



sefa

Small Enterprise Finance Agency

sefa's Corporate Plan and APPs: (2021/22 – 2025/26)

**Building Towards Economic
Recovery by Deepening
Access to Finance to
the SMME sector**

Portfolio Committee on Small Business Development

5 May 2021

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Strategic Overview



Building Towards Economic Recovery by Deepening Access to Finance to the SMME sector

Introduction

- **sefa** was incorporated on 1 April 2012 under Section 3(d) of the Industrial Development Act as a development finance institution with a mandate to provide financial support to SMMEs and Co-operatives.
- **sefa** targets high-risk market segments that are not traditionally served by the commercial banking sector.
- **sefa**'s operational model has been designed to address this market failure by providing finance directly to its target market through its regional branch network as well as indirectly through wholesale finance and credit guarantee products.
- The 2021/22 Corporate Plan assumes a strategic posture that seeks to strike a balance between the delivery of its mandate, the pressing need to be financially sustainable and be responsive to:
 - the changes in the economic environment (COVID-19 and the sovereign credit downgrade),
 - priorities identified in the Medium Term Strategic Framework (2020 - 2024) of the sixth administration.
- The development of the Corporate Plan and APP was a consultative process comprising of:
 - **sefa** EXCO (the assessment of the operating environment in identifying the organisational priorities)
 - Board Strategy Session (engagement on EXCO's Strategy Proposals and high level performance scorecard)
 - Comment and inputs on the 1st draft Corporate Plan/APPs from EXCO and HoDs
 - Engagement with DSBD on their inputs on the draft Corporate Plan / APPs.



Vision, Mission & Values

Vision

To be the leading catalyst for the development of sustainable Small Medium and Micro Enterprises and Co-operative Enterprises through the provision of finance.

Mission

To provide simple access to finance in an efficient and sustainable manner to SMMEs and Co-operatives throughout South Africa by:

- providing loan and credit facilities to SMMEs and Co-operative enterprises;
- providing credit guarantees to SMMEs and Co-operative Enterprises;
- creating strategic partnerships with a range of institutions for sustainable SMME and Co-operative enterprise development and support;
- developing, through partnerships, innovative finance products, tools and channels to catalyse increased market participation in the provision of affordable finance.

Objective

- ensure **sefa** is a high impact, high-performance DFI that is responsive to the government's microeconomic policies and specifically the DSBD MTEF plan
- align **sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy
- develop the **sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models
- improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions

Values

Kuyasheshwa!

Passion for
development

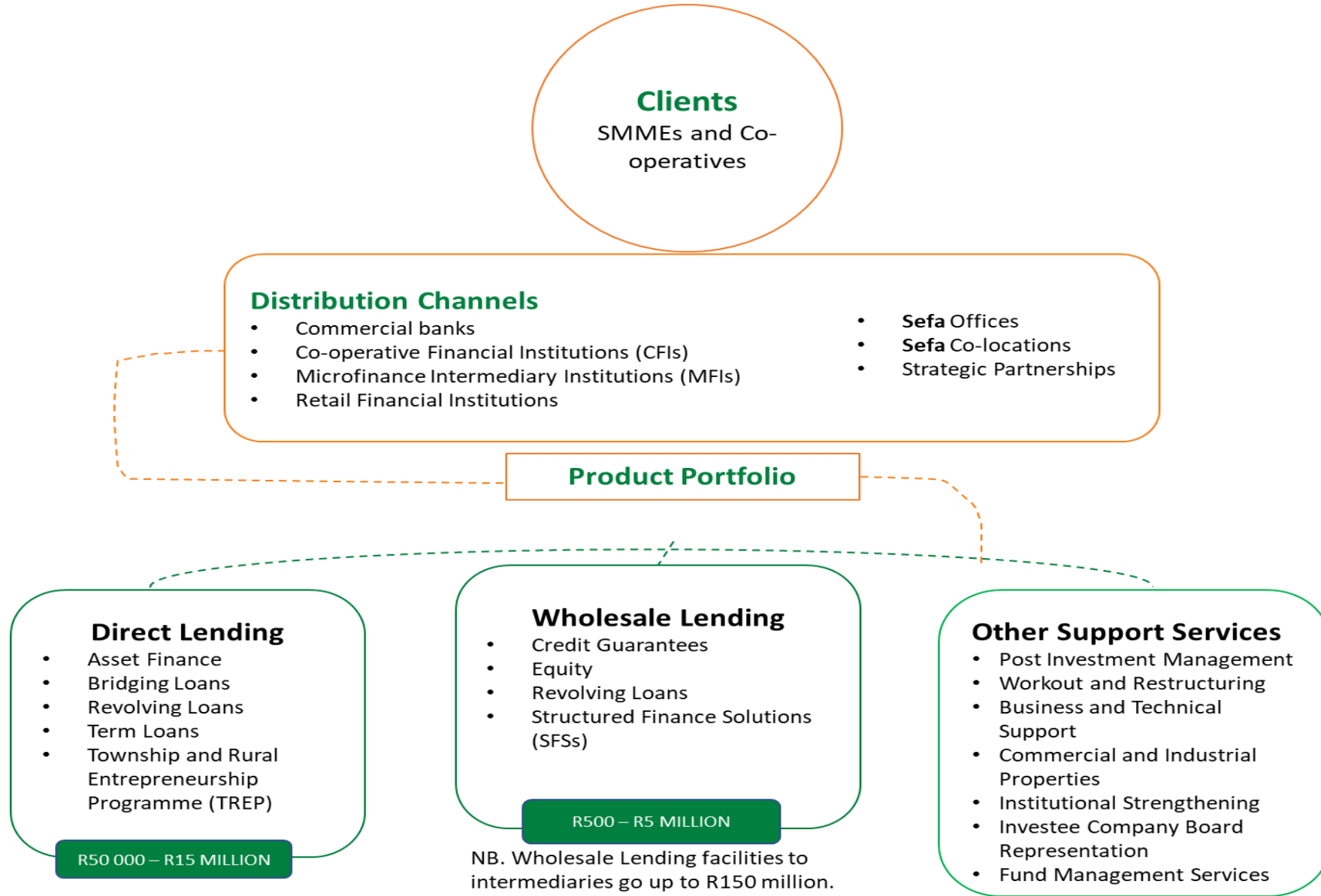
Integrity

Transparency

Innovation



sefa's Operational Model



Legislative Mandate

Policies and legislation that guide sefa's Operations		
Foundational Policies	Sector-Based Policies	Legislation
The National Strategy on the Development and Promotion of Small Business in South Africa (1995)	Co-operatives Development Policy (2004)	National Small Business Act (1996; revised 2004)
Integrated Small Business Development Strategy (2004 – 2014)	Integrated Strategy on the Development and Promotion of Co-operatives (2012)	National Credit Act
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	National Informal Business Upliftment Strategy (2013)	Industrial Development Act
	Youth Enterprise Development Strategy 2013-2023 (2014)	Financial Intelligence Centre Act (FICA)
		Consumer Protection Act, 2008
		Companies Act of 2011
		Co-operatives Act (No. 14 of 2005)
		Short Term Insurance Act
		Promotion of Access to Information Act, 2000
		Public Finance Management Act (1999 as amended)

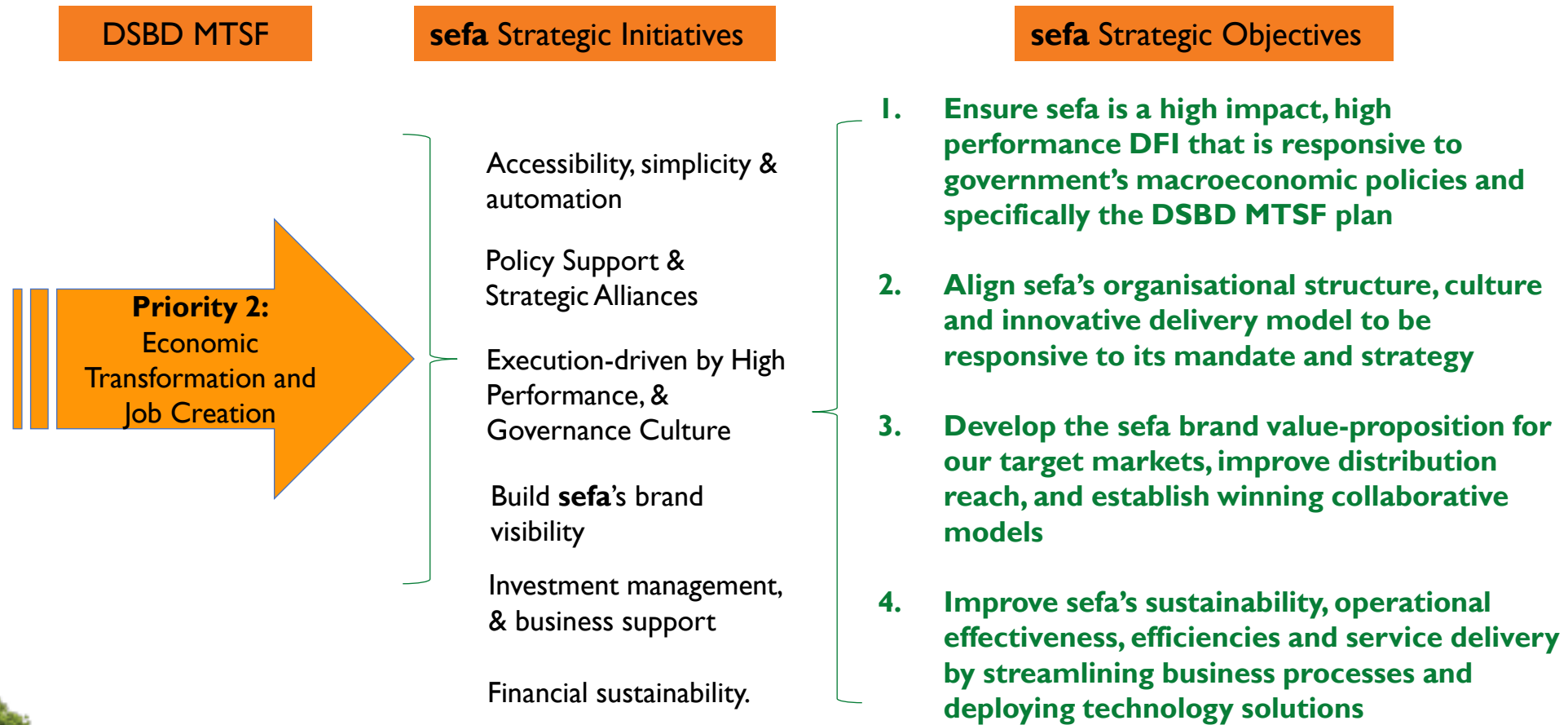


Operational Environment

- The South African economy entered a recession in 2019 following the persistent economic contraction experienced by struggling consumers and businesses. 2020 was equally tough due to the Covid-19 pandemic and the associated lockdowns.
- COVID-19 pandemic had and continues to have a devastating impact on SMMEs. The government's policy response included among others:
 - Phase 1 – Preserve the economy
 - Phase 2 – Recover from the crisis
 - Phase 3 – Position the economy for faster growth (National Treasury, 2020)
- GDP contracted by 7% in 2020 and negatively impacting on the performance of the South Africa's SMME sector.
- Access to finance remains one of the primary challenges for start-ups, micro, small and medium enterprises in South Africa. Key contributing factors include:
 - the high failure rates,
 - high transactional costs, and
 - high risks associated with small businesses in the early stages of development.
- **sefa**, in conjunction with DSBD and Seda have begun rolling out the economic recovery programmes in support of SMMEs growth and development.



DSBD MTSF Priority & sefa Strategic Objectives



sefa Alignment with DSBD MTSF Outcomes

MTSF Indicator	DSBD Intervention	sefa Implementation	sefa Contribution over MTSF
Facilitate an increase in the number of competitive small businesses with the focus on township economies and rural development	Implementation of Localisation programme	Implementation of Small-Scale Manufacturing Programme, Business Viability programmes, Normal Direct Lending, SME Wholesale and KCG	16 841 number of SMMEs and Co-operatives
Strengthen finance to SMMEs and Cooperatives	Improved access to affordable finance to SMMEs and Cooperatives Establishment of Township and Rural Entrepreneurship Fund	Implementation of Direct, Wholesale and Credit Guarantee programmes	<ul style="list-style-type: none"> • Loan approvals: R12.3 billion • Loan disbursements: R10.6 billion • Numbers of Enterprises financed: 1 076 370 • Number of jobs facilitated: 1 131 243
Increased economic participation, ownership and access to resources and opportunities by women, youth, and persons with disabilities	Programmes to expand access to finance, incentives and opportunities for women, youth, and persons with disabilities-led and owned businesses, including those in the informal sector	Implementation of targeted loan programmes to enterprises owned by youth, women, and persons with disabilities	<ul style="list-style-type: none"> • Total disbursements to women: R4.2 billion • Total disbursements to youth: R3.2 billion • Total disbursements to people with disabilities: R742 million
Functional, efficient, and integrated government	Modernise business processes in the public sector	Over the planning period, sefa's end-to-end business processes (lending business process, employee, corporate governance, finance, facilities & IT, performance management and reporting) will be automated	<ul style="list-style-type: none"> • Improved turnaround times

Strategic Initiatives and Customer Value Proposition



sefa's Strategic Initiatives

Accessibility, simplicity and Automation

- Improve accessibility through simplified, streamlined and automated processes, new channels, and distribution partners.
- Simple approval and payment rules and procedures, robust risk management capacity, and evaluation mechanisms to measure achievements in terms of outreach.

Investment management & Business Support

- Pro-active analysis and active investment of **sefa** investment including value add services.
- Debtors' management, Timeous remedial measures for distressed businesses in the form of restructuring of accounts.
- In collaboration with Seda, a package of pre and post business support services will be

Policy Support & Strategic Alliances

- cultivate strategic alliances that would include intermediaries, SOEs, black-owned start-up fintech and corporates.
- Mature value-chain-based private sector partnerships start to become the primary source of revenue expansion strategies for **sefa**, broader and deeper program impact is achieved.

Build **sefa's** brand visibility

- **sefa** will implement dedicated and focused marketing and communication initiatives that position the organisation as a lender that promotes financial inclusivity and responds to government economic policies.
- **sefa** builds brand equity amongst employees, customers and government departments.

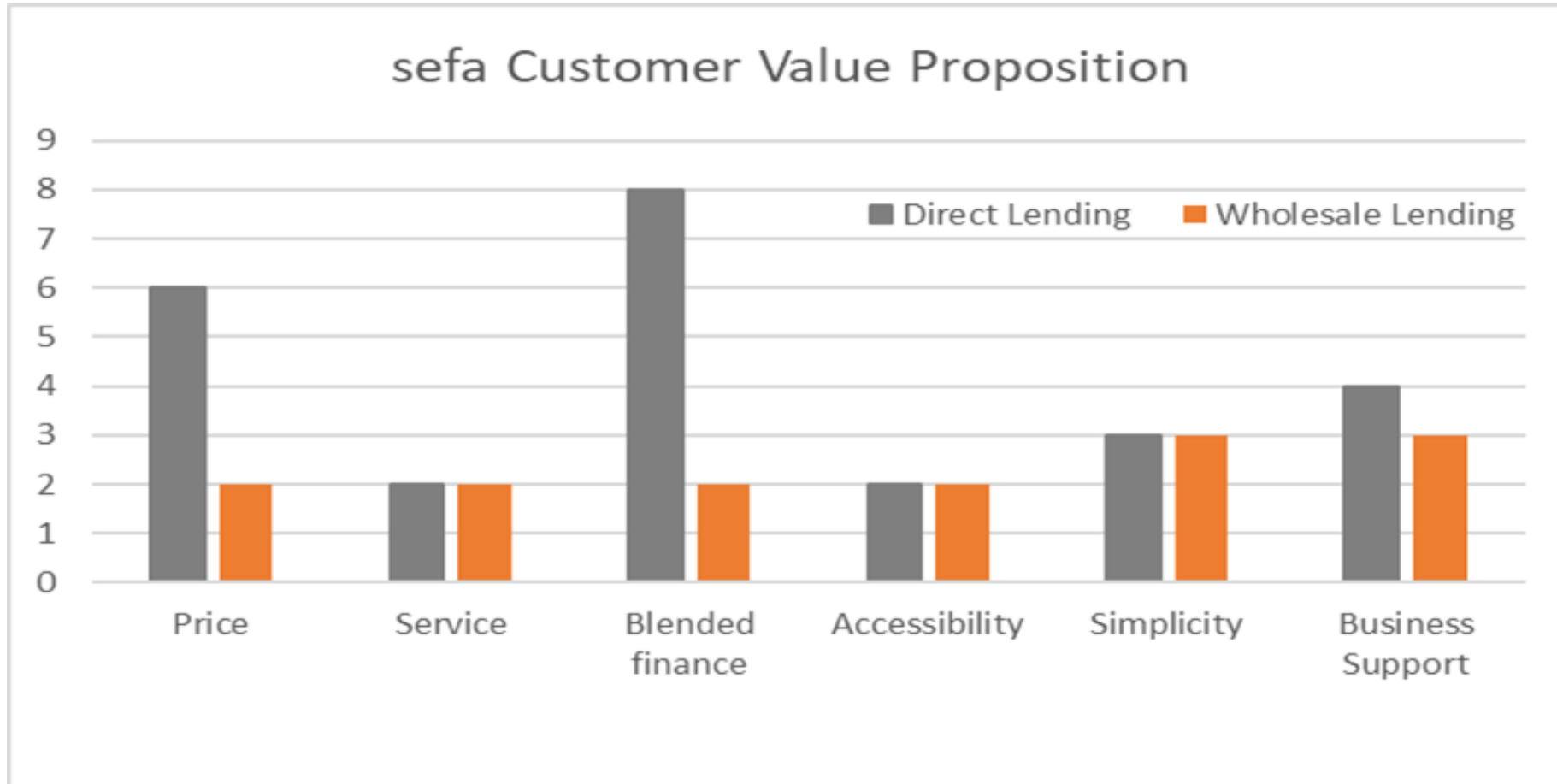
Financial Sustainability

- Cost-to-income ratio of 100% or less will be pursued.
- **sefa** will implement a set of revenue and cost containment initiatives that will generate adequate cash resources to meet its obligations and expenses.
- The diversification and increasing sources of revenue.

Execution-driven by High Performance & Governance Culture

- Invest in Investors in People's framework that will cultivate a culture of high performance and governance and increase productivity levels.
- **sefa** will strengthen its enterprise risks and compliance management framework.

sefa's Customer Value Proposition



Direct Lending: offers blended finance (Grants + loans); **Wholesale:** Offers low-interest-rate loans



sefa-Seda Collaboration



Building Towards Economic Recovery by Deepening Access to Finance to the SMME sector

sefa-Seda Collaboration

SMME Support Function	Seda	sefa
Pre-Investment Support	Common Funding Template – Facilitate applications for funding through the common funding template (business plans); Client assessment; Provide all BDS interventions; Compile quality applications that focus on sefa defined programs, sectors, and target groups.	Conduct financial, technical, and legal due diligence on funding applications (business plans) forwarded by Seda, approval and legal contracting.
Post-Investment (monitoring) Support	Assist sefa funded clients with mentorship, coaching and business performance diagnoses; assess client's operating requirements and provide industry and Standards Certification; provide market access facilitation to sefa funded clients for growth/to distressed businesses and provide occupation and health, and technical training to sefa funded clients.	<p>sefa will focus on Debtors management, including collections, rescheduling of loan instalments, restructures, and proactive portfolio management/monitoring, including analysis of management accounts, financial statements, stock, management, business operations client visits, and advice duties.</p> <p>The Seda reports from various service providers will be utilised to assist sefa in effectively monitoring the existing investments. The turnaround reports based on detailed diagnoses of distressed entities will help sefa effectively manage turnaround the distressed entities and debt restructures.</p> <p>The access to market efforts by Seda will help strengthen the repayment capability of sefa clients. Additional markets will bring income stability to sefa clients, thus improving business cash flows.</p>
Township and Rural Enterprise Development	TREP - Pre-funding Support (business registration; training and capacity building; business plan development)	Application due-diligence and adjudication; legal contracting and disbursement
Strategic Partnerships (Priority Groups)	Provide business development support services to partners in the eco-systems (targeting, amongst others, entrepreneurs with disabilities, youth entrepreneurs, women entrepreneurs)	Provide funding support (access to finance) to SMMEs and Co-operatives and Cooperatives to businesses that graduate from Seda's intervention
Marketing and Business development	Joint marketing and outreach campaigns; Co-locations in municipalities	
Monitoring and Evaluation	Programme reporting, monitoring, and evaluation; programme impact assessment	
Systems	shared information and application front-end; CRM; Business Advisors database; call centre (National SMME support line)	

Corporate Plan Programmes



Building Towards Economic Recovery by Deepening Access to Finance to the SMME sector

sefa Corporate Plan Programmes

Programme Name	Sub-Programme	Description
Access to finance	Informal & Micro Finance	<ul style="list-style-type: none"> To increase and innovatively expand access, and reduce the cost of end-user financing, to informal and micro-enterprises, particularly those in rural and peri-urban areas
	SME Wholesale Lending	<ul style="list-style-type: none"> To increase and innovatively expand access to finance whilst reducing the cost of end-user financing for SMMEs and Co-operatives crowds-in financial, business support and technical resources of the public and private sector strategic partners to increase access to finance
	KCG	<ul style="list-style-type: none"> Credit Indemnity Scheme assists SMMEs and Co-operatives to obtain financing from the commercial banks, non-bank financial institutions, corporates and other lenders of incidental credit to enable them to establish, expand or acquire new or existing businesses in circumstances where they would not, without the support of an indemnity cover. KCG issues partial credit guarantees to lenders for SMME borrowers, whose access to finance is impeded by the lack of collateral required by lenders
	Direct Lending	<ul style="list-style-type: none"> To provide tailor-made solutions to SMMEs and Co-operatives in the formal sector of the economy that require support for business start-ups or expansions through the provision of finance for asset acquisition and working capital.
Post Investment	Workout & Restructuring Management	<ul style="list-style-type: none"> Build sustainable investee companies that will create value for the entrepreneurs. This in turn ensures that sefa's investment is protected, fully repaid and that jobs are sustained. Contain and reduce portfolio impairment rates of the investments made in order to ensure that sefa's capital base is not eroded. Reducing the portfolio impairment rates to minimal levels will guarantee the sustainability of sefa. Manage and improve portfolio collections.



sefa Corporate Plan Programmes (cont.)

Programme Name	Sub-Programme	Description
Corporate Services	Financial & Supply Chain Management	<ul style="list-style-type: none"> To facilitate effective and efficient management of financial, procurement and property management administration in sefa. To ensure that all Business Units comply with the procurement policy and procedures and to assist in the implementation thereof
	Human Capital Management	<ul style="list-style-type: none"> To facilitate and support sefa with attraction and retaining of talent, performance management, HR and Facilities administration management
	Information and Communication Technology	<ul style="list-style-type: none"> Provide reliable ICT support to sefa business through application development, network/infrastructure management, security management and end-user computing support
	Corporate Strategy & Reporting	<ul style="list-style-type: none"> To provide strategic support services to the line of businesses through: <ol style="list-style-type: none"> Corporate planning and reporting. Research management, information dissemination and programme evaluation. Strategic project management implementation and coordination. New product development and pilot implementation
Marketing & Stakeholder Management	Marketing and Communication	<ul style="list-style-type: none"> To position and market sefa, its products and services to SMMEs and Co-operatives and to facilitate strategic engagements with key stakeholders.



sefa Corporate Plan Programmes (cont.)

Programme Name	Sub-Programme	Description
Compliance, Governance, Enterprise Risk and IA	Governance, Risk and Compliance	<ul style="list-style-type: none"> To ensure that sefa fully comprehends the compliance obligations that are inherent in its business. Conduct monitoring exercises in a form of compliance reviews and control self-assessments to determine the level of compliance within business units Embed the compliance culture within the organisation.
	Enterprise Credit Management	<ul style="list-style-type: none"> To ensure that sefa's risk is in line with the Institution's risk appetite and threshold and ensure that all risks inherent in sefa's lending decisions are mitigated and managed
	Internal Audit	<ul style="list-style-type: none"> Internal Audit monitors and follows up on the implementation of agreed action plans to ensure an improved control environment. It performs Forensic investigations, special assignments as well as consulting activities as requested by Management and the Board as part of Fraud Risk Management.
	Legal Services	<ul style="list-style-type: none"> Legal Services provides contract drafting, legal representation and legal advice to the core and supporting divisions of sefa
	Company Secretariat	<ul style="list-style-type: none"> To provide Directors of the Company , collectively and individually with guidance as to their duties, responsibilities and powers, Making directors aware of any law relevant or affecting the Company, and Maintaining the minutes of all Shareholders', Board and Committee meetings in accordance with the Companies Act.
Property Management		<ul style="list-style-type: none"> To efficiently manage the properties in order to support SMME's by providing affordable and conducive accommodation.



Loan Programme Strategies and Outcomes:2021/22 – 25/26

Loan Programme	Direct Lending	Wholesale Lending	Informal and Micro Enterprise	Khula Credit Guarantee
Strategic Focus	<ul style="list-style-type: none"> Implementation of District Development Model to enable District Development Agencies to facilitate sefa services and deal flow Promote and develop partnerships with government departments to position sefa a implementor of SMME support and incentives programme Pilot and implement a township delivery – accreditation of sefa service providers Implementation of loan origination system Simply loan application and contracting documents Partnership with the SMME ecosystem to generate viable deal flow 	<ul style="list-style-type: none"> Sector-based lending programmes - heavy and light manufacturing, green industries, telecommunications infrastructure development, tourism, agro-processing Implementation of Loan Origination system and credit rating Pricing Tool Institutional Development to promote and establishment of Black-owned Financial Intermediaries Expand the Portfolio of co-invested funds 	<ul style="list-style-type: none"> Target Microfinance support programmes targeted Implementation of Loan Origination System Credit rating tool & pricing tool Budgetary support for Institutional development TREP Implementation Partnership with Fintech to establish syndicated funds 	<ul style="list-style-type: none"> KCG online application and claims mgt system Implementation of Reporting Tool Product diversification and enhancement to promote financial inclusion. Revise the pricing for Portfolio Guarantees Implementation of EU Innovation Fund (Agri, Green economy, ICT, Medical and Micro – Spaza and Automotive Promote Credit Scheme to banks and private sector
Loan Book Outcomes				
Approval	R 4.2 billion	R 1.5 billion	R1.8 billion	R 4.8 billion
Disbursement to End-user	R 4.2 billion	R 1.3 billion	R2.1 billion	R 2.8 billion
No of Enterprises Finances	6 167	1 028	859 429	209 747
Jobs Facilitated	83 391	16 175	859 429	172 248



Sector-Focused TREP Programmes

Programme	Description	Budget
Spaza Shops Support Programme	It's a cashflow facility in the form of credit guarantee administered via the commercial banks that enabled SA's spaza shop owners with a valid operating permit to buy stock at accredited wholesalers	R 175 million
Small Scale Manufacturing	Support to small-scale manufacturers via blended financing with clients required to create a minimum of 10 jobs	R350 million
Informal Clothing & Textiles	A joint sefa -Seda programme initiative focusing on skills enhancements and upgrading machinery and equipment of informal clothing and textile manufacturers.	R 105 million
Bakeries & Confectionaries	To provide access to markets through spaza shops, school nutrition schemes, hospitals, military & other social relief programmes. This will be in the form of working capital investment that includes bulk buying facility on pre-approved products through pre-selected wholesalers, which would be leveraged on the Spaza & General Dealers Support Facility	R 100 million
Autobody Repairers & Mechanics	A credit guarantee facility in the form of supplier guarantee to informal autobody repairers and mechanics to purchase stock and other relevant equipment in execution of their business activities	R225 million
Fruit & Vegetables Hawkers	Micro-credit and business support to Fruit & Vegetable hawkers across the country	R 135 million
Hairdressers & Personal Care	Micro-credit and business support to Hairdressers & Personal Care entrepreneurs across the country	R90 million
Tshisanyama & Cooked Food Vendors	To provide business relief support through start-up stock for cooked food businesses that were unable to operate during the lockdown period.	R50 million

Performance Against Pre-determined Objectives



Performance against Pre-determined Objectives (2021/22 – 2025/26)

BSC perspective	Measurement Indicator	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
IMPACT	Objective - Achieve a high impact and high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan							
	Loan Book Performance							
	Total Approvals (R'000)	2 147 999	2 432 387	2 477 860	2 582 894	2 698 496	12 339 636	8%
	Total disbursements to SMMEs and Co-operatives (R'000)	2 712 999	1 988 689	1 878 669	1 964 177	2 058 570	10 603 105	8%
	Number of SMMEs and Co-operatives financed	191 433	195 641	211 439	229 117	248 740	1 076 370	3%
	Number of jobs facilitated	207 729	205 733	220 081	238 589	259 111	1 131 243	3%
	Development Impact/ Inclusion Index							
	Facilities disbursed to black-owned businesses (R'000)	1 899 100	1 392 082	1 315 069	1 374 924	1 440 999	7 422 174	3%
	Facilities disbursed to women-owned businesses (R'000)	1 085 200	795 476	751 468	785 671	823 428	4 241 242	3%
	Facilities disbursed to youth-owned (18-35 years old) enterprises (R'000)	813 900	596 607	563 601	589 253	617 571	3 180 932	2%
	Facilities to people with disabilities (R'000)	189 910	139 208	131 507	137 492	144 100	742 217	2%
	Disbursements to township-based enterprises (R'000)	678 250	497 172	469 667	491 044	514 643	2 650 776	4%
	Facilities disbursed to enterprises to rural towns and villages (R'000)	1 085 200	795 476	751 468	785 671	823 428	4 241 242	4%
Sub-total Impact Perspective								40%

Performance against Pre-determined Objectives (cont.)

BSC perspective	Measurement Indicator	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
Financial Sustainability	Objective - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions							
	Cost to Income Ratio (excluding Impairments on loans and advances and KCG claims provision I/S movement relating to the SSSP and Autobody Programme)	106%	100%	85%	81%	79%	79%	6%
	Percentage growth in revenue (excl Grant income and MTEF)	21%	26%	10%	17%	13%	13%	5%
	Accumulated Impairment provision as a percentage of total loans and advances	38%	36%	34%	32%	32%	32%	6%
	Collection Rate (All-in-cash collections)	85%	87%	89%	89%	89%	89%	5%
	Capital Leverage (KCG)	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6%
Sub-total Financial Perspective								28%
Organisational Business Processes	Turnaround							
	Automation of loan management business process	100% Automation of the sefa loan origination process	100% Automation of the due-diligence, PIM/VVR and disbursement					4%
	Direct Lending (avg days)	45 days	30 days	25 days	20 days	15 days	15 days	3%
	Wholesale Lending (avg days)	60 days	60 days	50 days	40 days	40 days	40 days	3%
Sub-total Organisational Business Perspective								10%



Performance against Pre-determined Objectives (cont.)

BSC perspective	Measurement Indicator	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
Customer	Objective – Improve financial access and distribution reach through, and establish a relevant value proposition and winning collaborative models							
	Annual level of Customer Satisfaction	65%	70%	80%	80%	80%	80%	5%
	Number of Strategic Partnerships (new)	4	6	8	8	8	34	5%
	Customer Growth - (Number of sefa Customers improving turnover with 5% or more in the financial year).	20	30	35	42	50	177	2%
Sub-total Customer Perspective								12%
People	Objective - Instil and outcomes-orientated organisational culture supported by streamlined organisational structure, and innovative delivery model that is aligned to the mandate and strategy							
	Percentage improvement in the Employee Engagement Index (EEI)	62%	65%	70%	75%	80%	80%	5%
	Percentage of staff that scores 3.5 or more in the annual performance assessment*.	50%	60%	70%	80%	80%	80%	5%
Sub-total People Perspective								10%
Total								100%



Key Organisational Risks



Building Towards Economic Recovery by Deepening Access to Finance to the SMME sector

Key Organisational Risks

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
Achieve high impact and high-performance through being responsive to the government's microeconomic policies and specifically the DSB MTEF plan	Investment management & Business Support	Credit default risk originating from the quality of the loan book.	Credit default	<ul style="list-style-type: none"> High-risk target market – as a DFI, sefa provides loans to clients, which exposes it to credit risks, i.e. clients may fail to make required payments Performance of the economy and its negative impact on funded client's business performance and their ability to repay and honour their loan obligations Moral hazard that is adversely affecting sefa's ability to collect repayments timeously. 	<ul style="list-style-type: none"> The implementation of revised business processes; procurement of collections system and Portfolio monitoring system; adoption of the risk rating system; improve portfolio reporting. A focussed and specialised approach to manage the DL portfolio per sector and high-value exposures. Utilise service providers to partially collect the COVID-19 loan book debt. Implement a loan monitoring system to facilitate electronic and online monitoring of funded client's business performance and credit activity. Analysis of client data for timeous restructuring, payment rescheduling and business mentorship.
	Policy Support & Strategic Alliances	Macroeconomic conditions impacting on sefa's ability to achieve its mandate and strategic objectives	Macro-economic risk	<ul style="list-style-type: none"> The state of the South African economy (recession) impacts on the SMMEs and Co-operatives desire to incur debt. Inability to define and secure the long-term sustainability of sefa to continue delivering developmental solutions to its stakeholders. 	<ul style="list-style-type: none"> (WL) Partner with intermediaries and National Government to drive policy implementation and promote the financial offering and targeted micro-enterprises, e.g., youth and micro-enterprises in townships etc. (DL) Target various government departments, provincial governments, and municipalities to implement SMME support incentives and funding. Research and Information Management (sector summary publication, research briefs, quarterly sefa client business condition survey) to improve sefa landscape.
	Policy Support & Strategic Alliances	Credit risk management	Governance risk	<ul style="list-style-type: none"> Lack of documented risk acceptance triggers by product and segment. Lack of sector and industry-based benchmarking systems leading to inadequate risk assessments. The risk culture is still not entirely embedded in the organisation. Inadequate tools to enhance Risk reporting and value add. 	<ul style="list-style-type: none"> Development of risk tolerance parameters by product, market segment and Channel. Implement sector-based benchmarks through archiving of credit risk reports and financial (Cash flow) models. Implement actions recommended from the risk maturity roadmap Review and enhance the credit risk policy

Key Organisational Risks (cont.)

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
Enhance financial sustainability through improved revenue generation and cost containment.	Financial Sustainability	Inefficient investment of unutilised funds - not maximising interest and risk of loss of the capital invested	Financial risk and liquidity risk	<ul style="list-style-type: none"> The current state of the economy, poor returns on investments due to the low repo rate, the possibility of a loss of initial capital invested due to the possible failure by financial institutions. 	<ul style="list-style-type: none"> Updated investment policy states that as part of treasury management within the finance division, excess funds must be invested in diversified investment bank accounts with multiple financial institutions with specific credit ratings, aiming to achieve the highest interest rates and initial capital invested is guaranteed.
	Financial Sustainability	Non-compliance with PFMA and treasury guidelines	Financial risk	<ul style="list-style-type: none"> Irregular, unauthorised, and wasteful expenditure Unauthorised budget deviations 	<ul style="list-style-type: none"> Application of PFMA and Treasury guidelines and budget reallocations/transfers within the DOA guidelines Strategic Medium-Term Budget to direct resources to objectives and budget monitoring and reporting
	Financial Sustainability	Valuations and financial disclosure are not fairly presented in the financial statements and may contain material misstatements	Financial risk	<ul style="list-style-type: none"> The requirement exists for accurate, objective, and independent valuations prepared by a suitably qualified professional 	<ul style="list-style-type: none"> Use of experts where required, e.g. independent actuaries in KCG for valuation of technical reserves, independent valuation of properties held in KBP.



Key Organisational Risks (cont.)

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
Improve sefa's operational effectiveness, efficiencies, and service delivery by streamlining business processes and deploying technology solutions	Accessibility, simplicity, and Automation	Lack of system automation for streamlined (end to end) processes	Operational risk	<ul style="list-style-type: none"> There are currently limited automated processes and inadequate information management systems to bring efficiencies, effectiveness, and decision-making. 	<ul style="list-style-type: none"> Enhance automation of sefa's loan management process, resulting in reduced turnaround times and improved customer satisfaction. Design and implementation of automated workflow and integration to the back-end systems. Employ data analysis capabilities to create early warning signal models based on the past repayment behaviour of clients. Appropriate credit rating tool & pricing tool (to support the loan origination system)
	Policy Support & Strategic Alliances	Compliance with laws and regulations	Governance risk	<ul style="list-style-type: none"> There has been an increasing regulation within the financial services and focus of risks by regulators 	<ul style="list-style-type: none"> Compliance monitoring and reporting to regulatory bodies regularly Internal controls reviewed regularly
Improve financial access and distribution through a competitive value proposition and winning collaborative models	Build sefa's brand visibility	Lack of customer-centricity, stakeholder focus and brand visibility	Strategic risk	<ul style="list-style-type: none"> Electronic communication (e.g. Cell phones) not optimised for customer feedback. Availability of financial resources to support the initiatives. Collaboration / Cooperation with other stakeholders. Lack of customer-centricity strategy. 	<ul style="list-style-type: none"> Develop a sefa customer service app. Collaborate with front-end business in activating channel-to-consumer revenue-generating promotional events (i.e. Pitch-For-Funding etc.). Continue collaboration with other sefa stakeholders. Develop an organisation-wide customer-centricity strategy & guidelines covering all customer touchpoints
Instil high-performance culture supported by streamlined organisational structure and innovative delivery model to be aligned to the mandate and strategy	Execution-driven by High Performance & Governance Culture	Insufficient levels of adequately skilled, motivated, and performance-driven human resources to execute on the organisation's mandate.	People	<ul style="list-style-type: none"> Lack of employee value proposition. Low change management capability Low capability to manage poor performance resulting in inefficiencies in the high-performance execution 	<ul style="list-style-type: none"> Design and implement Employee Value Proposition interventions to attract and retain "fit for purpose" employees. Assess the extent to which sefa values are lived (Values Assessment Survey). Design of sefa Competency Framework and implementation of learning programmes for targeted employees.

Financial Projections



Building Towards Economic Recovery by Deepening Access to Finance to the SMME sector

→ 2021 YTD 9 months ending December 2020 Financial
Overview

→ 2022 -2026 Preliminary Operating Budget & Plan



Operating Budget Overview

2021 YTD 9 months ending December 2020 Financial Overview



STATEMENTS OF COMPREHENSIVE INCOME R'000	GROUP R'000								
	2017 AUDITED	2018 AUDITED	2019 AUDITED	2020 AUDITED	DEC YTD	2021 BUDGET YTD	% of budget achieved YTD	2021 Forecast	2021 BUDGET
Interest from lending operations	100 038	94 521	66 709	68 060	39 749	26 266	151%	59 952	50 063
Fee income from loans	6 198	4 958	5 493	8 339	7 793	5 794	135%	14 509	7 725
Indemnity fees	1 014	1 128	2 074	2 823	1 158	2 262	51%	1 912	3 017
Investment property rental income	29 391	27 210	27 635	25 405	9 705	12 880	75%	14 288	17 463
Interest on overdue rental debtors	1 535	539	1 719	1 321	335	-	0%	1 125	-
Investment income	32 755	29 015	42 816	41 160	45 397	47 503	96%	61 283	59 094
Other income	17 043	16 647	16 855	19 968	13 359	6 136	218%	20 599	7 616
Sub-total: Income	187 974	174 018	163 301	167 076	117 496	100 841	726%	173 668	144 978
Personnel expenses	(168 321)	(178 778)	(177 180)	(203 862)	(161 223)	(224 863)	139%	(202 555)	(312 104)
Investment property expenses	(85 733)	(74 060)	(53 524)	(50 968)	(37 294)	(48 242)	129%	(49 370)	(58 671)
Other operating expenses	(75 320)	(75 330)	(60 011)	(62 167)	(47 718)	(48 261)	-1741%	(67 649)	(67 972)
Sub-total: Expenses excl items that are linked to B/S	(329 374)	(328 168)	(290 715)	(316 997)	(246 235)	(321 366)	-1472%	(319 574)	(438 747)
Net of income and expense excl items that are linked to the B/S	(141 400)	(154 150)	(127 414)	(149 921)	(128 739)	(220 525)	-746%	(145 906)	(293 769)
Net - income (incl MTEF alloc) and expense excl items that are linked to the B/S	71 724	69 630	101 423	91 532	23 028	(68 758)	-33%	50 880	(96 983)
Increase in expected credit losses on loans and advances	(66 525)	(133 326)	(129 333)	(148 303)	(137 960)	(421 449)	305%	(356 007)	(596 201)
KCG claims paid and movement in reserves	1 234	(2 707)	(12 861)	(12 676)	(3 906)	(17 899)	-22%	(12 727)	(23 863)
Depreciation and amortisation	(4 541)	(4 718)	(4 093)	(4 406)	(3 632)	(4 787)	-76%	(4 931)	(7 178)
Depreciation - Right of use	0	-	0	(9 073)	(8 111)	(8 110)	-100%	(10 909)	(10 900)
Lease liability finance cost	-	-	-	(3 270)	(2 886)	(2 967)	103%	(3 770)	(3 941)
Interest expense on shareholder's loan	(31 956)	(34 325)	(41 171)	(46 484)	(37 396)	(38 134)	102%	(52 025)	(52 409)
Net fair value (loss)/gain on investment properties	(17 362)	(7 029)	5 254	(10 354)	-	-	0%	(10 354)	-
Increase in impairments on investments and cash	(1 569)	5 637	(3 777)	(45 130)	(89)	-	0%	(12 603)	-
Sub-total: Expenses items that are linked to B/S	(120 719)	(176 468)	(185 981)	(279 696)	(193 980)	(493 346)	313%	(463 326)	(694 492)
Operating loss	(48 995)	(106 838)	(84 558)	(188 164)	(170 952)	(562 104)	329%	(412 446)	(791 475)
Profit from equity accounted investments, net of tax	15 411	36 038	13 738	13 629	25 181	250	10072%	45 407	48 000
Grant paid	-	-	-	(28 524)	(26 737)	(728 438)	2724%	(137 521)	(900 976)
Grant Income Received	-	-	-	28 524	82 690	1 189 199	7%	211 574	1 625 160
Loss before tax	(33 584)	(70 800)	(70 820)	(174 535)	(89 818)	(101 093)	113%	(292 986)	(19 291)
Income tax credit/(charge)	23 932	(1 264)	3 535	(4 924)	-	(1)	0%	-	(1)
Net Profit/(loss) for the year incl MTEF allocation	(9 652)	(72 064)	(67 285)	(179 459)	(89 818)	(101 094)	113%	(292 986)	(19 292)

2021 YTD 9 months ending December 2020 Financial Overview Commentary

1. Interest from lending operations:

Current year-to-date FY21, interest (R40m) (and R50m against budget) is lower than previous year (R68m) as a result of an interest moratorium that were applied in the first half of the current financial year.

2. Increase in expected credit losses on loans and advances:

Current impairment expenses (R138m) are lower than budgeted due to lower disbursements in the first half of the year than what was budgeted. [FY2020: R194m , FY2022: R589m]

3. Personnel Expenses:

During **FY21** there has been a **headcount freeze** in place since Q2 and expect a R80.7m savings on forecasted YTD spend to budgeted spend.

Personnel expenses are lower in the current year-to-date (R161m) due to:

- a) Lower salary increases implemented than originally budgeted (3% increase in actual),
- b) vacancies not yet filled due to current head-count freeze
- c) reversal of the incentive bonus accrual relating to FY20 (R18.3m).

However, Occupational health and safety costs increased significantly in FY21 (R1m increase from FY20).



2021 YTD 9 months ending December 2020 Financial Overview Commentary

4. Operating Expenses: Operating expenses are lower than budget due to savings in:

- a) consulting fees(+R7.9m),
- b) travel expenses (+R1.7m),
- c) office re-location costs (+R0.6m),
- d) repairs and maintenance (+R0.9m),
- e) training expenses (+R2.3m) and lower technical reserves in KCG (+R14m).



→ BUDGET PRINCIPLES & ASSUMPTIONS



Extract of Economic Assumptions

	2022 FORECAST	2023 FORECAST	2024 FORECAST	2025 FORECAST	2026 FORECAST
Interest rate assumptions per product					
Wholesale SME Lending (Prime linked)	8.00%	8.00%	9.00%	9.00%	9.00%
Wholesale Micro Lending (Fixed rates)	6.75%	6.75%	7.75%	7.75%	7.75%
Direct Lending - Loans (Fixed rates)	13.47%	13.47%	13.47%	13.47%	13.47%
SBIF (Concessionary rates)	5.01%	5.01%	5.00%	5.00%	5.00%
ERP/ TEP (Concessionary rates)	6.75%	6.75%	6.75%	6.75%	6.75%
COVID-19 (DSBD determined rates)	2.00%	2.00%	2.00%	2.00%	2.00%
EU Fund (Concessionary rate)	4.000%	4.000%	4.500%	4.500%	4.500%



Budget Principles & Assumptions – 2022FY to 2026FY

CASH TRANSFERS

1. R383 mil Transfers to KBP over period from **sefa**.
2. Re-flows of TEF, TREP & SBIF remain critical to **sefa** cash balances.
3. R2.0 billion transfers to KCG for Automotive and repairs and Spaza Shop Programme.

DISBURSEMENTS & FUNDING

1. R2.7 billion - FY 2022
2. R10.6 billion Over 5 years (*incl. KCG guarantees taken up of R2.8 billion*)
3. MTEF allocation over the planning period is R1.3 billion.
4. TREP over the 5 planning period is R4.8 billion.
5. Tourism Equity Fund R540 million



Budget Principles & Assumptions – 2022FY to 2026FY

PROPERTIES:

1. R3.5 mil spend on conditional assessments.
2. R80.5 million for repairs over budget period for Category 1 properties.
3. Category 2: Redevelopment – R235 million (**Not budgeted for**).
4. Category 3: Retain, Upgrade & Turnaround – R60 million (**Not budgeted for**)

IDC Loan

1. Will fully draw down on IDC loan in FY22 to a total of R640 million.

IMPAIRMENTS

1. Peak in FY22 at 40% and then gradually decline over the budget period to 32% in FY26
2. PIM will use various activities to pro-actively manage and monitor **sefa's** loan investments.

→ BUDGET OUTCOMES



Budget Outcomes

CASH

1. **sefa** group is positive throughout the planning period, **however sefa will be in a negative cash position when EU, SBIF & TREP are excluded.**
2. Cash in **sefa** grows from R1.1 billion in FY22 to R2.0 billion in FY26 (including TREP programmes).
3. Cash in KCG doubles from R0.8 billion in FY22 to R3.0 billion in FY26 (**driven by Spaza Shop, Autobody Repairs and EU Programme**)

INCOME

Interest from lending

Year on year - FY 21 to FY22 operations grows by 67%

- i. Improvements in impairments & suspended interest in FY22.
- ii. Growth in average loan book from FY 2022 (Tourism Fund, TREP Programmes).

MTEF allocations

MTEF allocations declining in real terms (against inflation)

LOAN BOOK GROWTH

Loan book grows by 70% in FY22 due to:

- i. Catch up in FY 2022 of FY 2021 underspent.
- ii. Growth in programmes (Tourism Fund, BVP, the Township and Rural focused TREP/TEF initiatives.
- iii. Average loan book balance increases 70% in FY22 and 5% in FY23.

Budget Outcomes (cont.)

OPERATING EXPENSES

Year on year increase FY21 to FY22 due to:

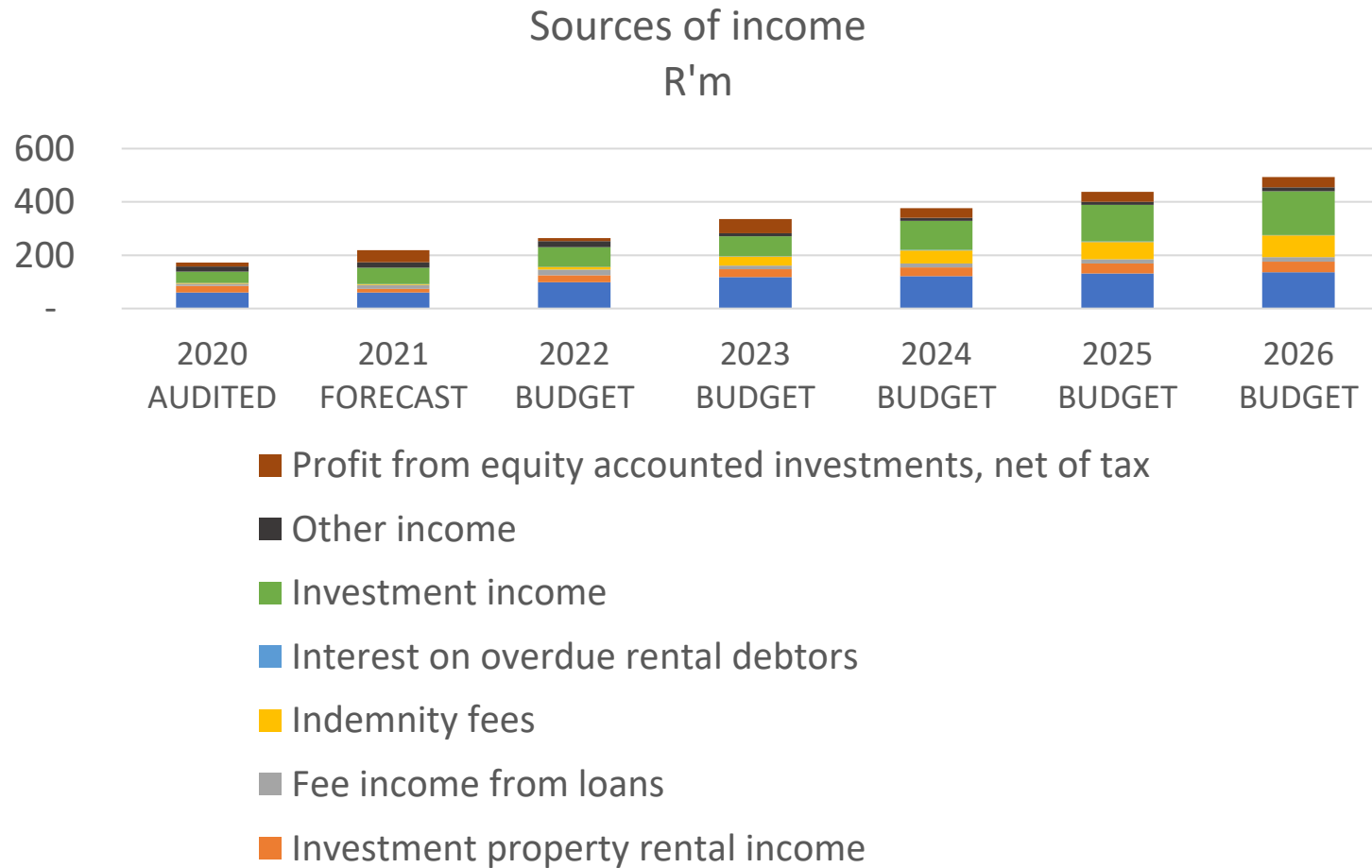
- i. KCG claims paid and movement in reserves (R69m) - increased guarantees/ indemnities.
- ii. Increased consulting fees (R3.8m) - automation projects, consultation for merger.
- iii. R0.5m increase on special internal audit forensic projects, as well as additional depreciation in respect of additional budgeted Capex spend.

INVESTMENT PROPERTY

1. Expenses in FY22 is significantly increased from FY21 as critical repairs and maintenance on category I properties has been budgeted for (R40m in FY22 and R40m in FY23).
2. This was approved by the KBP Board at the inaugural board meeting.
3. All refurbishment will be subject to the conditional building assessments/ feasibility studies and the approved DOA matrix, board and minister approval, as needed.



Split of Income into Different Sources



1) Interest from lending activities is budgeted to increase due to:

- i. Increased loan programmes in FY22 vs FY21
- ii. FY21 included 6 months loan repayment holidays

2) Indemnity fees taken-ups are expected to increase in FY2022 from FY2021 mainly due:

- i. KCG from the EU,
- ii. Spaza and
- iii. Autobody programmes.

3) Investment property rental income are expected to increase year on year (FY 21 to FY 22)

- i. FY21 included 6 months holidays

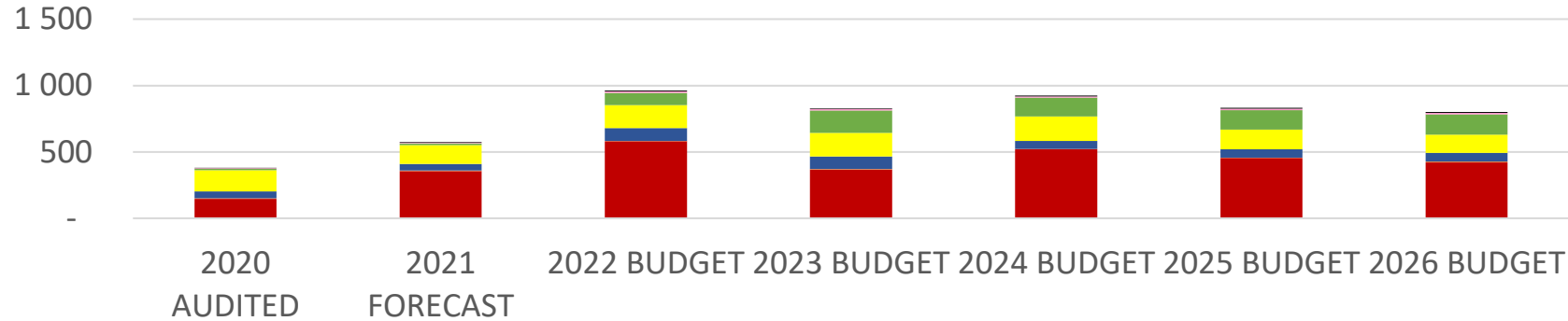
4) Investment income is expected to increase in FY2022:

- i. interest earned on KCG's bank balances (due to the capitalisation from EU, Spaza and Autobody programmes)



Operating Expenses excl. Payroll – 2022FY to 2026FY

Operational Expenditure (R'mil)



- Audit fees (External and internal)
- Consulting Fees
- KCG claims paid and movement in reserves
- Other operating expenses
- Investment property expenses
- Lease liability finance cost
- Increase in expected credit losses on loans and advances

Most cost line items' increases have been limited to inflation, except where specific projects have been identified and budgeted for. These have been explained in the next slide.

In FY22 impairments peaks, as explained in earlier slides.



Cost-to-income Ratio – 2022FY to 2026FY

sefa has chosen to use the cost-to-income ratio as a measure of operational efficiency.

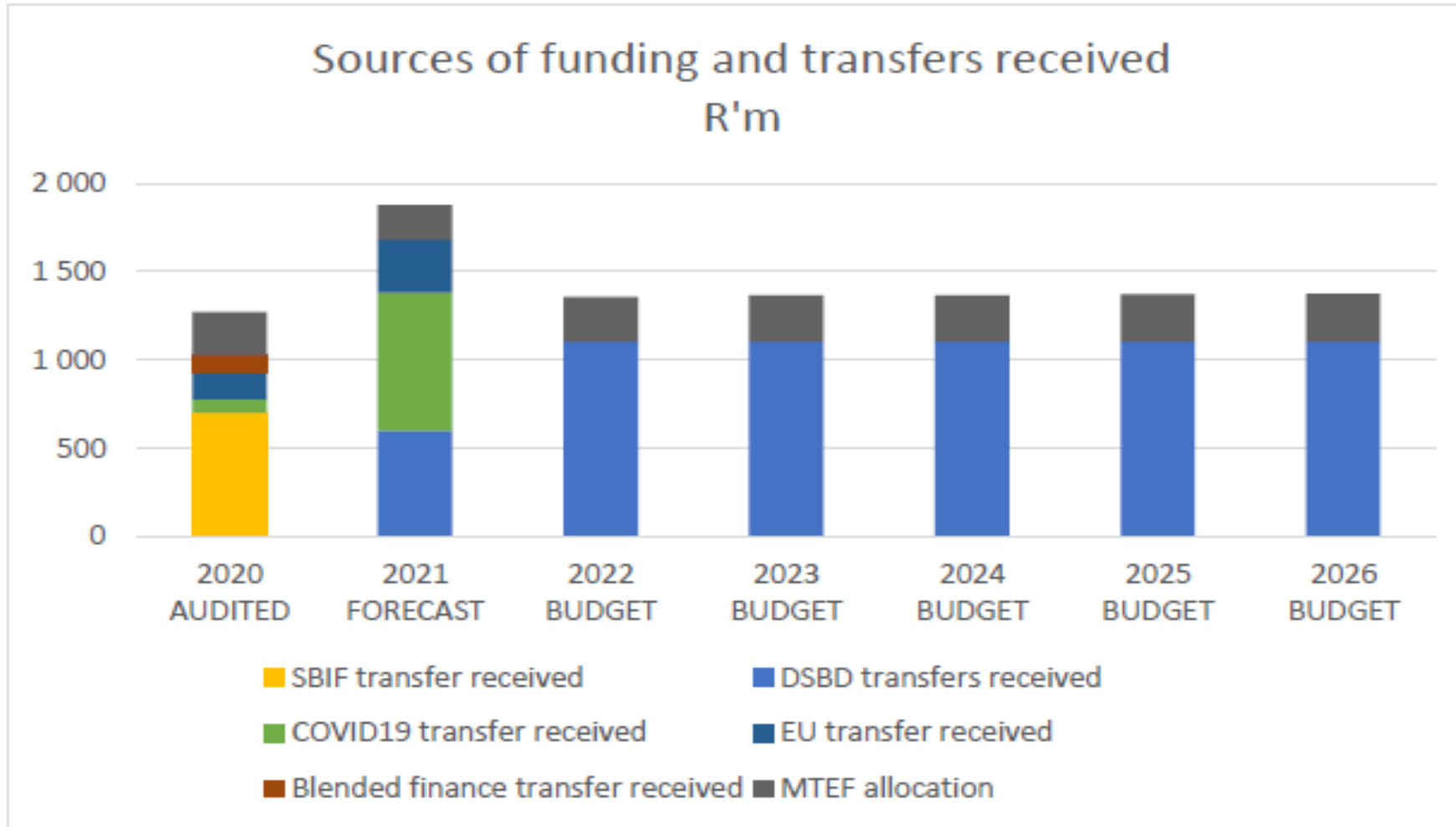
	2021 FORECAST	2022 FORECAST	2023 FORECAST	2024 FORECAST	2025 FORECAST	2026 FORECAST
Cost to Income Ratio – Scenario 1						
Costs (excl Impairments, Interest and Grant Expenses, KCG provision expenses)	(351 911)	(546 877)	(596 445)	(535 899)	(565 287)	(595 882)
Income (excl Grant income except for MTEF)	415 861	517 776	594 652	629 518	694 651	753 785
Cost to Income Ratio	85%	106%	100%	85%	81%	79%
Income (excl Grant income and MTEF)	219 075	266 070	335 994	368 314	430 876	487 414
% increase in income		21%	26%	10%	17%	13%
Costs excl Impairments, Interest and Grant Expenses	(351 911)	(562 095)	(617 037)	(554 141)	(581 627)	(610 681)
Lease liability finance cost	(3 770)	(3 559)	(2 671)	(1 586)	(4 177)	(5 372)
Investment property expenses	(49 370)	(94 559)	(96 425)	(58 752)	(61 639)	(65 074)
Personnel expenses	(202 555)	(267 100)	(252 141)	(252 873)	(260 781)	(272 496)
Other operating expenses	(96 216)	(196 877)	(265 800)	(240 930)	(255 030)	(267 739)
KCG Provision Expenses (Autobody and Spaza)	-	(15 218)	(20 592)	(18 242)	(16 340)	(14 799)

High Cost to Income ratio in FY 2022 driven by year-on-year increases:

- I. Increased KCG indemnity fees (R54 million) – EU and Normal KCG(excl Spaza and Autobody programmes).
- II. Increased Investment property expenses – R46 million
- III. Increased Personnel Expenses R64 million



External Funding and Transfers



The MTEF funding is used by **sefa** to fund some of the operational expenditures and may also be used to lend to clients.

The remaining funding sources are **ring-fenced** and may not be used for **sefa's** operational expenditure. However, the re-flows from these initiatives will flow to **sefa**, and the budgets have been prepared on this basis.



Transfers & Funding – 2022FY to 2026FY

Transfer received (R'mil)	2020 AUDITED	2021 FORECAST	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
SBIF transfer received	700	0	0	0	0	0	0
DSBD transfers received	0	600	1 107	1 107	1 107	1 107	1 107
COVID-19 transfer received	79	781	0	0	0	0	0
EU transfer received	150	300	0	0	0	0	0
Blended finance transfer received	100	0	0	0	0	0	0
Department of Tourism	0	0	180	180	180	0	0
MTEF allocation	241	197	252	259	261	264	266
TOTAL	1 270	1 878	1 536	1 546	1 548	1 371	1 373

Borrowing plan (IDC Drawdown)

2021 FORECAST	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
R180m	R310m	R-	R-	R-	R-



Disbursements per Product Type

	2020 AUDITED (12 months)	DEC 2020 YTD (9 months)	2021 BUDGET (12 months)	2021 FORECAST (12 months)	2022 BUDGET (12 months)	2023 BUDGET (12 months)	2024 BUDGET (12 months)	2025 BUDGET (12 months)	2026 BUDGET (12 months)	5-year total BUDGET
Disbursements (R'000)										
Wholesale SME Lending	51 796	22 668	211 831	111 550	128 319	142 434	158 102	175 493	194 797	799 145
Wholesale Micro Lending	190 631	85 000	295 249	160 000	130 183	144 503	160 398	178 042	197 627	810 753
Direct Lending - Loans	237 359	267 211	149 058	283 025	178 217	197 821	219 581	243 735	270 546	1 109 900
SBIF	28 075	47 285	90 000	164 237	312 831	-	-	-	-	312 831
Business Viability Programme	-	-	-	97 500	479 493	305 991	305 991	305 991	305 991	1 703 457
ERP/TEF/Covid-19	-	316 200	637 659	655 703	624 223	350 900	350 900	350 900	350 900	2 027 823
EU Fund	-	-	150 000	65 450	84 550	-	-	-	-	84 550
Disbursements from sefa's balance sheet	507 861	738 364	1 533 797	1 537 465	1 937 816	1 141 649	1 194 972	1 254 161	1 319 861	6 848 459
Additional disbursements by Micro intermediaries	445 946	157 709	52 525	160 000	130 183	144 503	160 398	178 042	197 627	810 754
Khula Credit Guarantee - Guarantees taken up	247 413	104 417	340 037	104 417	585 000	665 037	523 299	531 974	541 082	2 846 392
WL SME-Khula Land Reform	88 075	74 381	35 000	34 500	30 000	30 000	-	-	-	60 000
WL SME-Godisa	22 688	7 497	25 200	32 049	30 000	7 500	-	-	-	37 500
Total disbursements recorded in corporate plan	1 311 984	1 082 368	1 986 559	1 868 431	2 712 999	1 988 689	1 878 669	1 964 177	2 058 570	10 603 105

Impairments on New disbursements – 2022FY to 2026FY

	2021 Forecast	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
<i>New Disbursement Impairment rate (assumptions)</i>						
Wholesale SME Lending	52%	30%	24%	18%	18%	18%
Wholesale Micro Lending	32%	15%	15%	15%	15%	15%
Direct Lending - Loans	44%	44%	43%	41%	40%	38%
SBIF *	18%	18%				
Tourism Fund**		44%	43%	41%		
BVP		44%	43%	41%	40%	38%
SEMP	44%	44%	43%	41%	40%	38%
TREP/ERP	48%	48%	48%	48%	48%	48%
COVID-19 [SMME Relief & Business Growth]*	48%					
EU*	18%	18%				

*No new disbursements after FY22

**No new disbursements after FY24



→ FULL STATEMENTS



STATEMENTS OF COMPREHENSIVE INCOME R'000

STATEMENTS OF COMPREHENSIVE INCOME R'000	GROUP R'000									
	2020 AUDITED	2021 Forecast	2021 BUDGET	% of budget achieved	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET	
Interest from lending operations	68 060	59 952	50 063	120%	99 952	119 556	121 837	132 647	136 106	
Fee income from loans	8 339	14 509	7 725	188%	20 983	13 723	14 770	16 068	17 357	
Indemnity fees	2 823	1 912	3 017	63%	10 359	33 987	49 242	64 947	81 125	
Investment property rental income	25 405	14 288	17 463	82%	25 943	28 503	32 560	37 017	39 537	
Interest on overdue rental debtors	1 321	1 125	-	0%	1 382	1 450	1 520	1 591	1 666	
Investment income	41 160	61 283	59 094	104%	73 541	74 279	101 759	130 405	158 609	
Other income	19 968	20 599	7 616	270%	23 030	10 760	11 053	11 167	14 198	
Sub-total: Income	167 076	173 668	144 978	827%	255 190	282 258	332 741	393 842	448 598	
Personnel expenses	(203 862)	(202 555)	(312 104)	154%	(267 100)	(252 141)	(252 873)	(260 781)	(272 496)	
Investment property expenses	(50 968)	(49 370)	(58 671)	119%	(94 559)	(96 425)	(58 752)	(61 639)	(65 074)	
Other operating expenses	(62 167)	(67 649)	(67 972)	-1460%	(82 864)	(73 216)	(76 693)	(80 174)	(83 816)	
Sub-total: Expenses excl items that are linked to B/S	(316 997)	(319 574)	(438 747)	-1187%	(444 523)	(421 782)	(388 318)	(402 594)	(421 386)	
Net of income and expense excl items that are linked to the B/S	(149 921)	(145 906)	(293 769)	-360%	(189 333)	(139 524)	(55 577)	(8 752)	27 212	
Net - income (incl MTEF alloc) and expense excl items that are linked to the B/S	91 532	50 880	(96 983)	-52%	62 373	119 134	205 627	255 023	293 583	
Increase in expected credit losses on loans and advances	(148 303)	(356 007)	(596 201)	167%	(580 401)	(368 080)	(520 728)	(453 883)	(421 516)	
KCG claims paid and movement in reserves	(12 676)	(12 727)	(23 863)	-53%	(93 081)	(168 748)	(139 959)	(146 467)	(153 287)	
Depreciation and amortisation	(4 406)	(4 931)	(7 178)	-69%	(9 654)	(12 057)	(12 375)	(13 816)	(14 386)	
Depreciation - Right of use	(9 073)	(10 909)	(10 900)	-100%	(11 278)	(11 777)	(11 903)	(14 570)	(16 248)	
Lease liability finance cost	(3 270)	(3 770)	(3 941)	105%	(3 559)	(2 671)	(1 586)	(4 177)	(5 372)	
Interest expense on shareholder's loan	(46 484)	(52 025)	(52 409)	101%	(74 809)	(92 328)	(98 347)	(53 722)	(40 126)	
Net fair value (loss)/gain on investment properties	(10 354)	(10 354)	-	0%	5 000	(3 000)	(3 000)	5 000	5 000	
Increase in impairments on investments and cash	(45 130)	(12 603)	-	0%	(11 315)	(3 685)	(3 751)	(3 811)	(3 874)	
Sub-total: Expenses items that are linked to B/S	(279 696)	(463 326)	(694 492)	151%	(779 097)	(662 346)	(791 649)	(685 446)	(649 809)	
Operating loss	(188 164)	(412 446)	(791 475)	192%	(716 724)	(543 212)	(586 022)	(430 423)	(356 226)	
Profit from equity accounted investments, net of tax	13 629	45 407	48 000	95%	10 880	53 736	35 573	37 034	38 816	
Grant paid	(28 524)	(137 521)	(900 976)	655%	(129 336)	(177 720)	(218 406)	(207 904)	(207 953)	
Grant Income Received	28 524	211 574	1 625 160	13%	540 178	748 885	983 013	906 943	960 755	
Loss before tax	(174 535)	(292 986)	(19 291)	7%	(295 001)	81 686	214 160	305 648	435 389	
Income tax credit/(charge)	(4 924)	-	(1)	0%	(2)	-	1	(1)	-	
Net Profit/(loss) for the year incl MTEF allocation	(179 459)	(292 986)	(19 292)	7%	(295 003)	81 686	214 161	305 647	435 389	

STATEMENTS OF FINANCIAL POSITION R'000

STATEMENTS OF FINANCIAL POSITION R'000	GROUP R'000								
	2020 AUDITED	2021 FORECAST	2021 BUDGET	% of buget achieved	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
ASSETS									
Cash and cash equivalents (Group)	565 376	768 872	787 906	98%	1 210 120	1 330 243	1 379 292	1 341 143	1 324 942
Cash and cash equivalents (SBIF)	669 772	383 473	47 139	813%	91 166	158 731	256 089	356 888	456 311
Cash and cash equivalents (TEF)	-	-	-	0%	682	5 488	17 283	36 655	59 688
Cash and cash equivalents (BVP)	-	250 871	-	0%	93 077	137 414	208 951	357 569	590 754
Cash and cash equivalents (COVID-19/ERP/TREP)	79 000	497 490	43 440	1145%	586 309	1 054 131	1 565 822	2 058 003	2 569 052
Cash and cash equivalents (EU)	149 998	94 287	6 082	1550%	21 887	49 035	78 678	109 222	138 674
Cash and cash equivalents (Managed Funds)	66 918	69 069	66 918	103%	69 069	69 069	69 069	69 069	69 069
Trade and other receivables	38 825	173 927	48 746	357%	358 488	405 278	408 039	297 869	186 876
Current tax asset	61	61	579	11%	61	61	61	61	61
Loans and advances	433 898	633 904	577 346	110%	577 172	553 857	603 508	735 926	841 688
Loans and advances (SBIF)	-	92 293	231 470	40%	332 449	281 365	199 742	114 143	29 352
Loans and advances (TEF)	-	0	0	0%	25 456	49 180	66 861	51 087	31 532
Loans and advances (BVP)	-	76 907	0	0%	448 925	660 036	699 950	723 733	713 346
Loans and advances (EU)	-	54 474	102 529	53%	114 494	88 380	60 637	32 893	7 167
Loans and advances (COVID-19/ERP/TREP)	-	315 112	486 913	65%	492 536	457 984	397 929	376 164	353 636
Investment properties	177 115	166 761	151 070	110%	171 761	168 761	165 761	170 761	175 761
Equipment, furniture and other tangible assets	7 772	7 689	12 905	60%	16 032	13 841	12 574	10 858	9 562
Intangible assets	2 507	5 087	19 946	26%	22 653	23 824	20 615	16 785	12 353
Right-of-use assets	39 104	29 405	28 820	102%	19 440	13 265	3 867	50 641	40 582
Deferred tax asset	49	49	4 454	1%	49	49	49	49	49
Equity investments	902 761	937 477	977 270	96%	895 809	970 127	1 001 083	1 033 502	1 070 702
TOTAL ASSETS	3 133 156	4 557 208	3 593 533	127%	5 547 635	6 490 119	7 215 860	7 943 021	8 681 157
EQUITY AND LIABILITIES									
Share capital	308 300	308 300	308 300	100%	308 300	308 300	308 300	308 300	308 300
Shareholder reserves	2 103 996	2 403 608	2 234 570	108%	2 695 995	2 695 995	2 695 995	2 695 995	2 695 995
Retained earnings and other reserves	(1 134 069)	(1 587 610)	(1 301 563)	122%	(2 044 589)	(1 936 704)	(1 721 547)	(1 414 904)	(978 473)
Equity attributable to owners of the parent	1 278 227	1 124 298	1 241 307	91%	959 706	1 067 591	1 282 748	1 589 391	2 025 822
Non-controlling interest	(184)	(184)	11	-1673%	(184)	(184)	(184)	(184)	(184)
Total equity	1 278 043	1 124 114	1 241 318	91%	959 522	1 067 407	1 282 564	1 589 207	2 025 638
Liabilities									
Trade and other payables/	147 423	135 368	180 666	75%	203 881	206 459	214 186	216 531	218 891
Tax payable	-	-	-	0%	-	-	-	-	-
Grants Received in Advance	1 000 980	2 460 902	1 253 103	196%	3 251 915	3 834 221	4 182 400	4 426 648	4 617 084
Lease Liabilities	43 427	35 487	30 562	116%	26 142	19 551	7 571	55 750	48 573
Outstanding claims reserve	5 557	17 291	9 342	185%	37 286	76 839	116 682	157 497	199 370
Unearned risk reserve	28 220	25 889	37 050	70%	92 306	216 579	309 050	404 257	502 337
Post-retirement medical liability	443	593	593	100%	744	901	900	904	904
Shareholder's loans	629 064	757 562	840 899	90%	975 838	1 068 163	1 102 507	1 092 229	1 068 361
Total liabilities	1 855 114	3 433 092	2 852 215	146%	4 588 112	5 422 713	5 933 296	6 353 816	6 655 520
TOTAL EQUITY AND LIABILITIES	3 133 157	4 557 206	3 593 533	127%	5 547 634	6 490 120	7 215 860	7 943 023	8 681 158

STATEMENTS OF CASH FLOWS R'000

	GROUP R'000								
	2020 AUDITED	2021 Forecast	2021 BUDGET	% of budget achieved	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
Cash flows from operating activities									
Cash utilised by operations	(227 631)	(500 389)	(1 222 703)	244%	(521 715)	(444 627)	(381 529)	(250 764)	(246 361)
Loans and advances awarded to customers or investees	(215 593)	(1 094 799)	(1 573 988)	144%	(1 398 743)	(467 850)	(458 552)	(459 202)	(364 291)
Grant income received	1 029 000	1 686 203	1 877 786	90%	1 457 044	1 589 849	1 592 395	1 414 966	1 417 562
Tax paid	518	-	-	0%	-	-	-	-	-
Net cash utilised by operating activities	586 294	91 015	(918 905)	-10%	(463 414)	677 372	752 314	705 000	806 910
Cash flows from investing activities									
Purchase of equipment, furniture and other tangible assets	(5 534)	(3 649)	(9 100)	249%	(13 283)	(3 800)	(3 982)	(4 169)	(4 365)
Purchase of intangible assets	(3 099)	(4 241)	(20 650)	487%	(22 280)	(7 240)	(3 912)	(4 100)	(4 293)
Improvements on investment properties	-	-	-	0%	-	-	-	-	-
Investment income	51 059	62 408	62 094	101%	74 923	75 729	103 279	131 996	160 314
Acquisition of investments	6 373	36 370	2 354	1545%	7 964	3 000	3 000	3 000	-
Proceeds from sale of property and equipment	-	415	-	0%	-	-	-	-	-
Proceeds from sale of investment properties	-	-	29 899	0%	-	-	-	-	-
Net cash generated by investing activities	48 799	91 303	64 597	141%	47 324	67 689	98 385	126 727	151 656
Cash flows from financing activities									
Dividends paid	-	-	-	-	-	-	-	-	-
Repayment of the lease liabilities	(6 131)	(9 151)	(14 826)	162%	(10 659)	(12 192)	(14 485)	(13 165)	(13 366)
Capital funding received from shareholders	241 453	361 883	290 000	125%	435 853	-	(64 000)	(64 000)	(64 000)
Net cash from financing activities	235 322	352 732	275 174	128%	425 194	(12 192)	(78 485)	(77 165)	(77 366)
Net increase/(decrease) in cash and cash equivalents	870 415	535 050	(579 134)	-92%	9 104	732 871	772 212	754 562	881 199
Cash and cash equivalents at beginning of year	664 962	1 535 374	1 530 617	100%	2 070 423	2 079 523	2 812 394	3 584 601	4 339 160
Cash and cash equivalents at end of year	1 535 377	2 070 424	951 483	218%	2 079 527	2 812 394	3 584 606	4 339 163	5 220 359
Cash held on behalf of managed funds	(66 918)	(69 069)	(66 918)	97%	(69 069)	(69 069)	(69 069)	(69 069)	(69 069)
Cash attributable to the Group	1 468 459	2 001 355	884 565	226%	2 010 458	2 743 325	3 515 534	4 270 094	5 151 290

Thank You



Building Towards Economic Recovery by Deepening Access to Finance to the SMME sector