation for the NEF. The investment has resulted in the creation and retention of 141 jobs.



## Mohlalefi Engineering (Pty) Ltd



The Mohlalefi story started in 2019 when R15 million was approved by the NEF to cover costs for a bankable feasibility study (BFS) towards the establishment of a manufacturing facility for anchorflex and shotcrete products that are used in the mining industry. Since its inception, the Mohlalefi pilot has proved beyond a doubt the economic viability of the entity by successfully achieving and exceeding all targets of the BFS. The project will now enter the phase of construction and operation of a commercial-scale plant.

The full investment required for this is R 117 million and will see Mohlalefi provide for 70 jobs today and unlock more than 400 jobs by 2027. In 2023, the NEF approved a further R35.7 million towards the financial close requirement with the remaining R81.3 million being funded by the Industrial Development Corporation (IDC) and the dtic

### Focus: Industrialisation and Transformation

#### Indicators

Promoter	Mr. Martin Masitise
Type of investment:	Manufacturing
Value funded:	R117 million
NEF funded	R35.7 million
Jobs:	70
Location	Gauteng

Black Industrialist Scheme (BIS). Martin Masitise has proven himself to be an exemplary entrepreneur leading Mohlalefi Engineering to be recognised at the Inaugural Presidential Black Industrialist and Exporters Awards in 2022, where he won the Job creation award and was also a finalist for the Best Black Industrialist Manufacturer award.

This was in recognition of its efforts in becoming a world-class manufacturer, a leading innovator of products and manufacturing technology as well as a contributor to the export market. The Managing Director Martin Masitise was also elected to be a member of the Black Exporters Network, which was launched, by President Cyril Ramaphosa and the dtic Minister. This Ministerial network of Industrialists seeks to promote the export of South African manufactured goods.

# NEF INVESTEE PROFILES (CONTINUED)

## Xstinct Trading



Xstinct Trading is a 100% black-owned entity that was founded by Mr Sean De Kock and Mr Paul Harris in 2008. The entity operates within the aquaculture subsector as a lobster-processing plant. Xstinct's primary business is to harvest West Coast Rock Lobster and export the lobster (live and frozen) to Asia. The total value of the exports is circa R50 million per annum. In addition to the sale of lobsters, the business provides fishermen with non-financial support including the application for fishing permits, transport permits and export permits for offshore, nearshore, and small-scale fishermen. The business also assists with the provision of fishing vessels for rights holders that don't have access to their own vessels.

Focus: Entrepreneurship Finance	
Indicators	
Promoter	Mr Sean De Kock and Mr Paul Harris
Type of investment:	Entrepreneurship Finance
Value funded:	R 6,5 m
NEF funded	R 6,5 m
Jobs:	26
Location	Northern Cape

The NEF approved expansionary finance of R6.5 million to commission hydro farming water recirculation plants, acquire cold rooms and delivery vehicles, install backup power and to cover working capital. The project was co-financed by the Northern Cape Department of Economic Development and Tourism with a R2.6 million grant.

The project has led to rural economic revitalisation of the Paternoster and Port Nolloth areas, contributing to the livelihood of rural communities through the creation of 26 sustainable jobs.





## Kambula Street (Pty) Ltd t/a Wild Is The Wind



Kambula Street is a 100% Black woman owned company that has been set up specifically for the purpose of housing the film "Wild is the Wind". The movie is set in a small, racially segregated town where a corrupt policeman struggles to take responsibility for his part in the wrongful arrest of a black teenager charged for the brutal murder of a young Afrikaans girl.

The film is produced by Ms. Tshepiso Chikapa Phiri (75% black woman shareholder) and directed by Mr. Fabien Medea (25% black male shareholder). Tshepiso is an experienced producer with more than 20 years' experience as a media entrepreneur. She is also responsible for the successful delivery of the first NEF funded telenovela – uBettina Wethu.

Focus: Media	
Indicators	
Promoter	Tshepiso Chikapa Phiri
Type of investment:	Media and film development
Value funded:	R18.4 million
NEF funded	R9.9 million
Jobs:	545 temporary jobs
Location	Graaf Reinet in the Eastern Cape

The film SPV has received full financing for the production budget of R18.4m from a variety of funders, the main ones being: the dtic at R8.9m, Netflix at R7.5m and Eastern Cape Development Corporation (ECDC) at R2m.

The NEF approved an investment of R9.9m into Kambula Street to allow cashflow for bridge funding the milestones allowed completion and delivery of the film to Netflix for airing.

The film was shot in in a small rural town called Graaf-Reinet in Eastern Cape and created 545 temporary jobs during its production and post production.

## NEF INVESTEE PROFILES (CONTINUED)

### KPML Group of Companies



KPML Group was established in 2007 when Ms Lebethe was approved to operate a KFC franchisee in Sebokeng. The Group is owned by Ms. Kedibone Lebethe, her husband Dr Shimane Lebethe, and Ms. Beatrix E Fletcher. They own and operate 29 KFC restaurants under the franchise terms of KFC (Pty) Ltd (also known as Yum! Brands/ KFC Africa) which include KFC branded restaurants. The Group has grown significantly over the 16 years of existence now operating in three provinces of South Africa namely Gauteng, Mpumalanga, and North-West, with their head office in Arcadia, Pretoria, Gauteng. Ms. Lebethe is a dynamic entrepreneur, with a background that is both impressive and inspiring. With no formal education, she upskilled herself with numerous internal courses which enabled her to fulfil various roles at KFC restaurants and Head Office, having 37 years of experience with the KFC brand.

Focus: Retail – Food	
Indicators	
Promoter	Ms Kedibone Lebethe
Type of investment:	Retail, Food
Value funded:	R32.01 million
NEF funded	R32.01 million
Jobs:	90
Location	Various, Gauteng

In 2023, the NEF approved an investment of R 32,01 million for KPML Group for expansion, the establishment of three KFC stores (KFC Marcel Walk, KFC Berea, and KFC Newclare) that operate under two legal entities of the KPML Group; Lebakanaga Foods (Pty)Ltd and KPML Restaurants (Pty)Ltd. The investment has resulted in the creation of new permanent jobs for 90 unemployed South Africans. As a majority Black woman-owned business, KPML Group is breaking barriers and paving the way for future generations of entrepreneurs. The Group has grown significantly, with a turnover of more than R250 million in 2022/23.



## Khanyi's Glow Marketing (Pty)Ltd



Khanyi's Glow Marketing (Pty) Ltd is a 100% Black woman youth-owned and managed business established in 2020 by Ms Nokukhanya Thobile Ngcobo. The company operates in the skincare space, focusing mainly on the manufacturing, distributing, and retailing of skincare products. The skincare products are intended to satisfy various skin concern, from normal, and sensitive to the most difficult skin type, and is inclusive of male customers. In addition, they provide personal care maintenance and skin therapy services through the provision of non-invasive procedures and skin treatment. The manufacturing facility and head office are in Midrand, Gauteng. The business has three branches, in Midrand, Witbank, and Cape Town as well as an online platform that is supported by vibrant social media presence on Instagram (50 000 followers) and Tik Tok (10 000 followers).

The NEF has approved an investment of R3.2 million into the business and this funding will be used for the acquisition of machinery, that will be used to improve the efficiency of the production process and increase the product lines. In addition, the funding will be used for

### Focus: Industrialisation and Transformation

#### Indicators

Promoter	Ms. Nokukhanya Ngcobo
Type of investment:	Manufacturing
Value funded:	R3.2 million
NEF funded	R3.2 million
Jobs:	22
Location	Midrand, Gauteng

working capital such as production inputs, packaging and branding material as well as operational expenses such as rental and utilities for the proposed warehouse and staff uniform. The investment will result in the retention of 18 jobs and the creation of four jobs. The absence of a prescribed scope of practice, and formal professional regulation makes this industry an open market with very low barriers to entry.



# NEF INVESTEE PROFILES (CONTINUED)

## The Hill Boutique Hotel (Pty) Ltd



The Hill Boutique Hotel (Pty) Ltd is a 100% South African Black-female-owned and managed enterprise, located in the rural area of Tsolo, Eastern Cape province. The director of the project, Ms. Koleka Cele ("The promoter"), has been in business for close to 20 years, also operating two Engen service stations in the same area since 2012. Ms. Cele has identified an opportunity in the area to venture into the hospitality industry after observing that visitors who come to Tsolo are forced to sleep in Mthatha which is 40km away due to a lack of accommodation in the area.

Focus: Tourism	
Indicators	
Promoter	Ms Koleka Cele
Type of investment:	Hospitality
Value funded:	R14.1 million
NEF funded	R14.1 million
Jobs:	65
Location	Tsolo, Eastern Cape

The NEF approved funding to the value of R14.1 million for the company to set up an upmarket boutique hotel in Tsolo to provide accommodation to local and international tourists, and corporate and government guests. The funding will be used towards the construction, furnishing, and fittings of the hotel as well as the acquisition of a vehicle and working capital. It also enabled the participation of a Black woman in the hospitality industry as well as the creation of 50 jobs during construction and 15 permanent jobs with at least 70% of the staff being women. The Hotel is a start-up with a 3-star hotel facility consisting of seventeen rooms and two conference centres with a total capacity of 63 seats each as well as food and beverage facilities. The Hill Boutique Hotel is strategically set to be located along the N2 linking Durban, Mthatha, and Port Elizabeth.





## St Eve's Guest House



St Eve Guest House is a start up lodge located in Bloemfontein in the Free State province. The business is wholly owned by a Black woman, Ms Mlozana.

The promoter has been running a travel agency in Bloemfontein for the past four years which led to the proposed growth and establishment of St Eve Guest House.

Product range includes accommodation, conferencing/events, event management, equipment hire, catering and spa.

Focus: Tourism	
Indicators	
Promoter	Ms Mlozana
Type of investment:	Tourism and hospitality
Value funded:	R6.1 million
NEF funded	R6.1 million
Jobs:	8
Location	Free State

The guesthouse has 8 en-suite guest rooms and two conference facilities which can host between 20 to 50 people.

The funding requested was used to acquire the property and renovations to convert it into a guesthouse, including the acquisition of furniture and fittings.

NEF's participation will result in establishment of a 100% Black woman owned tourism business in the Free State province.

# ANNUAL FINANCIAL STATEMENTS



## Consolidated Audited Annual Financial Statements

**31 MARCH 2023**

NATIONAL EMPOWERMENT FUND TRUST | REGISTRATION NUMBER: IT 10145/00

Prepared by: Acting Finance Manager | Under supervision of: Chief Financial Officer



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**REGISTRATION NUMBER: IT 10145/00**  
**CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS**  
**31 MARCH 2023**

**TRUSTEES' STATEMENT OF RESPONSIBILITY**

The Trustees are responsible for the preparation, integrity and fair presentations of the consolidated financial statements of the National Empowerment Fund Trust (NEF). The consolidated financial statements represented were prepared in accordance with the Statement of Generally Recognised Accounting Practice (GRAP), and requirements of the Public Finance Management Act (PFMA) and the National Empowerment Fund Act (NEF Act) and include amounts based on judgements and estimates made by management. The Trustees prepared the other information presented in the Annual Integrated Report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the Trust and the Group unaudited annual financial statements. The Trustees have no reason to believe that the Trust and the Group will not be going concern in the foreseeable future based on forecasts, available cash resources and approval of new investment facilities. These consolidated financial statements support the viability of the Trust and the Group.

The consolidated financials statements have been audited by the independent auditors, SKX Audit Services incorporated, whom were given unrestricted access to all financial records and related data, including minutes of all meetings of the Committees of the Board.

The audited consolidated financials statements, as set out on pages 150 to 233, have been approved by the Board of Trustees and are hereby signed on its behalf.



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**Ms Philisiwe Mthethwa**  
**Chief Executive Officer**  
31 July 2023



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**Dr Nthabiseng Moleko**  
**Non- Executive Trustee and Chairperson**  
31 July 2023



## INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON NATIONAL EMPOWERMENT FUND TRUST GROUP

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated and separate financial statements of the National Empowerment Fund Trust and its subsidiaries (the group) set out on pages 150 to 233, which comprise the consolidated and separate statement of financial position as at 31 March 2023, consolidated and separate statement of financial performance, statement of changes in net assets, consolidated cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the National Empowerment Fund Group as at 31 March 2023 and their financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practices (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the National Empowerment Fund Act (Act 105 of 1998) (NEF Act).

#### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the National Empowerment Fund Group in accordance with the Code of professional conduct for auditors of

the Independent Regulatory Board for Auditors (IRBA) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards).

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

#### Responsibilities of accounting authority for the consolidated and separate financial statements

The accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the PFMA and NEF Act and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

## **Responsibilities of the auditor for the audit of the consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

## **Report on the annual performance report**

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected strategic objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.



We selected the following strategic objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. We selected strategic objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic Objective	Page Numbers	Purpose
Financial Capital Objective 1 – Growing Black Economic Participation in the South African Economy	89 – 92	<p>In ensuring that the strategic outcomes and objectives of the DTIC and the NEF are aligned, the NEF has selected the following strategic outcomes/ objectives of the DTIC, which align with the NEF's mandate:</p> <ul style="list-style-type: none"><li>• Implement transformation through EE and B-BBBEE</li><li>• Increased number of Black People that participate in the mainstream economy</li><li>• Grow the manufacturing sector to promote industrial development, job creation, investment and exports</li><li>• Township and rural economies' development initiatives facilitated</li></ul>
Objective 2 – Growing BEE Through Partnerships	94	
Objective 3 – Maintaining Financial Sustainability	93 – 94	





We evaluated the reported performance information for the selected strategic objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

**We performed procedures to test whether:**

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that we can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

We performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.

We did not identify any material findings on the reported performance information of selected subject matters.

**Achievement of planned targets**

The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement. This information should be considered in the context of the material findings on the reported performance information.

**Report on compliance with legislation**

In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.





The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### **Expenditure management**

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R221 436 193 as disclosed in note 37 to the consolidated and separate financial statements, as required by section 51(1)(b)(ii) of the PFMA.

### **Other information in the annual financial statements and integrated report**

The accounting authority is responsible for the other information. The other information comprises the information included in the annual financial statements and the integrated report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

Our opinion on the financial statements and our findings on the reported performance information and the report on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected strategic objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We have nothing to report in this regard.

### **Internal control deficiencies**

We considered internal control relevant to our audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

We did not identify any significant deficiencies in internal control.

**SkX Audit Services Inc.**

Dumisani Manana

Director

Registered Auditor

31 July 2023

Waverley Office Park, 15 Forest Road

Bramley, Johannesburg, 2090

## ANNEXURE TO THE AUDITOR'S REPORT

### Auditor's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected strategic objectives and on the public entity's compliance with selected requirements in key legislation.

#### Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the National Empowerment Fund and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the consolidated and separate financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

#### Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards.

### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Sections 38(1)(b), 44, 45(b), 51(1)(e)(iii), 52(b), 53(4), 54(2)(c), 55(1)(a), (b) and (c)(i), 57(b)
Preferential Procurement Regulations of 2022 (PPR)	Regulations 4(4), 5, 6(8), 7(8), 10, 11(1)
Treasury Regulations	Treasury Reg 8.2.1 and 8.2.2, 16A3.2, 16A6.1, 16A6.2(a) and (b), 16A6.3(b) and (c), 16A6.4, 16A6.5, 16A6.6, 16A7.1, 16A8.3 and 8.4, Reg 16A9.1(d) and (e), 16A9.2(a)(ii), 30.1.1, 30.1.3, 30.2.1, 31.1.2(c), 31.2.1, 33.1.3
SCM Instruction Notes	Note 02 of 2021–22 par 3.2.1 Note 02 of 2021–22 par 3.2.4 Note 02 of 2021–22 par 3.3.1
PFMA SCM Instruction Notes	Note 03 of 2021/22 definition Note 03 of 2021/22 par 4.1 Note 03 of 2021/22 par 4.2(b) Note 03 of 2021/22 par 4.3 and 4.4 Note 3 of 2021/22 par 7.2
National Treasury Instruction Note	Note 4A of 2016/17

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present this report and confirms that it has complied with its responsibilities arising from section 51(1) (a)(ii) of the Public Finance Management Act (1999, as amended) and Treasury Regulations 3.1.13 and 27(1). The terms of reference are set out in the Audit Committee Charter, which is approved by the Board of Trustees and is continuously reviewed and updated for changes in legislation, business circumstances and corporate governance practices. The Audit Committee has regulated its affairs in compliance with applicable laws, regulations and the charter, and has discharged all responsibilities contained therein and has reported quarterly in this regard to the Board of Trustees.

### Effectiveness of internal Control

A high-level review of the design, implementation and effectiveness of the NEF's internal financial controls was performed as per the Internal Audit Plan. The review is aimed at providing comfort on financial reporting controls that are relied on in preparing the Annual Financial Statements. Based on the information and explanations given by management, the internal auditors and discussions with the independent external auditors on the result of their audit, the Committee believes the system of internal control for the period under review was adequate, efficient and effective.

The Integrated Assurance Framework has been designed and implemented in the financial year and improvements are being continually effected. This will better assist Management to manage and adequately mitigate the organisation's key risk areas and the Audit Committee and the Board of Trustees to exercise oversight.

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 are followed up and reported on a quarterly basis to the Audit Committee through a tracking register.

A separate Risk and Portfolio Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the organisation. The internal auditors used this Risk Control Framework to prepare their audit coverage plans and to undertake audit work in the higher prioritised risk areas identified. We are satisfied that the internal audit function at the NEF has provided adequate coverage for the year under review.

The finance function at the NEF is adequately staffed by suitably experienced and qualified personnel under the executive management of the Chief Financial Officer. During the financial year under review, quarterly management reports were submitted to the dtic as required under the PFMA (1999, as amended) and Treasury Regulations, including performance information related to core business activities extracted out of the organisation's Annual Performance Plan. The Audit Committee is satisfied with the content and quality of quarterly management reports that are prepared by management and approved by 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 included in the integrated report.
- Reviewed the External Auditors' management letter and management's responses thereto.
- Reviewed the appropriateness of accounting policies and practices.
- Reviewed the independence of the External Auditors.
- Reviewed the compliance with legal and regulatory provisions.
- Reviewed the information on predetermined objectives to be included in the integrated report.
- Reviewed adjustments resulting from the audit.

The AC has discussed the conclusions of the External Auditors on the annual financial statements, read together with the report of the External Auditors and recommended these to the Board of Trustees for approval.

The NEF received funds from third-party partnerships to the total value of R120 million for deployment in the 2022/23 and subsequent years. With a cash balance of R2.6 billion at 31 March 2023, coupled with a review of the cash flow projections, the committee is satisfied that the going concern principle can be adopted in the preparation of its financial statements for the year ended 31 March 2023.

**Thinavhuyo Mpye**

Chairman of the Audit Committee

31 July 2023

NATIONAL EMPOWERMENT FUND TRUST

REGISTRATION NUMBER: IT 10145/00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

		Group		Trust	
	Notes	2023 R	2022 R	2023 R	2022 R
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>3 156 372 675</b>	<b>3 681 428 316</b>	<b>3 186 225 017</b>	<b>3 721 351 488</b>
Property, plant and equipment	4	39 168 329	50 097 323	3 068 408	4 682 022
Investment property	5	5 373 157	12 000 000	-	-
Intangible assets	6	3 294 534	4 159 726	-	-
Goodwill	7	2 800 000	10 817 974	-	-
Investments in associates	9	87 998 872	82 021 115	87 998 872	82 021 115
Investment in subsidiaries	10	-	-	19 876 554	19 876 603
Investments at fair value	11	1 527 806 788	2 208 126 843	1 527 806 788	2 208 126 843
Originated loans	12	1 337 528 470	1 179 765 300	1 395 071 870	1 272 204 870
Finance lease receivables	13	152 402 525	134 440 035	152 402 525	134 440 035
<b>Current assets</b>		<b>3 127 090 251</b>	<b>3 641 538 217</b>	<b>3 101 724 170</b>	<b>3 598 554 360</b>
Current portion of originated loans	12	337 675 240	410 504 542	348 561 670	413 266 051
Current portion of finance lease receivables	13	95 721 901	93 502 810	95 721 901	93 502 810
Investments held-for-trade	14	21 947 209	17 251 527	21 947 209	17 251 527
Current asset held for sale	15	-	600 000	-	600 000
Inventories	16	15 727 462	17 509 877	-	-
Trade and other receivables	17	32 782 212	42 689 846	15 442 083	18 335 859
Dividends receivables		33 379 058	30 344 598	33 379 058	30 344 598
Cash and cash equivalents	19	2 589 857 169	3 029 135 017	2 586 672 248	3 025 253 515
<b>TOTAL ASSETS</b>		<b>6 283 462 926</b>	<b>7 322 966 533</b>	<b>6 287 949 187</b>	<b>7 319 905 848</b>



		Group		Trust	
	Notes	2023 R	2022 R	2023 R	2022 R
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>		<b>4 757 776 328</b>	<b>5 089 208 351</b>	<b>4 782 683 812</b>	<b>5 107 085 910</b>
Trust capital	20	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Accumulated surplus		2 285 923 183	2 630 858 787	2 314 252 340	2 638 654 438
Revaluation reserve		3 421 673	3 421 673	-	-
Non-controlling interest		-	(13 503 581)	-	-
<b>Non-current liabilities</b>		<b>610 839</b>	<b>436 122</b>	<b>9 249 151</b>	<b>9 249 151</b>
Instalment sale agreements	21	519 303	238 590	-	-
Deferred tax liability	8	91 536	197 532	-	-
Investment in subsidiary	10	-	-	9 249 151	9 249 151
<b>Current liabilities</b>		<b>1 525 075 759</b>	<b>2 233 322 060</b>	<b>1 496 016 224</b>	<b>2 203 570 787</b>
Trade and other payables	22	105 601 058	107 766 038	76 788 291	78 295 030
Enterprise development fund	23	1 419 227 933	2 125 275 757	1 419 227 933	2 125 275 757
Instalment sale agreements	21	246 768	280 265	-	-
<b>Total Liabilities</b>		<b>1 525 686 598</b>	<b>2 233 758 182</b>	<b>1 505 265 375</b>	<b>2 212 819 938</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>6 283 462 926</b>	<b>7 322 966 533</b>	<b>6 287 949 187</b>	<b>7 319 905 848</b>

NATIONAL EMPOWERMENT FUND TRUST

REGISTRATION NUMBER: IT 10145/00

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2023

		Group		Trust	
	Notes	2023 R	2022 R	2023 R	2022 R
Interest and dividend income	25	424 130 563	308 404 765	431 763 233	3 16 072 147
Net sundry income	26	356 319 596	694 202 727	277 823 885	6 22 370 302
Net revenue		7 80 450 159	1 002 607 492	709 587 118	938 442 449
Finance charges		(116 028)	(62 840)	-	-
Deferred conversion grant expense	12 and 13	-	(38 703 028)	-	(38 703 028)
Social benefit	12 and 13	(47 745 078)	(82 858 683)	(47 745 078)	(82 858 683)
Administration expenses	27	(374 255 139)	(357 082 519)	(292 584 817)	(267 217 871)
Loss on derecognised subsidiary	28	(2 920 139)	-	-	-
Net operating income		355 413 775	523 900 422	369 257 223	5 49 662 867
Impairment charge	30	(23 966 094)	(356 772 949)	(23 743 258)	(391 278 817)
Investment write-offs		-	(1 906 561)	-	(361)
Net gain before fair value adjustments		331 447 680	165 220 912	345 513 965	158 383 689





		Group		Trust	
	Notes	2023 R	2022 R	2023 R	2022 R
<b>Fair value gain/(loss)</b>		<b>(676 542 905)</b>	<b>1 055 448 374</b>	<b>(669 916 062)</b>	<b>1 055 448 374</b>
- Investments in associates	9	5 977 708	(2 859 806)	5 977 708	(2 859 806)
- Investments at fair value - non associate equity investments	11.1	(680 320 054)	1 052 853 114	(680 320 054)	1 052 853 114
- Investments at fair value - unincorporated equity investments	11.2	(269 398)	(975 977)	(269 398)	(975 977)
- Revaluation of Investment Property	5	(6 626 843)	-	-	-
- Investments held-for-trade	14	4 695 682	6 431 043	4 695 682	6 431 043
<b>Surplus/(Deficit) before taxation</b>		<b>(345 095 225)</b>	<b>1 220 669 286</b>	<b>(324 402 097)</b>	<b>1 213 832 063</b>
Taxation	29	97 774	(1 346 455)	-	-
<b>Surplus/(Deficit) for the year</b>		<b>(344 997 451)</b>	<b>1 219 322 831</b>	<b>(324 402 097)</b>	<b>1 213 832 063</b>
<b>Surplus/(Deficit) attributable to</b>					
Owners of the parent of the entity		(344 935 604)	1 224 885 937	-	-
Non-controlling interest		(61 847)	(5 563 106)	-	-
		<b>(344 997 451)</b>	<b>1 219 322 831</b>	<b>(324 402 097)</b>	<b>1 213 832 063</b>

NATIONAL EMPOWERMENT FUND TRUST

REGISTRATION NUMBER: IT 10145/00

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2023

Group					
Notes	Trust capital	Accumulate surplus	Revaluation reserve	Non-con-trolling interest	Total
	R	R	R	R	R
Balance as at 31 March 2021	2 468 431 472	1 405 972 850	3 421 673	(7 940 475)	3 869 885 520
Surplus/(Deficit) for the year	-	1 224 885 937	-	(5 563 106)	1 219 322 831
Balance as at 31 March 2022	2 468 431 472	2 630 858 787	3 421 673	(13 503 581)	5 089 208 351
Deficit for the year	-	(344 935 604)	-	(61 847)	(344 997 450)
Elimination of Non-controlling interest	-	-	-	13 565 428	13 565 428
Balance as at 31 March 2023	2 468 431 472	2 285 923 183	3 421 673	-	4 757 776 329

Trust			
	Trust capital	Accumulate surplus	Total
	R	R	R
Balance as at 31 March 2021	2 468 431 472	1 424 822 375	3 893 253 847
Surplus for the year	-	1 213 832 063	1 213 832 063
Balance as at 31 March 2022	2 468 431 472	2 638 654 438	5 107 085 910
Deficit for the year	-	(324 402 097)	( 324 402 097)
Balance as at 31 March 2023	2 468 431 472	2 314 252 340	4 782 683 812
	Note 20		



NATIONAL EMPOWERMENT FUND TRUST  
REGISTRATION NUMBER: IT 10145/00  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 March 2023

	Notes	Group		Trust	
		2023 R	2022 R	2023 R	2022 R
<b>Net cash generated from operating activities</b>	<b>33</b>	<b>(438 994 807)</b>	<b>1 564 645 957</b>	<b>(437 703 616)</b>	<b>1 560 807 315</b>
Cash received from customers		434 413 178	384 710 730	13 508 831	7 896 474
Cash paid to suppliers and employees		(702 066 638)	(589 357 072)	(289 461 427)	(216 564 500)
Cash paid from enterprise development		(566 283 575)	(155 817 596)	(566 283 575)	(155 817 596)
Cash received from enterprise development funders		119 675 000	2 245 070 000	119 675 000	2 245 070 000
Investment disbursements *	<b>34</b>	(505 191 334)	(922 344 138)	(505 191 334)	(932 644 138)
Repayments on originated loans and leases *	<b>35</b>	550 235 361	465 037 151	559 863 102	475 533 608
Dividends received *		78 128 598	33 400 000	78 128 598	33 400 000
Interest received *		152 094 603	103 946 882	152 057 189	103 933 467
<b>Net cash utilised by investing activities</b>		<b>(1 457 293)</b>	<b>(3 476 003)</b>	<b>(877 651)</b>	<b>( 3 554 727)</b>
Additions to property, plant and equipment	<b>4</b>	(1 457 293)	(3 862 034)	(877 651)	(3 554 727)
Proceeds from disposal of property, plant and equipment		-	386 031	-	-
<b>Net cash utilised by financing activities</b>		<b>1 174 252</b>	<b>(4 483 603)</b>	<b>-</b>	<b>-</b>
Repayment of instalment sale		(439 178)	(310 243)	-	-
Addition/(Repayment) in other financial liabilities		1 613 430	(4 173 360)	-	-
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(439 277 848)</b>	<b>1 556 686 351</b>	<b>(438 581 267)</b>	<b>1 557 252 588</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>3 029 135 017</b>	<b>1 472 448 666</b>	<b>3 025 253 515</b>	<b>1 468 000 927</b>
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<b>2 589 857 169</b>	<b>3 029 135 017</b>	<b>2 586 672 248</b>	<b>3 025 253 515</b>

\* Reclassification from investing activities to operating activities, refer to note 40 for details.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**  
**For the year ended 31 March 2023**

Trust				
	Notes	Approved final budget	Actual	Variance
		R	R	R
<b>Revenue</b>	<b>36.1</b>	<b>283 131 155</b>	<b>431 763 233</b>	<b>148 632 078</b>
Sundry income	36.2	77 783 000	277 823 885	200 040 885
<b>Total Income</b>		<b>360 914 155</b>	<b>709 587 118</b>	<b>348 672 963</b>
<b>Expenses</b>				
Compensation of employees		(226 699 000)	(212 738 263)	13 960 737
Social benefit		-	(47 745 078)	(47 745 078)
Use of goods and services		(74 079 108)	(79 846 554)	(5 767 446)
<b>Total expenses</b>	<b>36.3</b>	<b>(300 778 108)</b>	<b>(340 329 895)</b>	<b>(39 551 787)</b>
<b>Net operating income</b>		<b>60 136 047</b>	<b>369 257 223</b>	<b>309 121 176</b>
Impairment charge	36.4	(50 467 000)	(23 743 258)	26 723 742
Write-offs		-	-	-
<b>Surplus before fair value adjustments</b>		<b>9 669 047</b>	<b>345 513 965</b>	<b>335 844 918</b>
Net fair value loss	36.5	-	(669 916 062)	(669 916 062)
<b>Surplus/(Deficit) for the year</b>		<b>9 669 047</b>	<b>(324 402 097)</b>	<b>(334 071 144)</b>





## 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The accounting policies below are employed by National Empowerment Fund Trust (NEF), National Empowerment Fund Corporation SOC Limited and its subsidiaries.

### 1.1 Main business and operations

The National Empowerment Fund Trust is a South African public entity (Schedule 3A) under the direction of the **Department of Trade Industry and Competition (dtic)**.

The Trust was established through the National Empowerment Fund Act (Act 105 of 1998), to provide access to funding for black owned and managed businesses through the Fund Management Division and Strategic Projects Fund, which provides funding for venture capital activities in the priority sectors. In addition, the promotion of investments and savings activities is undertaken by designing and offering retail investment products through the Asset Management Division which are offered for subscription by black investors.

### 1.2 Accounting policies

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

### 1.3 Basis of preparation

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

and directives issued by the Accounting Standards. The financial statements of the Trust and the Group have been prepared except for cash flow statement information, using the accrual basis of accounting. The going concern basis has been adopted in preparing financial statements for the Trust and the Group. The Accounting Authority has no reason to believe that the Trust and the Group will not be a going concern in the foreseeable future based on forecasts, available cash resources and approval of new investment facilities. The Group and Trust financial statements are presented in South African Rand, which is the functional currency, rounded-off to the nearest rand.

### 1.4 Consolidation

#### Investments in associates

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

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

Once an investment in associate is initially designated at fair value through profit and loss it is recognised at fair value. Subsequent measurement will thereafter be in terms of GRAP 104 which allows for an associate to either be held at fair value or at cost. Specifically where the fair value of

unquoted associate investments cannot be reliably measured the investment will be measured at cost. The Trust has opted to hold all associate investments at fair value, except for project related investments initiated by the Strategic Projects Fund Division (SPF), where the measurement thereof is dependent on the stage of the project.

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

#### **Interests in joint ventures**

GRAP 8 exempts venture capital organisations from equity accounting investments in joint ventures if they, upon initial recognition, decide to designate the investment at fair value through profit and loss. As a venture capital organisation, the Trust has elected to apply this exemption and accordingly all such investments are not equity accounted but designated as investments at fair value through profit and loss in terms of GRAP 104.

#### **Investments in subsidiaries**

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

the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at its acquisition date fair value.

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

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

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

National Empowerment Fund Corporation SOC Ltd is a subsidiary that was created by the NEF to fulfil specific functions of the NEF. The subsidiary is treated as a normal investee in the separate financial statements and consolidated under GRAP 6 in the Group financial statements. National Empowerment Fund Trust acquired Delswa (Pty) Ltd, Surgetek (Pty) Ltd, and Zastrovect (Pty) Ltd through exercising its rights when defaulted on the terms on their loans. The NEF Trust lost control in Golden Dice (Pty) Ltd in the current financial year.

These subsidiaries are temporary in nature while National Empowerment Fund Trust seeks suitable buyers. These subsidiaries are accounted for in terms of GRAP 6.

#### **Loss of control**

If the NEF as controlling entity loses control of a controlled entity, the NEF:



- derecognises the assets and liabilities of the former controlled entity from the consolidated statement of financial position;
- recognises any investment retained in the former controlled entity and subsequently accounts for it and for any amounts owed by or to the former controlled entity in accordance with the relevant Standards of GRAP. That fair value is regarded as the fair value on initial recognition of a financial asset in accordance with Standard of GRAP on Financial Instruments or the cost on initial recognition of an investment in an associate or joint venture; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

### 1.5 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably and when specific criteria have been met for each of the Group 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 from sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

The entity recognises revenue when it has transferred the significant risks and rewards of ownership to the buyer and does not retain continuing managerial involvement nor control over the goods.

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

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

Sundry income mainly comprises of bad debt recovered from investments written-off, conditional and unconditional grants including enterprise suppliers development funds (ESD).

Revenue for bad debt recovered is recognised to the extent of cash received in the year of assessment. Conditional grant is recognised when disbursements are made to the beneficiaries of the relevant fund. Unconditional grant is recognised when transfer is received from partner(s).

The Trust only recognises revenue and expense that it receives or incurs in return for executing the transactions on behalf of the principal. The NEF as an agent recognises the funds received as a liability on receipt of the funds.

## 1.6 Property, plant and equipment

Property, plant and equipment are identifiable non-monetary assets which the Group holds for its own use and which are expected to be used for more than one year.

Property, plant and equipment is recognised when:

- It is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

All items of property, plant and equipment, are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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 surplus or deficit during the financial period in which they are incurred.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment.

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	10% - 16,67%
Motor vehicles	20% - 25%
Office equipment	20% - 40%
Leasehold improvements	10% - 20%
Audio Visual equipment	33,33%
Paintings	2%
Property	5%
Plant and machinery	16,67% - 20%
Trolleys and bins (Other assets)	50%
IT equipment	33%
Signage (Other assets)	20%

Investment property is held by National Empowerment Fund Corporation SOC Ltd (Subsidiary) at fair value and is accounted for at cost in the group annual financial statements. Where there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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





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 surplus or deficit, under the 'administrative expenses' line.

### 1.7 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent goodwill is tested for impairment annually and it is carried at cost less any accumulated impairment.

Goodwill is amortised at 10% rate per annum.

### 1.8 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which the Group holds for its own use, and which are expected to be used for more than one year.

An intangible asset is recognised when:

- It is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially measured at cost including transaction costs and directly attributable expenditure in preparing the asset for its intended use.

Acquired computer software is capitalised on the basis of cost incurred to acquire and bring to use the specific software purchased and is amortised on a straight line basis over the expected useful lives of the assets. Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

Intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight line method shall be used. The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate. The amortisation charge for each period shall be recognised in surplus or deficit.

An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit.

Item	Rate p.a.
Computer software	33,33%
Surge Technology IP	10,00%

### 1.9 Investment Property

Investment property is property (land or building – or part of a building– or both) held by the owner to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost and subsequently at fair value with changes in fair value recognised in profit or loss.

### 1.10 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.

### 1.11 Inventory

Inventories are measured at the lower of cost and net realisable value, on the first-in-first-out (FIFO) basis. Where inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition. When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, shall be recognised as a reduction

in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Financial instruments

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and financial liabilities at fair value are recognised on trade date, which is the date on which the Group commits to purchase or sell the asset. The Group recognises a financial asset and financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument, that is, when cash is advanced to the borrowers.

Financial assets or financial liabilities are initially recognised at fair value including transaction costs, except financial assets or financial liabilities 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 or financial liability and the purchase price is recognised as a Day 1 profit and loss only where the fair value determined is based on observable market data.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and



the consideration paid and payable shall be recognised in surplus or deficit.

### **Classification**

The Group classifies financial assets in the following categories: investments at fair value or held for trade, GRAP 7 category: loans and receivable and investments held at cost. Management determines the classification of investments at initial recognition.

### **Originated loans**

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

### **Concessionary loans**

Where the Trust grants concessionary loans, it considers whether part of the consideration granted is a social benefit. The Trust accounts for the components of a concessionary loan granted separately. The loan component of concessionary loans issued by the Trust is accounted for as a financial asset. The non-exchange (social benefit) component of arrangement is accounted for using the Framework for the Preparation and Presentation of Financial Statements.

The loan is recognised when the Trust becomes party to the

contractual provisions of the instrument. Concessionary loans are initially measured at fair value plus transaction costs. The difference between transaction price (loan proceeds) and fair value is recognised as a social benefit in accordance with the Framework.

### **Investments carried at fair value**

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

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

### **Embedded derivative financial instruments**

The Group 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 surplus or deficit. Upon identification and separate disclosure, the host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument with the embedded derivative portion being recognised at fair value.

#### **Trade and other receivables**

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

#### **Subsequent measurement**

Investments at fair value are subsequently carried at fair value. Loans, receivables and preference share investments are carried at amortised cost, less accumulated impairments, using the effective interest rate method. Gains and losses arising from changes in the fair value of the financial assets at fair value category are included

in the surplus or deficit in the period in which they arise.

Concessionary loans are subsequently measured at amortised cost, which includes any modification gains and losses, write-offs, and impairment losses.

#### **Fair value**

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

#### **Fair value estimation – day 1 gain/(loss)**

Day one gains and losses occur when the Group uses a model to measure the fair value of the instrument and the model price at initial recognition is different from the transaction price. Day one gains and losses are recognized only when the fair value is evidenced by a quoted price in an active market for the same instrument or is based on a valuation technique that only uses data from observable markets.





## Impairment of financial assets

### (a) Assets carried at amortised cost

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

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

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

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

Estimates of changes in future cash flows for a group of assets reflect and are consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are

reviewed regularly by the Trust to reduce any differences between loss estimates and actual loss experience."

When a loan becomes 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 surplus or deficit. 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 surplus or deficit.

#### **(b) Investments held at cost**

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

#### **(c) Renegotiated originated loans**

Originated loans that have been subject to impairment losses and whose settlement terms have been formally and legally renegotiated are reset in terms of the



assessment of the objective evidence for impairment losses. Renegotiated loans are subject to ongoing review to determine whether they should thereafter be considered as impaired or past due following their reset. Reversals of impairment losses are recognised in surplus or deficit.

#### 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 surplus or deficit for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

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

#### Deferred conversion grant expense

The deferred conversion grant expense is recognised for clients who received the Economic Recovery Fund and did not receive any other grant. It is measured as a difference between the fair value of the financial asset on transaction effective date and the transaction price. The fair value is calculated by discounting the future cash flows expected to be received from the client after taking into account the 30% portion which will be converted to a grant using the NEF's normal lending rate. The deferred conversion grant expense is derecognised when the client meets the conditions to qualify for the grant.

#### 1.13 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. The Group recognises a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

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

#### 1.14 Enterprise development fund

Conditional enterprise development funds are initially recognised at its fair value and classified as a liability until such time when conditions are met.

Unconditional enterprise development funds are initially recognised at its fair value and classified as an income upon receipt.

#### **1.14 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

##### **Finance leases and instalment sale agreements**

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 leases and instalment sale agreements are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, the present value of the minimum lease payments. The corresponding liability to the lessee is included in the statement of financial position as a finance lease obligation. The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

#### **Operating 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 surplus or deficit on the straight line basis over the period of the lease.

#### **1.16 Employee benefits**

##### **a) Pension obligations**

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

##### **b) Performance awards**

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





### 1.17 Provisions and contingencies

Provisions are recognised when the Group 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. The provisions are mainly made up of performance bonuses as well as provision for leave pay. The contingencies arise mainly emanates from litigations which are originated by clients.

### 1.18 Critical accounting estimates and judgements in applying accounting policies

Management has applied judgement on the basis of valuation methodologies in the estimation of the carrying value of loans (for impairments), and investments held at fair value through profit and loss. 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.

Judgements and assumptions in the valuations and impairments include determining the:

- Free cash flow of investees;
- Replacement values;
- Realisable value of assets;

- Net Asset Value model and other relevant valuation techniques

#### (a) Impairment losses on originated loans, finance leases and goodwill

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

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

Originated Loans are individually assessed and impaired utilising management's impairment matrix. For the carrying amount of these investments refer to note 12.

**(b) Fair value of equity investments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques (above-mentioned). The Group uses its judgement to make assumptions that are mainly based on market conditions.

**(c) Fair value of investment property**

Fair value on investment property is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

**1.19 Taxation**

**a) Income tax**

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

**b) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts used for taxation purposes.

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

**1.20 Events after reporting date**

An entity should adjust its financial statements for events after the reporting date; and the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting date.

This Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

**1.21 Segment Reporting**

If a financial report contains both the consolidated financial statements and the separate financial statements of a controlling entity, segment information is required only in the consolidated financial statements. An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.



## 2. NEW STANDARDS AND INTERPRETATIONS

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

In the current year, there were no new standards adopted by the Trust.

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

#### **GRAP 1 – Presentation of Financial Statements (Amendments to the Standard of GRAP)**

The objective of this Standard is to amend the existing GRAP 1 accounting standard on going concern and disclosure on going concern.

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

#### **GRAP 103 – Heritage Assets**

The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.

The effective date of the standard is still to be determined by the Minister of Finance. It is likely that the standard will not have an impact on the Trust's annual financial statements.

#### **GRAP 104 – Financial Instruments**

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

The effective date of the standard is 1 April 2025. It is likely that the standard will have a material impact on the Trust's annual financial statements.



### 3. RISK MANAGEMENT

#### 3.1 Credit risk

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 Group.

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 Loans Investment portfolio.

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

	Credit Ratings*	2023 R	2022 R
Standard Bank	Ba2	98 753 780	236 977 850
First National Bank	Ba2	136 989 407	35 269 537
South Africa Reserve Bank	Ba2	2 348 712 796	2 750 911 296
Rand Merchant Bank	Ba2	2 216 017	2 094 584
<b>Total Cash held with banks (Trust)</b>		<b>2 586 672 000</b>	<b>3 025 253 267</b>
Zastrovect Investment (First National Bank)	Ba2	2 711 914	3 207 006
Surgetek (Pty) Ltd (Standard Bank)	Ba2	312 281	650 279
Delswa (Pty) Ltd (Standard Bank)	Ba2	14 169	18 837
National Empowerment Fund SOC Ltd (Standard Bank)	Ba2	38 521	24 216
Golden Dice Foods (Pty) Ltd (Standard Bank)	Ba2	-	26 111
<b>Total balance for Group</b>		<b>2 589 748 885</b>	<b>3 029 179 716</b>

The Group'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). \*Ratings quoted are Moody's April 2023 updates.





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

	Group		Trust	
	2023 R	2022 R	2023 R	2022 R
<b>Originated Loans</b>				
Normal monitoring and performing loans	1 731 181 292	1 245 152 874	1 875 474 024	1 367 910 599
Close monitoring*	48 667 631	82 510 632	70 655 593	82 510 632
Partly/fully impaired**	447 276 166	913 761 814	447 276 166	984 278 868
<b>Gross originated loans</b>	<b>2 227 125 089</b>	<b>2 241 425 320</b>	<b>2 393 405 783</b>	<b>2 434 700 099</b>
Impairment provision	(551 921 379)	(651 155 478)	(649 772 242)	(749 229 178)
<b>Net originated loans balance</b>	<b>1 675 203 710</b>	<b>1 590 269 842</b>	<b>1 743 633 540</b>	<b>1 685 470 921</b>
<b>Finance Leases</b>				
Normal monitoring and performing leases	218 510 585	102 480 125	218 510 585	102 480 125
Close monitoring*	24 445 116	31 982 883	24 445 116	31 982 883
Partly/fully impaired**	56 390 437	179 511 686	56 390 437	179 511 686
<b>Gross finance leases</b>	<b>299 346 138</b>	<b>313 974 694</b>	<b>299 346 138</b>	<b>313 974 694</b>
Impairment provision	(51 221 712)	(86 031 849)	(51 221 712)	(86 031 849)
<b>Net finance lease balance</b>	<b>248 124 426</b>	<b>227 942 845</b>	<b>248 124 426</b>	<b>227 942 845</b>

## Financial assets at carrying value

	Trust			
	Total Balance	Current to 30 days	60 days to 120 days	150 days to 180+
Aging analysis that are due and impaired (2023)	1 991 757 969	1 789 912 832	75 354 628	126 490 509
Aging analysis that are due and impaired (2022)	1 913 413 767	1 108 056 12	40 262 455	765 095 188

	Group			
	Total Balance	Current to 30 days	60 days to 120 days	150 days to 180+
Aging analysis that are due and impaired (2023)	1 923 328 138	1 743 470 963	53 366 666	126 490 509
Aging analysis that are due and impaired (2022)	1 818 212 688	1 049 260 654	74 373 899	694 578 134

\* Close monitoring relates to clients that are transferred to the turnaround primarily as a result of the macro and micro factors, to which the organisation embarks on turnaround strategies to improve the performance of the investments.

\*\* Partially or fully impaired relates to clients that have been handed over to the legal department for recoveries as a last resort after all avenues of collection have been exhausted.



### 3.1 Credit risk (continued)

The Trust obtains collateral against funds disbursed to investees. The collateral 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.
- Cession of insurance proceeds.

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. When the Trust collects on the mortgage bonds on land and buildings, the entity obtains a court order from the sheriff of court then after put these properties on auction for disposal.

### 3.2 Market risk

Market risk represents the risk that the value of investments will fluctuate because of general changes in market factors which are not unique to individual instruments or its issuers. Market risk embodies not only the potential for loss but also the potential for gain.

#### 3.2.1 Interest rate risk

The Group 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 Group's significant cash portfolio invested in various interest earning bank treasury and call accounts. The Group 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 (2023 – 89%; 2022 – 89%) of the Group's investment portfolio is advanced in the form of originated loans. These loans are advanced at interest rates which linked to the prime lending rates as well as others that are fixed rates. The terms usually range from 5 to 15 years.

The Group individually assesses the effect of interest rate risk in a series of scenario and sensitivity analysis of each individual transaction that the Trust funds. In these scenarios the impact of an interest rate change is assessed against the businesses' ability to meet the

increased charge in lending rates out of own cash flows. The decision to grant funding to applying businesses is fundamentally based on these sensitivity analyses. The underlying risk therefore within the range of interest rate changes run in sensitivity analysis 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 2023, the portfolio was assessed from this risk rating approach as follows:

	Trust			
	2023		2022	
	% by number	% by value	% by number	% by value
Performing	78%	78%	54%	54%
Impaired	18%	19%	42%	42%
Close Monitoring	4%	4%	4%	4%

	Group			
	2023		2022	
	% by number	% by value	% by number	% by value
Performing	78%	77%	54%	54%
Impaired	18%	20%	42%	42%
Close Monitoring	4%	3%	4%	4%

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

In response to the effects that the global economic crisis was having on the originated loans portfolio, the Trust approved a restructuring programme for potentially eligible investments. This programme allows for transactions that would be performing if it were not for the impact of the economic downturn conditions to undergo restructuring resulting in the deferment of up to half of outstanding loan 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.





### Interest rate risk sensitivity analysis

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

Trust						
	2023			2022		
	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment
	R	R	R	R	R	R
Originated loans	1 743 633 540	177 265 339	17 436 335	1 685 470 921	127 538 421	16 022 049
Finance leases	248 124 426	21 277 647	2 481 244	227 942 845	20 855 661	2 279 428
Cash and cash equivalents	2 586 672 248	152 057 189	25 866 722	3 025 253 515	103 933 467	14 680 009
<b>Total effect on Profit/Loss</b>	<b>4 578 430 214</b>	<b>350 600 175</b>	<b>45 784 302</b>	<b>4 938 667 281</b>	<b>252 327 549</b>	<b>32 981 486</b>

Group						
	2023			2022		
	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment
	R	R	R	R	R	R
Originated loans	1 675 203 710	169 595 255	16 752 037	1 590 269 842	119 857 624	15 902 698
Finance leases	248 124 426	21 277 647	2 481 244	227 942 845	20 855 661	2 279 428
Cash and cash equivalents	2 589 857 169	152 094 603	25 898 572	3 029 135 017	103 946 882	30 291 350
<b>Total effect on Profit/Loss</b>	<b>4 513 185 305</b>	<b>342 967 505</b>	<b>45 131 853</b>	<b>4 847 347 704</b>	<b>244 660 167</b>	<b>48 473 476</b>

### 3.2.2 Foreign exchange risk

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

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

### 3.2.3 Price risk

The Trust is exposed to listed equity 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 government allocated investment in MTN as well as an investment in Southern Sun undertaken as a result of the Trust's funding products for listed investments.

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

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

Listed Investments	Number of shares at year end	Share price at year end	Market Value of Listed Portfolio at year end	10% increase in share price	10% decrease in share price
		R	R	R	R
Southern Sun	5 104 002	4,30	21 947 209	24 141 929	19 752 488
MTN Ltd	10 114 866	127,47	1 289 341 969	1 418 276 166	1 160 407 772
		<b>Total</b>	<b>1 311 289 178</b>	<b>1 442 418 095</b>	<b>1 180 160 260</b>



### 3.3 Liquidity risk

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

The cash balances of the Trust are invested in treasury and call accounts of its four 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.

### 3.4 Capital Risk Management

Trust Capital primarily comprises funds transferred from the dtic for the purposes of granting funding to eligible black empowered businesses through its fund management products. To date cash funds received from the dtic for these purposes totals R2 297 431 472 (2022: R2 297 431 472 – note 20). Historically funding for operations was also advanced by the dtic in the form of transfer funds. These were matched against operational expenditure for the year and to the extent there was some level of operational surplus or deficit, then this was transferred or offset to Accumulated Surplus once approval is granted in this respect from National Treasury.

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

Proceeds raised on asset management retail product subscriptions are transferred to capital through profit and loss. This capital is managed separately and utilised for the purposes of reapplication into asset management activities and other related investments in consultation with the dtic and National Treasury.

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

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

## 4. PROPERTY, PLANT AND EQUIPMENT (TRUST)

2023	Motor Vehicles	Computer Equipment	Audio Visual Equip-ment	Office Equip-ment	Furniture and Fittings	Leasehold Improve-ments	Paintings	Total
	R	R	R	R	R	R	R	R
<b>Opening Balance</b>								
Cost	1 620 867	11 531 714	315 811	359 613	632 987	821 002	149 790	15 431 784
Accumulated depreciation	(1 325 555)	(7 330 729)	(315 811)	(351 716)	(552 381)	(814 550)	(59 020)	(10 749 762)
<b>Net Book Value</b>	<b>295 312</b>	<b>4 200 985</b>	<b>-</b>	<b>7 897</b>	<b>80 606</b>	<b>6 452</b>	<b>90 770</b>	<b>4 682 022</b>
<b>Movement for the year</b>								
Additions	-	877 651	-	-	-	-	-	877 651
Net Disposal	-	(25 106)	-	-	-	-	-	(25 106)
Disposals/ Derecognition at cost	-	(40 610)	-	-	-	-	-	(40 610)
Depreciation on disposed/ derecognised assets		15 504						15 504
<b>Depreciation</b>	<b>(233 661)</b>	<b>(2 188 925)</b>	<b>-</b>	<b>(4 253)</b>	<b>(29 952)</b>	<b>(6 452)</b>	<b>(2 916)</b>	<b>(2 466 159)</b>
	<b>(233 661)</b>	<b>(1 336 379)</b>	<b>-</b>	<b>(4 253)</b>	<b>(29 952)</b>	<b>(6 452)</b>	<b>(2 916)</b>	<b>(1 613 614)</b>
<b>Closing Balance</b>								
Cost	1 620 867	12 368 755	315 811	359 613	632 987	821 002	149 790	16 268 825
Accumulated depreciation	(1 559 216)	(9 504 150)	(315 811)	(355 969)	(582 333)	(821 002)	(61 935)	(13 200 417)
<b>Net Book Value</b>	<b>61 651</b>	<b>2 864 605</b>	<b>-</b>	<b>3 645</b>	<b>50 654</b>	<b>-</b>	<b>87 855</b>	<b>3 068 408</b>





4. PROPERTY, PLANT AND EQUIPMENT (TRUST) (CONTINUED)

2022	Motor Vehicles	Computer Equipment	Audio Visual Equip-ment	Office Equip-ment	Furniture and Fittings	Leasehold Improve-ments	Paintings	Total
	R	R	R	R	R	R	R	R
<b>Opening Balance</b>								
Cost	1 620 867	8 080 803	315 811	359 613	632 987	821 002	149 790	11 980 873
Accumulated depreciation	(920 405)	(5 437 586)	(290 923)	(344 073)	(517 477)	(807 305)	(56 104)	(8 373 873)
<b>Net Book Value</b>	<b>700 462</b>	<b>2 643 217</b>	<b>24 888</b>	<b>15 540</b>	<b>115 510</b>	<b>13 697</b>	<b>93 686</b>	<b>3 607 000</b>
<b>Movement for the year</b>								
Additions	-	3 554 727	-	-	-	-	-	3 554 727
Net Disposal	-	(9 593)	-	-	-	-	-	(9 593)
Disposals/ Derecognition at cost	-	(103 816)	-	-	-	-	-	(103 816)
Depreciation on disposed/ derecognised assets		94 223						94 223
<b>Depreciation</b>	<b>(405 150)</b>	<b>(1 987 366)</b>	<b>(24 888)</b>	<b>(7 643)</b>	<b>(34 904)</b>	<b>(7 245)</b>	<b>(2 916)</b>	<b>(2 470 112)</b>
	<b>(405 150)</b>	<b>1 557 768</b>	<b>(24 888)</b>	<b>(7 643)</b>	<b>(34 904)</b>	<b>(7 245)</b>	<b>(2 916)</b>	<b>1 075 022</b>
<b>Closing Balance</b>								
Cost	1 620 867	11 531 714	315 811	359 613	632 987	821 002	149 790	15 431 784
Accumulated depreciation	(1 325 555)	(7 330 729)	(315 811)	(351 716)	(552 381)	(814 550)	(59 020)	(10 749 762)
<b>Net Book Value</b>	<b>295 312</b>	<b>4 200 985</b>	<b>0</b>	<b>7 897</b>	<b>80 606</b>	<b>6 452</b>	<b>90 770</b>	<b>4 682 022</b>
Gross carrying amount of fully depreciated assets still in use	<b>763 861</b>	<b>5 268 554</b>	<b>315 811</b>	<b>270 306</b>	<b>336 611</b>	<b>476 219</b>	<b>5 000</b>	<b>7 436 362</b>

## 4. PROPERTY, PLANT AND EQUIPMENT (GROUP)

2023	Land and Buildings	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Plant and Machinery	Office Equipment	Furniture and Fittings	Leasehold Improvements	Paintings	Other assets	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Opening Balance</b>											
Cost	40 778 500	13 399 228	13 091 252	315 811	6 491 408	1 504 224	1 418 243	2 938 008	149 790	999 899	81 086 363
Accumulated depreciation	(4 509 000)	(8 155 678)	(8 599 475)	(315 811)	(4 182 572)	(1 239 217)	(1 203 684)	(2 297 604)	(59 029)	(426 971)	(30 989 041)
<b>Net Book Value</b>	<b>36 269 500</b>	<b>5 243 550</b>	<b>4 491 777</b>	<b>-</b>	<b>2 308 836</b>	<b>265 007</b>	<b>214 559</b>	<b>640 404</b>	<b>90 761</b>	<b>572 928</b>	<b>50 097 322</b>
<b>Movement for the year</b>											
Additions	-	767 055	1 396 544	-	-	21 850	7 885	24 360	-	-	2 217 694
Net Disposal	(8 170 833)	(90 085)	(25 121)	-	(746 326)	(227)	(14 048)	(14 582)	-	(16 313)	(9 077 535)
Disposals/ Derecognition at cost	(10 600 000)	(2 411 151)	(102 996)	-	(3 101 711)	(293 576)	(69 280)	(82 476)	-	(27 189)	(16 688 379)
Depreciation on disposed/ derecognised assets	2 429 167	2 321 066	77 875	-	2 355 385	293 349	55 232	67 894	-	10 876	7 610 844
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(1 086 664)	(2 339 154)	-	(467 295)	(80 278)	(35 095)	(22 233)	(2 916)	(35 516)	(4 069 151)
	<b>(8 170 833)</b>	<b>(409 694)</b>	<b>(967 731)</b>	<b>-</b>	<b>(1 213 621)</b>	<b>(58 655)</b>	<b>(41 258)</b>	<b>(12 455)</b>	<b>(2 916)</b>	<b>(51 829)</b>	<b>(10 928 991)</b>
<b>Closing Balance</b>											
Cost	30 178 500	11 755 132	14 384 801	315 811	3 389 697	1 232 498	1 356 848	2 879 892	149 790	972 710	66 615 677
Accumulated depreciation	(2 079 833)	(6 921 276)	(10 860 756)	(315 811)	(2 294 482)	(1 026 144)	(1 183 548)	(2 251 943)	(61 944)	(451 611)	(27 447 349)
<b>Net Book Value</b>	<b>28 098 667</b>	<b>4 833 856</b>	<b>3 524 046</b>	<b>-</b>	<b>1 095 215</b>	<b>206 354</b>	<b>173 300</b>	<b>627 949</b>	<b>87 846</b>	<b>521 099</b>	<b>39 168 329</b>



4. PROPERTY, PLANT AND EQUIPMENT (GROUP) (CONTINUED)

2022	Land and Buildings	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Plant and Machinery	Office Equipment	Furniture and Fittings	Leasehold Improvements	Paintings	Other assets	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Opening Balance</b>											
Cost	40 778 500	14 283 674	9 546 006	315 811	6 393 546	1 484 811	1 414 347	2 938 008	149 790	988 949	78 293 441
Accumulated depreciation	(3 006 000)	(7 169 803)	(6 580 106)	(290 923)	(3 043 406)	(1 130 262)	(1 073 110)	(2 075 995)	(56 113)	(396 781)	(24 822 499)
<b>Net Book Value</b>	<b>37 772 500</b>	<b>7 113 871</b>	<b>2 965 899</b>	<b>24 888</b>	<b>3 350 140</b>	<b>354 549</b>	<b>341 237</b>	<b>862 013</b>	<b>93 677</b>	<b>592 168</b>	<b>53 470 942</b>
<b>Movement for the year</b>											
Additions	-	88 461	3 641 452	-	97 862	19 413	3 896	-	-	10 950	3 862 034
Change in accounting estimate	-	-	-	-	-	-	-	-	-	-	-
Net Disposal	-	(212 625)	(1 219)	-	-	-	-	-	-	-	(213 844)
Disposals/ Derecognition at cost	-	(972 907)	(96 204)	-	-	-	-	-	-	-	(1 069 111)
Depreciation on disposed/ derecognised assets	-	760 282	94 984	-	-	-	-	-	-	-	855 266
Depreciation	(1 503 000)	(1 746 157)	(2 114 354)	(24 888)	(1 139 166)	(108 954)	(130 575)	(221 609)	(2 916)	(30 190)	(7 021 808)
	<b>(1 503 000)</b>	<b>(1 870 321)</b>	<b>1 525 879</b>	<b>(24 888)</b>	<b>(1 041 304)</b>	<b>(89 541)</b>	<b>(126 679)</b>	<b>(221 609)</b>	<b>(2 916)</b>	<b>(19 240)</b>	<b>(3 373 619)</b>
<b>Closing Balance</b>											
Cost	40 778 500	13 399 228	13 091 252	315 811	6 491 408	1 504 224	1 418 243	2 938 008	149 790	999 899	81 086 364
Accumulated depreciation	(4 509 000)	(8 155 678)	(8 599 475)	(315 811)	(4 182 572)	(1 239 217)	(1 203 684)	(2 297 604)	(59 029)	(426 971)	(30 989 041)
<b>Net Book Value</b>	<b>36 269 500</b>	<b>5 243 550</b>	<b>4 491 778</b>	<b>-</b>	<b>2 308 836</b>	<b>265 007</b>	<b>214 559</b>	<b>640 404</b>	<b>90 761</b>	<b>572 928</b>	<b>50 097 322</b>
Gross carrying amount of fully depreciated assets still in use	-	763 861	6 019 304	315 811	562 375	352 790	656 679	476 219	5 000	-	9 152 040

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2023**

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>5. INVESTMENT PROPERTY</b>				
Opening balance	12 000 000	12 000 000	-	-
*Revaluation loss	(6 626 843)	-	-	-
<b>Closing balance</b>	<b>5 373 157</b>	<b>12 000 000</b>	<b>-</b>	<b>-</b>

*\*The investment property was independently valued by a registered professional valuer as at 31 March 2023. A combination of income capitalisation and direct comparable methods of valuations were considered to be the most appropriate for this property valuation. A capitalisation rate of 13% was used in determining the value of the property in line with the market.*

**6. INTANGIBLE ASSETS**

Computer software

**Opening Balance**

Cost	9 412 802	9 412 802	1 379 242	1 379 242
Accumulated amortisation	(5 253 076)	(4 410 115)	(1 379 242)	(1 377 659)
<b>Net Book Value</b>	<b>4 159 726</b>	<b>5 002 687</b>	<b>-</b>	<b>1 583</b>

**Movement for the year:**

Additions	-	-	-	-
Disposal/Reclassification - cost	(421 898)	-	-	-
Accumulated amortisation on disposed asset	421 894	-	-	-
Amortisation	(865 188)	(842 961)	-	(1 583)
<b>Net Book Value</b>	<b>(865 192)</b>	<b>(842 961)</b>	<b>-</b>	<b>(1 583)</b>





	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>Closing balance</b>				
Cost	8 990 904	9 412 802	1 379 242	1 379 242
Accumulated amortisation	(5 696 370)	(5 253 076)	(1 379 242)	(1 379 242)
<b>Net Book Value</b>	<b>3 294 534</b>	<b>4 159 726</b>	-	-

The intangible assets for the Trust comprise of computer software and software development customised for use in the operations. The Intangible assets for the Group comprises of computer software, software development and Intellectual Property.

## 7. GOODWILL

### Opening Balance

Cost	60 912 198	60 912 198	-	-
Accumulated amortisation	(50 094 224)	(44 217 088)	-	-
<b>Carrying value</b>	<b>10 817 974</b>	<b>16 695 110</b>	-	-

### Movement for the year:

Amortisation for the year	(5 877 136)	(5 877 136)	-	-
Loss of control - Golden Dice (Pty) Ltd	(2 140 839)	-	-	-

### Closing balance

Cost	58 771 359	60 912 198	-	-
Accumulated amortisation	(55 971 359)	(50 094 224)	-	-
<b>Net Book Value</b>	<b>2 800 000</b>	<b>10 817 974</b>	-	-

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R

**8. DEFERRED TAX**

Deferred tax liability	(709 755)	(739 597)	-	-
Deferred tax asset	618 219	542 065	-	-
<b>Closing balance</b>	<b>(91 536)</b>	<b>(197 532)</b>	<b>-</b>	<b>-</b>

**Deferred tax liability**

Accelerated capital allowances for tax purposes	709 755	737 338	-	-
Workmens compensation provision	-	2 259	-	-
	<b>709 755</b>	<b>739 597</b>	<b>-</b>	<b>-</b>

**Deferred tax asset**

Allowance for credit losses	231 441	213 448	-	-
Leave provision	313 333	328 617	-	-
Tax losses available for set off against future taxable income	73 445	-	-	-
<b>Closing balance</b>	<b>618 219</b>	<b>542 065</b>	<b>-</b>	<b>-</b>



	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>Reconciliation of deferred tax asset/(liability)</b>				
At beginning of the year	(197 532)	641 301	-	-
Originating/(reversing) temporary difference on tangible fixed assets	27 584	265 367	-	-
Tax loss available for set off against future taxable income	73 445	(830 371)	-	-
Originating temporary difference on employee benefits	(15 284)	19 044	-	-
Originating temporary difference on allowance for credit losses	17 993	(290 615)	-	-
Originating temporary difference on Workmens compensation	2 258	(2 258)	-	-
	<b>(91 536)</b>	<b>(197 532)</b>	<b>-</b>	<b>-</b>

## 9. INVESTMENTS IN ASSOCIATES

### Investments at cost

- Opening balance
- Additions
- Transfer from the originated loans - note 12
- Transfers from finance lease receivables - note 13
- Transfer from investment in subsidiaries

259 910 949	259 910 900	259 910 949	259 910 900
259 910 900	251 910 900	259 910 900	251 910 900
-	-	-	-
-	1 109 132	-	1 109 132
-	6 890 868	-	6 890 868
49	-	49	-

### Fair value adjustments

- Opening balance
- Write off
- Fair value gain/(loss)

(171 912 077)	(177 889 785)	(171 912 077)	(177 889 785)
(177 889 785)	(175 029 618)	(177 889 785)	(175 029 618)
-	(361)	-	(361)
5 977 708	(2 859 806)	5 977 708	(2 859 806)

### Net investment in associates

87 998 872	82 021 115	87 998 872	82 021 115
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## 9. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Voting power					
		2023	2022	2023	2022
Name	Principal activity	Interest held (%)	Interest held (%)	R	R
<b>Unlisted:</b>					
125 Village Hub (Pty) Ltd/ Muma Investments	Property	20,0%	20,0%	200	200
Allimor Footwear (Pty) Ltd	Manufacturing	30,0%	30,0%	1 704 190	1 704 191
Amazin Hotels (Pty) Ltd	Tourism and Entertainment	20,0%	20,0%	1	1
Argon security (Pty) Ltd	Financial services	49,0%	49,0%	1	1
Business Venture Investments (Pty) Ltd	Healthcare	30,0%	30,0%	1	1
Colliery Dust Control (Pty) Ltd	Agro Processing	44,6%	44,6%	13 319 024	10 242 718
Cox Manufacturing (Pty) Ltd	Steel Manufacturing	45,1%	45,1%	1	82
Crowie Holdings (Pty) Ltd	Mining	26,2%	26,2%	25 000 000	25 000 000
False Bay Bricks (Pty) Ltd	Manufacturing	30,0%	30,0%	350	350
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	Construction	30,0%	30,0%	300	300
Golden Dice Foods (Pty) Ltd	Agro Processing	49,0%	0,0%	49	-
Go 2 Market (Pty) Ltd	Construction	38,0%	38,0%	8 000 000	8 000 000





9. INVESTMENTS IN ASSOCIATES (CONTINUED)

Voting power					
		2023	2022	2023	2022
Name	Principal activity	Interest held (%)	Interest held (%)	R	R
<b>Unlisted:</b>					
Gradoscope (Pty) Ltd	Tourism and Entertainment	26,0%	26,0%	26	26
Graskop Gorge Lift Company (Pty) Ltd	Tourism and Entertainment	26,1%	26,1%	4 741 127	3 747 065
Imbaza Mussel (Pty) Ltd	Agro Processing	25,0%	25,0%	250	609 097
Joy House Academy (Pty) Ltd	Education	45,0%	45,0%	1	861 549
Magoveni Pharmaceuticals (Pty) Ltd	Pharmaceuticals	25,0%	25,0%	1	1
M-Care Management Company (Pty) Ltd	Healthcare	30,0%	30,0%	1	1
M-Care Operating Company (Pty) Ltd	Healthcare	25,1%	25,1%	1	1
M-Care Property Company (Pty) Ltd	Healthcare	22,5%	22,5%	1	1
Middeldrift Dairy (Pty) Ltd	Agro Processing	40,0%	40,0%	1	1
Mohale Agricultural Co-operative	Agro Processing	45,0%	45,0%	1	450
Okubabayo (Pty) Ltd	Manufacturing	30,0%	30,0%	1	2 817 878
Pyratrade (Pty) Ltd	Agro Processing	30,0%	30,0%	1	1

## 9. INVESTMENTS IN ASSOCIATES (CONTINUED)

Voting power					
		2023	2022	2023	2022
Name	Principal activity	Interest held (%)	Interest held (%)	R	R
<b>Unlisted:</b>					
Rapid Purple Waters Trading (Pty) Ltd	Agro Processing	25,0%	25,0%	250	250
Rhino Ridge Lodge (Pty) Ltd	Tourism and Entertainment	33,3%	33,3%	1 884 595	333
Royal Thonga Safari Lodge (Pty) Ltd	Tourism and Entertainment	36,0%	36,0%	36	36
Sehwai Exploration Drilling (Pty) Ltd	Mining	45,0%	45,0%	112	112
Stutt Brick Company (Pty) Ltd	Construction	49,0%	49,0%	1	1
Super Grand Agric (Pty) Ltd	Agro Processing	30,0%	30,0%	45	45
Tshellaine Holdings	Property	30,0%	30,0%	30	30
Umnotho Maize (Pty) Ltd	Services	40,0%	40,0%	400	400
Unique Engineering (Pty) Ltd	Engineering	49,0%	49,0%	26 072 222	22 966 243
Value Cement (Pty) Ltd	Construction	25,8%	25,8%	1	1
Willowvale (Pty) Ltd	Property	45,0%	45,0%	7 275 651	6 069 749
				<b>87 998 872</b>	<b>82 021 115</b>



	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>10. INVESTMENT IN SUBSIDIARIES</b>				
Cost at acquisition				
Day 1 Loss - Delswa (Pty) Ltd	-	-	9 249 151	9 249 151
Liabilities directly associated with non-current assets classified as held for sale	-	-	9 249 151	9 249 151
Cost at acquisition	-	-	251	251
Day 1 Profit - Zastrovect Investments (Pty) Ltd	-	-	6 177 853	6 177 853
Delswa (Pty) Ltd	-	-	1	1
Nefcorp SOC Limited	-	-	100	100
Surgetek (Pty) Ltd	-	-	13 698 349	13 698 349
*Golden Dice foods (Pty) Ltd	-	-	-	49
Investment in subsidiaries			<b>19 876 554</b>	<b>19 876 603</b>

The NEF Trust lost control on Golden Dice (Pty) Ltd during the current financial year and the investment was transferred to Investment in associates (note 9).

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R

## 11. INVESTMENTS AT FAIR VALUE

## 11.1 Non-associate equity investments (Excluding Strategic Project Fund transactions)

<b>Opening Balance</b>	2 208 107 843	1 147 399 428	2 208 107 843	1 147 399 428
Movements	(680 320 054)	1 060 708 415	(680 320 054)	1 060 708 415
Transfers to originated loans	-	(12 167 607)	-	(12 167 607)
Additions	-	20 022 908	-	20 022 908
<b>Total fair value adjustments</b>	<b>(680 320 054)</b>	<b>1 052 853 114</b>	<b>(680 320 054)</b>	<b>1 052 853 114</b>
MTN shares – fair value adjustments	(632 482 571)	1 043 348 428	(632 482 571)	1 043 348 428
Unlisted securities – fair value adjustments and write-offs	(47 837 483)	9 504 686	(47 837 483)	9 504 686
<b>Fair value balance as at end of the year</b>	<b>1 527 787 789</b>	<b>2 208 107 843</b>	<b>1 527 787 789</b>	<b>2 208 107 843</b>
Non- associate investments include:				
<b>Listed securities:</b>				
– Equity securities: RSA (MTN Shares)	1 289 341 969	1 921 824 540	1 289 341 969	1 921 824 540





	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>Unlisted securities:</b>				
Securities not traded on an active market	238 445 820	286 283 303	238 445 820	286 283 303
Beat FM	196	196	196	196
Busamed (Pty) Ltd	220 014 756	271 389 633	220 014 756	271 389 633
Global Wheel (Pty) Ltd	3 555 725	2 544 969	3 555 725	2 544 969
Liciatron (Pty) Ltd	1	1	1	1
Matlosana (Pty) Ltd	8	8	8	8
Mayborn Investments (Pty) Ltd	3 311 931	5 044 239	3 311 931	5 044 239
Motseng Investment Holdings (Pty) Ltd	1	1	1	1
MSG Africa Broadcasting (Pty) Ltd	178	178	178	178
Nyonende Investments (Pty) Ltd	1	1	1	1
On Digital Media (Pty) Ltd	1	1	1	1
Ordicode (Pty) Ltd	493 233	265 893	493 233	265 893
Rhythm FM	196	196	196	196
Rikatec (Pty) Ltd	1	1	1	1
Western Breeze Trading 297 (Pty) Ltd	51	51	51	51
Zulimar Trading (Pty) Ltd	11 069 541	7 037 935	11 069 541	7 037 935
	<b>1 527 787 789</b>	<b>2 208 107 843</b>	<b>1 527 787 789</b>	<b>2 208 107 843</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 March 2023

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R

**11.2 Unincorporated joint ventures and investments (Strategic Project Fund Transactions)**

Unincorporated equity investment fair value through profit and loss	110 887 068	110 617 670	110 887 068	110 617 670
Opening Balance	110 617 670	109 640 693	110 617 670	109 640 693
Additions	269 398	976 977	269 398	976 977
Fair value movements	(110 868 068)	(110 598 670)	(110 868 068)	(110 598 670)
- Balance brought forward from prior year	(110 598 670)	(109 622 693)	(110 598 670)	(109 622 693)
- Fair value (losses)	(269 398)	(975 977)	(269 398)	(975 977)
Net investment value through profit & loss financial assets	19 000	19 000	19 000	19 000
Total investments at fair value	1 527 806 788	2 208 126 844	1 527 806 788	2 208 126 843

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



2023

Investment	Investment at cost	Fair value	Interest in project/joint venture	Effective voting on Joint Steering Committee
	R	R	%	%
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	30%
Manhize – Coking Coal (Pty) Ltd	10 000 000	1 000	75%	75%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 577	1 000	47%	47%
Milk for Life (Pty) Ltd	2 000 000	1 000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10 000 000	1 000	49%	49%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
Cape Point Film Studios	2 878 195	1 000	22%	22%
Jalo Enterprise	8 678 360	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
iVac Bio (Pty) Ltd	3 066 000	1 000	45%	45%
Mendi Rail and Engineering (Pty) Ltd	9 762 500	1 000	49%	49%
Techteledata (Pty) Ltd	300 000	1 000	25%	25%
Nyamane Agro-foods Holdings (Pty) Ltd	8 045 848	1 000	50%	50%
Cape Town Creative studios	891 303	1 000	49%	49%
Cape Town Creative Space	99 032	1 000	49%	49%
Van Der Tlale (Pty) Ltd	428 571	1 000	30%	30%
Lebombo Agricultural Secondary Co-Operative Ltd	6 524 938	1 000	49%	49%
Nkomazi Cotton Development Project	903 549	1 000	49%	49%
	<b>112 536 698</b>	<b>19 000</b>		

## 2022

Investment	Investment at cost	Fair value	Interest in project/joint venture	Effective voting on Joint Steering Committee
	R	R	%	%
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	30%
Manhize – Coking Coal (Pty) Ltd	10 000 000	1 000	75%	75%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 577	1 000	47%	47%
Milk for Life (Pty) Ltd	2 000 000	1 000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10 000 000	1 000	49%	49%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
Cape Point Film Studios	2 878 195	1 000	22%	22%
Jalo Enterprise	8 678 360	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
iVac Bio (Pty) Ltd	3 066 000	1 000	45%	45%
Mendi Rail and Engineering (Pty) Ltd	9 762 500	1 000	49%	49%
Techteledata (Pty) Ltd	300 000	1 000	25%	25%
Nyamane Agro-foods Holdings (Pty) Ltd	8 045 848	1 000	50%	50%
Cape Town Creative studios	891 303	1 000	49%	49%
Cape Town Creative Space	60 000	1 000	49%	49%
Van Der Tlale (Pty) Ltd	428 571	1 000	30%	30%
Lebombo Agricultural Secondary Co-Operative Ltd	6 524 938	1 000	49%	49%
Nkomazi Cotton Development Project	673 183	1 000	49%	49%
	<b>112 267 301</b>	<b>19 000</b>		

\*The Trust holds a participation interest in a joint venture that has been formed for the development of the project. This interest shall convert to a shareholding stake, at a conversion rate that will be determined when the project reaches Financial Close.





	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>12. ORIGINATED LOANS</b>				
Opening balance	2 241 425 320	2 061 392 470	2 434 700 099	2 247 182 909
Net movement for the year	(14 300 231)	180 032 850	(41 294 316)	187 517 190
Loans disbursed	442 718 228	795 781 484	442 718 228	806 081 484
Interest capitalised	169 595 255	119 857 624	177 265 339	127 538 421
Loan repayments	(483 398 643)	(403 063 467)	(493 026 384)	(413 559 924)
Write-offs	(110 296 949)	(238 604 682)	(135 333 377)	(238 604 682)
Transfer from Investments at fair value - note 11.1	-	12 167 607	-	12 167 607
Reclassification to/from finance leases	-	58 472	-	58 472
Transfer to Investment in associates - note 9	-	(1 109 132)	-	(1 109 132)
Deferred conversion grant expense	(30 777 073)	(35 608 509)	(30 777 073)	(35 608 509)
Social benefit	(39 030 043)	(72 033 189)	(39 030 043)	(72 033 189)
Realisation of deferred grant expense	35 608 509	-	35 608 509	-
Capital raising fees	1 280 485	2 586 642	1 280 485	2 586 642
Closing balance	2 227 125 089	2 241 425 320	2 393 405 783	2 434 700 099
Provision for impairment	(551 921 378)	(651 155 478)	(649 772 242)	(749 229 178)
- Opening balance	(651 155 478)	(581 410 182)	(749 229 178)	(644 978 014)
- Impairments for the year	(36 099 277)	(308 349 978)	(35 876 441)	(342 855 846)
- Write-offs	135 333 377	238 604 682	135 333 377	238 604 682
	1 675 203 710	1 590 269 842	1 743 633 540	1 685 470 921
Net originated loan balance	1 675 203 710	1 590 269 842	1 743 633 540	1 685 470 921
Current portion	337 675 240	410 504 542	348 561 670	413 266 051
Long term portion	1 337 528 470	1 179 765 300	1 395 071 870	1 272 204 870

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>13. FINANCE LEASE RECEIVABLES</b>				
Opening balance	313 974 694	334 243 430	313 974 694	334 243 430
Net movement for the year	(14 628 556)	(20 268 736)	(14 628 556)	(20 268 736)
Additions	62 203 708	105 562 769	62 203 708	105 562 769
Social benefit	(8 715 035)	(10 825 494)	(8 715 035)	(10 825 494)
Deferred conversion grant expense	(3 094 519)	(3 094 519)	(3 094 519)	(3 094 519)
Realisation of deferred grant expense	3 094 519	-	3 094 519	-
Transfer to Investment in associates - note 9	-	(6 890 868)	-	(6 890 868)
Reclassification to/from originated loans	-	(58 742)	-	(58 742)
Interest capitalised	21 277 647	20 855 661	21 277 647	20 855 661
Repayments	(66 836 718)	(61 973 684)	(66 836 718)	(61 973 684)
Capital raising fee	118 796	250 288	118 796	250 288
Write-offs	(22 676 954)	(64 094 147)	(22 676 954)	(64 094 147)
Closing balance	299 346 138	313 974 694	299 346 138	313 974 694
Provision for impairment	(51 221 712)	(86 031 849)	(51 221 712)	(86 031 849)
- Opening balance	(86 031 849)	(101 703 025)	(86 031 849)	(101 703 025)
- Impairments for the year	12 133 183	(48 422 971)	12 133 183	(48 422 971)
- Write-offs	22 676 954	64 094 147	22 676 954	64 094 147
Net Finance Lease Receivable balance	248 124 426	227 942 845	248 124 426	227 942 845



	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
Gross investment in leases due	328 855 243	343 778 388	328 855 243	343 778 388
- within one year	129 871 985	101 411 254	129 871 985	101 411 254
- in second to fifth year inclusive	192 103 104	238 578 829	192 103 104	238 578 829
- after 5 years	6 880 154	3 788 305	6 880 154	3 788 305
Less: unearned finance income	(29 509 105)	(29 803 694)	(29 509 105)	(29 803 694)
Present value of minimum lease payments	299 346 138	313 974 694	299 346 138	313 974 694
Less: allowance for uncollectable minimum lease payments	(51 221 712)	(86 031 849)	(51 221 712)	(86 031 849)
Gross value	248 124 426	227 942 845	248 124 426	227 942 845
Present value of minimum lease payments due				
- within one year	115 482 308	92 619 456	115 482 308	92 619 456
- in second to fifth year inclusive	177 269 200	217 895 358	177 269 200	217 895 358
- after 5 years	6 594 630	3 459 880	6 594 630	3 459 880
	299 346 138	313 974 694	299 346 138	313 974 694
Less: Allowance for uncollectable minimum lease payments	(51 221 712)	(86 031 849)	(51 221 712)	(86 031 849)
Carrying amount of minimum lease payments	248 124 427	227 942 845	248 124 426	227 942 845
Net finance lease receivable balance	248 124 426	227 942 845	248 124 426	227 942 845
Current portion	95 721 901	93 502 810	95 721 901	93 502 810
Long term portion	152 402 525	134 440 035	152 402 525	134 440 035

The average lease term is 5 years (2022:5 years) and the average effective lending rate is 8.84% (2022: 8%).

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	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>14. INVESTMENTS HELD FOR TRADE</b>				
Fair value balance at beginning of year	17 251 527	10 820 484	17 251 527	10 820 484
Fair value gains	4 695 682	6 431 043	4 695 682	6 431 043
Fair value balance at end of year	<b>21 947 209</b>	<b>17 251 527</b>	<b>21 947 209</b>	<b>17 251 527</b>
Investments held for trade				
<b>Listed securities</b>				
Southern Sun	21 947 209	17 251 527	21 947 209	17 251 527
	<b>21 947 209</b>	<b>17 251 527</b>	<b>21 947 209</b>	<b>17 251 527</b>

*Investments held for trade include the investment of the NEF in the Southern Sun Hotels Ltd shares totalling 5 104 002 (2022: 5 104 002).*

<b>15. INVESTMENTS HELD FOR TRADE</b>				
Opening balance	600 000	-	600 000	-
Additions	-	600 000	-	600 000
Disposal at cost	(600 000)	-	(600 000)	-
Closing balance	<b>-</b>	<b>600 000</b>	<b>-</b>	<b>600 000</b>

*The current asset held for sale balance is made up of the vehicles received from third-party funders which were allocated to clients at the NEF's discretion.*

<b>16. INVENTORIES</b>				
Finished goods	13 125 734	14 288 208	-	-
Pallets, trolleys and bins	629 060	821 777	-	-
Lightning and surge protection goods	1 972 668	2 399 892	-	-
	<b>15 727 462</b>	<b>17 509 877</b>	<b>-</b>	<b>-</b>





	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>17. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	15 665 488	24 456 362	-	-
Deposits	1 905 554	1 840 778	1 879 070	1 814 294
VAT	123 781	62 800	-	-
Other receivables	15 087 389	16 329 906	13 563 014	16 521 565
<b>Total</b>	<b>32 782 212</b>	<b>42 689 846</b>	<b>15 442 083</b>	<b>18 335 859</b>

#### 18. FINANCIAL ASSETS

	Group			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair Value
	R	R	R	R
<b>Loans and receivables</b>	<b>1 956 110 349</b>	<b>1 956 110 349</b>	<b>1 860 902 533</b>	<b>1 860 902 533</b>
*- Originated loans	1 675 203 710	1 675 203 710	1 590 269 842	1 590 269 842
*- Finance leases	248 124 426	248 124 426	227 942 845	227 942 845
- Trade and other receivables	32 782 212	32 782 212	42 689 846	42 689 846
<b>Investments held at fair value</b>	<b>1 527 806 788</b>	<b>1 527 806 788</b>	<b>2 208 126 843</b>	<b>2 208 126 843</b>
- Unlisted non-associate equity investments	238 445 820	238 445 820	286 283 303	286 283 303
- Listed non-associate equity investments	1 289 341 969	1 289 341 969	1 921 824 540	1 921 824 540
- Unincorporated equity investments	19 000	19 000	19 000	19 000
<b>Investment in associates</b>	<b>87 998 872</b>	<b>87 998 872</b>	<b>82 021 115</b>	<b>82 021 115</b>
<b>Investments held for trade</b>	<b>21 947 209</b>	<b>21 947 209</b>	<b>17 251 527</b>	<b>17 251 527</b>
- Listed equity	21 947 209	21 947 209	17 251 527	17 251 527
<b>Total</b>	<b>3 593 863 219</b>	<b>3 593 863 219</b>	<b>4 168 302 018</b>	<b>4 168 302 018</b>

	Trust			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair Value
	R	R	R	R
<b>Loans and receivables</b>	<b>2 007 200 049</b>	<b>2 007 200 049</b>	<b>1 931 749 625</b>	<b>1 931 749 625</b>
*- Originated loans (Refer to note 12)	1 743 633 540	1 743 633 540	1 685 470 921	1 685 470 921
*- Finance leases (Refer to note 13)	248 124 426	248 124 426	227 942 845	227 942 845
- Trade and other receivables (Refer to note 17)	15 442 083	15 442 083	18 335 859	18 335 859
<b>Investments held at fair value</b>	<b>1 527 806 788</b>	<b>1 527 806 788</b>	<b>2 208 126 843</b>	<b>2 208 126 843</b>
- Unlisted non-associate equity investments (Refer to note 11.1)	238 445 820	238 445 820	286 283 303	286 283 303
- Listed non-associate equity investments (Refer to note 11.1)	1 289 341 969	1 289 341 969	1 921 824 540	1 921 824 540
- Unincorporated equity investments (Refer to note 11.2)	19 000	19 000	19 000	19 000
<b>Investment in associates (Refer to note 9)</b>	<b>87 998 872</b>	<b>87 998 872</b>	<b>82 021 115</b>	<b>82 021 115</b>
<b>Investments held for trade</b>	<b>21 947 209</b>	<b>21 947 209</b>	<b>17 251 527</b>	<b>17 251 527</b>
- Listed equity (Refer to note 14)	21 947 209	21 947 209	17 251 527	17 251 527
<b>Total</b>	<b>3 644 952 919</b>	<b>3 644 952 919</b>	<b>4 239 149 111</b>	<b>4 239 149 111</b>

\*Originated loans and finance leases investment balances are discounted using the market related interest rates which is prime linked. Hence the carrying amounts will be the same as fair values.



## FINANCIAL ASSETS (CONTINUED)

### Fair value hierarchy

The following table details the fair value hierarchy as defined in GRAP 104 for the investments carried at fair value in the financial statements:

	2023			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
<b>Financial assets at fair value through profit and loss</b>	<b>21 947 209</b>	<b>-</b>	<b>88 017 872</b>	<b>109 965 081</b>
Associates	-	-	87 998 872	87 998 872
Unincorporated equity investments	-	-	19 000	19 000
Investments held for trade	21 947 209	-	-	21 947 209
<b>Non-associate equity investments</b>	<b>1 289 341 969</b>	<b>-</b>	<b>238 445 820</b>	<b>1 527 787 789</b>
Listed equities	1 289 341 969	-	-	1 289 341 969
Unlisted equities	-	-	238 445 820	238 445 820
<b>Total</b>	<b>1 311 289 178</b>	<b>-</b>	<b>326 463 692</b>	<b>1 637 752 870</b>
	2022			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
<b>Financial assets at fair value through profit and loss</b>	<b>17 251 527</b>	<b>-</b>	<b>82 040 115</b>	<b>99 291 642</b>
Associates	-	-	82 021 115	82 021 115
Unincorporated equity investments	-	-	19 000	19 000
Investments held for trade	17 251 527	-	-	17 251 527
<b>Non-associate equity investments</b>	<b>1 921 824 540</b>	<b>-</b>	<b>286 283 303</b>	<b>2 208 107 843</b>
Listed equities	1 921 824 540	-	-	1 921 824 540
Unlisted equities	-	-	286 283 303	286 283 303
<b>Total</b>	<b>1 939 076 067</b>	<b>-</b>	<b>368 323 418</b>	<b>2 307 399 485</b>

## Reconciliation of financial assets held at fair value

	2023			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
Opening balance for the year	1 939 076 067	-	368 323 418	2 307 399 485
Additions - Cost	-	-	269 398	269 398
Sales/Transfers	-	-	49	49
Fair value adjustments recognised in profit and loss	(627 786 889)	-	(42 129 173)	(669 916 062)
<b>Closing balance</b>	<b>1 311 289 178</b>	<b>-</b>	<b>326 463 692</b>	<b>1 637 752 870</b>

## Reconciliation of financial assets held at fair value

	2022			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
Opening balance for the year	889 296 596	-	345 822 598	1 235 119 194
Additions - Cost	-	-	20 999 885	20 999 885
Sales/Transfers	-	-	(4 167 607)	(4 167 607)
Fair value adjustments recognised in profit and loss	1 049 779 471	-	5 668 542	1 055 448 013
<b>Closing balance</b>	<b>1 939 076 067</b>	<b>-</b>	<b>368 323 418</b>	<b>2 307 399 485</b>

## 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.





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This category comprises active listed equities.

### Level 2

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

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

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

### Level 3

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

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

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

#### (i) Future earnings and marketability discounts

Future earnings and marketability discounts are key inputs in the valuation of certain private equity investments. Forecast earnings and marketability discounts are unobservable for some investments. The earnings were forecasted using an average of 13,60% - 16,50% growth rate.

#### (ii) Comparative 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. The range of discount rate used was 10,70% - 26,00%. These rates were obtained using the nominal weighted average cost of capital per each investment.

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

## Sensitivity Analysis

	2023		
Level 3 Contributors	Carrying Amount	Effect of 1% Sensitivity adjustment of Carrying Amount	Effect of 10% Sensitivity adjustment of Carrying Amount
	R	R	R
Associates	87 998 872	879 989	8 799 887
Unincorporated equity investments	19 000	190	1 900
Unlisted equities	238 445 820	2 384 458	23 844 582
	<b>326 463 692</b>	<b>3 264 637</b>	<b>32 646 369</b>

	2022		
Level 3 Contributors	Carrying Amount	Effect of 1% Sensitivity adjustment of Carrying Amount	Effect of 10% Sensitivity adjustment of Carrying Amount
	R	R	R
Associates	82 021 115	820 211	8 202 112
Unincorporated equity investments	19 000	190	1 900
Unlisted equities	286 283 303	2 862 833	28 628 330
	<b>368 323 418</b>	<b>3 683 234</b>	<b>36 832 342</b>



		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>19. CASH AND CASH EQUIVALENTS</b>					
In relation to the cash flow statement, cash and cash equivalents comprise the following:					
Bank balances					
- Current accounts		125 776 603	78 997 182	124 292 585	75 172 133
- Short-term bank deposits		2 463 972 282	2 950 081 134	2 462 379 415	2 950 081 134
- Cash on hand		108 284	56 701	248	248
<b>Total</b>		<b>2 589 857 169</b>	<b>3 029 135 017</b>	<b>2 586 672 248</b>	<b>3 025 253 515</b>

The effective interest rate on short term deposits was 6.1% (2022 – 3.25%). Cash reserves includes commitments and third party contributions as per below table. Unencumbered cash is the uncommitted cash available.

<b>UNENCUMBERED CASH – TRUST</b>					
- Cash as per bank balance				2 586 672 248	3 025 253 515
- Less Commitments	31.2			(768 680 467)	(391 159 382)
- Less external contributions	31.4			(1 419 227 933)	(2 135 202 844)
- Add deferred admin fees income				-	38 714 482
<b>Total</b>				<b>398 763 847</b>	<b>537 605 771</b>

<b>20. TRUST CAPITAL</b>					
Investment in listed shares					
- At cost		171 000 000	171 000 000	171 000 000	171 000 000
Cash funds received from the dtic:		<b>2 297 431 472</b>	<b>2 297 431 472</b>	<b>2 297 431 472</b>	<b>2 297 431 472</b>
- Opening Balance		2 297 431 472	2 297 431 472	2 297 431 472	2 297 431 472
<b>Closing balance</b>		<b>2 468 431 472</b>	<b>2 468 431 472</b>	<b>2 468 431 472</b>	<b>2 468 431 472</b>

		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>21. INSTALLMENT SALE AGREEMENT</b>					
Wesbank Zastrovect Investments (Pty) Ltd purchased certain vehicles under instalment sale agreement. The average terms of these agreements are 5 years.		766 072	518 855	-	-
<b>Non-current liabilities</b>					
At amortised cost		519 303	238 590	-	-
<b>Current liabilities</b>					
At amortised cost		246 768	280 265	-	-
<b>22. TRADE AND OTHER PAYABLES</b>					
Trade payables		33 361 499	35 159 798	8 443 874	8 853 138
Lease accrual		61 481	218 463	61 481	218 463
Supplier accruals		2 833 690	2 119 609	723 625	371 242
VAT Payable		466 398	37 242	-	-
<b>Provisions</b>		<b>68 877 990</b>	<b>70 230 926</b>	<b>67 559 311</b>	<b>68 852 187</b>
- Performance awards		56 590 054	56 711 932	56 590 054	56 711 932
- Leave pay		12 287 936	13 518 994	10 969 257	12 140 255
<b>Total</b>		<b>105 601 058</b>	<b>107 766 038</b>	<b>76 788 291</b>	<b>78 295 030</b>

The carrying amount of trade payables approximates fair value and is payable within 30 days.





PROVISIONS (TRUST)	Group		Trust	
Reconciliation of provisions 2023	Opening balance	Raised during the year	Utilised during the year	Total
	R	R	R	R
Performance rewards	56 711 932	39 869 661	(39 991 538)	56 590 055
Leave pay	12 140 255	6 764 851	(7 935 849)	10 969 257
	68 852 187	46 634 512	(47 927 387)	67 559 312
PROVISIONS (TRUST)	Group		Trust	
Reconciliation of provisions 2022	Opening balance	Raised during the year	Utilised during the year	Total
	R	R	R	R
Performance rewards	48 173 528	47 658 116	(39 119 712)	56 711 932
Leave pay	9 338 747	4 749 210	(1 947 702)	12 140 255
	57 512 275	52 407 326	(41 067 414)	68 852 187
PROVISIONS (GROUP)	Group		Trust	
Reconciliation of provisions 2023	Opening balance	Raised during the year	Utilised during the year	Total
	R	R	R	R
Performance rewards	56 711 932	39 869 661	(39 991 538)	56 590 055
Leave pay	13 518 994	6 764 851	(7 995 909)	12 287 936
	70 230 926	46 634 512	(47 987 447)	68 877 991
PROVISIONS (GROUP)	Group		Trust	
Reconciliation of provisions 2022	Opening balance	Raised during the year	Utilised during the year	Total
	R	R	R	R
Performance rewards	48 173 528	47 658 116	(39 119 712)	56 711 932
Leave pay	10 726 994	4 817 225	(2 025 225)	13 518 994
	58 900 522	52 475 340	(41 144 937)	70 230 926

		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>23. ENTERPRISE DEVELOPMENT FUNDS</b>					
External contributions					
- Opening balance		2 082 443 955	596 802 395	2 082 443 955	596 802 395
- Interest capitalised		5 188 826	3 214 185	5 188 826	3 214 185
- Funds received		119 675 000	2 245 070 000	119 675 000	2 245 070 000
- Disbursement		(814 516 885)	(762 642 625)	(814 516 885)	(762 642 625)
- Administration fee		(2 290 000)	-	(2 290 000)	-
- Reclassification of funds received to settle client loans		(920 000)	-	(920 000)	-
- Closing balance		<b>1 389 580 896</b>	<b>2 082 443 955</b>	<b>1 389 580 896</b>	<b>2 082 443 955</b>
Deferred Income					
- Opening balance		42 831 802	4 473 533	42 831 802	4 473 533
- Addition		-	40 000 000	-	40 000 000
- Unconditional ESD to be recognised as sundry (other) income		(13 184 765)	(1 641 731)	(13 184 765)	(1 641 731)
		<b>29 647 037</b>	<b>42 831 802</b>	<b>29 647 037</b>	<b>42 831 802</b>
Total	31.4	<b>1 419 227 933</b>	<b>2 125 275 757</b>	<b>1 419 227 933</b>	<b>2 125 275 757</b>

Enterprise development funds emanates from ESD partnerships and related party such as Government entities.



## 24. RELATED PARTY TRANSACTIONS

The NEF has been established by the Department of Trade Industry and Competition in terms of the NEF Act. The NEF is ultimately controlled by the National Treasury. It is therefore related to all other entities within the national government.

		Group and Trust			
		2023	2022	2023	2022
		R	R	R	R
		Undisbursed balances		Admin fee income	
<b>Entities</b>	Department of Trade Industry and Competition	392 690 366	537 186 211	-	-
	Department of Sports, Arts and Culture	53 134 271	53 220 271	-	-
	Department of Rural Development and Land Reform	26 672 783	36 672 783	-	-
	National Department of Tourism	95 896 147	102 309 668	-	-
	Transnet SOC Limited	9 484 184	9 982 647	90 000	-
	City of Ekurhuleni	7 350 000	10 350 000	-	-
	Northern Cape Department of Economic Development and Tourism	39 085 951	53 225 000	-	-
	Limpopo Economic Development, Environment and Tourism	2 568 487	5 600 000	-	-
	Department of Transport	730 349 605	1 098 523 425	12 686 302	1 285 518
	Steve Tshwete Municipality	19 000 000	20 000 000	1 000 000	-
	Department of Economic, small business development, Tourism and environmental affairs (FREE STATE PROVINCE)	-	920 000	-	-
	Solidarity Fund	37 080	151 291 265	1 290 000	6 900 000
	South African Revenue Service	11 598 559	-	-	-
		1 387 867 433	2 079 281 270	15 066 302	8 185 518

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		Group and Trust			
		2023	2022	2023	2022
		R	R	R	R
Entities				Trust Dividends received	
	Colliery Dust Control (Pty) Ltd			2 784 000	3 400 000
				<b>2 784 000</b>	<b>3 400 000</b>
				Management Fee	
	Zastrovect Investments (Pty) Ltd (Subsidiary)			900 000	1 109 375
				<b>900 000</b>	<b>1 109 375</b>
				Travel related expenses	
	Industrial Development Corporation of SA			7 194 047	6 336 212
				<b>7 194 047</b>	<b>6 336 212</b>

Other related parties Board of Trustees (refer Note 32)

Investments in associates and subsidiaries as per below:

Related party balances in respect of Investments in Associates and Subsidiaries					
	2023 % Holding	Loans receivable before impairment		Investments at cost	
		2023	2022	2023	2022
125 Village Hub (Pty) Ltd/ Muma Investments	20,0%	59 568 386	54 245 668	200	200
Africa People Mover (Pty) Ltd	25,0%	7 300 000	-	-	100
Allimor Footwear (Pty) Ltd	30,0%	171 748	2 613 158	30	30





Related party balances in respect of Investments in Associates and Subsidiaries					
	2023 % Holding	Loans receivable before impairment		Investments at cost	
		2023	2022	2023	2022
Amazin Hotels (Pty) Ltd	20,0%	59 602 265	55 937 981	12 350 000	12 350 000
Argon Security	49,0%	957 052	1 678 078	5 000 000	5 000 000
Business Venture Investments (Pty) Ltd	30,0%	19 631 760	19 631 760	30	30
Colliery Dust Control (Pty) Ltd	44,6%	-	-	401	401
Crowie Holdings (Pty) Ltd	26,2%	-	-	25 000 000	25 000 000
Delswa (Pty) Ltd (Subsidiary)	100,0%	-	-	1	1
False Bay Bricks (Pty) Ltd	30,0%	-	-	350	350
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30,0%	-	7 008 397	300	300
Go 2 Market (Pty) Ltd	38,0%	9 146 827	8 731 137	8 000 000	8 000 000
Golden Dice Foods (Pty) Ltd	49,0%	-	40 636 244	49	49
Gradoscope (Pty) Ltd	26,0%	17 561 408	17 264 452	26	26
Graskop Gorge Lift Company (Pty) Ltd	26,1%	26 356 157	31 966 008	2 321 739	2 321 738
Imbaza Mussel (Pty) Ltd	25,0%	2 482 858	2 482 858	250	250
Joy House Academy (Pty) Ltd	45,0%	7 750 324	6 324 198	2 000 000	2 000 000
Magoveni Pharmaceuticals (Pty) Ltd	25,0%	-	-	-	333
M-Care Operating Company (Pty) Ltd	25,1%	30 681 212	30 681 212	2 250	2 250

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2023**

Related party balances in respect of Investments in Associates and Subsidiaries					
	2023 % Holding	Loans receivable before impairment		Investments at cost	
		2023	2022	2023	2022
M-Care Property Company (Pty) Ltd	22,5%	-	-	2 250	2 250
M-Care Management Company (Pty) Ltd	30,0%	-	-	300	300
Middeldrift Dairy (Pty) Ltd	40,0%	1 900 000	2 150 000	4 500 040	4 500 040
Mohale Agricultural Co-operative	45,0%	5 738 999	14 019 133	450	450
Mopadi Molamu (Pty) Ltd	20,0%	-	-	-	200
National Empowerment Fund Corporation SOC Ltd (Subsidiary)	100,0%	25 105 819	24 702 275	100	100
Okubabayo (Pty) Ltd	30,0%	10 450 524	8 721 183	2 817 878	2 817 878
Petrocom (Pty) Ltd	0,0%	-	-	-	30
Pyratrade (Pty) Ltd	30,0%	18 010 026	18 010 026	30	30
Rapid Purple Waters Trading (Pty) Ltd	25,0%	34 512 983	30 972 590	450	450
Rhino Ridge Lodge (Pty) Ltd	33,3%	8 210 492	12 255 429	333	333
Royal Thonga Safari Lodge (Pty) Ltd	36,0%	11 774 583	13 218 631	36	36
Sehwai Exploration Drilling (Pty) Ltd	45,0%	2 973 042	12 542 415	112	112
Stutt Brick Company (Pty) Ltd	49,0%	17 229 948	15 846 895	30 499 181	30 499 181
Super Grand Agric (Pty) Ltd	30,0%	12 077 429	11 290 523	45	45
Surgetek (Pty) Ltd (Subsidiary)	100,0%	21 987 963	20 788 907	13 698 349	13 698 349



Related party balances in respect of Investments in Associates and Subsidiaries					
	2023 % Holding	Loans receivable before impairment		Investments at cost	
		2023	2022	2023	2022
Tshellaine Holdings	30,0%	51 600 791	47 479 303	30	30
Unique Engineering (Pty) Ltd	49,0%	-	-	490	490
Umntho Maize (Pty) Ltd	40,0%	9 976 413	9 285 170	400	400
Value Cement (Pty) Ltd	25,8%	-	-	31	31
Willowvale (Pty) Ltd	45,0%	6 415 026	9 307 853	450	450
YG Property Investments (Pty) Ltd	0,0%	-	-	-	200
Zastrovect Investments (Pty) Ltd (Subsidiary)	100,0%	62 793 274	66 208 903	7 799 104	7 799 104
<b>Total</b>		<b>541 967 309</b>	<b>596 000 387</b>	<b>113 995 684</b>	<b>113 996 547</b>

		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>25. INTEREST AND DIVIDEND INCOME</b>					
Interest - cash		150 497 250	96 290 171	150 459 836	96 276 756
Interest - originated loans		169 595 255	119 857 624	177 265 339	127 538 421
Interest - finance leases		21 277 647	20 855 661	21 277 647	20 855 661
Interest - other		1 597 353	7 656 711	1 597 353	7 656 711
Dividends		81 163 058	63 744 598	81 163 058	63 744 598
<b>Total</b>		<b>424 130 563</b>	<b>308 404 765</b>	<b>431 763 233</b>	<b>316 072 147</b>

		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>26. NET SUNDRY INCOME</b>					
Sales		417 055 827	419 228 479	-	-
Cost of sales		(338 090 894)	(347 178 429)	-	-
Bad debts recovered		5 354 076	383 000	5 354 076	383 000
Capital raising fee		1 842 140	2 836 929	1 842 140	2 836 929
Enterprise development admin fees		15 066 302	8 845 518	15 066 302	8 845 518
Other income		7 685 532	7 295 849	8 154 754	7 513 474
Income from enterprise development funds		247 406 613	602 791 381	247 406 613	602 791 381
<b>Total</b>		<b>356 319 596</b>	<b>694 202 727</b>	<b>277 823 885</b>	<b>622 370 302</b>

		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>27. ADMINISTRATION EXPENSES (TRUST)</b>					
Net operating income is arrived at after taking into account:					
<b>Auditors' remuneration</b>				<b>2 206 982</b>	<b>1 922 660</b>
- For external audit fees				2 206 982	1 922 660
<b>Professional fees</b>				<b>14 142 560</b>	<b>10 074 516</b>
- Information technology				1 120 939	933 015
- Legal fees				8 088 043	3 949 728
- Internal audit - outsourced fees				1 287 529	1 017 925
- Finance				550 202	17 205
- Risk management				729 442	431 157
- Strategy				-	57 396
- Investments				2 366 405	3 668 090





		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>Depreciation</b>	<b>4</b>			<b>2 466 159</b>	<b>2 470 111</b>
- Motor vehicles				233 661	405 150
- Computer equipment				2 188 925	1 987 366
- Audio visual equipment				-	24 887
- Office equipment				4 253	7 643
- Furniture and fittings				29 952	34 904
- Paintings				2 916	2 916
- Leasehold improvements				6 452	7 245
<b>Amortisation of intangible assets</b>	<b>6</b>			<b>-</b>	<b>1 583</b>
<b>Repairs and maintenance</b>				<b>1 158 322</b>	<b>319 977</b>
<b>Operating lease rentals</b>				<b>13 160 437</b>	<b>12 880 425</b>
- Property rental				12 383 292	11 994 371
- Equipment rental				777 145	886 054
<b>Total staff costs</b>				<b>212 738 263</b>	<b>202 934 781</b>
- Salaries and other benefits				197 449 845	189 358 237
- Provident fund contributions				15 288 418	13 576 544
<b>Other operating expenses</b>				<b>46 712 095</b>	<b>36 613 818</b>
				<b>292 584 817</b>	<b>267 217 871</b>
<b>Trustees and senior management emoluments</b>	<b>32</b>			<b>21 704 814</b>	<b>20 124 928</b>
<b>Headcount at year end</b>				<b>185</b>	<b>165</b>

		Group	
		2023	2022
	Notes	R	R
<b>28. LOSS ON DERECOGNISED SUBSIDIARY</b>			
The NEF Trust lost subsidiary control to Golden Dice (Pty) Ltd as at 30 June 2022. The below carrying amounts of assets and liabilities will be derecognised due to loss of control;			
<b>Assets derecognised</b>			
<b>Non-current assets</b>			
Property, plant and equipment		(8 929 512)	-
Goodwill		(2 140 839)	-
		<b>(11 070 351)</b>	<b>-</b>
<b>Current assets</b>			
Inventories		(480 241)	-
Trade receivables		(681 539)	-
Cash and cash equivalent		(26 110)	-
		<b>(1 187 890)</b>	<b>-</b>
<b>Total Assets</b>		<b>(12 258 241)</b>	<b>-</b>
<b>Liabilities derecognised</b>			
<b>Current liabilities</b>			
Trade payables		1 612 952	-
<b>Total liabilities</b>		<b>1 612 952</b>	<b>-</b>
Non-controlling interest		13 565 428	-
		<b>13 565 428</b>	<b>-</b>
<b>Loss on subsidiary control</b>		<b>(2 920 139)</b>	<b>-</b>



	Group	
	2023	2022
Notes	R	R
<b>29. TAXATION</b>		
<b>Current year</b>		
	97 774	(1 346 455)
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense		
Accounting profit/(loss)	(4 947 656)	(7 882 268)
	<b>(1 187 890)</b>	<b>-</b>
Tax at the applicable tax rate of 28%	(1 385 344)	(2 207 035)
<b>Tax effect of adjustment of taxable income</b>		
Disallowed expenditure	1 418 237	3 861 490
Tax allowances	(130 667)	(308 000)
	<b>(97 774)</b>	<b>1 346 455</b>

Taxation income or expense that arose from Zastrovect Investments (Pty) Ltd operations.

The South African Revenue Service (SARS) confirmed that the application for exemption from income tax for National Empowerment Fund Corporation SOC Limited has been approved. Income Tax Exemption has been granted in terms of section 10(1)(cA)(ii) of the Act. The exemption approval is subject to review on an annual basis by the Tax Exemption Unit upon receipt of the annual tax returns.

		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>30. IMPAIRMENT CHARGE</b>					
Originated loans		36 099 277	308 349 978	35 876 441	342 855 846
Finance leases		(12 133 183)	48 422 971	(12 133 183)	48 422 971
Impairment for the year		<b>23 966 094</b>	<b>356 772 949</b>	<b>23 743 258</b>	<b>391 278 817</b>

Refer to notes 12 and 13 as a reference per investment instrument.

<b>31. COMMITMENTS – TRUST</b>					
<b>31.1 Operating lease commitments – property rentals</b>					
The future minimum lease payments on office premises rentals under operating leases are as follows:					
Not later than 1 year				8 959 374	7 696 810
Later than 1 year but not later than 5 years				5 041 105	1 265 086
				<b>14 000 479</b>	<b>8 961 896</b>

Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between 2 to 5 years, with an average escalation of 9% per annum.

<b>31.2 Undrawn loans and investments</b>					
Not later than 1 year				<b>768 680 467</b>	<b>391 159 382</b>

Payment will be made out of cash reserves.





		Group		Trust	
		2023	2022	2023	2022
	Notes	R	R	R	R
<b>31.3 Loans and investments approved and committed, but not yet contracted</b>					
Not later than 1 year				460 551 596	54 995 780
Payment will be made out of cash reserves.					
<b>31.4 External Contributions</b>					
Unconditional contributions (recognised in sundry income)					
Undisbursed opening balance (contribution available for investment)				9 927 086	10 853 960
Current year				(9 927 086)	(926 874)
- Funds disbursed				(9 927 086)	(926 874)
- Available for investment				-	9 927 086
<b>Conditional Funding</b>					
Conditional contributions (recognised in current liabilities)					
Opening Balance				2 125 275 757	601 275 928
- Contributions received				119 675 000	2 251 970 000
- Interest capitalised				5 188 826	3 214 185
- Funds disbursed				(814 925 348)	(762 998 838)
- Administration fee				(15 066 302)	(6 900 000)
- Deferred administration fees income				-	38 714 482
- Reclassification of funds received to settle client loans				(920 000)	-
				1 419 227 933	2 125 275 757
Total Liability: (Note 23)				1 419 227 933	2 125 275 757
Total contributions available for future disbursements				1 419 227 933	2 135 202 844

The external contributions represent cash received from third parties for disbursement to qualifying beneficiaries, as determined in the terms and conditions of the Memorandum of Agreement with the respective third parties.

## 32. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic	Bonuses and performance payments	Acting allowance	Long-term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R	R
<b>Year ended 31 March 2023</b>								
<b>Executive trustee:</b>								
Ms Philisiwe Mthethwa (CEO)	3 959 145	1 868 944	-	-	743 629	199 007	-	6 770 725
	<b>3 959 145</b>	<b>1 868 944</b>	<b>-</b>	<b>-</b>	<b>743 629</b>	<b>199 007</b>	<b>-</b>	<b>6 770 725</b>
<b>Senior Management:</b>								
Mr Mziwabantu Dayimani (General Counsel)	2 440 148	1 146 682	-	-	366 022	194 792	-	4 147 644
*Mr Setlakalane Molepo (Divisional Executive)	368 736	-	-	-	-	14 104	-	382 840
Ms Zama Khanyile (Divisional Executive)	1 907 333	712 699	-	-	228 880	134 576	-	2 983 488
Mr Nhlanhla Nyembe (Divisional Executive)	2 123 058	902 305	-	-	286 059	180 627	-	3 492 049
#Ms Boitumelo Gasealahwe (CFO)	1 447 954	-	-	-	215 168	99 149	-	1 762 271
	<b>8 287 229</b>	<b>2 761 686</b>	<b>-</b>	<b>-</b>	<b>1 096 129</b>	<b>623 248</b>	<b>-</b>	<b>12 768 292</b>

\*Mr Setlakalane Molepo retired effective 31 March 2022, however entered into a 3 month contract with the NEF for a smooth handover process.

#Ms Boitumelo resigned effective 31 December 2022.



	Basic	Bonuses and performance payments	Acting allowance	Long-term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R	R
<b>Non-executive trustees:</b>								
Dr Nthabiseng Moleko (Chairperson)	-	-	-	-	-	-	440 239	440 239
Dr Monde Tom	-	-	-	-	-	-	302 540	302 540
Ms Rethabile Nkosi	-	-	-	-	-	-	395 589	395 589
Mr Roy Harichunder	-	-	-	-	-	-	338 934	338 934
Ms Philile Mbokazi	-	-	-	-	-	-	314 391	314 391
Ms Thinavhuyo Mpye	-	-	-	-	-	-	374 104	374 104
	-	-	-	-	-	-	2 165 797	2 165 797
<b>TOTAL</b>	<b>12 246 374</b>	<b>4 630 630</b>	<b>-</b>	<b>-</b>	<b>1 839 758</b>	<b>822 255</b>	<b>2 165 797</b>	<b>21 704 814</b>
<b>Year ended 31 March 2022</b>								
<b>Executive trustees:</b>								
Ms Philisiwe Mthethwa (CEO)	3 735 992	1 300 000	-	-	698 998	180 681	-	5 915 671
	<b>3 735 992</b>	<b>1 300 000</b>	<b>-</b>	<b>-</b>	<b>698 998</b>	<b>180 681</b>	<b>-</b>	<b>5 915 671</b>

## 32. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic	Bonuses and performance payments	Acting allowance	Long-term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R	R
<b>Senior Management:</b>								
Mr Mziwabantu Dayimani (General Counsel)	2 258 275	700 000	-	-	338 423	177 323	-	3 474 021
Mr Setlakalane Molepo (Divisional Executive)	2 399 964	516 383	-	-	349 167	229 147	-	3 494 661
Ms Zama Khanyile (Divisional Executive)	1 598 737	619 798	138 809	-	190 271	110 315	-	2 657 930
Mr Nhlanhla Nyembe (Divisional Executive)	1 926 810	707 658	31 697	-	254 747	167 040	-	3 087 952
#Ms Boitumelo Gasealahwe (CFO)	134 868	-	-	-	23 985	9 631	-	168 484
	<b>8 318 654</b>	<b>2 543 839</b>	<b>170 506</b>	<b>-</b>	<b>1 156 593</b>	<b>693 456</b>	<b>-</b>	<b>12 883 048</b>

#Appointment effective from 04 March 2022.





	Basic	Bonuses and performance payments	Acting allowance	Long-term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R	R
*Dr Nthabiseng Moleko (Chairperson)	-	-	-	-	-	-	196 571	196 571
**Mr Rakesh Garach	-	-	-	-	-	-	243 133	243 133
*Dr Monde Tom	-	-	-	-	-	-	163 618	163 618
*Ms Rethabile Nkosi	-	-	-	-	-	-	206 434	206 434
^ Mr Roy Harichunder	-	-	-	-	-	-	205 134	205 134
*Ms Philile Mbokazi	-	-	-	-	-	-	138 373	138 373
*Ms Thinavhuyo Mpye	-	-	-	-	-	-	172 946	172 946
	-	-	-	-	-	-	1 326 209	1 326 209
Total	12 054 646	3 843 839	170 506	-	1 855 591	874 137	1 326 209	20 124 928

\*Appointment effective from 05 August 2021.

\*\*Term ended 31 December 2021.

^Appointment as a non-executive trustee effective from 24 January 2022. However, the fees earned include sub-committee meeting attendance fees.

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>33. NOTES TO THE CASH FLOW STATEMENT</b>				
Reconciliation of net (deficit)/surplus to cash flows from operating activities:				
(Deficit)/Surplus for the year	<b>(344 997 451)</b>	<b>1 219 322 831</b>	<b>(324 402 097)</b>	<b>1 213 832 063</b>
Adjustment for:	<b>320 268 360</b>	<b>(1 334 497 608)</b>	<b>294 090 324</b>	<b>(1 324 922 764)</b>
Depreciation and amortisation	10 811 478	13 741 905	2 466 159	2 471 694
Interest accrued on investments	(190 872 902)	(140 713 285)	(198 542 986)	(148 394 082)
Loss/(Profit) on disposal of fixed assets	2 954 137	(173 405)	25 107	-
Other non-cash items	1 081 697	2 300 783	600 000	(599 983)
Capital raising fee	(1 421 281)	(2 656 929)	(1 421 281)	(2 656 929)
Social benefit	47 745 078	82 858 683	47 745 078	82 858 683
Deferred conversion grant expense	-	38 703 028	-	38 703 028
Write-offs	-	1 906 561	-	361
Dividends received	(3 034 460)	(30 344 598)	(3 034 460)	(30 344 598)
Impairment of investments	23 966 094	356 772 949	23 743 258	391 278 817
Fair value adjustments	676 542 905	(1 055 448 374)	669 916 062	(1 055 448 374)
Income from enterprise development funds	(247 406 613)	(602 791 381)	(247 406 613)	(602 791 381)
Taxation	(97 774)	1 346 455	-	-
Operating deficit before working capital changes	<b>(24 729 091)</b>	<b>(115 174 777)</b>	<b>(30 311 773)</b>	<b>(111 090 701)</b>
Working capital changes	(459 309 743)	2 137 127 721	(462 063 611)	2 129 008 546
Decrease in inventories	1 444 491	1 883 282	-	-
Decrease in trade and other receivables	6 019 325	1 341 532	2 893 776	(1 193 047)
Proceeds from enterprise development funders	119 675 000	2 245 070 000	119 675 000	2 245 070 000
Decrease in trade and other payables	(586 448 559)	(111 167 093)	(584 632 387)	(114 868 407)



	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
Other operating activities	45 044 027	(457 306 987)	54 671 768	(457 110 530)
Investment disbursements *	(505 191 334)	(922 344 138)	(505 191 334)	(932 644 138)
Repayments on originated loans and leases *	550 235 361	465 037 151	559 863 102	475 533 608
Net cash (outflows)/inflows from operating activities	(438 994 807)	1 564 645 957	(437 703 616)	1 560 807 315

\* Reclassification from investing activities to operating activities, refer to note 40 for details.

<b>34. INVESTMENT DISBURSEMENTS</b>				
Originated loans	442 718 228	795 781 484	442 718 228	806 081 484
Non-associate equity investments	-	20 022 908	-	20 022 908
Unincorporated equity investments	269 398	976 977	269 398	976 977
Finance leases	62 203 708	105 562 769	62 203 708	105 562 769
<b>Total disbursements</b>	<b>505 191 334</b>	<b>922 344 138</b>	<b>505 191 334</b>	<b>932 644 138</b>

<b>35. REPAYMENTS ON ORIGINATED LOANS AND LEASES</b>				
Originated loans	483 398 643	403 063 467	493 026 384	413 559 924
Finance leases	66 836 718	61 973 684	66 836 718	61 973 684
	<b>550 235 361</b>	<b>465 037 151</b>	<b>559 863 102</b>	<b>475 533 608</b>

## **36. RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET**

### **36.1 Revenue**

Interest received from cash surplus and interest from investments were higher than budget due to constant increase in prime interest rates. More than R2.3 billion cash surplus has been invested in the South African Reserve Bank CPD account which yields an average return of 6.1% compared to other call accounts (5.6%)

### **36.2 Sundry income (revenue from non-exchange transactions)**

The revenue from non-exchange transactions as at 31 March 2023 was R273 million against the budget of R78 million. This resulted in a positive variance which was mainly contributed by income recognised against enterprise development fund disbursements in terms of GRAP 23 - revenue from non-exchange of R247 million.

### **36.3 Total expenses**

Total expenses include social benefit expense incurred in terms of GRAP 104 as a result of concessionary loans disbursed at a rate less than the prime interest rate. Excluding the above accounting expenses, total savings for the current year amounts to R31 million on operating expenditure which was attributed to savings in bonus provision and some projects that were planned for but were no longer implemented in the current financial year such Loan Management System, Microsoft Great Plain upgrades, and Board Meeting Software.

### **36.4 Impairments and write-offs**

The impairment ratio improved due to the improvement in the quality of the loan book for the year, with the decrease in accounts that were in arrears. There has been an increase in collateral ratio to total loan book which, increased from 23,29% in the beginning of the financial year to 38,8% at the end of March 2023 as a result of the recognition of general notarial bonds at book value.

### **36.5 Fair value losses**

Fair value losses were significantly affected by a decline in MTN share price from R190 as at 31 March 2022 to R127,47 as at 31 March 2023.

## **37. IRREGULAR EXPENDITURE & FRUITLESS AND WASTEFUL EXPENDITURE (GROUP)**

As a Schedule 3A public entity the NEF is required to comply with the requirements of the PFMA and the Preferential Procurement Policy Framework Act (PPPFA), (Act No. 5 of 2000). This requirement extends to the subsidiaries of such public entities. The NEF's statutory mandate is to provide development finance to fund the establishment of Black owned business in order to promote economic development in the previously disadvantaged communities. In the course of these business interventions, it sometimes happens that where the NEF has





taken an equity stake in an emerging business, that business temporarily becomes a subsidiary of the NEF – in terms of the accounting definition of a subsidiary company. Such subsidiaries will be subject to the PFMA, unless the Minister Finance exempts such compliances in terms of section 3 of the PFMA. In prior years the NEF had submitted and obtained the required exemption in order to enable its subsidiaries to operate as private sector business undertakings subject to the Companies Act, as applicable. However, for the past 3 years the NEF subsidiaries have not obtained the PFMA exemptions. The impact of not receiving the exemption by the financial year end renders the expenditure incurred by the subsidiaries during the year as not compliant with legislation and consequently, irregular. The amount of the expenditure for the current financial year was R221 436 193. No fruitless and wasteful expenditure occurred in the current year. (Please refer to page 235 for additional disclosure).

	Group		Trust	
	2023	2022	2023	2022
	R	R	R	R
<b>Irregular Expenditure and Fruitless and wasteful expenditure</b>				
Irregular expenditure	221 436 193	244 503 955	-	-
Fruitless and wasteful expenditure	-	-	-	-
<b>Total</b>	<b>221 436 193</b>	<b>244 503 955</b>	<b>-</b>	<b>-</b>
<b>Amounts of material losses through criminal conduct</b>				
Incident description	-	-	-	-
	-	-	-	-
<b>Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure</b>				
Cases completed and officials disciplined	-	-	-	-
	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2023**

**38. INCOME TAX EXEMPTION**

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

**39. NATIONAL EMPOWERMENT FUND CORPORATION (SOC) LTD**

The Trust established the entity, in which it has a 100% interest, in 2002, as provided for in the NEF Act. The company holds a strategic investment property from which it earns rental income. The Trust obtained permission from the National Treasury under Section 54 of the PFMA that the Trust may utilise this entity in any of its future Investment activities. The company has a tax exemption effective as 25 April 2017.

**40. PRIOR PERIOD ADJUSTMENT (RECLASSIFICATION)**

Investment in disbursements, repayments from loans and leases, interest received and dividends received prior year amounts have been reclassified for consistency with the current year presentation in order to reflect the nature of the NEF core activities. The NEF decided to change the classification of interest, dividends, and results of loan granting activities from investing activities to operating activities.

Impact on the cash flow statement	2022 – Group		
	As previously reported	Reclassification	Restated
	R	R	
<b>Net cash generated from operating activities</b>	<b>–</b>	<b>(319 960 105)</b>	<b>(319 960 105)</b>
Investment disbursements	–	(922 344 138)	(922 344 138)
Repayments on originated loans and leases	–	465 037 151	465 037 151
Dividends received	–	33 400 000	33 400 000
Interest received	–	103 946 882	103 946 882



Impact on the cash flow statement	2022 – Group		
	As previously reported	Reclassification	Restated
	R	R	
<b>Net cash utilised by investing activities</b>	<b>(319 960 105)</b>	<b>319 960 105</b>	<b>-</b>
Investment disbursements	(922 344 138)	922 344 138	-
Repayments on originated loans and leases	465 037 151	(465 037 151)	-
Dividends received	33 400 000	(33 400 000)	-
Interest received	103 946 882	(103 946 882)	-
Net change in cash and cash equivalents	<b>(319 960 105)</b>	<b>-</b>	<b>(319 960 105)</b>

Impact on the cash flow statement	2022 – Trust		
	As previously reported	Reclassification	Restated
	R	R	
<b>Net cash generated from operating activities</b>	<b>-</b>	<b>(319 777 063)</b>	<b>(319 777 063)</b>
Investment disbursements	-	(932 644 138)	(932 644 138)
Repayments on originated loans and leases	-	475 533 608	475 533 608
Dividends received	-	33 400 000	33 400 000
Interest received	-	103 933 467	103 933 467

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2023**

Impact on the cash flow statement	2022 – Trust		
	As previously reported	Reclassification	Restated
	R	R	
<b>Net cash utilised by investing activities</b>	<b>(319 777 063)</b>	<b>319 777 063</b>	<b>-</b>
Investment disbursements	(932 644 138)	932 644 138	-
Repayments on originated loans and leases	475 533 608	(475 533 608)	-
Dividends received	33 400 000	(33 400 000)	-
Interest received	103 933 467	(103 933 467)	-
<b>Net change in cash and cash equivalents</b>	<b>(319 777 063)</b>	<b>-</b>	<b>(319 777 063)</b>

#### 41. CONTINGENT LIABILITIES

As at 31 March 2023, the NEF had contingent liabilities amounting to R69.1 million. The NEF is currently defending these matters.

#### 42. SEGMENT REPORTING

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





Operating expenditure per segment										
Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpuma-langa	KZN	North West	Western Cape	Northern Cape	Total
R										
Employee costs	191 532 013	1 194 170	2 724 692	1 516 067	5 017 812	4 646 431	2 232 609	2 633 154	1 273 200	212 770 149
Other operating expenses	74 950 691	427 443	306 414	531 807	544 068	1 099 397	502 262	621 369	831 656	79 815 107
<b>Total base costs</b>	<b>266 482 704</b>	<b>1 621 613</b>	<b>3 031 106</b>	<b>2 047 874</b>	<b>5 561 880</b>	<b>5 745 828</b>	<b>2 734 871</b>	<b>3 254 523</b>	<b>2 104 856</b>	<b>292 585 255</b>

Non-current assets per region										
Property and equipment at cost	16 832 204	60 683	60 930	57 870	53 277	35 811	31 159	36 858	475 473	17 644 265
Accumulated depreciation	(13 763 864)	(60 683)	(60 930)	(57 853)	(53 260)	(35 811)	(31 159)	(36 841)	(475 456)	(14 575 857)
<b>Net carrying amount</b>	<b>3 068 340</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>	<b>3 068 408</b>

#### 43. EVENTS AFTER REPORTING DATE

Management is not aware of any adjusting or non-adjusting post balance events which occurred after the reporting date.

#### 44. GOING CONCERN

Management performed detailed scenarios to demonstrate that it is fully within the Board's discretion to preserve the capital of the NEF by giving a directive on the level of approvals to be made in any given year until a longer term funding solution is secured for the organization. In conclusion Management is of the view that the NEF remains a going concern and the application of this principle in the preparation of its financial statements as at 31 March 2023 is appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 March 2023

<b>TRUSTEES</b>	<p>Dr Nthabiseng Moleko (Chairperson)</p> <p>Ms Philisiwe Mthethwa (CEO)</p> <p>Dr Monde Tom</p> <p>Ms Rethabile Nkosi</p> <p>Ms Lucretia Khumalo</p> <p>Mr Roy Harichunder</p> <p>Ms Philile Mbokazi</p> <p>Ms Thinavhuyo Mpye</p>
<b>BANKERS</b>	<p>Standard Bank Limited</p> <p>First National Bank Limited</p> <p>Rand Merchant Bank</p> <p>South African Reserve Bank</p>
<b>AUDITORS</b>	SKX Audit Services Incorporated
<b>BUSINESS ADDRESS</b>	<p>West Block</p> <p>187 Rivonia Road</p> <p>Morningside</p> <p>2057</p>
<b>POSTAL ADDRESS</b>	<p>P.O. Box 31</p> <p>Melrose Arch</p> <p>Melrose North</p> <p>2076</p>
<b>REGISTERED ADDRESS</b>	<p>West Block</p> <p>187 Rivonia Road</p> <p>Morningside</p> <p>2057</p>



NATIONAL EMPOWERMENT FUND TRUST  
REGISTRATION NUMBER: IT 10145/00

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2023**

**PFMA FRUITLESS AND IRREGULAR EXPENDITURE**

**Irregular expenditure**

As a Schedule 3A public entity the NEF is required to comply with the requirements of the PFMA and the Preferential Procurement Policy Framework Act (PPPFA), (Act No. 5 of 2000). This requirement extends to the subsidiaries of such public entities. The NEF's statutory mandate is to provide development finance to fund the establishment of Black owned business in order to promote economic development in the previously disadvantaged communities. In the course of these business interventions, it sometimes happens that where the NEF has taken an equity stake in an emerging business, that business temporarily becomes a subsidiary of the NEF – in terms of the accounting definition of a subsidiary company. Such subsidiaries will be subject to the PFMA, unless the Minister Finance exempts such compliances in terms of section 3 of the PFMA. In prior years the NEF had submitted and obtained the required exemption in order to enable its subsidiaries to operate as private sector business undertakings subject to the Companies Act, as applicable. However, for the past 3 years the NEF subsidiaries have not obtained the PFMA exemptions. The impact of not receiving the exemption by the financial year end renders the expenditure incurred by the subsidiaries during the year as not compliant with legislation and consequently, irregular. The amount of the expenditure for the current financial year was R221 436 193. The cumulative expenditure amounts to R698 642 283. **Refer to the table below for details, this table must be read in conjunction with note 37 in Audited Annual Financial Statements.**

Reconciliation of irregular expenditure		
Group		
Description	2022/2023	2021/2022
Opening Balance	477 206 090	232 702 135
Irregular expenditure Incurred in the current year	221 436 193	244 503 955
Closing balance	698 642 283	477 206 090

Reconciliation of irregular expenditure		
Trust		
Description	2022/2023	2021/2022
Opening Balance	-	-
Irregular expenditure Incurred in the current year	-	-
Closing balance	-	-

**NATIONAL EMPOWERMENT FUND TRUST**  
**REGISTRATION NUMBER: IT 10145/00**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended 31 March 2023**





**NATIONAL EMPOWERMENT FUND TRUST**  
**REGISTRATION NUMBER: IT 10145/00**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2023



"As we reflect on 20 years since the passage of the BBBEE Act, as we remedy the shortcomings that exist and chart a new course, we call on business, labour and civil society to join us on this journey.

We have come a long way since the days when only whites were allowed to own businesses and provide goods and services to the state. Where black businesses did exist, they were confined to townships, rural areas and the so-called homelands. We can and must do more to advance economic transformation."

**President Cyril Ramaphosa, 14 November 2022**



# CONTACT INFORMATION

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### Head Office

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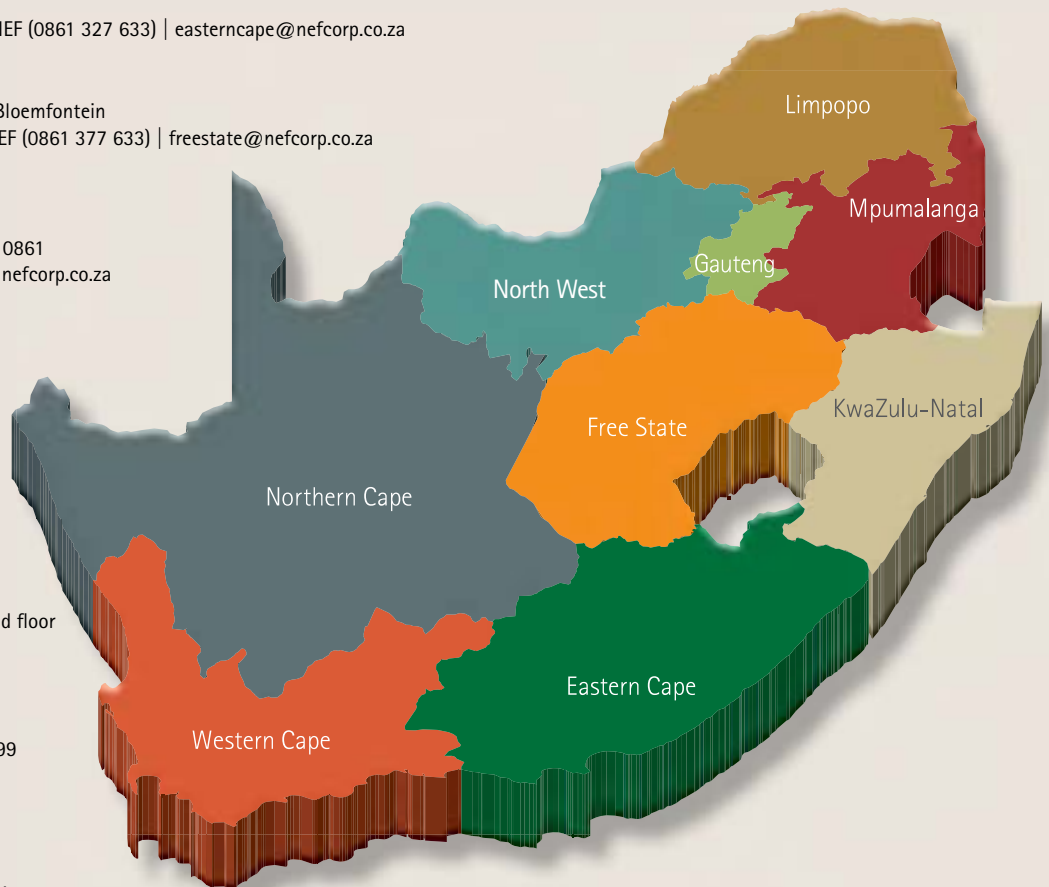
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**trade, industry  
& competition**

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