

**THE SMALL ENTERPRISE FOUNDATION
(NON-PROFIT COMPANY)
(Registration number: 1991/003485/08)**

**AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020**

PREPARER OF FINANCIAL STATEMENTS

The financial statements have been prepared by:
M. Mamatho B.Comm
under the supervision of:
C van Vuuren CA (SA)
Financial Manager

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ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020**

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DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in terms of International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa, 2008.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future.

The annual financial statements, set out on pages 7 to 51, were approved by the board of directors on 28 October 2020 and are signed on its behalf by:



JR de Wit
Managing Director



M Chauke
Independent Non-executive Director and Chair of the
Audit Committee

INDEPENDENT AUDITOR'S REPORT To the Members of The Small Enterprise Foundation (Non-Profit Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Small Enterprise Foundation (Non-Profit Company) set out on pages 7 to 51, which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Small Enterprise Foundation (Non-Profit Company) as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) 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' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "The Small Enterprise Foundation (Non-Profit Company) Annual Financial Statements for the year ended 30 June 2020" which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.



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National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Deloitte & Touche

Deloitte & Touche

Registered Auditor

Per: H. Kana

Partner

31 October 2020

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
DIRECTORS' REPORT
for the year ended 30 June 2020

The directors have pleasure in presenting their report on the performance of the organization for the year ended 30 June 2020.

Business review

The principal business of the organisation is to motivate the poor to take up income generating activities and to extend credit to micro entrepreneurs to enable them to realise their potential and thereby generate income and employment. The company is registered with the National Credit Regulator.

The Small Enterprise Foundation has, since inception, granted 3 941 384 (2019: 3 450 440) loans to the value of R 10.8 billion (2019: R 8.8 billion). In the current year the organisation granted 484 033 (2019: 464 700) loans to the value of R 1.9 billion (2019: R 1.7 billion).

The Small Enterprise Foundation is incorporated in the Republic of South Africa as a non-profit company with the aim of providing micro finance to the poor and very poor. No holding company or parent company has any interest in the organisation and all its operations are conducted in the Limpopo, Mpumalanga, North West, Gauteng, Eastern Cape and Kwazulu Natal provinces of South Africa. The head office is situated in Tzaneen in the Limpopo province.

Operating results

Results for the year ended 30 June 2020 are set out on pages 7 to 51 of the annual financial statements. The directors are pleased to report a 9% increase in loans and advances as well as a 22% increase in revenue. Expenses, excluding finance costs and impairment of advances, increased by 11%.

Credit losses and impairment

In cases where borrowers experience death amongst their members, the company will decrease the borrower's repayment and write-off the amount owed by the member. Such write-offs are classified as provisions for write offs incurred not yet reported. An amount of R 3 811 113 (2019: R 3 164 531) was written off during the year under review.

An amount of R 4 554 485 (2019: R 4 125 184) was provided for.

A debt is considered irrecoverable once it is 120 days in arrears. An amount of R 5 134 408 (2019: R 3 447 795) was written off during the year under review. An amount of R 31 735 633 (2019: R 2 296 727) was provided for.

We believe that this excellent performance will be maintained due to the nature of the lending procedures employed, the diligence of the field staff and the commitment of clients.

The only instance where the organisation allows the renegotiation of overdue loans is where clients are able to provide medical evidence of long-term illness. Such amounts are not written off, and the respective clients are urged to continue with loan repayments when their condition improves. The aggregate amount renegotiated in this way since inception and still outstanding at year-end was R 912 413 (2019: R 827 118).

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
DIRECTORS' REPORT (continued)
for the year ended 30 June 2020

Credit losses and impairment (continued)

A provision for bad debt is created for all current loans in arrears up to 120 days. The provision is calculated based on historical information of outstanding loans for the previous 12 months and is calculated for the following categories:

Interval	Group Loan Programme (GLP) provision percentage of the loan amount provided	Individual Liability Programme (ILP) and Larger Loan Programme (LLP) provision percentage of the loan amount provided
Current	(MCP) 0.16% and (TCP) 0.23%	(MCP) 0.19% and (TCP) 0.15%
1 - 30 days in arrears	MCP 28.46% and TCP 15.76%	MCP 18.190% and TCP 14.64%
31 - 60 days in arrears	MCP 60.65% and TCP 50.16%	MCP 49.75% and TCP 59.28%
61 - 90 days in arrears	MCP 89.68% and TCP 84.65%	MCP 85.11% and TCP 87.22%
91 - 120 days in arrears	MCP and TCP 95.00%	MCP 78.02% and TCP 93.19%
120 days and older	The group loan is written off as bad debt if considered bad and irrecoverable	The group loan is written off as bad debt if considered bad and irrecoverable
Rescheduled loans	MCP 68.92% and TCP 59.61% The individual loan is written off as bad debt if considered bad and irrecoverable after twelve months of no instalments are being received	MCP 52.30% and TCP 47.98% The individual loan is written off as bad debt if considered bad and irrecoverable after twelve months of no instalments are being received

Subsequent events

No events have occurred between the financial year-end and the date of this report that are expected to have a material adverse effect on either the operations of the company or its financial position.

Directors, secretary and auditors

The directors of the company for the year under review were as follows:

Ms Maria Albertina Kirsten (Independent non-executive)
 Mr Mutle Constantine Mogase (Independent non-executive)
 Mr John Robert de Wit (Managing Director)
 Mr Simpiwe Hemming Somdyala (Independent non-executive Chairperson)
 Ms Refilwe Nompumelelo Mokoena (Independent non-executive)
 Mrs Mmaboshadi Chauke (Independent non-executive)
 Ms Yolisa Unati Mabandla (Independent non-executive)
 Ms Mamodike Sarah Makgoba (Independent non-executive appointed 30 March 2020)
 Ms Neo Ratau (Independent non-executive appointed 30 March 2020)

Secretary and Public Officer - Nexia Levitt Kirson and John Robert de Wit
 Auditors - Deloitte & Touche, 5 Magwa Crescent, Waterfall City, 2090, South Africa Tel: (011) 806 5000

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info@sef.co.za

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 +27 15 307 5837

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 +27 15 307 2977

Ownership

The organisation is a Non-Profit Company with no shareholders. The directors are the Ultimate Beneficial Owners.

Temporary change in accounting policy

The Company changed its write off policy on a temporary basis for groups and clients in arrears for more than 90 days to more than 120 days from 1 June 2020 due to the Covid-19 pandemic.

Change in accounting policy

The Company has applied IFRS 16 Leases by recognizing a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The company did not restate the comparatives in accordance with IAS 8 being immaterial in accordance with IFRS.

Going concern

The impact of the Covid-19 pandemic and associated lockdown has been considered and the directors believe it will not have an adverse impact on the going concern status of the company.

**THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF FINANCIAL POSITION
As at 30 June 2020**

	<u>Notes</u>	<u>2020</u> R	<u>2019</u> R
ASSETS			
Non-current assets			
Property and equipment	2	16 350 797	15 995 013
Intangible assets	3	1 841 386	2 299 699
Total non-current assets		18 192 183	18 294 712
Current assets			
Loans and advances	4	625 119 505	572 347 203
Other receivables	5	8 702 744	7 949 368
Cash and short term funds		60 105 316	3 968 586
Total current assets		693 927 565	584 265 157
TOTAL ASSETS		712 119 748	602 559 869
FUNDS AND LIABILITIES			
Funds			
Non-distributable reserve	6	682 148	682 148
General capital reserve	7	40 333 290	40 323 290
Development reserve	8	6 654 459	6 654 459
Educational reserve	9	20 188	20 188
Retained earnings		105 584 314	72 939 343
Total funds		153 274 399	120 619 428
Non-current liabilities			
Long term loans	10	354 456 221	281 621 786
Current liabilities			
Short term loans	11	175 373 780	165 676 294
Trade and other payables	12	11 915 502	11 876 850
Provisions	13	11 991 557	8 248 436
Accruals	14	5 108 289	14 517 076
Total current liabilities		204 389 128	200 318 656
TOTAL FUNDS AND LIABILITIES		712 119 748	602 559 869

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF SURPLUS / (DEFICIT) AND COMPREHENSIVE INCOME
for the year ended 30 June 2020

NET SURPLUS	Notes	2020	2019
		R	R
Revenue	15	391 104 988	320 535 461
Finance costs	16	(60 708 410)	(51 624 436)
Impairment of advances	17	(8 687 106)	(5 934 410)
Provision for loans and advances	4	(29 868 207)	(907 548)
Margin on lending activities		291 841 265	262 069 067
Operating expenses	23	(155 242 048)	(139 995 954)
Operating income		136 599 217	122 073 113
Sundry income		4 792 102	1 141 809
Profit on disposal of property and equipment		16 016	3 734 406
Income before head office expenses		141 407 335	126 949 328
Head office expenses	24	(112 610 695)	(101 756 193)
Surplus before grants	18	28 796 640	25 193 135
Capital grants utilised	19	10 000	164 920
Surplus for the year		28 806 640	25 358 055
Capital grants utilised	19	(10 000)	(164 920)
Revaluation of long term loan		1 136 238	-
Other Non-Operating income		4 757 214	-
Other Non-Operating expenses		(2 045 121)	-
Surplus for the year after grants		32 644 971	25 193 135
Other Comprehensive income		-	-
Total comprehensive income		32 644 971	25 193 135

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	<u>Notes</u>	<u>Non-Distributable reserve</u> R	<u>General capital reserve</u> R	<u>Development reserve</u> R	<u>Educational reserve</u> R	<u>Retained earnings</u> R	<u>Total</u> R
Balance as at 30 June 2018		1 049 389	40 158 370	6 654 459	20 188	47 746 208	95 628 614
Surplus for the year after grants		-	-	-	-	25 193 135	25 193 135
Grant income*	19	-	164 920	-	-	-	164 920
Revaluation of Land & Buildings		(367 241)	-	-	-	-	(367 241)
Balance as at 30 June 2019		682 148	40 323 290	6 654 459	20 188	72 939 343	120 619 428
Surplus for the year after grants		-	-	-	-	32 644 971	32 644 971
Grant income*		-	10 000	-	-	-	10 000
Balance as at 30 June 2020		682 148	40 333 290	6 654 459	20 188	105 584 314	153 274 399

* Capital grants utilized were recognised as income. The capital grants were then transferred to the General capital reserve as these grants were specifically received from donors to be used as loan capital.

**THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF CASH FLOWS
for the year ended 30 June 2020**

	Notes	<u>2020</u> R	<u>2019</u> R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	A	40 408 048	(14 765 285)
Finance costs		(60 708 410)	(51 644 034)
Net cash used in operating activities		<hr style="width: 100%; border: 0.5px solid black;"/> (20 300 363)	<hr style="width: 100%; border: 0.5px solid black;"/> (66 409 319)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(5 239 255)	(5 292 026)
Additions to intangible assets		(917 856)	(1 634 539)
Proceeds on disposal of property and equipment		52 280	2 969 777
Net cash outflows from investing activities		<hr style="width: 100%; border: 0.5px solid black;"/> (6 104 831)	<hr style="width: 100%; border: 0.5px solid black;"/> (3 956 788)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in short terms loans		9 697 485	(30 093 653)
(Decrease)/Increase in long term loans		72 834 436	99 924 393
Capital grants utilised		10 000	164 920
Net cash inflows from financing activities		<hr style="width: 100%; border: 0.5px solid black;"/> 82 541 921	<hr style="width: 100%; border: 0.5px solid black;"/> 69 995 660
NET DECREASE IN CASH AND CASH EQUIVALENTS		56 136 728	(370 447)
Cash and cash equivalents at beginning of the financial year		3 968 588	4 339 035
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	B	<hr style="width: 100%; border: 0.5px solid black;"/> 60 105 316	<hr style="width: 100%; border: 0.5px solid black;"/> 3 968 588

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE STATEMENT OF CASH FLOWS
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	R
A. CASH UTILISED IN OPERATIONS		
Surplus before grants	28 796 640	25 193 135
Adjusted for:		
- Finance costs	60 708 410	51 644 034
- Depreciation	4 847 205	2 644 643
- Amortisation of intangible assets	1 376 169	1 036 711
- (Profit) on disposal of property and equipment	(16 016)	(3 734 406)
- Bad debt and death write offs	8 945 521	6 612 326
- (Decrease) / Increase in provisions	3 743 121	1 033 767
- (Decrease) / Increase in loan loss provision	29 868 207	-
- Revaluation of land & buildings	-	1 969 927
- Revaluation of long term liability	1 136 238	-
- Scrapping of fixed assets	-	216 010
- Other Non-Operating income	4 757 214	-
- Other Non-Operating expenses	(2 045 121)	-
	<hr/>	<hr/>
Operating surplus before working capital changes	142 117 588	86 616 146
Adjusted for changes in working capital:		
- Increase in other receivables	(753 376)	(2 380 604)
- Increase / (Decrease) in trade and other payables	38 652	5 985 817
- Increase in other accruals and provisions	(9 408 787)	2 458 104
- Increase in loans and advances excluding provisions	(91 586 030)	(107 444 748)
	<hr/>	<hr/>
Cash utilised in operations	<u>40 408 048</u>	<u>(14 765 285)</u>
B. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Balances with banks	60 105 316	12 281 901
Bank overdrafts	-	(8 313 315)
Total balances with banks	<u>60 105 316</u>	<u>3 968 586</u>

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

1 Accounting policies

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa, 2008. The annual financial statements are prepared on the historical cost basis, except for certain financial instruments which are fair valued. The following principal accounting policies have been incorporated, and are consistent with prior years in all material respects.

1.1 Functional and presentation currency

The financial statements are presented in South African Rand (ZAR), which is the Company's functional currency.

1.2 Interest earned on advances

Interest earned on advances is recognised using the effective interest rate method over the term of the loans. No interest rate risk exists on advances as interest is not linked to market changes but remains constant even when repo rate changes are made.

1.3 Other interest received

Other interest received is accrued on a daily basis using the effective interest rate method.

1.4 Initiation and service fees

Initiation fees are capitalised to the loan balance and recognised at amortised cost. The initiation fees are then released to the statement of comprehensive income as revenue over the period of the loan. Service fees are recognised as income on a monthly basis as they are received.

1.5 Grants received

Operational grants received

These are grants which are specifically designated to be utilised for operational expenses, where the expenses to which they relate have actually been incurred and charged to income in the same period, and where all the contractual conditions for payment of the grant amount have been met.

Grants for loan capital

Grants designated for loan capital or not specifically designated as operational grants are recognised in the statement of comprehensive income when utilized. These grants are then transferred to the General Capital reserve.

1.6 Property and equipment

Property is initially recognised at cost and revalued once every three years – buildings are carried at their revalued amount less accumulated depreciation. Equipment is stated at historical cost and is depreciated to their residual value using the straight-line method over the estimated useful lives of assets. The following rates of depreciation have been used:

Furniture and fittings	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	4 years
Buildings	40 years
Land is not depreciated.	

The carrying amounts of property and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value.

A property is transferred to, or from, investment property when there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

1 Accounting policies (continued)

1.7 Intangible assets

Computer software

Computer software that is acquired by the company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Development costs

Expenditure on development activities, for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, cost can be measured reliably, future economic benefits are probable and the company has the ability to complete the development. The expenditure capitalised includes all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date or whenever there is an indication that they are impaired. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of the current and prior years are as follows:

Computer software	3 years
Management information systems	3 years

1.8 Financial instruments (also see note 1.13)

Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets (unless it is a trade receivable without a significant financing component) are initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component are measured at the transaction price.

At reporting date, the company's principal financial assets included cash, short term funds, loans and advances and other receivables. Loans and advances are measured at amortised cost using the effective interest rate method. Cash, short term funds and other receivables are stated at their transaction prices which approximate fair values. All financial assets are reduced by appropriate allowances for estimated irrecoverable amounts where applicable.

Financial liabilities are measured at amortised cost or at FVTPL when they are held for trading which approximates fair value.

At reporting date, the company's principal financial liabilities included trade and other payables, short and long term loans. Short and long term loans are measured at amortised cost. Trade and other payables are stated at their nominal value which approximates fair value.

1.9 Retirement benefits

Contributions to retirement benefit funds are charged to the statement of comprehensive income when they

1.10 Provisions

Provisions for staff related expenses such as outstanding leave days not taken at year end and 13th cheques are made at total cost to the organisation as at reporting date.

Provision for audit fees and workmen's compensation are based on estimates as at reporting date.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

1 Accounting policies (continued)

1.11 Loans and advances with credit balances

Loans and advances with credit balances older than three years are recognised in the statement of comprehensive income as revenue.

Claims for amounts which have been recognised in the statement of comprehensive income are refunded to clients.

1.12 Operational grant income

The company currently discloses operational grants on the statement of comprehensive income as other income separately after surplus or loss for the year.

The related expenses are deducted from operational grant income and disclosed as a net amount in the statement of comprehensive income.

1.13 Financial Instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

IFRS 9 introduced new requirements for:

1. Classification and measurement of financial assets and liabilities
2. Impairment of financial assets

1. Classification and measurement of financial assets

The date of initial application (i.e. the date on which the company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

1. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
2. Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
3. All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

THE SMALL ENTERPRISE FOUNDATION
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for the year ended 30 June 2020

1.13 Accounting policies (continued)

Despite the foregoing, the company may make the following irrevocable election/designation at initial recognition of a financial asset:

1. The company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
2. The company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors of the company reviewed and assessed the company's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards their classification and measurement:

Financial assets classified as held to maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the reclassifications of financial assets have had any impact on the company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

2. Impairment of financial assets

IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost or at FVTOCI;
2. Lease receivables;
3. Trade receivables and contract assets; and
4. Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

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for the year ended 30 June 2020

1.13 Accounting policies (continued)

In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. ECL is the weighted average credit losses with the respective risks of a default occurring as the weights.

The table below tabulates the change in classification of the company's financial assets upon application of IFRS 9:

Items at 30 June 2020 subject to IFRS 9	Credit risk attributes	Impact analysis	Management considerations
Loans and advances	The company applies the simplified approach for these assets.	High	ECL model applies
Other receivables	The directors have concluded that it would require undue cost and effort to determine the credit risk of receivable on their respective dates of initial recognition.	Low	No further consideration
Cash and short term funds	All bank balances are assessed to have low credit balances reputable international banking institutions	Low	No further consideration

1.14 Measurement and recognition of leases as a lessee

The company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the prevailing prime borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

2. Property and equipment

	Land & buildings	Furniture & fittings	Office equipment	Computer equipment	Motor vehicles	Leased assets	Total
	R	R	R	R	R	R	R
2020							
Cost							
At beginning of year	9 744 138	3 583 686	4 779 470	12 574 681	1 483 160	-	32 165 135
Additions*	30 840	174 945	1 308 002	2 418 262	-	1 307 206	5 239 255
Disposals	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-
Scrappings	-	-	-	(42 142)	-	-	(42 142)
At end of year	9 774 978	3 758 631	6 087 472	14 950 801	1 483 160	1 307 206	37 362 248
Accumulated amortisation							
At beginning of year	(1 169 447)	(2 845 420)	(3 256 431)	(8 218 480)	(680 343)	-	(16 170 122)
Amortisation	(244 598)	(325 337)	(688 064)	(2 456 228)	(311 815)	(821 163)	(4 847 205)
Scrapping Amortisation	-	-	-	5 876	-	-	5 876
At end of year	(1 414 045)	(3 170 757)	(3 944 495)	(10 668 832)	(992 158)	(821 163)	(21 011 451)
Carrying value	8 360 933	587 874	2 142 977	4 281 969	491 002	486 043	16 350 797

*This amount represents improvements to office premises

The company adopted a policy of revaluing their land and buildings once every 3 years. The last revaluation was performed in 2019. If the impact of all revaluations are ignored, the carrying value of land and buildings as at 30 June 2019 would be R7 678 785 (2019: R 7 892 543)

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(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

2. Property and equipment

	Land & buildings	Furniture & fittings	Office equipment	Computer equipment	Motor vehicles	Total
	R	R	R	R	R	R
2019						
Cost						
At beginning of year	12 205 869	3 332 855	4 050 219	8 756 252	1 449 268	29 794 463
Additions*	176 160	250 831	801 642	3 834 249	229 144	5 292 026
Disposals	(3 320 040)	-	(51 633)	(15 820)	-	(3 387 493)
Revaluation surplus	682 149	-	-	-	-	682 149
Scrappings	-	-	(20 758)	-	(195 252)	(216 010)
At end of year	9 744 138	3 583 686	4 779 470	12 574 681	1 483 160	32 165 135
Accumulated amortisation						
At beginning of year	(1 788 042)	(2 490 227)	(2 817 153)	(6 989 174)	(573 690)	(14 658 286)
Amortisation	(245 042)	(355 193)	(498 502)	(1 244 001)	(301 905)	(2 644 643)
Disposal Amortisation	863 636	-	59 224	14 695	195 252	1 132 807
At end of year	(1 169 447)	(2 845 420)	(3 256 431)	(8 218 480)	(680 343)	(16 170 122)
Carrying value	8 574 691	738 266	1 523 039	4 356 201	802 817	15 995 013

*This amount represents improvements to office premises

The company adopted a policy of revaluing their land and buildings once every 3 years. The last revaluation was performed in 2019. If the impact of all revaluations are ignored, the carrying value of land and buildings as at 30 June 2019 would be R 7 892 543 (2018: R 9 368 438)

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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3. Intangible assets

	2020			2019		
	Computer software	Management information system	Total	Computer software	Management information system	Total
	R	R	R	R	R	R
Cost						
At beginning of year	1 767 231	6 324 913	8 092 144	1 121 876	5 335 729	6 457 605
Additions	539 171	378 685	917 856	645 355	989 184	1 634 539
At end of year	2 306 402	6 703 598	9 010 000	1 767 231	6 324 913	8 092 144
Accumulated amortisation						
At beginning of year	(1 199 163)	(4 593 282)	(5 792 445)	(1 016 452)	(3 739 282)	(4 755 734)
Amortisation	(383 947)	(992 222)	(1 376 169)	(182 711)	(854 000)	(1 036 711)
At end of year	(1 583 110)	(5 585 504)	(7 168 614)	(1 199 163)	(4 593 282)	(5 792 445)
Carrying value	723 292	1 118 094	1 841 386	568 068	1 731 631	2 299 699

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	R
4 Loans and advances		
Gross advances	648 440 555	567 901 019
Accrued interest on advances	12 969 068	10 868 095
Provision for bad debt	(31 735 633)	(2 296 727)
Incurred but not reported provision (death write-offs)	(4 554 485)	(4 125 184)
	625 119 505	572 347 203
Movement in impairment provision:		
Balance at beginning of the year	6 421 911	5 514 363
Current year movement in provision	29 868 207	907 548
	36 290 118	6 421 911

Advances are funded out of loans and capital grants received.

The company's Head Office is in Tzaneen and is operational in the surrounding areas of the Limpopo, Mpumalanga, Eastern Cape and North West Provinces of South Africa. Individual loans in group lending do not exceed R 25 000. Individual loans not within group lending do not exceed R 150 000.

Effective interest rates, based on a declining balance, are charged at a fixed rate and initiation and service fees are also charged. Rates do not fluctuate with changes to repo rate changes and no provision is calculated for rate changes.

Due to the fact that the interest rate on advances does not fluctuate with changes in the repo rate and due to the fact that the advances have a short time to maturity, the carrying amounts approximate fair value. The average loan periods are between four to six months.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2020</u>	<u>2019</u>
	R	R
4 Loans and advances (continued)		
A total amount of R73 469 495 (2019: R 4 388 151) of advances was in arrears at the financial year end. An analysis of the arrears for the current year is presented below.		
Rescheduled loans	912 413	827 118
1 – 30 days	46 218 593	3 012 855
31 – 60 days	6 749 543	249 959
61 – 90 days	15 751 910	293 179
91 – 120 days	3 674 579	5 040
> 120 days	162 457	-
	<u>73 469 495</u>	<u>4 388 151</u>

A rescheduled loan is a loan for which the company has agreed to delay the repayment dates or amounts due to a member's 'long-term illness'. The member must sign an acknowledgement of debt promising to repay the company once the member has recovered from his/her illness. If no loan repayment is received for 12 consecutive months, then the rescheduled loan is written off.

5 Other receivables

Other receivables include small loans generally available for salary advances, study loans, housing and car loans given to staff. The loans carry interest at the prime rate plus three percent while salary advances and study loans are interest free. There were no arrears in respect of staff loans (2019: R nil) at the financial year end. Loans are normally repaid over a period of two years while the housing loans are repaid over 5 years.

Other staff loans	76 102	103 230
Rental deposits	208 959	199 475
Accrued debtors	5 043 424	4 128 917
Prepayments	3 374 259	3 517 746

Due to the fact that the other receivables have a short time to maturity, the carrying amount approximates fair value.

<u>8 702 744</u>	<u>7 949 368</u>
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Other receivables are neither past due nor impaired.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	
6 Non-distributable reserve		
<p>The non-distributable reserve represents the revaluation of properties. Revaluations are done every three years. The properties at 8 First Avenue and 5 Second Avenue, Medipark, Tzaneen were revalued upwards by R 682 149 in 2019.</p>		
Balance at beginning of year	682 148	1 049 389
Revaluation of Land & Buildings - prior year	-	1 969 927
Revaluation of Land & Buildings - current year	-	682 149
Sale of property at 42 Boundary Road, Tzaneen	-	(3 019 317)
Balance at the end of the year	<u>682 148</u>	<u>682 148</u>

7 General capital reserve

The general capital reserve consists of grants received from donors other than USAID (United States Agency for International Development - see note 8). Such grants are, for the most part, non-recurring grants from a variety of organisations wanting to express their interest in, and support of, the work performed by the company. The main contributors during past years were Old Mutual Masisizane Fund, SIDA, SEFA, Genesis Steel, Whole Planet Foundation and Hivos Triodos Bank. During the year grants were received from DM Edwards, The Wealth Chef and various other donors. All grants have been designated by the donors concerned as loan capital to be utilised for future disbursements of loans to clients.

Balance at beginning of year	40 323 290	40 158 370
Movement in general capital reserve	10 000	164 920
Balance at the end of the year	<u>40 333 290</u>	<u>40 323 290</u>

8 Development reserve

The development reserve comprises mainly of grants received from USAID (United States Agency for International Development). These grants are utilised for lending.

Balance at beginning and end of year	<u>6 654 459</u>	<u>6 654 459</u>
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THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

2020 2019
R

9 Educational reserve

The educational reserve consists of small individual grants. The donors have requested the funds be used to disburse educational loans to existing members of the organisation under an educational loan programme introduced in 1998. As from July 2007 these loans were discontinued.

Balance at beginning and end of year	20 188	20 188
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10 Long term loans

Hivos Triodos Bank

The balance owing to Hivos Triodos Bank at 30 June 2019 consists of 3 facilities namely:

R 15.25 million facility was signed in June 2012. The R 10 million was received in July 2012. R 2 million from a R4 million facility signed in June 2011 and R 3.25 million from a facility signed in 2008 were transferred on 31 December 2012 to form part of this facility. This facility was renegotiated in October 2015 and was repayable in September 2018 in one instalment. This facility was rolled over in September 2018 and is repayable in September 2021 in one instalment. Interest is payable bi-annually at a fixed rate of 13%.

R 7.5 million facility was signed in 2008 and received in November 2008. This facility was renegotiated in October 2015 and was repayable in September 2018 in one instalment. This facility was rolled over in September 2018 and is repayable in September 2021 in one instalment. Interest is payable bi-annually at a fixed rate of 13%.

R 40 million facility was signed in October 2015 and received in October 2015. This facility was repayable in September 2018 in one instalment. This facility was rolled over in September 2018 and is repayable in September 2021 in one instalment. Interest is payable bi-annually at a fixed rate of 13%.

In May 2020 the Company entered into a loan agreement with Hivos Triodos Bank for R 22.55 million. This loan carries interest at a fixed rate of 11.90% and is payable bi-annually commencing on 15 September 2020. Capital is repayable in one instalments on 8 May 2023. As at June 2020 the full facility had been drawn down.

These loans are unsecured.

Balance	88 057 914	65 163 725
Short term portion transferred to current liabilities	-	-
Long term portion	88 057 914	65 163 725

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	<u>2020</u>	<u>2019</u>
	R	R

10 Long term loans (continued)

Fefisol / Sidi

In January 2017 the Company entered into a R 14.4 million loan agreement with Solidarité Internationale pour le Développement et l'Investissement (SIDI) and Fonds Européen de Financement Solidaire (FEFISOL) S.A., SICAV-SIF. The term of this loan is 5 years. Interest is calculated at a fixed rate of 13% and is payable bi-annually. Repayment of capital will commence 6 months after the date of the first drawdown. The first two capital instalments will be 10% of disbursed amount and the last four will be 20% of the disbursed amount. The facility is unsecured. This loan was fully repaid in April 2020.

In November 2018 the Company entered into a R 8.8 million loan agreement with Fonds Européen de Financement Solidaire (FEFISOL) S.A., SICAV-SIF. The term of this loan is 2.5 years. Interest is calculated at a fixed rate of 13% and is payable bi-annually. The capital amount of R 8.8 million is repayable every 6 months in 5 equal instalments commencing 12 months after the date of the first drawdown. The facility is unsecured.

In November 2018 the Company entered into a R 3.5 million loan agreement with Solidarité Internationale pour le Développement et l'Investissement (SIDI). The term of this loan is 2.5 years. Interest is calculated at a fixed rate of 13% and is payable bi-annually. The capital amount of R 3.5 million is repayable every 6 months in 5 equal instalments commencing 12 months after the date of the first drawdown. The facility is unsecured.

Balance	7 489 265	18 387 710
Short term portion transferred to current liabilities	(6 758 173)	(10 825 600)
Long term portion	<u>731 092</u>	<u>7 562 110</u>

Masisizane Fund (NPC)

In September 2018 the Company entered into a R 10 million loan agreement with Masisizane Fund (NPC). The term is for 3 years. Interest is calculated at the prime overdraft rate of 7.25% and is payable monthly. Capital is repayable monthly. The facility is secured through a cession of book debts of R 10 million funded by Masisizane Fund (NPC).

Balance	4 519 316	7 773 958
Short term portion transferred to current liabilities	(3 582 512)	(3 236 099)
Long term portion	<u>936 804</u>	<u>4 537 859</u>

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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
Oikocredit		
In October 2016 the Company entered into a revolving credit facility with Oikocredit for R 40m. Interest is calculated at repo rate plus 3.5%. Interest for the first 6 months is fixed at 9.75%. Interest is payable semi-annually 6 months after the first advance. Capital is repayable in 7 equal instalments starting 12 months from the first advance. There was nothing owed on this facility at 30 June 2020.		
In March 2018 the Company entered into a loan agreement with Oikocredit for R 15 million. Interest is calculated at repo rate plus 3.5%. Interest for the first 6 months was fixed at 9.75% if drawn down within 3 months from approval; the current interest rate is 9.00%. Interest is payable 6 months after the first advance. Capital is repayable in 7 equal instalments starting 12 months from the first advance.		
These loans are unsecured.		
Balance	11 016 638	15 423 289
Short term portion transferred to current liabilities	(4 285 714)	(4 285 714)
Long term portion	<u>6 730 924</u>	<u>11 137 575</u>

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	<u>2020</u>	<u>2019</u>
	R	R

10 Long term loans (continued)

FMO

In November 2015 the Company entered into a R 30 million loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. The term of the loan is 4 years. A fixed interest rate of 12.35% is charged based on the equivalent in local currency of 6 months USD Libor plus 3.90% pa when the loan is disbursed. The loan capital is payable in 8 semi-annual instalments starting from 20 May 2017. Interest is payable quarterly, starting from 20 November 2016. The loan was drawn down on 27 October 2016.

In December 2017 the Company entered into a R 30 million loan agreement with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. The term of the loan is 4 years. The interest rate is calculated for each disbursement and each interest period based on the equivalent in local currency of 3 months Jibar plus 4.10% pa and an added margin of 0.25% pa. The loan capital is payable in 8 semi-annual instalments starting from 20 May 2019. Interest is payable quarterly, starting from 20 February 2019.

These loans is unsecured.

Balance	22 736 339	37 999 927
Short term portion transferred to current liabilities	(11 302 745)	(15 000 000)
Long term portion	<u>11 433 594</u>	<u>22 999 927</u>

Cadiz

In March 2018 the Company entered into a R 20 million revolving credit facility with Cadiz Life Limited. The facility carries interest at prime plus 1% and is payable monthly. Capital is repayable 36 months from the date of the first draw down being 29 March 2018. This facility was not renewed upon its annual review on 30 April 2020.

Balance	-	-
Short term portion transferred to current liabilities	-	-
Long term portion	<u>-</u>	<u>-</u>

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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
Whole Planet Foundation		
In May 2013 the Company entered into a loan agreement with Whole Planet Foundation for R 1 419 015. This loan is interest free. Capital is repayable in 12 equal quarterly instalments starting on 31 October 2020.		
In August 2013 the company entered into a second loan agreement with Whole Planet Foundation for R 1 068 098. This loan is interest free. Capital is repayable in 12 equal quarterly instalments starting on 31 October 2020.		
In December 2014 the company entered into a third loan agreement with Whole Planet Foundation for R 1 710 075. This loan is interest free. Capital is repayable in 12 equal quarterly instalments starting on 31 October 2020.		
In September 2015 the company entered into a fourth loan agreement with Whole Planet Foundation for R 4 735 255. This loan is interest free. Capital is repayable in 12 equal quarterly instalments starting on 31 October 2020.		
In August 2016 the company entered into a fifth loan agreement with Whole Planet Foundation for R 5 602 150. This loan is interest free. Capital is repayable in 12 equal quarterly instalments starting on 31 October 2020.		
In October 2019 the company entered into a sixth loan agreement with Whole Planet Foundation for R 4 477 050. This loan is interest free. Capital is repayable in 3 equal quarterly instalments starting on 31 October 2022.		
These loans are unsecured.		
Balance	15 588 751	12 364 527
Short term portion transferred to current liabilities	(3 633 648)	(3 633 648)
Revaluation		
Long term portion	<u>11 955 103</u>	<u>8 730 879</u>
SEFA		
In September 2016 the Company entered into a revolving credit facility with SEFA for R 30 million. The term of the facility is 5 years. The loan carries interest at prime less 1.0%. Capital is repayable no later than 60 months from 31 December 2016. The Company drew down R 20 million of the facility at 30 June 2017. Interest is capitalized monthly. The loan is repayable in 60 instalments together with interest commencing 3 months after disbursement. The facility is secured through a cession of book debts funded by SEFA. There was nothing owed on this facility at 30 June 2020.		
In May 2018 the Company entered into a revolving credit facility with SEFA for R 30 million. The term of the facility is 5 years. The loan carries interest at a fixed rate of 11.0%. Capital is repayable no later than 60 months from the date of the first advance / disbursement. The Company drew down R 20 million of the facility at 27 June 2018. Interest is capitalized and payable monthly. The facility is secured through a cession of book debts of R 15 million funded by SEFA.		
Balance	205 792	30 038 015
Short term portion transferred to current liabilities	(205 792)	(12 413 793)
Long term portion	<u>-</u>	<u>17 624 222</u>

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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
Freddie Marincowitz Welfare Trust		
In September 2010 the Company entered into a loan agreement with The Freddie Marincowitz Family Trust. This loan agreement was amended in September 2012 to state that the loan is repayable on 3 months' notice only. The loan was amended in March 2017 whereby the The Freddie Marincowitz Family Trust was changed to Freddie Marincowitz Welfare Trust. The loan amount advanced was R 10 million. This loan carries interest at 30% of the prime interest rate. The facility is unsecured.		
Balance	10 081 608	10 103 089
Short term portion transferred to current liabilities	(10 081 608)	(10 103 089)
Long term portion	<u>-</u>	<u>-</u>

Atlantic Asset Management

In February 2015 the Company entered into a R 30 million loan agreement with Atlantic Asset Management. The loan term is 4 years. The loan carries interest at prime plus 1%. Interest is paid monthly. Capital is repayable every 6 months in 10 equal instalments. Capital repayments are due 6 months after the draw down date. The full facility had been drawn down in March 2015 and fully repaid in October 2019.

In November 2018 the Company entered into a R30 million loan agreement with Atlantic Asset Management. The loan term is 3 years. The loan carries interest at prime plus 1%. Interest is paid monthly. Capital is repayable on maturity. The full facility had been drawn down in November 2019.

These loans are unsecured.

Balance	30 189 863	36 310 686
Short term portion transferred to current liabilities	-	(6 000 000)
Long term portion	<u>30 189 863</u>	<u>30 310 686</u>

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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
Oxfam Novib		
R9 588 950 facility was signed in November 2013 with Oxfam Novib represented by Triple Jump. This facility was repayable on 15 November 2019 in one instalment. The facility was rolled over on 15 November 2019 and is repayable in October 2021 in one instalment. Interest is payable bi-annually at a fixed interest rate of 13%.		
R4 572 540 facility was signed in November 2015 with Oxfam Novib represented by Triple Jump. This facility was repayable on 15 November 2019 in one instalment. The facility was rolled over on 15 November 2019 and is repayable in October 2021 in one instalment. Interest is payable bi-annually at a fixed interest rate of 13%.		
R9 837 000 facility was signed in November 2017 with Oxfam Novib represented by Triple Jump. This facility was repayable on 15 November 2019 in one instalment. The facility was rolled over on 15 November 2019 and is repayable in October 2021 in one instalment. Interest is payable bi-annually at a fixed interest rate of 13%.		
In November 2018 the Company entered into a loan agreement with ASN Microkredietpool represented by Triple Jump for a ZAR denominated loan of EUR 5 million. The loan term is 2 years. The loan carries interest at a fixed rate of 13%. Interest is payable semi-annually starting six months after the commencement date. The capital amount is repayable in one instalment on 15 November 2020. Only EUR 3.5 million of the facility had been drawn down.		
These loans are unsecured.		
Balance	80 360 019	80 375 142
Short term portion transferred to current liabilities	(55 968 348)	(24 406 792)
Long term portion	<u>24 391 671</u>	<u>55 968 350</u>

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(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
KfW		
In June 2015 the Company entered into a loan agreement with KfW for an amount of R 69 600 000. This loan carries interest at the 3-months Jibar rate plus a 5.0% margin and is payable quarterly commencing on 15 September 2015; the interest rate at 30 June 2020 was 8.942%. From 15 December 2016 interest is payable on the maturity dates of the repayments. The capital amount is repayable in 11 equal semi-annual instalments from 15 December 2016. As at June 2017 the full facility had been drawn down. The facility is unsecured.		
Balance	19 054 673	31 761 696
Short term portion transferred to current liabilities	(12 654 545)	(12 654 545)
Long term portion	<u>6 400 128</u>	<u>19 107 151</u>

Investing for Development SICAV

In October 2017 the Company entered into a loan agreement with Investing for Development SICAV for R22 million. The term of the loan is 2 years. This loan carries interest at a fixed rate of 13.5%. Interest is paid semi-annually. The facility was fully repaid in one instalment on maturity 10 October 2019. The facility was unsecured.

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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
Symbiotics		
In November 2017 the Company entered into a loan agreement with Regmifa for R 6.8 million. This loan carries interest at a fixed rate of 12.5% and is payable bi-annually commencing on 28 May 2018. Capital is repayable in 3 equal annual instalments from 28 November 2018. As at June 2018 the full facility had been drawn down.		
In November 2017 the Company entered into a loan agreement with Regmifa for R 27.5 million. This loan carries interest at a fixed rate of 12.5% and is payable bi-annually commencing on 28 May 2018. Capital is repayable in 3 equal annual instalments from 28 November 2018. As at June 2018 the full facility had been drawn down.		
In November 2017 the Company entered into a loan agreement with Netri for R 6.85 million. This loan carries interest at a fixed rate of 11.9% and is payable bi-annually commencing on 28 May 2018. Capital is repayable in 3 equal annual instalments from 28 November 2018. As at June 2018 the full facility had been drawn down.		
In October 2018 the Company entered into a loan agreement with Regmifa for R 14.4 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 12.5% and is payable bi-annually commencing on 24 April 2019. Capital is repayable in 3 equal annual instalments from 24 October 2019. As at June 2019 the full facility had been drawn down.		
In October 2018 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 14.4 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 12.5% and is payable bi-annually commencing on 24 April 2019. Capital is repayable in 3 equal annual instalments from 24 October 2019. As at June 2019 the full facility had been drawn down.		
In November 2019 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 9.6 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 12.5% and is payable bi-annually commencing on 15 May 2020. Capital is repayable in 3 equal annual instalments from 15 November 2020. As at June 2020 the full facility had been drawn down.		
In November 2019 the Company entered into a loan agreement with Regmifa for R 13.7 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 12.5% and is payable bi-annually commencing on 26 May 2020. Capital is repayable in 3 equal annual instalments from 26 November 2020. As at June 2020 the full facility had been drawn down.		
These loans are unsecured.		
Balance	57 130 019	57 225 724
Short term portion transferred to current liabilities	(31 238 665)	(23 305 907)
Long term portion	<u>25 891 354</u>	<u>33 919 817</u>

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
Global Partnerships Impact - Firrst Development Fund, LLC		
In June 2020 the Company entered into a loan agreement with Global Partnerships Impact - First Development Fund, LLC for R 17.42 million. This loan carries interest at a fixed interest rate of 11% and is payable quarterly in arrears commencing on 21 September 2020. The capital amount is repayable in 3 equal annual instalments from 20 September 2021. The facility is unsecured.		
Balance	17 446 614	-
Short term portion transferred to current liabilities	-	-
Long term portion	<u>17 446 614</u>	<u>-</u>
Abor FS Ltd		
In November 2019 the Company entered into a loan agreement with Abor FS Ltd for R 50 million. This loan carries interest at a fixed interest rate of 12.8% and is payable bi-annually in arrears commencing on 15 May 2020. The capital amount is repayable in 2 equal annual instalments from 15 November 2021. The facility is unsecured.		
Balance	50 800 000	-
Short term portion transferred to current liabilities	-	-
Long term portion	<u>50 800 000</u>	<u>-</u>
Incofin		
In May 2020 the Company entered into a loan agreement with Microfinance Enhancement Facility SA, SICAV-SIF for R 34.9 million. This loan carries interest at a fixed interest rate of 12.35% and is payable bi-annually in arrears commencing on 29 November 2020. The capital amount is repayable in one instalment on 29 May 2023. The facility is unsecured.		
Balance	35 295 097	-
Short term portion transferred to current liabilities	-	-
Long term portion	<u>35 295 097</u>	<u>-</u>
Grameen Credit Agricole Microfinance Foundation		
In November 2019 the Company entered into a loan agreement with Grameen Credit Agricole Microfinance Foundation for R 50 million. This loan carries interest at a fixed interest rate of 12.57% and is payable bi-annually in arrears commencing on 15 December 2019. The capital amount is repayable in 6 bi-annual instalments from 15 December 2020. The facility is unsecured.		
Balance	50 261 875	-
Short term portion transferred to current liabilities	(20 000 000)	-
Long term portion	<u>30 261 875</u>	<u>-</u>

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	<u>2020</u>	<u>2019</u>
	R	R
10 Long term loans (continued)		
BNP Paribas		
In August 2017 the Company entered into a loan agreement with BNP Paribas for R 16 000 000. This loan carries interest at the 3-months Jibar rate plus a 4.5% margin and is payable quarterly in arrears commencing on 30 November 2017. The capital amount was repaid in one instalment on 30 August 2018. The facility was unsecured.		
In November 2018 the Company entered into a loan agreement with BNP Paribas for R 30 million. This loan carries interest at the 3-months Jibar rate plus a 4.5% margin and is payable quarterly in arrears commencing on 21 February 2019. The capital amount is repayable in 7 equal quarterly instalment from 21 February 2019. The facility is unsecured.		
In November 2019 the Company entered into a loan agreement with BNP Paribas for R 30 million. This loan carries interest at the 3-months Jibar rate plus a 4.5% margin and is payable quarterly in arrears commencing on 27 February 2020. The capital amount is repayable in 11 equal quarterly instalment from 27 February 2020. The facility is unsecured.		
Balance	29 067 117	21 702 342
Short term portion transferred to current liabilities	(15 194 805)	(17 142 857)
Long term portion	<u>13 872 312</u>	<u>4 559 485</u>
Lease liability		
Leases with a tenor of longer than 12 months are capitalised in line with IFRS 16.		
Balance	529 101	-
Short term portion transferred to current liabilities	(467 223)	-
Long term portion	<u>61 878</u>	<u>-</u>
Total long term loans	<u>354 456 221</u>	<u>281 621 786</u>

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	R
11 Short term loans		
Other short term loans		
Current portion Hivos Triodos Bank loan	-	-
Current portion Fefisol / Sidi loan	6 758 173	10 825 600
Current portion Oikocredit loan	4 285 714	4 285 714
Current portion Masisizane loan	3 582 512	3 236 099
Current portion of FMO loan	11 302 745	15 000 000
Current portion of Whole Planet Foundation loan	3 633 648	3 633 648
Current portion of Freddie Marincowitz Welfare Trust loan	10 081 608	10 103 089
Current portion of Atlantic Asset Management loan	-	6 000 000
Current portion of SEFA revolving credit facility	205 792	12 413 793
Current portion of Oxfam Novib loan	55 968 348	24 406 792
Current portion of KfW loan	12 654 545	12 654 545
Current portion of Investing for Development SICAV loan	-	22 668 250
Current portion of Symbiotics loan	31 238 665	23 305 907
Current portion of Grameen Credit Agricole Microfinance Foundation loan	20 000 000	-
Current portion of BNP Paribas loan	15 194 805	17 142 857
Current portion of lease liability	467 223	-
	175 373 780	165 676 294
Total short term loans	175 373 780	165 676 294
12 Trade and other payables		
Trade and other payables	4 644 451	7 152 588
Loans and advances with credit balances	7 271 051	4 724 262
Total trade and other payables	11 915 502	11 876 850

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	R
13 Provisions		
Provision for accumulated leave	5 365 844	3 366 499
Provision for 13th cheque	4 610 775	3 885 452
Provision for auditor's remuneration	2 014 938	996 485
	11 991 557	8 248 436
Movement in accumulated leave provision:		
Balance at beginning of the year	3 366 499	2 867 597
Current year movement in provision	9 590 173	7 859 409
Amounts used this year	(7 590 828)	(7 360 507)
	5 365 844	3 366 499
Movement in 13th cheque provision:		
Balance at beginning of the year	3 885 452	3 362 072
Current year movement in provision	8 390 148	8 153 896
Amounts used this year	(7 664 825)	(7 630 516)
	4 610 775	3 885 452
Movement in auditor's remuneration provision:		
Balance at beginning of the year	996 485	985 000
Current year movement in provision	2 014 938	996 485
Amounts used this year	(996 485)	(985 000)
	2 014 938	996 485

Provision for accumulated leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement. When assessing expected future payments consideration is given to expected future salary levels including non-salary components and periods of service. It is uncertain if all employees at the end of the reporting period will be employed at the expected date of settlement.

Provision for 13th cheque

Employees are entitled to a 13th bonus cheque as per their letter of employment. This bonus is expected to be settled wholly within 6 months after the end of the reporting period. The 13th cheque liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement. When assessing expected future payments consideration is given to expected future basic salary levels and periods of service. It is uncertain if all employees at the reporting date will be employed at the expected date of settlement.

Provision for auditor's remuneration

Auditor's fees are provided for the period under the review. It is expected that this liability will be paid within 6 months after the end of the reporting period.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	
19 Grants received		
Capital grants received – gross amount*		
- DM Edwards	-	5 500
- The Wealth Chef SA (Pty) Ltd	-	150 000
- L Motshoane	10 000	-
- Other	-	9 420
Total capital grants received	<u>10 000</u>	<u>164 920</u>
Grants utilised	<u>10 000</u>	<u>164 920</u>
Total grants utilised	10 000	164 920

All capital grants were received with the express condition that the funds be used for lending to customers and are therefore considered being capital in nature.

*Gross amount received represent grants available for use during the year, therefore it includes opening unutilised grants.

20 Operating leases

The company has various operating leases entered with landlords for the rental of buildings. The minimum lease payments are detailed below:

Amounts payable within 1 year	275 808	200 660
Amounts payable within 2 – 5 year	-	-
	<u>275 808</u>	<u>200 660</u>

Operating lease payments shorter than one year are recognised as an expense on a straight line basis over the lease term.

The company leases premises for its branches and offices in four provinces on a monthly, quarterly, bi-annual or annual basis; rent is payable in advance.

21 Taxation

No provision has been made for taxation as the organisation was approved as a Public Benefit Organisation in terms of section 30 of the Income Tax Act and is therefore exempt from taxes.

22 Retirement benefits

All permanent employees of the company are members of the Old Mutual Orion Provident Fund. The Provident Fund is defined as a defined contribution plan, where the retirement benefits are determined with reference to the employer and employees' contributions to the Provident Fund. In 2020 the company contributed R 23 419 016 (2019: R 20 312 446) towards the Provident Fund and group life premiums. Current contributions to the Provident Fund are charged against income as incurred.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	R	R
23 Operating expenses		
Operations	9 238 097	8 828 197
Central Zone	12 093 753	7 826 379
North Zone	13 341 253	10 922 498
South Zone	12 963 905	11 318 575
West Zone	12 796 051	11 259 590
Butterworth Zone	9 235 615	10 591 963
Hammanskraal Zone	12 492 695	9 675 561
Mpumalanga Zone	11 417 920	6 649 872
KWT Zone	10 493 032	11 272 010
Mafekeng Zone	10 953 706	10 730 424
Umtata Zone	9 983 190	11 373 091
Mount Frere Zone	9 956 813	10 517 872
MP South Zone	6 089 889	6 370 293
Chris Hani Zone	12 508 565	9 477 147
Umfolozi Zone	4 564 446	1 599 222
Rustenburg Zone	-	9 102 811
Bela-Bela Zone	12 881 284	-
Zeerust Zone	13 203 849	-
Mhlontlo Zone	9 841 894	-
Less: Impairment of advances disclosed per note 17		
Bad debts written off	(5 134 408)	(3 447 795)
Death write-offs	(3 811 113)	(3 164 531)
Less: Provision for loans and advances per note 4	(29 868 207)	(907 548)
Other	- 181	323
	155 242 048	139 995 954

24 Total head office cost

Training department	12 701 749	11 448 911
Human Resources department	10 059 112	8 902 626
Quality Assurance department	4 935 839	3 959 893
Loan administration	8 174 917	7 508 772
Research and development	11 986 713	8 495 989
Senior Management Finance and secretarial	50 607 407	52 243 369
Information Technology Department	13 183 562	8 067 431
United States Office	376 472	311 938
Bryanston Office	584 924	817 264
	112 610 695	101 756 193

25 Encumbered assets and contingent liabilities

The following securities have been ceded by the company:

Four Standard Bank facilities (overdraft, credit card, a term loan, fleet management services and vehicle asset finance) are secured through:

- A first and second covering continuing mortgage bond over the property at second Avenue, Tzaneen of R 3.3 million; and
- A cession over a portion of the loan book.
- A cession of material damage insurance policy and Sasria cover over erf 199, Tzaneen.

Certain assets were ceded as security for long term debt obligations as per note 10 of the annual financial statements.

THE SMALL ENTERPRISE FOUNDATION

(Non-Profit Company)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

26 Related party balances and transactions

The Small Enterprise Foundation entered into a related party transaction with a close family member of the Managing Director (Mr JR de Wit). The transaction involved renting of office space and use of telephone, water and electricity and amounted to R 98 317 (2019: R 90 237).

27 Risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation, and cause the other party to incur a financial loss. The Company mitigates this risk by employing a comprehensive framework of policies, procedures and limits to ensure a process of risk assessment, quantification and monitoring.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Management, through regular review of the company's position, ensures that the Company's operations can meet the minimum levels of funds required.

The table in 28.3 analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the discounted cash flows except if stated otherwise. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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27 Risk management (continued)

Cash flow risk

monetary financial instrument will fluctuate in amount. The Company mitigates this risk by setting fixed repayment terms for all loans and advances.

Interest rate risk

Interest rate risk is the risk that interest rates will fluctuate in future. The Company adopts a policy of ensuring that its borrowings are at market related rates to address its interest rate risk.

Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising its social returns through the optimisation of the debt and equity.

borrowings, cash and cash equivalents, reserves and retained earnings respectively.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The interest rate risk has been addressed above and there are no significant exposures to currency risk.

THE SMALL ENTERPRISE FOUNDATION
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27.1 Statement of financial position - categories of financial instruments - 2020

	Total	Loans and receivables	Financial liabilities at amortised cost	Other and Non-financial assets and liabilities
	R	R	R	R
Assets				
Property and equipment	16 350 797	-	-	16 350 797
Intangible assets	1 841 386	-	-	1 841 386
Loans and advances	625 119 505	625 119 505	-	-
Other receivables	8 702 744	8 702 744	-	-
Cash and short term funds	60 105 316	60 105 316	-	-
Total assets	712 119 748	693 927 565	-	18 192 183
Funds and liabilities				
General capital reserve	40 333 290	-	-	40 333 290
Developmental reserve	6 654 459	-	-	6 654 459
Educational reserve	20 188	-	-	20 188
Retained earnings	105 584 314	-	-	105 584 314
Non – distributable reserve	682 148	-	-	682 148
Long term loans	354 456 221	-	354 456 221	-
Short term loans	175 373 780	-	175 373 780	-
Trade and other payables	11 915 502	-	11 915 502	-
Accruals and Provisions	17 099 846	-	17 099 846	-
Total funds and liabilities	712 119 748	-	558 845 349	153 274 399

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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27.1 Statement of financial position - categories of financial instruments - 2019

	Total	Loans and receivables	Financial liabilities at amortised cost	Other and Non-financial assets and liabilities
	R	R	R	R
Assets				
Property and equipment	15 995 013	-	-	15 995 013
Intangible assets	2 299 699	-	-	2 299 699
Loans and advances	572 347 203	572 347 203	-	-
Other receivables	7 949 368	7 949 368	-	-
Cash and short term funds	3 968 586	3 968 586	-	-
Total assets	602 559 869	584 265 157	-	18 294 712
Funds and liabilities				
General capital reserve	40 323 290	-	-	40 323 290
Developmental reserve	6 654 459	-	-	6 654 459
Educational reserve	20 188	-	-	20 188
Retained earnings	72 939 343	-	-	72 939 343
Non – distributable reserve	682 148	-	-	682 148
Long term loans	281 621 786	-	281 621 786	-
Short term loans	165 676 294	-	165 676 294	-
Trade and other payables	11 876 850	-	11 876 850	-
Accruals and Provisions	22 765 511	-	22 765 511	-
Total funds and liabilities	602 559 869	-	481 940 441	120 619 428

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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27.2 Income and expenses per category of financial assets and financial liabilities – 2020

	Total	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
	R	R	R	R
Interest income	380 724 748	380 724 748	-	-
Finance cost	(60 708 410)	-	(60 708 410)	-
Service fees	10 380 240	10 380 240	-	-
Other income	4 808 118	-	-	4 808 118
Impairment and provision for impairment on loans and advances	(38 555 313)	(38 555 313)	-	-
Other operating expenses	(267 852 743)	-	-	(267 852 743)
Revaluation of long term loan	1 136 238	-	1 136 238	-
Other Non-Operating income	4 757 214	-	-	4 757 214
Other Non-Operating expenses	(2 045 121)	-	-	(2 045 121)
Surplus for the year	32 644 971	352 549 675	(60 708 410)	(263 044 625)

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

27.2 Income and expenses per category of financial assets and financial liabilities – 2019

	Total	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
	R	R	R	R
Interest income	314 727 505	314 727 505	-	-
Finance cost	(51 624 436)	-	(51 624 436)	-
Service fees	5 807 956	5 807 956	-	-
Other income	4 876 215	-	-	4 876 215
Impairment and provision for impairment on loans and advances	(6 841 958)	(6 841 958)	-	-
Other operating expenses	(241 752 147)	-	-	(241 752 147)
Surplus for the year	25 193 135	313 693 503	(51 624 436)	(236 875 932)

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

27.3 Liquidity risk management - 2020

	Total R	<1 year R	>1 year <5 year R	> 5 year R	Non - determined R
Funds					
Total funds	153 274 399	-	-	-	153 274 399
Discounted liabilities					
Long term loans	354 456 221	-	354 456 221	-	-
Short term loans	175 373 780	175 373 780	-	-	-
Undiscounted liabilities					
Trade and other payables	11 915 502	11 915 502	-	-	-
Accruals and Provisions	17 099 846	17 099 846	-	-	-
Total funds and liabilities	712 119 748	204 389 128	354 456 221	-	153 274 399

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

27.3 Liquidity risk management - 2019

	Total R	<1 year R	>1 year <5 year R	> 5 year R	Non - determined R
Funds					
Total funds	120 619 428	-	-	-	120 619 428
Discounted liabilities					
Long term loans	281 621 786	-	281 621 786	-	-
Short term loans	165 676 294	165 676 294	-	-	-
Undiscounted liabilities					
Trade and other payables	11 876 850	11 876 850	-	-	-
Accruals and Provisions	22 765 511	22 765 511	-	-	-
Total funds and liabilities	602 559 869	200 318 656	281 621 786	-	120 619 428

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2020</u>	<u>2019</u>
	R	R
28.4 Credit risk management		
Financial assets whose terms have been renegotiated		
These loans are termed rescheduled loans, as the terms have been renegotiated, due to the client's inability to pay. These loans are fully impaired.		
Rescheduled loans - carrying amount	912 413	827 118
Loans and advances past due and impaired	72 557 082	3 561 033
Past due up to 30 days	46 218 593	3 012 855
Past due up to 31-60 days	6 749 543	249 959
Past due up to 61-90 days	15 751 910	293 179
Past due up to 91-120 days	3 674 579	5 040
Past due > 120 days	162 457	-
Loan advances neither past due and nor impaired	587 940 128	574 380 964
Gross loans and advances	661 409 623	578 769 114
Provision for impairments	(36 290 118)	(6 421 911)
Net loans and advances	<u>625 119 505</u>	<u>572 347 203</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2020

27.5 Interest rate risk – 2020

	Repricing period				Non-interest bearing / Fixed rate
	Total	<1 year	>1 year <5 year	>5 year	
	R	R	R	R	R
Assets					
Property and equipment	16 350 797	-	-	-	16 350 797
Intangible Assets	1 841 386	-	-	-	1 841 386
Loans and advances (fixed rate)	625 119 505	-	-	-	625 119 505
Other receivables	8 702 744	-	-	-	8 702 744
Cash and short term funds	60 105 316	-	-	-	60 105 316
Total assets	712 119 748	-	-	-	712 119 748
Funds					
Total funds	153 274 399	-	-	-	153 274 399
Discounted liabilities					
Long term loans	354 456 221	-	69 625 502	-	284 830 720
Short term loans	175 373 780	61 408 593	-	-	113 965 186
Undiscounted liabilities					
Trade and other payables	11 915 502	-	-	-	11 915 502
Accruals and Provisions	17 099 846	-	-	-	17 099 846
Total funds and liabilities	712 119 748	61 408 593	69 625 502	-	581 085 653
Interest rate gap		(61 408 593)	(69 625 502)		131 034 095

THE SMALL ENTERPRISE FOUNDATION
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for the year ended 30 June 2020

27.5 Interest rate risk – 2019

	Repricing period				Non-interest bearing / Fixed rate
	Total	<1 year	>1 year <5 year	>5 year	
	R	R	R	R	R
Assets					
Property and equipment	15 995 013	-	-	-	15 995 013
Intangible Assets	2 299 699	-	-	-	2 299 699
Loans and advances (fixed rate)	572 347 203	-	-	-	572 347 203
Other receivables	7 949 368	-	-	-	7 949 368
Cash and short term funds	3 968 586	-	-	-	3 968 586
Total assets	602 559 869	-	-	-	602 559 869
Funds					
Total funds	120 619 428	-	-	-	120 619 428
Discounted liabilities					
Long term loans	281 621 786	-	105 739 046	-	175 882 740
Short term loans	165 676 294	77 599 998	-	-	88 076 296
Undiscounted liabilities					
Trade and other payables	11 876 850	-	-	-	11 876 850
Accruals and Provisions	22 765 511	-	-	-	22 765 511
Total funds and liabilities	602 559 869	77 599 998	105 739 046	-	419 220 825
Interest rate gap		(77 599 998)	(105 739 046)		183 339 044

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2020 **2019**
R R

27.6 Interest rate sensitivity analysis

As at 30 June 2020, if interest rates on floating rate assets and liabilities held at amortised cost have decreased/increased by 100 basis points with all other variables held constant, the impact on profit and loss would have been as set out below:

Decrease	5 298 300	4 472 981
Increase	(5 298 300)	(4 472 981)

28 Directors' and prescribed officer's emoluments

Included in staff expenditure and other operating expenditure are the following payments made to directors and prescribed officers for service rendered during the year:

Director's emoluments

JR de Wit

Services to the company	3 612 270	3 441 360
Retirement and Medical Aid contributions	-	-
Expenses related to managerial duties	23 381	634
	3 635 651	3 441 994

No emoluments were paid to any of the other directors during the year.

Prescribed officer's emoluments

C van Vuuren

Services to the company	1 307 790	1 382 964
Retirement and Medical Aid contributions	275 295	347 725
	1 583 085	1 730 689

Z Raymond

Services to the company	1 716 257	1 577 459
Retirement and Medical Aid contributions	308 166	356 900
	2 024 423	1 934 359

L Motshoane

Services to the company	396 164	-
Retirement and Medical Aid contributions	81 544	-
	477 708	-

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29 Standards

Standards adopted with no effect on financial statements

The company has chosen not to early adopt any of the following new and

Standards (New)	Effective for year ends on or after
IFRS 16 Leases	1 January 2019
Standards (Interpretations)	Effective for year ends on or after
Standards (Amendments)	Effective for year ends on or after
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IAS 1 Presentation of Financial Statements	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3 Business Combinations	1 January 2020
IFRS 16 Leases	1 June 2020

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, namely the contract customer (“lessee”) and the supplier (“lessor”). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees, which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The company is assessing the potential impact on the Financial Statements resulting from the application of IFRS 16.

Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

The company believes that the impact will be insignificant as assets are of low value and leases are short term in nature of less than 12 months. At 30 June 2020 the future minimum lease payments amounted to R 275 808. The nature of the above cost will not change but will remain operating leases.