

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

**AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021**

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 2021**

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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 19 October 2021 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 2021, 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 2021, 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 2021" 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.



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 *R Readfearn Chair 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

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 2021

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
DIRECTORS' REPORT
for the year ended 30 June 2021

The directors have pleasure in presenting their report on the performance of the organisation for the year ended 30 June 2021.

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 4 427 871 (2020: 3 941 384) loans to the value of R 12.9 billion (2020: R 10.8 billion). In the current year the organisation granted 493 093 (2020: 484 033) loans to the value of R 2.1 billion (2020: R 1.9 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 and its satellite office is situated in Bryanston.

Operating results

Results for the year ended 30 June 2021 are set out on pages 7 to 51 of the annual financial statements. Loans and advances decreased by 0.3% and revenue increased by 9%. Operating and head office expenses increased by 6%.

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 not yet incurred not yet reported. An amount of R8 208 330 (2020: R 3 811 113) was written off during the year under review. An amount of R7 946 748 (2020: R 4 554 485) was provided for.

A debt is considered irrecoverable once it is 150 days in arrears. An amount of R26 619 140 (2020: R 5 134 408) was written off during the year under review. An amount of R34 957 882 (2020: R 31 735 633) was provided for.

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 and still outstanding at year-end was R1 013 924 (2020: R 912 413).

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 120 days to more than 150 days from 1 July 2020 due to the Covid-19 pandemic.

Accounting error impact

SEF established in 2021 that clients' overpayments were erroneously recognised as income due to an automatic journal entry that was erroneously programmed. SEF adjusted for this error in accordance with IAS 8 in 2021 and restated the comparative figures for 2020 and 2019 in accordance with IFRS as per note 27 to the financial statements. The impact of this error is a reduction in revenue of R 2 629 733 (2019: R 4 725 600) and loans and advances of R 7 273 725 (2019: R 4 724 263).

IFRS9 compliance impact

SEF provides loans at a fixed interest charge over the loan period irrespective of late or early repayments. SEF changed this in 2021 to conform with IFRS 9 by accruing interest at an effective interest rate and is written off when expected to be non-recoverable. The comparative figures for 2020 were restated in accordance with IAS 8 as per note 28 to the financial statements. SEF did not restate 2019 due to the absence of information.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
DIRECTORS' REPORT (continued)
for the year ended 30 June 2021

Credit losses and impairment (continued)

A provision for bad debt is created for all current loans in arrears up to 150 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 1.46% and TCP 1.25%	ILP 3.36% and LLP 2.03%
1 - 7 days in arrears	MCP 18.83% and TCP 7.73%	ILP 18.21% and LLP 2.38%
8- 30 days in arrears	MCP 23.01% and TCP 17.50%	ILP 18.21% and LLP 17.81%
31 - 60 days in arrears	MCP 58.63% and TCP 51.57%	ILP 45.77% and LLP 26.31%
61 - 90 days in arrears	MCP 97.33% and TCP 88.60%	ILP 86.80% and LLP 39.25%
91 - 120 days in arrears	MCP 100% and TCP 100%	ILP 100.00% and LLP 45.25%
121 - 150 days in arrears	MCP 100% and TCP 100%	ILP 100.00% and LLP 53.77%
151 days and older	The group loan is written off as bad debt if considered bad and irrecoverable	ILP 100.00% and LLP 66.48%
Rescheduled loans	MCP 100% and TCP 100% The individual loan is written off as bad	ILP 100.00% and LLP 100.00% The individual loan is written off as bad

Subsequent events

No subsequent 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)
Ms Refilwe Nompumelelo Mokoena (Independent non-executive)
Mrs Mmaboshadi Chauke (Independent non-executive)
Ms Yolisa Unati Mabandla (Independent non-executive - Chairperson)
Ms Mamodike Sarah Makgoba (Independent non-executive)
Ms Neo Ratau (Independent non-executive)
Ms Varaidzo Audrey Mureriwa (Independent non-executive appointed 24 March 2021)

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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E-mail

info@sef.co.za

Fax:

+27 15 307 2977

Ownership

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

Going concern

The impact of the Covid-19 pandemic and associated lockdowns have 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 2021

	<u>Notes</u>	<u>2021</u> R	<u>Restated</u> <u>2020</u> R	<u>Restated</u> <u>2019</u> R
ASSETS				
Non-current assets				
Property and equipment	2	13 759 035	16 350 797	15 995 013
Intangible assets	3	1 518 104	1 841 386	2 299 699
Total non-current assets		15 277 139	18 192 183	18 294 712
Current assets				
Loans and advances	4	615 751 745	617 848 454	567 622 940
Other receivables	5	4 804 926	8 702 744	7 949 368
Cash and short term funds		97 290 901	60 105 316	3 968 586
Total current assets		717 847 572	686 656 514	579 540 894
TOTAL ASSETS		733 124 711	704 848 697	597 835 606
FUNDS AND LIABILITIES				
Funds				
Non-distributable reserve	6	682 148	682 148	682 148
General capital reserve	7	40 556 014	40 333 290	40 323 290
Development reserve	8	6 654 459	6 654 459	6 654 459
Educational reserve	9	20 188	20 188	20 188
Retained earnings		138 621 013	98 228 981	68 213 743
Total funds		186 533 822	145 919 066	115 893 828
Non-current liabilities				
Long term loans	10	231 742 483	354 456 221	281 621 786
Current liabilities				
Short term loans	11	278 790 131	175 373 780	165 676 294
Trade and other payables	12	19 779 914	11 999 784	11 878 188
Provisions	13	11 267 171	11 991 557	8 248 436
Accruals	14	5 011 190	5 108 289	14 517 075
Total current liabilities		314 848 406	204 473 410	200 319 993
TOTAL FUNDS AND LIABILITIES		733 124 711	704 848 697	597 835 607

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF SURPLUS / (DEFICIT) AND COMPREHENSIVE INCOME
for the year ended 30 June 2021

NET SURPLUS	Notes	2021	Restated
		R	2020
			R
Revenue	15	456 281 596	416 004 084
Finance costs	16	(61 455 132)	(60 708 410)
Impairment of advances	17	(64 819 939)	(36 215 935)
Provision for loans and advances	4	(6 614 512)	(29 868 207)
Margin on lending activities		323 392 013	289 211 532
Operating expenses	23	(198 538 587)	(155 242 048)
Operating income		124 853 426	133 969 484
Sundry income		1 343 335	4 792 102
Profit on disposal of property and equipment		80 104	16 016
Income before head office expenses		126 276 865	138 777 602
Head office expenses	24	(86 163 444)	(112 610 695)
Surplus before grants	18	40 113 421	26 166 907
Capital grants received	19	35 419 636	10 000
Surplus for the year		75 533 057	26 176 907
Capital grants utilised	19	(35 419 636)	(10 000)
Revaluation of long term loan		1 148 890	1 136 238
Other Non-Operating income		-	4 757 214
Other Non-Operating expenses		(870 279)	(2 045 121)
Surplus for the year after grants		40 392 032	30 015 238
Other Comprehensive income		-	-
Total comprehensive income		40 392 032	30 015 238

**THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021**

	<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)
Correction of accounting error		-	-	-	-	(4 725 600)	(4 725 600)
Balance as at 30 June 2019 restated		682 148	40 323 290	6 654 459	20 188	68 213 743	115 893 828
Surplus for the year after grants		-	-	-	-	32 644 971	32 644 971
Grant income*	7,19	-	10 000	-	-	-	10 000
Correction of accounting error		-	-	-	-	(2 629 733)	(2 629 733)
Balance as at 30 June 2020 restated		682 148	40 333 290	6 654 459	20 188	98 228 981	145 919 066
Surplus for the year after grants		-	-	-	-	40 392 032	40 392 032
Grant income*	7,19	-	222 724	-	-	-	222 724
Balance as at 30 June 2021		682 148	40 556 014	6 654 459	20 188	138 621 013	186 533 822

* Capital grants utilised 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. However, grants received for the purposes of providing grant funding to beneficiaries, when utilised, were expensed in income.

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	Notes	<u>2021</u> R	<u>Restated</u> <u>2020</u> R	<u>Restated</u> <u>2019</u> R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash utilised in operations	A	120 411 659	40 408 047	(14 765 285)
Finance costs		(61 455 132)	(60 708 410)	(51 644 034)
Net cash used in operating activities		<hr/> 58 956 527	<hr/> (20 300 363)	<hr/> (66 409 319)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment		(1 780 730)	(5 239 255)	(5 292 026)
Additions to intangible assets		(995 653)	(917 856)	(1 634 539)
Proceeds on disposal of property and equipment		80 104	52 282	2 969 775
Net cash outflows from investing activities		<hr/> (2 696 279)	<hr/> (6 104 829)	<hr/> (3 956 790)
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease)/Increase in short terms loans		103 416 351	9 697 485	(30 093 653)
(Decrease)/Increase in long term loans		(122 713 738)	72 834 436	99 924 393
Capital grants utilised		222 724	10 000	164 920
Net cash inflows from financing activities		<hr/> (19 074 663)	<hr/> 82 541 921	<hr/> 69 995 660
NET DECREASE IN CASH AND CASH EQUIVALENTS		37 185 585	56 136 729	(370 449)
Cash and cash equivalents at beginning of the financial year		60 105 315	3 968 586	4 339 035
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	B	<hr/> 97 290 900	<hr/> 60 105 315	<hr/> 3 968 586

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	<u>2021</u>	<u>Restated</u> <u>2020</u>	<u>Restated</u> <u>2019</u>
	R	R	R
A. CASH UTILISED IN OPERATIONS			
Surplus before grants	40 113 421	26 166 907	20 467 535
Adjusted for:			
- Finance costs	61 455 132	60 708 410	51 644 034
- Depreciation	4 357 554	4 847 205	2 644 643
- Amortisation of intangible assets	1 318 935	1 376 169	1 036 711
- (Profit) on disposal of property and equipment	(80 104)	(16 016)	(3 734 406)
- Bad debt and death write offs	34 827 740	8 945 521	6 612 326
- (Decrease) / Increase in provisions	(724 386)	3 743 121	1 033 767
- (Decrease) / Increase in loan loss provision	6 614 512	29 868 207	-
- Revaluation of land & buildings	-	-	1 969 927
- Revaluation of long term liability	1 148 890	1 136 238	-
- Scrapping of fixed assets	14 938	-	216 010
- Other Non-Operating income	-	4 757 214	-
- Other Non-Operating expenses	(870 279)	(2 045 121)	-
Operating surplus before working capital changes	148 176 353	139 487 855	81 890 546
Adjusted for changes in working capital:			
- Increase in other receivables	3 897 818	(753 376)	(2 380 604)
- Increase / (Decrease) in trade and other payables	7 780 130	121 597	5 985 817
- Increase in other accruals and provisions	(97 099)	(9 408 787)	2 459 441
- Increase in loans and advances excluding provisions	(39 345 543)	(89 039 242)	(102 720 485)
Cash utilised in operations	<u>120 411 659</u>	<u>40 408 047</u>	<u>(14 765 285)</u>
B. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of:			
Balances with banks	105 373 678	60 105 316	12 281 901
Bank balances in credit	(8 082 777)	-	(8 313 315)
Total balances with banks	<u>97 290 901</u>	<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 2021

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 utilised. 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 2021

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 are incurred as part of employment costs.

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 2021

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).

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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.

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2021

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 2021 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 also assesses the right-of-use asset for impairment when such indicators exist.

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 payments.

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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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2. Property and equipment

	Land & buildings	Furniture & fittings	Office equipment	Computer equipment	Motor vehicles	Right of use assets	Total
	R	R	R	R	R	R	R
2021							
Cost							
At beginning of year	9 774 978	3 758 631	6 087 472	14 950 801	1 483 160	1 307 206	37 362 248
Additions	42 000	33 177	28 104	1 437 797	-	239 652	1 780 730
Disposals	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-
Scrappings	-	-	-	(61 420)	-	-	(61 420)
At end of year	9 816 978	3 791 808	6 115 576	16 327 178	1 483 160	1 546 858	39 081 558
Accumulated amortisation							
At beginning of year	(1 414 045)	(3 170 757)	(3 944 495)	(10 668 832)	(992 158)	(821 163)	(21 011 451)
Amortisation	(245 339)	(250 788)	(687 409)	(2 390 004)	(289 428)	(494 586)	(4 357 554)
Scrapping Amortisation	-	-	-	46 482	-	-	46 482
At end of year	(1 659 384)	(3 421 545)	(4 631 904)	(13 012 354)	(1 281 586)	(1 315 749)	(25 322 523)
Carrying value	8 157 594	370 263	1 483 672	3 314 824	201 574	231 109	13 759 035

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 2021 would be R7 475 445 (2020: R 7 678 785).

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2021

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

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 2020 would be R7 678 785 (2019: R 7 892 543).

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

	2021			2020		
	Computer software	Management information system	Total	Computer software	Management information system	Total
	R	R	R	R	R	R
Cost						
At beginning of year	2 306 402	6 703 598	9 010 000	1 767 231	6 324 913	8 092 144
Additions	87 067	908 586	995 653	539 171	378 685	917 856
At end of year	2 393 469	7 612 184	10 005 653	2 306 402	6 703 598	9 010 000
Accumulated amortisation						
At beginning of year	(1 583 110)	(5 585 504)	(7 168 614)	(1 199 163)	(4 593 282)	(5 792 445)
Amortisation	(427 028)	(891 907)	(1 318 935)	(383 947)	(992 222)	(1 376 169)
At end of year	(2 010 138)	(6 477 411)	(8 487 549)	(1 583 110)	(5 585 504)	(7 168 614)
Carrying value	383 331	1 134 773	1 518 104	723 292	1 118 094	1 841 386

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2021</u>	<u>Restated</u>
	R	2020
		R
4 Loans and advances		
Gross advances	645 169 054	641 169 504
Accrued interest on advances	13 487 321	12 969 068
Provision for bad debt	(34 957 882)	(31 735 633)
Incurred but not reported provision (death write-offs)	(7 946 748)	(4 554 485)
	615 751 745	617 848 454
Movement in impairment provision:		
Balance at beginning of the year	36 290 118	6 421 911
Current year movement in provision	6 614 512	29 868 207
	42 904 630	36 290 118

Advances are funded out of loans and capital grants received.

The company's Head Office is in Tzaneen with a satellite office in Bryanson. The company is operating 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)
for the year ended 30 June 2021

	<u>2021</u>	<u>2020</u>
	R	R
4 Loans and advances (continued)		
A total amount of R54 656 831 (2020 R 73 469 495) of advances was in arrears at the financial year end. An analysis of the arrears for the current year is presented below.		
Rescheduled loans	1 013 924	912 413
1 – 30 days	28 211 092	46 218 593
31 – 60 days	8 929 012	6 749 543
61 – 90 days	5 223 227	15 751 910
91 – 120 days	4 817 770	3 674 579
120 – 150 days	6 460 912	162 457
> 150 days	894	-
	54 656 831	73 469 495

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 their illness. If no loan repayment is received for 12 consecutive months, then the rescheduled loan is written off.

5 Other receivables

advances, study loans, housing and car loans given to staff. The housing and car 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 in this year (2020: 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	106 823	76 102
Rental deposits	250 133	208 959
Accrued debtors	423 537	5 043 424
Prepayments	4 024 433	3 374 259

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

4 804 926	8 702 744
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Other receivables are neither past due nor impaired.

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2021

	<u>2021</u>	<u>2020</u>
	R	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	682 148
Revaluation of Land & Buildings - prior year	-	-
Revaluation of Land & Buildings - current year	-	-
Sale of property at 42 Boundary Road, Tzaneen	-	-
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 Ashburton, BNP Paribas, Cadiz 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	40 333 290	40 323 290
Movement in general capital reserve	222 724	10 000
Balance at the end of the year	<u>40 556 014</u>	<u>40 333 290</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
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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2021 2020
R 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 consists of the following facilities:

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	88 500 381	88 057 914
Short term portion transferred to current liabilities	(65 163 726)	-
Long term portion	23 336 655	88 057 914

THE SMALL ENTERPRISE FOUNDATION
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	<u>2021</u>	<u>2020</u>
	R	R
10 Long term loans (continued)		
Fefisol / Sidi		
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. This loan was fully repaid in May 2021.		
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. This loan was fully repaid in May 2021.		
Balance	-	7 489 265
Short term portion transferred to current liabilities	-	(6 758 173)
Long term portion	<u>-</u>	<u>731 092</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% 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). This loan was fully repaid in March 2021		
Balance	-	4 519 316
Short term portion transferred to current liabilities	-	(3 582 512)
Long term portion	<u>-</u>	<u>936 804</u>

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	<u>2021</u>	<u>2020</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. This facility matured on 30 November 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	6 591 840	11 016 638
Short term portion transferred to current liabilities	(4 285 714)	(4 285 714)
Long term portion	<u>2 306 126</u>	<u>6 730 924</u>

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2021 2020
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 fully repaid in November 2020.

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 current rate is 8.025%. 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 are unsecured.

Balance	11 352 236	22 736 339
Short term portion transferred to current liabilities	(7 500 000)	(11 302 745)
Long term portion	3 852 236	11 433 594

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%. This facility was extended for another 3 years from 3 November 2020 and is repayable in full on maturity on 3 November 2023. The facility is secured through a cession of book debts funded by Cadiz. There was nothing owed on this facility at 30 June 2021.

Balance	-	-
Short term portion transferred to current liabilities	-	-
Long term portion	-	-

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	<u>2021</u>	<u>2020</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.		
In November 2020 the company entered into a seventh loan agreement with Whole Planet Foundation for R 4 551 930. This loan is interest free. Capital is repayable in 3 equal quarterly instalments starting on 31 January 2024.		
These loans are unsecured.		
Balance	16 943 885	15 588 751
Short term portion transferred to current liabilities	(4 844 864)	(3 633 648)
Long term portion	<u>12 099 021</u>	<u>11 955 103</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. Interest is capitalized monthly. Capital is repayable in 60 instalments together with interest commencing 3 months after disbursement. The loan carries interest at prime less 1.0%. The facility is secured through a cession of book debts funded by SEFA. There was nothing owed on this facility at 30 June 2021.

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. Capital is repayable no later than 60 months from the date of the first advance / disbursement. Interest is capitalized and payable monthly. The loan carries interest at a fixed rate of 11.0%. The facility is secured through a cession of book debts of R 15 million funded by SEFA. There was nothing owed on this facility at 30 June 2021.

Balance	(558 482)	205 792
Short term portion transferred to current liabilities	558 482	(205 792)
Long term portion	<u>-</u>	<u>-</u>

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	<u>2021</u>	<u>2020</u>
	R	R
10 Long term loans (continued)		
Freddie Marincowitz Welfare Trust		
<p>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.</p>		
Balance	10 070 377	10 081 608
Short term portion transferred to current liabilities	(10 070 377)	(10 081 608)
Long term portion	<u>-</u>	<u>-</u>
Atlantic Asset Management		
<p>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.</p> <p>These loans are unsecured.</p>		
Balance	30 184 012	30 189 863
Short term portion transferred to current liabilities	(30 184 012)	-
Long term portion	<u>-</u>	<u>30 189 863</u>

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2021 2020
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 3.5 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 loan was fully repaid in November 2020.

These loans are unsecured.

Balance	24 391 671	80 360 019
Short term portion transferred to current liabilities	(24 391 671)	(55 968 348)
Long term portion	-	24 391 671

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	<u>2021</u>	<u>2020</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 ay 30 June 2021 was 8.683%. 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	6 349 851	19 054 673
Short term portion transferred to current liabilities	(6 349 851)	(12 654 545)
Long term portion	<u>-</u>	<u>6 400 128</u>

Symbiotics

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.

In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 8.25 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 18 May 2021. Capital is repayable in 3 equal annual instalments from 18 November 2021. As at June 2021 the full facility had been drawn down.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2021</u>	<u>2020</u>
	R	R
10 Long term loans (continued)		
Symbiotics (continued)		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 33 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 13 May 2021. Capital is repayable in 3 equal annual instalments from 13 November 2021. As at June 2021 the full facility had been drawn down.		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 14.5 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 13 May 2021. Capital is repayable in 3 equal annual instalments from 13 November 2021. As at June 2021 the full facility had been drawn down.		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 14.5 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 13 May 2021. Capital is repayable in 3 equal annual instalments from 13 November 2021. As at June 2021 the full facility had been drawn down.		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 40.3 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 13 May 2021. Capital is repayable in 3 equal annual instalments from 13 November 2021. As at June 2021 the full facility had been drawn down.		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 8.25 million. The term of the loan is 3 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 13 May 2021. Capital is repayable in 3 equal annual instalments from 13 November 2021. As at June 2021 the full facility had been drawn down.		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 4 566 210. The term of the loan is 2 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 26 May 2021. Capital is repayable in 2 equal annual instalments from 26 November 2021. As at June 2021 the full facility had been drawn down.		
In October 2020 the Company entered into a loan agreement with Regmifa for R 4.8 million. The term of the loan is 1 year. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 26 April 2021. Capital is repayable in 1 bullet instalment on 26 October 2021. As at June 2021 the full facility had been drawn down.		
In October 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 4.8 million. The term of the loan is 2.5 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 24 April 2021. Capital is repayable in a bullet instalments on 24 April 2024. As at June 2021 the full facility had been drawn down.		
In November 2020 the Company entered into a loan agreement with Symbiotics Sicav (Lux) for R 3.199 million. The term of the loan is 2 years. This loan carries interest at a fixed rate of 9.5% and is payable bi-annually commencing on 15 May 2021. Capital is repayable in a bullet instalments on 15 November 2022. As at June 2021 the full facility had been drawn down.		
These loans are unsecured.		
Balance	169 053 353	57 130 019
Short term portion transferred to current liabilities	(64 654 395)	(31 238 665)
Long term portion	<u>104 398 958</u>	<u>25 891 354</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2021</u>	<u>2020</u>
	R	R
10 Long term loans (continued)		
Global Partnerships Impact - First 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	17 467 905	17 446 614
Short term portion transferred to current liabilities	(5 806 667)	-
Long term portion	<u>11 661 238</u>	<u>17 446 614</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	50 800 000
Short term portion transferred to current liabilities	(25 000 000)	-
Long term portion	<u>25 800 000</u>	<u>50 800 000</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	35 259 179	35 295 097
Short term portion transferred to current liabilities	-	-
Long term portion	<u>35 259 179</u>	<u>35 295 097</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	30 157 125	50 261 875
Short term portion transferred to current liabilities	(20 000 000)	(20 000 000)
Long term portion	<u>10 157 125</u>	<u>30 261 875</u>

THE SMALL ENTERPRISE FOUNDATION
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2021</u>	<u>2020</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.		
This facility was amended in August 2020 whereby the capital of R24 545 454 was split into two loans:		
First loan of R10 909 090 for 1 year with capital repayable in 4 equal quarterly instalments from 27 November 2020. The loan carries interest at 3-months Jibar plus a 4.5% margin and is payable in arrears commencing from 27 November 2020; the current rate is 8.142%.		
Second loan of R10 909 090 for 2 years with capital repayable in 4 equal quarterly instalments from 29 November 2021. The loan carries interest at prime and is payable in arrears commencing from 27 November 2020; the current rate is 7%.		
Balance	13 728 181	29 067 117
Short term portion transferred to current liabilities	(10 929 775)	(15 194 805)
Long term portion	<u>2 798 406</u>	<u>13 872 312</u>
Lease liability		
Leases with a tenor of longer than 12 months are capitalised in line with IFRS 16.		
Balance	241 100	529 101
Short term portion transferred to current liabilities	(167 561)	(467 223)
Long term portion	<u>73 539</u>	<u>61 878</u>
Total long term loans	<u>231 742 483</u>	<u>354 456 221</u>

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
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for the year ended 30 June 2021

	<u>2021</u>	<u>2020</u>	
	R	R	
11 Short term loans			
Other short term loans			
Current portion Hivos Triodos Bank loan	65 163 726	-	
Current portion Fefisol / Sidi loan	-	6 758 173	
Current portion Oikocredit loan	4 285 714	4 285 714	
Current portion Masisizane loan	-	3 582 512	
Current portion of FMO loan	7 500 000	11 302 745	
Current portion of Whole Planet Foundation loan	4 844 864	3 633 648	
Current portion of Freddie Marincowitz Welfare Trust loan	10 070 377	10 081 608	
Current portion of Atlantic Asset Management loan	30 184 012	-	
Current portion of SEFA revolving credit facility	(558 482)	205 792	
Current portion of Oxfam Novib loan	24 391 671	55 968 348	
Current portion of KfW loan	6 349 851	12 654 545	
Current portion of Symbiotics loan	64 654 395	31 238 665	
Current portion of Global Partnerships Impact - First Development Fund, LLC loan	5 806 667	-	
Current portion of Abor FS Ltd loan	25 000 000	-	
Current portion of Grameen Credit Agricole Microfinance Foundation loan	20 000 000	20 000 000	
Current portion of BNP Paribas loan	10 929 775	15 194 805	
Current portion of lease liability	167 561	467 223	
	278 790 131	175 373 780	
Total short term loans	278 790 131	175 373 780	
12 Trade and other payables		<u>Restated</u>	<u>Restated</u>
		<u>2020</u>	<u>2019</u>
Trade and other payables	8 076 803	4 644 451	7 152 588
Loans and advances with credit balances	11 703 111	7 355 333	4 725 600
Total trade and other payables	19 779 914	11 999 784	11 878 188

THE SMALL ENTERPRISE FOUNDATION
(Non-Profit Company)
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2021

	<u>2021</u>	<u>2020</u>
	R	R
13 Provisions		
Provision for accumulated leave	4 739 451	5 365 844
Provision for 13th cheque	4 902 655	4 610 775
Provision for auditor's remuneration	1 625 065	2 014 938
	11 267 171	11 991 557
Movement in accumulated leave provision:		
Balance at beginning of the year	5 365 844	3 366 499
Current year movement in provision	14 518 679	9 590 173
Amounts used this year	(15 145 072)	(7 590 828)
	4 739 451	5 365 844
Movement in 13th cheque provision:		
Balance at beginning of the year	4 610 775	3 885 452
Current year movement in provision	9 883 439	8 390 148
Amounts used this year	(9 591 559)	(7 664 825)
	4 902 655	4 610 775
Movement in auditor's remuneration provision:		
Balance at beginning of the year	2 014 938	996 485
Current year movement in provision	2 090 588	2 014 938
Amounts used this year	(2 480 461)	(996 485)
	1 625 065	2 014 938

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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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	<u>2021</u>	<u>2020</u>
	R	R
19 Grants received		
Grants received		
- L Motshoane*	-	10 000
- Ashburton***	34 393 154	-
- BNP Paribas***	1 000 000	-
- Cadiz	26 482	-
Total grants received	<u>35 419 636</u>	<u>10 000</u>
Grants utilised	35 196 912	10 000
Grants not utilised**	222 724	-
Total capital grants received	<u>35 419 636</u>	<u>10 000</u>

* 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.

** BNP Paribas grant was not all used in this year for its intended purposes and is transferred to reserves.

*** These grants were specifically for the purposes of providing relief to beneficiaries who suffered loss due to the Covid-19 pandemic and such grants were provided as grant funding to those beneficiaries.

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	720 482	275 808
Amounts payable within 2 – 5 year	-	-
	<u>720 482</u>	<u>275 808</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 2021 the company contributed R 25 019 839 (2020 R 23 419 016) 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)
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	<u>2021</u>	<u>2020</u>	<u>2018</u>
	R	R	R
23 Operating expenses			
Operations	14 458 946	9 238 097	7 090 398
Central Zone	14 180 177	12 093 753	10 813 302
North Zone	15 552 861	13 341 253	10 556 515
South Zone	14 743 846	12 963 905	11 407 281
West Zone	15 189 879	12 796 051	11 296 739
Butterworth Zone	13 356 561	9 235 615	9 202 277
Hammanskraal Zone	-	12 492 695	11 282 849
Mpumalanga Zone	-	11 417 920	7 058 201
KWT Zone	14 571 954	10 493 032	8 599 579
Mafekeng Zone	-	10 953 706	10 625 633
Umtata Zone	11 948 627	9 983 190	9 031 547
Mount Frere Zone	13 389 976	9 956 813	10 257 238
MP South Zone	-	6 089 889	6 300 457
Chris Hani Zone	11 901 893	12 508 565	8 380 909
Umfolozzi Zone	(3 668)	4 564 446	-
Bela-Bela Zone	11 355 189	12 881 284	-
Zeerust Zone	15 329 809	13 203 849	-
Mhlontlo Zone	13 288 142	9 841 894	-
KwaMhlanga Zone	9 675 604	-	-
East Zone	14 205 106	-	-
Vryburg Zone	13 846 514	-	-
Uhlelo Zone	12 282 697	-	-
Ikhhlala Zone	10 706 726	-	-
Less: Impairment of advances disclosed per note 17			
Bad debts written off	(26 619 410)	(5 134 408)	(4 078 201)
Death write-offs	(8 208 330)	(3 811 113)	(2 917 045)
Less: Provision for loans and advances per note 4	(6 614 512)	(29 868 207)	(702 499)
Other	-	181	(25 636)
	198 538 587	155 242 048	124 179 544

24 Total head office cost

Training department	13 532 250	12 701 749	9 312 091
Human Resources department	9 217 230	10 059 112	6 777 526
Quality Assurance department	5 199 628	4 935 839	4 179 352
Loan administration	8 279 437	8 174 917	6 513 895
Research and development	13 225 343	11 986 713	6 813 674
Senior Management Finance and secretarial	23 704 361	50 607 407	42 921 659
Information Technology Department	12 000 776	13 183 562	5 680 456
United States Office	293 627	376 472	327 864
Bryanston Office	710 792	584 924	721 122
	86 163 444	112 610 695	83 247 639

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.

A portion of the loan portfolio was ceded as security for long term debt obligations as per note 10 of the annual financial statements.

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	<u>2021</u>	<u>2020</u>
	R	R
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).		
Renting of office space and use of telephone, water and electricity.	37 236	98 317

	<u>2020</u>	<u>2019</u>
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Recognition of client overpayments:

SEF established that clients' overpayments were erroneously recognised as income due to an automatic journal entry that was erroneously programmed. SEF adjusted for this error in accordance with IAS 8 in 2021 and restated the comparative figures for 2020 and 2019 in accordance with IFRS.

The effect of the correction of the error on the results for 2020 and 2019 are as follows:

Decrease in revenue	(2 629 733)	(4 725 600)
(Decrease) in surplus	<u>(7 355 333)</u>	<u>(4 725 600)</u>
Decrease in loans and advances	(7 273 725)	(4 724 263)
Increase in current liabilities	(81 608)	(1 337)
(Decrease) / Increase in current assets and current liabilities	<u>(7 355 333)</u>	<u>(4 725 600)</u>

	<u>2021</u>	<u>2020</u>
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SEF provides loans at a fixed interest charge over the loan period irrespective of late or early repayments. IFRS 9 requires interest to be accrued at an effective interest rate and is written off when it expected to be non-recoverable.

SEF did not calculate the effect on 2019 due to the information not being available. The effect of the adjustment to conform with IFRS9 on the results for 2021 and 2020 are as follows:

Increase in revenue	32 319 725	27 528 829
Increase in expenses	(32 319 725)	(27 528 829)
Increase / (Decrease) in surplus	<u>-</u>	<u>-</u>

29 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.

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29 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.

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29.1 Statement of financial position - categories of financial instruments - 2021

	Total	Loans and receivables	Financial liabilities at amortised cost	Other and Non-financial assets and liabilities
	R	R	R	R
Assets				
Property and equipment	13 759 035	-	-	13 759 035
Intangible assets	1 518 104	-	-	1 518 104
Loans and advances	615 751 745	615 751 745	-	-
Other receivables	4 804 926	4 804 926	-	-
Cash and short term funds	97 290 901	97 290 901	-	-
Total assets	733 124 711	717 847 572	-	15 277 139
Funds and liabilities				
General capital reserve	40 556 014	-	-	40 556 014
Developmental reserve	6 654 459	-	-	6 654 459
Educational reserve	20 188	-	-	20 188
Retained earnings	138 621 013	-	-	138 621 013
Non – distributable reserve	682 148	-	-	682 148
Long term loans	231 742 483	-	231 742 483	-
Short term loans	278 790 131	-	278 790 131	-
Trade and other payables	19 779 914	-	19 779 914	-
Accruals and Provisions	16 278 361	-	16 278 361	-
Total funds and liabilities	733 124 711	-	546 590 889	186 533 822

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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29.1 Statement of financial position - categories of financial instruments - 2020 (Restated)

	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	617 848 454	617 848 454	-	-
Other receivables	8 702 744	8 702 744	-	-
Cash and short term funds	60 105 316	60 105 316	-	-
Total assets	704 848 697	686 656 514	-	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	98 228 981	-	-	98 228 981
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	11 999 784	-	11 999 784	-
Accruals and Provisions	17 099 846	-	17 099 846	-
Total funds and liabilities	704 848 697	-	558 929 631	145 919 066

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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29.2 Income and expenses per category of financial assets and financial liabilities – 2021

	Total R	Loans and receivables R	Financial liabilities at amortised cost R	Non-financial assets and liabilities R
Interest income	409 771 130	409 771 130	-	-
Finance cost	(61 455 132)	-	(61 455 132)	-
Service fees	14 190 741	14 190 741	-	-
Other income	1 423 439	-	-	1 423 439
Impairment and provision for impairment on loans and advances	(71 434 451)	(71 434 451)	-	-
Other operating expenses	(284 702 031)	-	-	(284 702 031)
Revaluation of long term loan	1 148 890	-	1 148 890	-
Other Non-Operating income	0	-	-	0
Other Non-Operating expenses	(870 279)	-	-	(870 279)
Surplus for the year	8 072 307	352 527 420	(60 306 242)	(284 148 871)

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29.2 Income and expenses per category of financial assets and financial liabilities – 2020 (Restated)

	Total	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities
	R	R	R	R
Interest income	378 095 015	378 095 015	-	-
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	(66 084 142)	(66 084 142)	-	-
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	2 486 409	322 391 113	(59 572 172)	(260 332 532)

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29.3 Liquidity risk management - 2021

	Total R	<1 year R	>1 year <5 year R	> 5 year R	Non - determined R
Funds					
Total funds	186 533 822	-	-	-	186 533 822
Discounted liabilities					
Long term loans	231 742 483	-	231 742 483	-	-
Short term loans	278 790 131	278 790 131	-	-	-
Undiscounted liabilities					
Trade and other payables	19 779 914	19 779 914	-	-	-
Accruals and Provisions	16 278 361	16 278 361	-	-	-
Total funds and liabilities	733 124 711	314 848 406	231 742 483	-	186 533 822

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29.3 Liquidity risk management - 2020 (Restated)

	Total R	<1 year R	>1 year <5 year R	> 5 year R	Non - determined R
Funds					
Total funds	145 919 066	-	-	-	145 919 066
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	11 999 784	11 999 784	-	-	-
Accruals and Provisions	17 099 846	17 099 846	-	-	-
Total funds and liabilities	704 848 697	204 473 410	354 456 221	-	145 919 066

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2021

	<u>2021</u>	<u>Restated</u>
	R	2020
		R
29.4 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	1 013 924	912 413
Loans and advances past due and impaired	53 642 907	72 557 082
Past due up to 30 days	28 211 092	46 218 593
Past due up to 31-60 days	8 929 012	6 749 543
Past due up to 61-90 days	5 223 227	15 751 910
Past due up to 91-120 days	4 817 770	3 674 579
Past due up to 120-150 days	6 460 912	162 457
Past due > 150 days	894	-
Loan advances neither past due and nor impaired	603 999 544	580 669 077
Gross loans and advances	658 656 375	654 138 572
Provision for impairments	(42 904 630)	(36 290 118)
Net loans and advances	<u>615 751 745</u>	<u>617 848 454</u>

THE SMALL ENTERPRISE FOUNDATION
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for the year ended 30 June 2021

29.5 Interest rate risk – 2021

	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	13 759 035	-	-	-	13 759 035
Intangible Assets	1 518 104	-	-	-	1 518 104
Loans and advances (fixed rate)	615 751 745	-	-	-	615 751 745
Other receivables	4 804 926	-	-	-	4 804 926
Cash and short term funds	97 290 901	-	-	-	97 290 901
Total assets	733 124 711	-	-	-	733 124 711
Funds					
Total funds	186 533 822	-	-	-	186 533 822
Discounted liabilities					
Long term loans	231 742 483	-	9 030 307	-	222 712 176
Short term loans	278 790 131	73 773 672	-	-	205 016 459
Undiscounted liabilities					
Trade and other payables	19 779 914	-	-	-	19 779 914
Accruals and Provisions	16 278 361	-	-	-	16 278 361
Total funds and liabilities	733 124 711	73 773 672	9 030 307	-	650 320 732
Interest rate gap		(73 773 672)	(9 030 307)		82 803 979

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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29.5 Interest rate risk – 2020 (Restated)

	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)	617 848 454	-	-	-	617 848 454
Other receivables	8 702 744	-	-	-	8 702 744
Cash and short term funds	60 105 316	-	-	-	60 105 316
Total assets	704 848 697	-	-	-	704 848 697
Funds					
Total funds	145 919 066	-	-	-	145 919 066
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	11 999 784	-	-	-	11 999 784
Accruals and Provisions	17 099 846	-	-	-	17 099 846
Total funds and liabilities	704 848 697	61 408 593	69 625 502	-	573 814 602
Interest rate gap		(61 408 593)	(69 625 502)		131 034 095

THE SMALL ENTERPRISE FOUNDATION
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2021 **2020**
R R

29.6 Interest rate sensitivity analysis

As at 30 June 2021, 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	5 105 326	5 298 300
Increase	(5 105 326)	(5 298 300)

30 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	3 215 923	3 612 270
Retirement and Medical Aid contributions	-	-
Expenses related to managerial duties	-	23 381
	3 215 923	3 635 651

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

Prescribed officer's emoluments

C van Vuuren

Services to the company	1 115 752	1 307 790
Retirement and Medical Aid contributions	271 311	275 295
	1 387 063	1 583 085

Z Raymond

Services to the company	-	1 716 257
Retirement and Medical Aid contributions	-	308 166
	-	2 024 423

L Motshoane

Services to the company	1 470 875	396 164
Retirement and Medical Aid contributions	351 703	81 544
	1 822 578	477 708

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31 Standards

Standards adopted with no effect on financial statements

The company has chosen not to early adopt any of the following new and revised Standards, amendments thereto and interpretations thereof in these financial statements.

Standards (New)	Effective for year ends on or after
Standards (Interpretations)	Effective for year ends on or after
Standards (Amendments)	Effective for year ends on or after
IFRS 16 Leases: Covid-19 related rent concessions	1 April 2021
IFRS 4 Insurance contracts: Deferral of IFRS 9	1 January 2018
IFRS 7, IFRS 4, IFRS 16: Interest rate benchmark reform	1 January 2021
IFRS 3 Business combinations: Conceptual Framework for financial reporting	1 January 2022
IAS 16 Property, plant and equipment: Prohibits deduction of sale proceeds before use	1 January 2022
IAS 37 Provisions, contingent liabilities/assets: Cost in contracts when loss-making	1 January 2022
IAS 1: Presentaion of financial statements: Classification of liabilities	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IAS 12 Deferred tax: Recognise equal amounts of taxable and deductible temporary differences	1 January 2023
IFRS 17 Insurance contracts: Replaces IFRS 4	1 January 2023