INTEGRATED ANNUAL REPORT 2024/25

INSPIRING NEW HOPE

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ithala
DEVELOPMENT FINANCE CORPORATION LIMITED

INTERLOCKING PARTNERSHIPS
IN THE PROPERTY SECTOR

COMPANY INFORMATION

Group Company Secretary:
S Singh

Bankers:
ABSA Bank Ltd.

Auditors:
Auditor-General of South Africa

Corporate Attorneys:
Approved Panel of Attorneys

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TABLE OF CONTENTS

1. INTRODUCTION 6
- 1.1. Statement by the Executive Authority 6
- 1.2. Chairman's Letter to Stakeholders 8
- 1.3. Letter from the Group CEO 10
- 1.4. Highlights for the Strategic Period (2020-2025) 12
- 1.5. About this Report 14

2. WHO WE ARE 18
- 2.1. Purpose and Mandate 18
- 2.2. Organisational Structure 22

3. LEADERSHIP AND GOVERNANCE 28
- 3.1. Our Board 28
- 3.2. Board Committees 33
- 3.3. Executive Leadership 37

4. OUR OPERATING ENVIRONMENT 42
- 4.1. Macroeconomic Landscape 42
- 4.2. Development Imperatives 44
- 4.3. Key Stakeholders 45
- 4.4. Focus Sectors 47
- 4.5. Key Challenges 48
- 4.6. Risk Management 49

5. HOW WE CREATE VALUE 62
- 5.1. Our Strategy 62
- 5.2. Value Creation through the 6 Capitals 66
- 5.3. King IV Compliance 67
- 5.4. Our Business Activities 68
- 5.5. Enabling Functions 74
- 5.6. Socio-Economic Transformation 81

6. OUR PERFORMANCE 84
- 6.1. Business Finance 84
- 6.2. Property Portfolio 85
- 6.3. Implementing Agent Division 88
- 6.4. Training Academy 92
- 6.5. Corporate Social Investment Activities 92
- 6.6. Ithala SOC Limited 96
- 6.7. Performance Outputs and Indicators 97
- 6.8. Group Chief Financial Officer's Report 102

7. FINANCIALS 108
- Report of Audit and Risk Committee 108
- Statement of Responsibility by the Board of Directors 111
- Report of the Auditor-General 112
- Directors' Report 117
- Statement of Financial Position 120
- Statement of Profit or Loss and Other Comprehensive Income 122
- Statement in Changes in Equity 124
- Statement of Cash Flows 125
- Accounting Policies 126
- Notes to the Financial Statements 144
- Annexure A: PFMA Compliance Report 234

LIST OF TABLES

Table 3.1 Board of Directors: Skills and Experience Matrix....32
Table 3.2 Board and Committee Membership 2024/25....36
Table 3.3 Board and Committee Meeting Attendance 2024/25....37
Table 4.1 Stakeholder Groups and Expectations....45
Table 4.2 IDFC Four-Lines-of-Assurance Model....50
Table 4.3 Risk Profile at a Residual Risk Level....52
Table 4.4 Strategic Outcomes and Risks....53
Table 4.5 IDFC Key Legislation....58
Table 5.1 IDFC Strategic Outcomes and Targets 2020-2025....63
Table 5.2 Application of King IV Principles....67
Table 5.3 Staff Profile as at 31 March 2025....77
Table 6.1 SAPPI-Funded Clients....84
Table 6.2 SAFDA-Funded Clients....84
Table 6.3 Department of Transport-Funded Clients....84
Table 6.4 Mondi-Funded Clients....85
Table 6.5 Clients Benefiting from Co-Funding....85
Table 6.6 Board-Approved Strategic Partnership Transactions....88
Table 6.7 Beneficiaries of the Imbokodo Iyazenzela Women in Business Programme....94
Table 6.8 Performance Against the 2024/25 APP Targets....98
Table 6.9 Performance of IDFC Subsidiaries....101

LIST OF FIGURES

Figure 2.1 IDFC Organisational Structure....22
Figure 3.1 IDFC Group Corporate Governance Structure....33
Figure 4.1 GDP per sector for KZN 2023 vs 2024....43
Figure 4.2 COSO Risk Management Framework....49
Figure 4.3 Integrated Enterprise Risk Management Model....49
Figure 5.1 IDFC Mandate and Strategic Objectives....62
Figure 5.2 Property Portfolio by Sector....73
Figure 5.3 Employees by Employment Status as of 31 March 2025....78
Figure 5.4 Employee Gender and Racial Representation as of 31 March 2025....78
Figure 5.5 Employee Age Profile as of 31 March 2025....79
Figure 5.6 Employees by Managerial Level as of 31 March 2025....79
Figure 6.1 Value of the IDFC Property Portfolio 2024/25....86
Figure 6.2 Property Vacancies per Sector 2024/25....86

ACRONYMS

ADA	Agribusiness Development Agency
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CCMA	Commission for Conciliation, Mediation and Arbitration
CGU	Cash Generating Unit
CRMP	Compliance Regulatory Management Plan
CSI	Corporate Social Investment
DMRE	Department of Mineral Resources and Energy
EAP	Employee Assistance Programme
ECL	Expected Credit Loss
EDTEA	Economic Development, Tourism and Environmental Affairs
EME	Exempted Micro Enterprise
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
EXCO	Executive Committee
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
HRSEC	Human Resource Social and Ethics Committee
ICT	Information Communications Technology
IDFC	Ithala Development Finance Corporation
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
KPA	Key Performance Areas
KZN	KwaZulu-Natal
KZN EDTEA	KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

MEC	Member of the Executive Council
MTDP	Medium-Term Development Plan
NEHAWU	National Education, Health and Allied Workers Union
NGREMCO	Nomination, Governance and Remuneration Committee
NYDA	National Youth Development Agency
OHSE	Occupational Health, Safety and Environment
PA	Prudential Authority
PAIA	Promotion of Access to Information Act
PFMA	Public Finance Management Act
POPI	Protection of Personal Information (Act)
PSQ	Port Shepstone Quarries
PwDs	Persons with Disabilities
QCTO	Quality Council for Trades and Occupations
QSE	Qualifying Small Enterprise
RA	Repayment Administrator
RAPETT	Rationalisation of Public Entities Task Team
ROI	Return on Investment
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SEDA	Small Enterprise Development Agency
SETAs	Sector Education and Training Authorities
SEZ	Special Economic Zone
SMME	Small, Medium and Micro Enterprise
SOE	State Owned Enterprise
StatsSA	Statistics South Africa
TIKZN	Trade and Investment KwaZulu-Natal
TRERS	Township and Rural Economies Revitalisation Strategy

1. INTRODUCTION

1.1. Statement by the Executive Authority 6
1.2. Chairman's Letter to Stakeholders 8
1.3. Letter from the Group CEO..... 10
1.4. Highlights for the Strategic Period (2020-2025)..... 12
1.5. About this Report 14

1. INTRODUCTION

STATEMENT BY THE EXECUTIVE AUTHORITY

Rev Musa Zondi, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

It is with great optimism that I present this Integrated Annual Report of the Ithala Development Finance Corporation (IDFC) for the 2024/25 financial year. This report not only reflects the organisation's ongoing commitment to economic development and transformation but also marks the end of a critical five-year strategic cycle (2020–2025) – a period during which IDFC remained resolute in its mandate to promote inclusive growth across KwaZulu-Natal.

Over the past year, IDFC has shown resilience despite ongoing economic pressures and the broader macroeconomic volatility. Despite these hurdles, the organisation has strengthened its role as a key supporter of socio-economic development, enterprise backing, property development, and financial inclusion. IDFC's efforts have directly helped small businesses; empowered youth, women and persons disabilities entrepreneurs, and contributed to job creation across urban, peri-urban, and rural areas of the province.

I am especially encouraged by the Corporation's investment in township and rural economies, its targeted support for small businesses, and its growing portfolio of catalytic infrastructure and property assets – all of which align with the provincial government's developmental priorities. Furthermore, the organisation's corporate social investment initiatives, including in youth and women in business programmes, reflect a broader commitment to restoring dignity and opportunity to our people.

Although significant progress has been achieved, challenges persist. The Group's financial sustainability, resolving long-standing regulatory issues affecting Ithala SOC Limited, and ongoing pressures on the property portfolio will demand deliberate strategic attention. IDFC has, however, established dedicated leadership and prudent governance that is needed to overcome such challenges. I am therefore confident that the organisation will continue to serve the people the province for decades to come.

I wish to thank the Board of Directors, executive management, and employees of the IDFC for their unwavering dedication and service to the people of KwaZulu-Natal. As we look ahead to the new five year strategic cycle, I encourage the organisation to remain bold in its developmental vision, accountable in its operations, and uncompromising in its pursuit of inclusive growth.

Musa Zondi

_____
Rev Musa Zondi, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

Ittiala

Mr Khayo E. Mpungose
Chairman of the Board

CHAIRMAN'S LETTER TO STAKEHOLDERS

"We have maintained support for small, medium and micro enterprises (SMMEs), created jobs, expanded access to finance, and managed an extensive property portfolio with long-term economic potential."

Dear Stakeholders,

It is a privilege to present the Ithala Development Finance Corporation's (IDFC's) Integrated Annual Report for the 2024/25 financial year. This report not only reflects on our performance during the past year but also concludes our five-year strategic cycle, which began in 2020. It offers an important opportunity to reflect on the organisation's progress, its evolving operating context, and the role it continues to play in advancing inclusive economic development across KwaZulu-Natal.

The year under review was characterised by persistent macroeconomic challenges. Global and domestic economic pressures – including rising interest rates, inflation, and sluggish growth – continued to strain businesses, households, and the broader development finance landscape. Despite this, IDFC demonstrated resilience and determination in fulfilling its developmental mandate. We have maintained support for small, medium and micro enterprises (SMMEs), created jobs, expanded access to finance, and managed an extensive property portfolio with long-term economic potential.

A notable strength of the organisation during this period has been its agility. Despite operating under significant fiscal constraints, IDFC has maintained a clear focus on impact, prioritising catalytic initiatives that support township and rural revitalisation, infrastructure development, and enterprise support.

The strategic partnerships forged with both public and private sector actors have been central to these efforts-amplifying our reach, de-risking investments, and ensuring sustainability in areas often underserved by commercial finance.

Equally important has been the IDFC's focus on internal resilience. Governance systems have been strengthened, the implementing agent function has been restructured and empowered, and key areas of compliance and performance reporting have improved. The introduction of new strategic frameworks, such as the Township and Rural Economies Revitalisation Strategy (TRERS) and revised policies on property investment and asset management, will establish a strong foundation for the next phase of growth.

Nevertheless, the challenges facing the Group cannot be overlooked. The unresolved regulatory status of Ithala SOC Limited remains a material issue that impacts stakeholder confidence and long-term planning. As the shareholder of Ithala SOC, we are working closely with Government and the Prudential Authority to secure a viable solution that ensures the protection of depositors and the continuation of Ithala SOC's vital role in financial inclusion.

As we transition into a new strategic cycle, our focus will remain on impact, not for its own sake, but for the lives it changes. The mandate of a development finance institution cannot be measured solely by

balance sheet metrics. It must also be seen in the entrepreneurs who gain their first foothold in the economy and the businesses that survive and grow with our support.

SUBSEQUENT EVENT

During the period of preparing the Integrated Annual Report for the 2024/25 financial year, the term of the former board of directors ended on 30th of November 2025 and a new board of directors was ushered in on 1 February 2026.

I wish to express my gratitude to the MEC for Economic Development, Tourism and Environmental Affairs, the Honourable Rev Musa Zondi MPL, for his ongoing support and guidance. I also recognise the dedication of the former Board members, the stewardship of our management executive team, under the leadership of the Group CEO, Ms Pearl Bengu, and the commitment of every staff member who contributed to the organisation's efforts during the 2024/25 financial year.

We remain committed to inspiring new hope through building a more inclusive, dynamic, and resilient economy for KwaZulu-Natal.

Best Kingdom regards and blessings,

Mr Khayo E. Mpungose
Chairman of the Board

"As the shareholder of Ithala SOC, we are working closely with Government and the Prudential Authority to secure a viable solution that ensures the protection of depositors and the continuation of Ithala SOC's vital role in financial inclusion."

LETTER FROM THE GROUP CEO

"Despite external challenges, IDFC remained committed to delivering its mandate to promote inclusive economic growth, generate opportunities, and invest in enterprise and infrastructure development."

Ms Pearl Bengu
Group CEO

It is my privilege to present the Ithala Development Finance Corporation's 2024/25 Integrated Annual Report, which reflects both the challenges, and the remarkable progress achieved over the 2024/25 financial year. This report highlights our performance across core business activities, enabling functions, and the broader impact of our developmental mandate throughout the province of KwaZulu-Natal.

The operating environment during the reporting period continued to test our resilience. Sluggish economic growth, rising inflation, and high interest rates have impacted the financial stability of the communities we serve, reducing disposable income and exerting pressure on both personal and business finances. Despite these external challenges, IDFC remained committed to delivering its mandate to promote inclusive economic growth, generate opportunities, and invest in enterprise and infrastructure development.

Over the five-year strategy period, more than R1 billion was disbursed in loans to support 1,830 small enterprises, alongside the rollout of strategic programmes such as Masakhe Business Clinics and the establishment of two SMME Incubator Centres. Our properties division exceeded its five-year asset growth target with a 25.9% increase in fair value and showed positive strides in vacancy rate reduction, asset revitalisation, and the successful development of strategic partnerships.

Key highlights of the year include significant progress in our business finance, property and implementing agent divisions. Over the past year, we delivered R336 million in loans to 396 small businesses, achieving a total book value of R1.033 billion at the close of the 2024/25 financial year. Our small business clients continued to receive business support services – both pre- and post-funding – enhancing their sustainability in a complex market.

IDFC remains one of the largest property owners in the province, growing our Property portfolio by 6% to R3,7 billion over the reporting period, while investing in capital upgrades to improve the quality of industrial and commercial property available to local businesses. In 2024/25, these investments amounted to R115,2 million in capital expenditure. The IDFC facilitated 3344 new jobs through the properties Capital Expenditure Programme and signing of new leases.

We are also proud of our performance as an implementing agent, successfully delivering projects on behalf of key partners, including KZN Department of Economic Development, Environmental Affairs and Tourism and Department of Human Settlements. These achievements demonstrate our commitment to partnership development, and to a diversified and transformed economy for KZN.

Our Corporate Social Investment initiatives reflect our values and commitment to transformation. Through youth and women empowerment programmes such as Inkunzísematholeni and Imbokodo Iyazenzela, we reached hundreds of aspiring entrepreneurs, provided targeted training, and granted seed funding to high-potential businesses. These interventions are helping to stimulate grassroots economic activity and strengthen entrepreneurial ecosystems in under-resourced communities.

Internally, we maintained operational stability, continued to contain costs, and sustained positive audit outcomes. We strengthened our governance and performance frameworks and made progress in talent development, transformation and institutional renewal. We also continued to build a culture of service, performance and innovation across the organisation.

As we conclude the 2020–2025 strategy cycle and enter a phase of strategic review and reorientation, I am confident that IDFC is well placed to deepen its developmental impact. Our focus moving forward will be on sharpening our value proposition, strengthening stakeholder partnerships, and harnessing innovation to serve emerging enterprises, promote industrial development, and generate employment in a more targeted and sustainable manner.

On behalf of the Executive Committee, I thank our shareholder, the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs, the Board of Directors, our partners, and all staff for their unwavering support and contributions.

Together, we stay committed to promoting inclusive growth and unlocking the complete economic potential of our province.

Ms Pearl Bengu
Group Chief Executive Officer

"Our focus moving forward will be on sharpening our value proposition, strengthening stakeholder partnerships, and harnessing innovation to serve emerging enterprises, promote industrial development, and generate employment in a more targeted and sustainable manner."

HIGHLIGHTS FOR THE STRATEGIC PERIOD (2020-2025)

The 2024/25 financial year marked the final year of the IDFC's five-year strategy cycle (2020–2025). Against a backdrop of economic volatility and heightened development needs, the organisation demonstrated resilience, adaptability and a strong commitment to its developmental mandate. Key highlights from this period reflect progress across all core business areas, enabling functions, and strategic initiatives.

Over R1 billion in loans disbursed to SMMEs: Ithala's Business Finance division disbursed R1.02 billion in loans to 1,830 small enterprises since April 2020, surpassing the five-year loan book target of R1 billion and reaching a total book value of R1.033 billion by 31 March 2025.

R853 million in property investment attracted: IDFC secured R853 million in investment through strategic property partnerships, exceeding the five-year target of R650 million.

Six new developments and industrial hubs revitalised: IDFC exceeded its five-year target of five, with six major developments completed, including site revitalisation and new long-term leases.

Two SMME Incubator Centres launched: These centres provide tailored training and support for entrepreneurs and manufacturers, addressing key challenges and strengthening sustainability.

25.9% increase in property asset value: The Properties division achieved a 25.9% increase in the fair value of the property portfolio, exceeding the five-year strategic target of 25%, with the total portfolio now valued at R3.7 billion.

Over 9,200 jobs created through property development and leasing: A total of 9,211 jobs were created through infrastructure developments and new leases in the property portfolio, surpassing the target of 7,069.

Masakhe Business Clinics established: These clinics offered financial literacy, business guidance and market access services to SMMEs and co-operatives, forming part of IDFC's expanded business support ecosystem.

Over R5.8 billion in gross collections over five years: Group Finance achieved strong recovery performance over the strategy period, reflecting effective cost containment and operational stability.

Sound financial management: No new irregular expenditure incurred over the last 4 years.

Nine strategic public and private sector partnerships established: These included collaborations with entities such as Durban University of Technology, SAPPI, Mondi, Department of Transport, and Development Bank SA to bolster development finance delivery.

Vacancy rate reduced to 19.8%: The Properties division made notable strides in decreasing the vacancy rate, down from 27.8% in 2021 to 19.8% in 2025.

Clean audit outcome achieved for 2024/25: IDFC maintained sound financial management and governance practices, securing a clean audit opinion in the final year of the strategy cycle.

Accreditation secured from SAICA and QCTO: IDFC became an accredited training institution, supporting nine aspiring accountants and launching a recognised Skills Development Academy.

R36.52 million new revenue raised through implementing agent projects: IDFC's Implementing Agent unit successfully delivered multiple projects for partners, including EDTEA and the KZN Department of Human Settlements, contributing to inclusive infrastructure development.

Five unrest-affected properties rebuilt, four under construction: Following the 2021 civil unrest, IDFC prioritised infrastructure recovery, restoring commercial operations and reinvigorating local economies.

ABOUT THIS REPORT

This Integrated Annual Report presents the Ithala Development Finance Corporation Limited's (IDFC's) strategy, material issues, operational and financial performance for the period 1 April 2024 to 31 March 2025, along with key priorities and outlooks for the period ahead.

In 2024/25, the IDFC placed emphasis on *interlocking partnerships in the property sector*, as highlighted throughout this Annual Report. These efforts have proven critical towards an inclusive, sustainable and collaborative ecosystem within KwaZulu-Natal's property and infrastructure landscape.

By anchoring the report in the theme of interlocking partnerships, IDFC sends a strong message: meaningful economic transformation in the property sector cannot be achieved in silos. Instead, progress is driven through collaborative efforts that align economic goals with social imperatives. The integrated report reflects this reality by linking strategy, performance, risk, and sustainability within a coherent narrative centered on partnership.

Legislation and Compliance

IDFC is a State-Owned Enterprise (SOE) established in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013, and listed as a Schedule 3D Provincial Business Enterprise under the Public Finance Management Act (PFMA). The report is intended to inform material stakeholders-including shareholders, regulators, clients, employees, communities, and potential investors-on the organisation's ability to create and sustain value.

In compiling this report, IDFC has adhered to the performance reporting requirements set by the Auditor-General of South Africa (AGSA) and presents an account of progress against the Annual Performance Plan (APP), as detailed in later sections of the report.

Materiality is determined by the Board of Directors, in accordance with Section 54(2) of the PFMA and Treasury Regulation 28.3. It is further guided by IDFC's developmental mandate and the information needs of its shareholders, regulators, and broader stakeholder community.

The report draws on the principles of the International Integrated Reporting Council's (IIRC) <IR> Framework, as well as the King IV Code on Corporate Governance (2016). Additional compliance frameworks include the International Financial Reporting Standards (IFRS), the Companies Act (Act

No. 71 of 2008), and the PFMA (Act No. 1 of 1999).

Forward-Looking Statements

Certain statements in this document are deemed to be forward-looking. These relate to, inter alia, the plans, objectives, goals, strategies, future operations and performance of IDFC. Words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will', 'should', and similar expressions are typically indicative of forward-looking statements. These statements are not a guarantee of IDFC's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements.

IDFC makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. IDFC undertakes no obligation to update the historical information or forward-looking statements in this document.

While this Annual Integrated Report covers the period up to 31 March 2025 and reflects performance against the 2024/25 reporting period, it is noted that IDFC has finalised its 2025–2030 Strategic Plan. The next cycle will see a sharpened focus on catalysing industrial and green economy investments, revitalising rural and township economies, and enabling access to finance and markets for historically marginalised groups. These future priorities will position IDFC to play a leading role in building a resilient, inclusive, and sustainable economy for KwaZulu-Natal in alignment with provincial and national development frameworks.

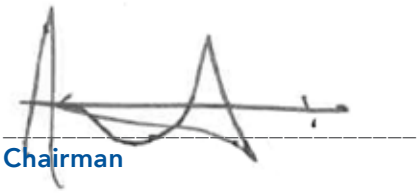
Approval and Assurance of Our Report

The Audit and Risk Committee (ARC) is responsible for reviewing this Integrated Annual Report and the accompanying Annual Financial Statements prior to submission for approval by the Board of Directors. The Board has considered and approved this report, believing it to fairly reflect the organisation's performance and material matters.

Both internal and external audit functions contribute to the assurance process, providing additional confidence in the integrity of the information and the adequacy of risk management practices.

Statement of the Board of Directors

The Board of Directors acknowledges its responsibility to ensure the integrity of the Integrated Annual Report and, in the Board's opinion, it addresses all material issues and presents fairly the company's integrated performance.



Chairman

Audit and Risk Committee

2. WHO WE ARE

2.1. Purpose and Mandate 18
2.2. Organisational Structure 22

WHO WE ARE

2.1. Purpose and Mandate

The IDFC was established in 1958 as a development finance agency, wholly owned by the province of KwaZulu-Natal. It is governed by the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013), and operates under the oversight of a Board of Directors, reporting to the KZN EDTEA.

As a provincial development finance institution, IDFC plays a key role in enabling inclusive economic participation through both financial and non-financial support to Small, Medium and Micro-Enterprises (SMMEs) and co-operatives. It has been a pioneer in SMME development, the first institution to bank unbanked communities in the province, and among the first to establish shopping centres and large industrial estates in rural areas. IDFC's diverse property portfolio offers accessible retail and industrial space, creating an enabling environment for local enterprises to grow. The Corporation also supports government service delivery by providing infrastructure project management capacity.

In 2025, IDFC marked 67 years of operation, reflecting its sustained commitment to development finance and inclusive growth across KwaZulu-Natal.

OUR MANDATE

IDFC is established under the KZN Ithala Development Finance Corporation Act 5 of 2013 (as amended). According to the Act, the primary objectives of the IDFC, led by a board appointed by the MEC for EDTEA, are to:

- Mobilise financial resources and provide financial and supportive services to persons domiciled, ordinarily resident, or carrying on business within KZN.
- Plan, execute, finance, and monitor the implementation of development projects and programmes in KZN.
- Promote, assist, and encourage the development of the province's human resources and its social, economic, financial and physical infrastructure.
- Promote, encourage, and facilitate private sector investment in the province, and the participation of private sector and community organisations in development projects and programmes, and contribute to economic development generally.
- Function as Government's agent for performing development-related tasks and responsibilities that the government considers may be more efficiently or effectively performed by a corporate entity.

Core Functions

We deliver on our mandate by:

- Facilitating investments in development projects that drive economic growth and transformation.
- Managing the property portfolio to retain and attract tenants, focusing on key sectors and maintaining high occupancy rates.
- Providing financial products and business support services to small enterprises.
- Acting as the implementing agent for infrastructure and economic development projects, ensuring timely and efficient execution.
- Implementing initiatives aimed at inclusive economic growth and job creation.
- Facilitating the training and development of human resources in the province.

OUR PURPOSE, MISSION, VISION & VALUES

OUR PURPOSE

To achieve the intended impact of sustainable and competitive SMMEs and co-operatives contributing meaningfully to radical socio-economic transformation and job creation in the KwaZulu-Natal Province.

OUR VISION

Accelerating growth, socio-economic development, and empowerment in KwaZulu-Natal.

OUR MISSION

To accelerate economic growth and transformation, entrepreneurship, and job creation for the people of KwaZulu-Natal, by:

- promoting investment in development projects,
- optimising the property portfolio,
- supporting sustainable small enterprises,
- facilitating skills development,
- serving as the preferred implementing agent for economic and infrastructure projects, and
- facilitating programmes that drive radical economic transformation.

The Mission is enabled by building a capable, ethical, and sustainable organisation.

OUR VALUES

- **Integrity:** We uphold the highest standards of integrity, ensuring that accountability and ethical behaviour guide every decision we make. We are committed to transparency, honesty, and responsibility in all our actions, building trust with our stakeholders while delivering on our mandate for the sustainable development of the people of KZN.
- **Innovative:** We combine traditional values with modern, forward-thinking approaches to create meaningful change. We continually innovate by blending tacit knowledge and modernisation, delivering impactful solutions while respecting the principles that define our success.
- **Customer-centric:** We prioritise our customers' evolving needs and maintain the highest standards of professionalism in all interactions, promoting growth and impactful solutions. We are committed to inclusivity, empowering disadvantaged communities and ensuring equal access to opportunities, with a focus on Black women, youth, and PwDs.
- **Teamwork:** We promote teamwork and collaboration across all levels, accelerating the achievement of common goals and creating a harmonious work environment. We value and respect every individual, accelerating progress by promoting diversity and leveraging modern technology to drive transformative results.
- **Sustainability:** We are committed to long-term economic, social, and environmental sustainability by promoting responsible resource management, minimising our ecological footprint, and supporting initiatives that benefit future generations.

UPLIFTING COMMUNITIES SINCE 1959

FOUNDATIONS OF ECONOMIC EMPOWERMENT

1959

Bantu Investment Corporation Established

The State establishes the Bantu Investment Corporation (BIC) to support development in Black areas.

1977

Transitioning from the BIC to the Corporation for Economic Development (CED)

The organisation's name is changed to Corporation for Economic Development Limited (CED).

Isithebe Industrial Estate Developed

A decentralised Isithebe Industrial Estate is launched to support job creation and local economic growth.

1978

Launch of the KwaZulu Development Corporation

The KwaZulu Development Corporation (KDC) was born, taking over the CED, with focus on industrial development.

Pioneering Access to Housing Finance

Home loans are extended to Black families in areas like KwaMashu, Esikhawini, Umlazi and Ulundi.

Ezakheni Industrial Estate Developed

The Ezakheni Industrial Estate is developed outside the town of Ladysmith.

EXPANSION OF ACCESS AND INFRASTRUCTURE

1979

Empowering Township Communities

The corporation expanded their reach by developing 126 residential sites in Umlazi BB Section.

1980

Retail Investments

Through a partnership with Checkers, the first retail store in Umlazi W section is constructed, with investment of R4,7 million towards its shopping centre project.

1983

Head Office Established and more expansions

The Head Office is firmly positioned at 17 Isilo Drive, Umlazi. Both KwaMashu Shopping Centre and Sundumbili Factory Units are launched.

EXPANSION OF ACCESS AND INFRASTRUCTURE

1984

KwaZulu Finance Corporation Takes Shape

The organisation's name is changed to the KwaZulu Finance Corporation (KFC) under the control of the then KwaZulu Government.

Deposit-Taking Pilot Begins

The KFC pilots its deposit-taking facility in Durban and Umlazi.

1985

Focus on Agricultural Development

Between 1979 and 1985 the organisation provides R7,8 million to support 7 275 local Black farmers, cultivating 45 725ha. Agricultural loans totalling R17,7 million are advanced.

Supporting SMMEs

293 industrial or commercial units, costing R5,0 million, are erected and let to entrepreneurs at subsidised rentals.

RETAIL GROWTH AND REGIONAL DEVELOPMENT

1991

Retail Expansion: Sundumbili Plaza

Shopping centres begin forming part of the commercial infrastructure strategy.

1994

Democracy Spurs Transformation

The dawn of democracy reshapes Ithala's mandate to better serve the people of KwaZulu-Natal.

1995 - 1998

Rapid Property Development

Estcourt, Manguzi, Bergville, Harding and Eshowe shopping centres are developed, alongside key light industrial parks.

A NEW IDENTITY, A BROADER MANDATE

1999

Birth of the Ithala Development Finance Corporation

The KFC is renamed to Ithala Development Finance Corporation (IDFC), symbolising a new era of empowerment.

2000

Inkosi Albert Luthuli Hospital Project

A new millennium brought with it ground-breaking milestones, like the development of the Inkosi Albert Luthuli Hospital in Durban, through IDFCs subsidiary, Cowslip Investments, and partnering with the Provincial Department of Health and Impilo Consortium.

2001

IDFC's deposit-taking facility is ring-fenced, becoming a wholly-owned subsidiary under the name Ithala SOC Limited.

2002

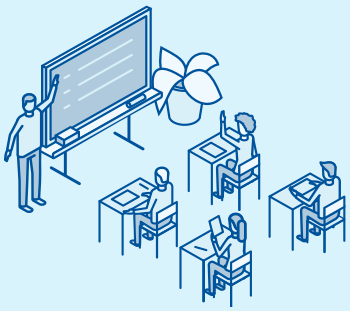
Wilson's Wharf Launched

The iconic commercial harbour front is introduced.

Key Subsidiaries and SEZs

Future Indefinite Investment 124 (Pty) Ltd is formed and incubated under IDFC and went on to become Dube TradePort Company (Pty) Ltd, now holding the first Special Economic Zone in the province

The establishment of Richards Bay Industrial Development Zone is facilitated by the IDFC, as a shared entity with the City of Mhlathuze.



2003

Education Infrastructure Boost

Ithala manages a R1.25 billion school construction and upgrade project across KZN on behalf of Provincial Department of Education.

CATALYSING INCLUSIVE GROWTH

2005

Health Infrastructure Expanded

On behalf of the Provincial Department of Health, IDFC is responsible for a R632 million construction and upgrade project involving numerous hospitals and clinics in the Province.

2008

KZN Growth Fund Participation

IDFC helps to structure the KZN Growth Fund as a Public-Private Partnership.

BUILDING FOR THE FUTURE

2014

Innovative Youth and Women Programmes

Ithala launches innovative programmes to promote development among women and the youth.

2015

Head Office Moves to Durban Waterfront

IDFC occupies the newly constructed Ithala Trade Centre.

2017

Launch of Paramount Park

A new light industrial park is established in Mount Edgecombe.

2019

Celebration of 60 Years of Development

IDFC celebrates 60 years in the business of development.

Ithala SOC Limited: 35 Years of Impact

Ithala SOC Limited celebrates 35 years, with over 329,000 clients and R2 billion in active accounts.

2025

A Resilient and Agile Organisation

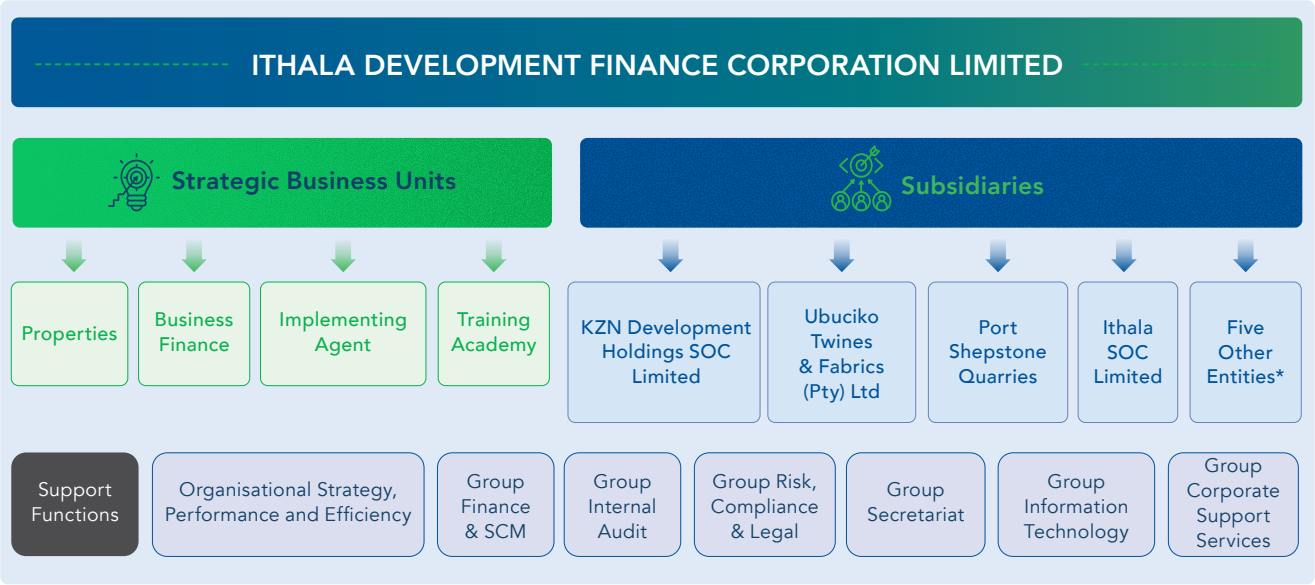
Following a period of economic turmoil, Ithala continues to deliver on its mandate through broadened access to finance and strategic partnerships with the public and private sector.

2.2. Organisational Structure

IDFC's organisational structure is designed to support efficient delivery of its mandate through clearly defined operational units and strategic entities. The Corporation includes core business units focused on implementation, as well as subsidiaries aligned with broader developmental and operational objectives.

The diagram below depicts the IDFC organisational structure, including Strategic Business Units and Subsidiaries.

Figure 2.1: IDFC Organisational Structure



*Cowslip Investment (Pty) Ltd, Sundumbili Plaza Ltd, Nongoma Plaza Ltd, Durban Wharfside Trust and Sibaya Conservation Projects SOC Ltd.

2.2.1. Strategic Business Units

Properties

Our Properties business oversees the effective management and development of IDFC's property portfolio, which includes a variety of large industrial, retail, light industrial and SMME properties.

IDFC is among the largest property portfolio owners in KwaZulu-Natal. Details of the Properties Department's performance and prospects are included in subsequent sections of this report.

Business Finance

IDFC's lending activities are delivered through the Business Finance Department, which offers financial and non-financial services to SMMEs and co-operatives across KwaZulu-Natal. The Department delivers a range of products and services designed to stimulate entrepreneurship and support business development, with emphasis on previously disadvantaged individuals and communities.

Our lending activities focus on sectors highlighted in the Provincial Growth and Development Strategy and are aligned with our primary mandate, as expressed in the Ithala Act. Details of our business finance performance and prospects may be found later in this report.

Implementing Agent

IDFC is mandated to serve as an Implementing Agent for the provincial government across various programmes and infrastructure projects. The aim is to enhance the government's capacity in infrastructure project management to accelerate service delivery within the KZN province.

IDFCs Implementing Agent services are tailored to meet the needs of each project and may include:

- Research and feasibility studies
- Project conceptualisation and business planning, infrastructure development, refurbishment and maintenance
- Stakeholder analysis and engagement programmes
- Procurement of service providers
- On-the-job training and contractor development
- Procurement of equipment and human resources
- Post implementation operations and programme management
- Fund management and administration

Training Academy

IDFC has been recognised as a QCTO and SETA Training and Skills Development Academy. The mission of the Training Academy is to close the skills gap, boost professional growth, and foster entrepreneurial achievement through high-quality, accredited training programmes. We aim to develop a thriving environment where individuals can gain the knowledge and skills needed to succeed in their careers and positively impact their communities.

2.2.2. Subsidiaries

Ithala SOC Limited

Ithala SOC Limited is a subsidiary of the IDFC and was previously regulated under the Banks Act by the South African Reserve Bank (SARB). It operated with an Exemption Notice until 15 December 2023.

Until 16 January 2025, Ithala SOC Limited provided retail financial services, savings and investment products, housing and loan products, and insurance. The institution operated through a multi-channel distribution network and served individuals, businesses, groups and public sector entities, with a particular focus on underserved areas.

On 16 January 2025, the Prudential Authority applied for the provisional liquidation of Ithala SOC Limited on the grounds of technical and legal insolvency. On the 13 February 2026, the Prudential Authority attorneys wrote to Ithala and MEC of EDTEA advising that they intend withdrawing the liquidation application. The MEC of EDTEA and the Board of Ithala has accepted the withdrawal.

On 27 March 2026, the Provincial Executive Council resolved that Ithala Soc be integrated into IDFC and that a new accounting authority be appointed by Provincial Treasury. The IDFC is currently developing a plan that will direct the process for an orderly, legally compliant and operationally controlled integration process that prioritises stabilisation of operations, protection of strategic provincial assets, particularly the loan book, continuity of permissible business functions (consumer lending and insurance), excluding deposit-taking activities, restoration of governance and accountability, and containment of fiscal and operational risk. There has been no decision to change the legal status of Ithala Soc nor curtail any permissible business activities.

Further information is available in the Ithala SOC Limited Annual Report, accessible at: www.myithala.co.za

Ubuciko Twines and Fabrics SOC Limited

Established in 2006, Ubuciko Twines and Fabrics SOC Limited is a wholly owned subsidiary of the IDFC. The company previously manufactured polypropylene twine, woven material and polypropylene bags and sacks.

In 2017/18, the company's equipment was leased to an external operator, and most of Ubuciko's operational staff were absorbed by the lessee. The lease expired in May 2022 and - being a finance lease - the assets are now owned by the lessee. The IDFC Board subsequently resolved to liquidate Ubuciko Twines and Fabrics. Due to delays in serving the liquidation papers, an application for edictal citation was brought in December 2024. The application was adjourned sine die to allow time for tracing the directors and submitting a report. These requirements have since been met, and a new court date is to be obtained.

KwaZulu-Natal Property Development Holdings

In December 2016, the then MEC for EDTEA directed the Chairman of IDFC to wind up KwaZulu-Natal Property Development Holdings in accordance with the IDFC's legal responsibilities as shareholder.

In February 2017, the IDFC Board issued a resolution instructing the company's board to cease business operations by the end of March 2017, except to the extent required for winding up. The IDFC Board later resolved to repurpose the entity as an interposed company to support Ithala SOC Limited's banking licence application. This process has since been placed on hold, pending resolution of legal matters between the Prudential Authority and Ithala SOC Limited.

Port Shepstone Quarries (Pty) Limited

IDFC initially acquired a 30% stake in Port Shepstone Quarries (PSQ) in September 2013 through a loan agreement. In July 2015, IDFC acquired the remaining 70% of shares via a settlement agreement after the borrower defaulted. The company entered business rescue in May 2017 and remained under rescue until 31 January 2018, during which time operations ceased.

A turnaround strategy was developed and approved by the IDFC Board in 2021, identifying key focus areas for improvement. Authorisation was obtained from the MEC for EDTEA and other relevant officials to dilute IDFC's shareholding and attract a third-party investor to revive the business. The investor assessment process was concluded and approved by the Board, and a purchase and sale agreement has

since been signed. IDFC will retain 25% of shares, with 75% transferred to the investor. A Section 11 application for the change in shareholding has been submitted to the Department of Mineral Resources.

Five Other Entities

IDFC also holds interests in the following five entities:

- Cowslip Investment (Pty) Ltd – The agreement for this entity expired on 30 May 2024. On 7 June 2024, Cowslip Investment entered a repurchase agreement with Impilo Consortium (Pty) Ltd, under which it sold 116 deferred shares in the Consortium. The entity is currently in the process of dissolution.
- Sundumbili Plaza Ltd – Approval for dissolution was granted on 9 November 2021 by the MECs of EDTEA, Provincial Treasury and other officials. The entity was dissolved during the year under review, and final dividends have been paid.
- Nongoma Plaza Ltd – The winding down of this entity is ongoing. The immovable assets have been transferred to IDFC, and final dividends have been paid.
- Sibaya Conservation Project SOC Ltd – This lodge is located in the Chithumuzi area of the Manzengwenya Isigodi under the Tembe Tribal Authority. It has been vacant since May 2004, and efforts to secure a tenant have been unsuccessful. The entity is in the process of being liquidated.
- Durban Wharfside Trust – A wholly owned subsidiary of IDFC, this property development is located in the Durban Harbour and includes four retail buildings and one industrial building.

2.2.3. Associate Company - Ntingwe Tea Estate

Ntingwe Tea Estate (Pty) Ltd was established in 1988 in the Nkandla Local Municipality. IDFC holds a 38% stake, with the remaining 62% owned by the KwaZulu-Natal Department of Agriculture and Rural Development.

Although IDFC previously provided management support, operational control was transferred in 2019/20 to the Agribusiness Development Agency (ADA), in line with the recommendations of the KwaZulu-Natal Rationalisation of Public Entities Task Team (RAPETT). IDFC continues to provide accounting and secretarial services to the estate.

IDFC Head Office located in Point Waterfront, Ethekwini

INTERLOCKING PARTNERSHIPS IN THE PROPERTY SECTOR

3. LEADERSHIP AND GOVERNANCE

3.1.Our Board 28
3.2.Board Committees 33
3.3.Executive Leadership 37

3. LEADERSHIP AND GOVERNANCE

3.1. Our Board

IDFC's Board of Directors upholds the highest standards of corporate governance and expects these standards to be implemented throughout the organisation's business operations.

The Board is responsible for establishing corporate governance frameworks and policies to ensure that all internal stakeholders are committed to ethical behaviour and adhere to the IDFC Code of Conduct. The Board values long-term ethical client relationships and has well-established governance processes to balance achieving business growth with meeting stakeholders' reasonable expectations. The Board has a strict zero-tolerance policy regarding any form of fraud, theft, or corruption.

The Group Chief Executive is the sole executive member of the Board in an ex-officio capacity. Consequently, the balance between non-executive and executive directors does not align with the recommendations of the King Report. This is addressed by appointing executives to certain Board Committees.

The Board of Directors believes that, in all material aspects relevant to its operations, IDFC has complied with the recommendations of the King IV Report during the review year.

Board Composition

The Board of Directors is appointed by the responsible Member of the Executive Council (MEC) of the Province of KwaZulu-Natal. In accordance with Section 6(1)(a) of the Ithala Act, the Board must consist of no fewer than seven and no more than 13 members.

At the start of the reporting period, the Board consisted of six independent non-executive members: Mr S Mkhize, Mr S C Gina, Dr S L Ndlovu, Prof D Jairam-Owthar, Dr U Roopnarain and Mr M B Ngubo. Ms P S Bengu served as the sole Executive Board member. On 9 April 2024, the MEC for the KZN EDTEA appointed three additional members to the Board: Adv B A Mbili, Dr L T Mwelase, and Ms S B Dlungwane. The term of three Board members was aligned with the remaining tenure of the Board, which concludes on 31 May 2025. Mr S Mkhize was appointed as Chairman and Mr S C Gina as Deputy Chairman. Subsequently, the term of all board members was extended until 30 November 2025.

A regular skills analysis is carried out to ensure the Board meets the minimum competencies required by the Ithala Act and has the capabilities to support the organisation's strategic direction. This analysis also helps verify that suitable expertise is distributed across the various Board Committees.

SUBSEQUENT EVENT

During the period of preparing the Integrated Annual Report for the 2024/25 financial year, the term of the former board of directors ended on 30th of November 2025 and a new board of directors was appointed on 1 February 2026.

The IDFC Board of Directors that served up to 30 November 2025, their qualifications, expertise, appointment dates, and other directorships are presented on pages 29 to 31.

BOARD OF DIRECTORS

Mr Siphesihle Mkhize
Independent Non-Executive Director (Chairman)

Re-appointed:
01 June 2022

Chartered Accountant (SA), Auditing Specialised Course (APT), B Com Honours (CTA), B Compt, Bachelor of Laws (LLB)

Area of Expertise

- Financial Management
- Audit
- Accounting
- Supply Chain Management
- Strategy Formulation and Management
- Taxation

Other Directorships

- SVZ Consulting (Pty) Ltd

Mr Sipho C Gina
Independent Non-Executive Director (Deputy Chairman)

Re-appointed:
01 June 2022

Social Legal Studies Diploma, Political Economy, Conciliation and Arbitration Certificate

Area of Expertise

- Human Resources and Labour Specialist
- Social and Ethics Management

Other Directorships

- National Textile Bargaining Council
- Tsogo Sun International – Member of Audit Committee and Chair of Social and Ethics Committee
- Ubuciko Twines and Fabric
- Port Shepstone Quarries (Pty) Ltd
- EduFund
- KZN Economic Council
- Clothing Bargaining Provident Fund Trustees
- Star Knitting Textile in Mauritius – Non-Executive Director
- Nortex Textile – Non-Executive Director

Dr Sihle L Ndlovu
Independent Non-Executive Director

Re-appointed:
01 June 2022

Doctoral Degree in Business Administration (PhD), Master's in Business Administration (MBA), Professional Accountant (SA), Advanced Diploma in Management Accounting, Post-Graduate Diploma in Accounting and Finance, National Diploma in Cost Management Accounting (CIMA), Business Management in Developing Countries Certificate, Tax Practitioner, Graduate of the Stanford University School of Business Seed Transformation Leadership Certificate Programme

Area of Expertise

- Financial Management
- Economic Development
- Credit and Investment Management
- Agriculture
- Planning (Budgets and Forecasts)
- Client Relationship Management
- Performance Management
- Strategy Formulation and Management
- Project Management
- Social and Ethics Management

Other Directorships

- Built Environment Support Group – Chairman
- Inzalo Group of Companies – Chairman
- BFG Retail Ltd – Non-Executive Director, Chairman
- Msinsi Holdings t/a Msinsi Resorts and Game Reserve
- Umgungundlovu Economic Development Agency – Chairman of the Board

Dr Usha Roopnarain
Independent Non-Executive Director

Appointed:
01 June 2022

Doctoral Degree in Political Sociology (PhD), Master's in Political Sociology (MBA), Honours in Social Science, Bachelor of Social Science, LLM (Human Rights Law)

Area of Expertise

- Legal Skills
- Human Resources and Labour Experience
- Development Finance
- Corporate Governance
- Strategy Formulation and Management

Other Directorships

- Naifa Maruf Foundation – Bangladesh (NPO), Deputy Director for Africa
- Port Shepstone Quarries

Prof Denisha Jairam-Owthar
Independent Non-Executive Director

Appointed:
01 June 2022

Doctor in Business Leadership (DBL in Digitisation), Master's in Business Admin (Specialisation in Information Technology), BCompt (Accounting Sciences), Post Graduate Program in Artificial Intelligence and Machine Learning (University of Austin Texas, USA: Current); Certified Director; Certifications: Artificial Intelligence Robotics, Digital Transformation, Cybersecurity, COBIT, ITIL, Data Science (University) of Berkeley California, USA), Senior Management Certificate (Harvard Business School), Applied Generative Artificial Intelligence (MIT, USA)

Area of Expertise

- Banking: Corporate, Investment & Retail
- Auditing: Internal & External, Tax
- Executive Management
- AI, Robotics, Digital Transformation & Cybersecurity
- Machine Learning & Generative AI
- Digital Architecture
- Lean Six Sigma
- Business Process Re-engineering
- NIST, ISO27000, TOGAF
- Cloud: AWS and Microsoft
- Project Methodologies: SDLC, Agile, SCRUM, SAFE, Waterfall
- BABOK, King IV, Combined Assurance
- Governance Leadership
- Structured Organisational Committees

Other Directorships:

- University of the Witwatersrand – Honorarium
- University of Pretoria (GIBS) – Honorarium
- Railway Safety Regulator of SA
- PRASA
- SAQA – QCTO
- Public Sector ICT & Wired for Women in ICT (NPOs)

Mr Manqoba Ngubo
Independent Non-Executive Director

Appointed:
01 June 2022

Bachelor of Accounting, Postgraduate Diploma in Business Administration (Management and Leadership), MSc Global Energy, MCom Finance (Investment Management)

Area of Expertise

- Financial Skills
- Investment Experience
- Human Resources and Labour Experience
- Development Finance
- Project Finance
- Planning and Development
- Risk Management
- Corporate Governance
- Strategy Formulation and Management

Other Directorships

- PSV Holdings Ltd
- Nutritional Holdings Ltd

Ms Siphumelele B Dlungwane
Independent Non-Executive Director

Appointed:
09 April 2024

Chartered Accountant (SA), Master of Philosophy (Development Finance), B Com Honours, B Com

Area of Expertise

- Auditing (Internal and External)
- Taxation
- Business Advisory
- Investment Management
- Corporate Governance
- Financial Management

Other Directorships

- Harry Gwala Development Agency
- International Women's Federation for Commerce and Industry
- KwaZulu-Natal Tourism and Film Authority
- Trade and Investment KwaZulu-Natal

Dr Lorraine T Mwelase
Independent Non-Executive Director

Appointed:
09 April 2024

Doctor of Engineering (Civil), Master of Business Administration, Master of Engineering (Civil), BTech Civil Engineering, National Diploma in Civil Engineering, Diplomas in Business Administration and Municipal Finance, Certificate in Project Management, Executive Leadership (Municipal Development), International Action Learning MBA

Area of Expertise

- Project Management
- Financial Management
- Human Resources Management
- Planning and Development
- Project Finance
- Risk Management
- Corporate Governance
- Strategy Formulation and Management
- Infrastructure Development
- Operations Management

Other Directorships

- Engineering Council of South Africa
- Umfolozi TVET College

Adv Bheki A Mbili
Independent Non-Executive Director

Appointed:
09 April 2024

Masters of Laws (Business Law), LLB Degree, B Juris, Post Graduate Diplomas in Labour Law and Drafting & Interpretation of Contracts, Certificate in Legislative Drafting

Area of Expertise

- Public and Private Law
- Financial and Performance Management
- Public Administration
- Investigations
- Land Reform

Other Directorships

- Richards Bay Industrial Development Zone SOC Ltd
- Kabelo Land Restitution and Development Trust
- Makinono Consulting
- Millioners Investments
- Practising Advocate – KZN Bar

Ms Pearl S Bengu
Executive Director

Re-appointed:
01 November 2023

Master's in Public Administration, B Com, Licentiate Diploma Part 1, FSB Compliance Certificate, Advanced Certificate in Management Development (Municipal Finance), Certificate in Management Development (Municipal Finance)

Area of Expertise

- Strategic Leadership Management
- Stakeholder Management
- Public Sector Banking
- Business Acquisition

Other Directorships

- Cowslip Investments SOC Ltd
- KwaZulu-Natal Property Development Holdings (Pty) Ltd

Board Skills and Experience Matrix

The following matrix outlines the qualifications, skills and experience of each Board member. It confirms that, collectively, the Board has the breadth of expertise required to exercise independent judgment and support IDFC in fulfilling its mandate.

Table 3.1: Board of Directors: Skills and Experience Matrix

Skill	Mr S Mkhize	Mr S C Gina	Dr U Roopnarain	Mr M B Ngubo	Dr S L Ndlovu	Prof D Jairam-Owthar	Dr L T Mwelase	Ms S B Dlungwane	Adv B A Mbili	Ms P S Bengu
Legal Skills	√		√						√	
Financial Skills	√			√	√	√	√	√	√	√
Investment Experience or Qualifications	√			√	√	√		√		
Marketing Experience or Qualifications					√					√
Human Resources or Labour Experience or Qualifications	√	√	√	√	√	√	√		√	√
Planning or Development Skills and Experiences				√	√	√	√			√
Social and Ethics	√	√	√	√	√	√				√
Information, Communication and Technology	√	√				√				
Banking										√
Project Finance	√			√	√		√	√		
Development Finance			√	√	√					√
Risk Management	√			√	√	√	√			√
Corporate Governance	√	√	√	√	√	√	√	√	√	√
Strategy Formulation and Performance Management	√	√	√	√	√	√	√	√	√	√
Credit Management	√	√				√				√
Land Reform									√	
Auditing								√		
Infrastructure Development							√			

Board Effectiveness

The Board Performance Evaluation Framework specifies that the Board assessment occurs annually as follows:
Year 1: The evaluation of the Board as a collective
Year 2: The Evaluation of Board Committees
Year 3: An Independent Evaluation of the Board and its Committees

An independent Board Evaluation will be undertaken in the 2025/26 financial year.

During the year under review, the Board dealt with:

- Monitoring the progress to regularise the business of Ithala SOC Ltd.
- Approving the sale of equity in Port Shepstone Quarry, which is essential for turning the entity around.
- Monitoring the implementation of the five-year Corporate Strategy, which ended on 31 March 2025.
- Closely monitoring the financial sustainability of the IDFC given the current economic challenges.

The Board considered and approved the following policies during the reporting period:

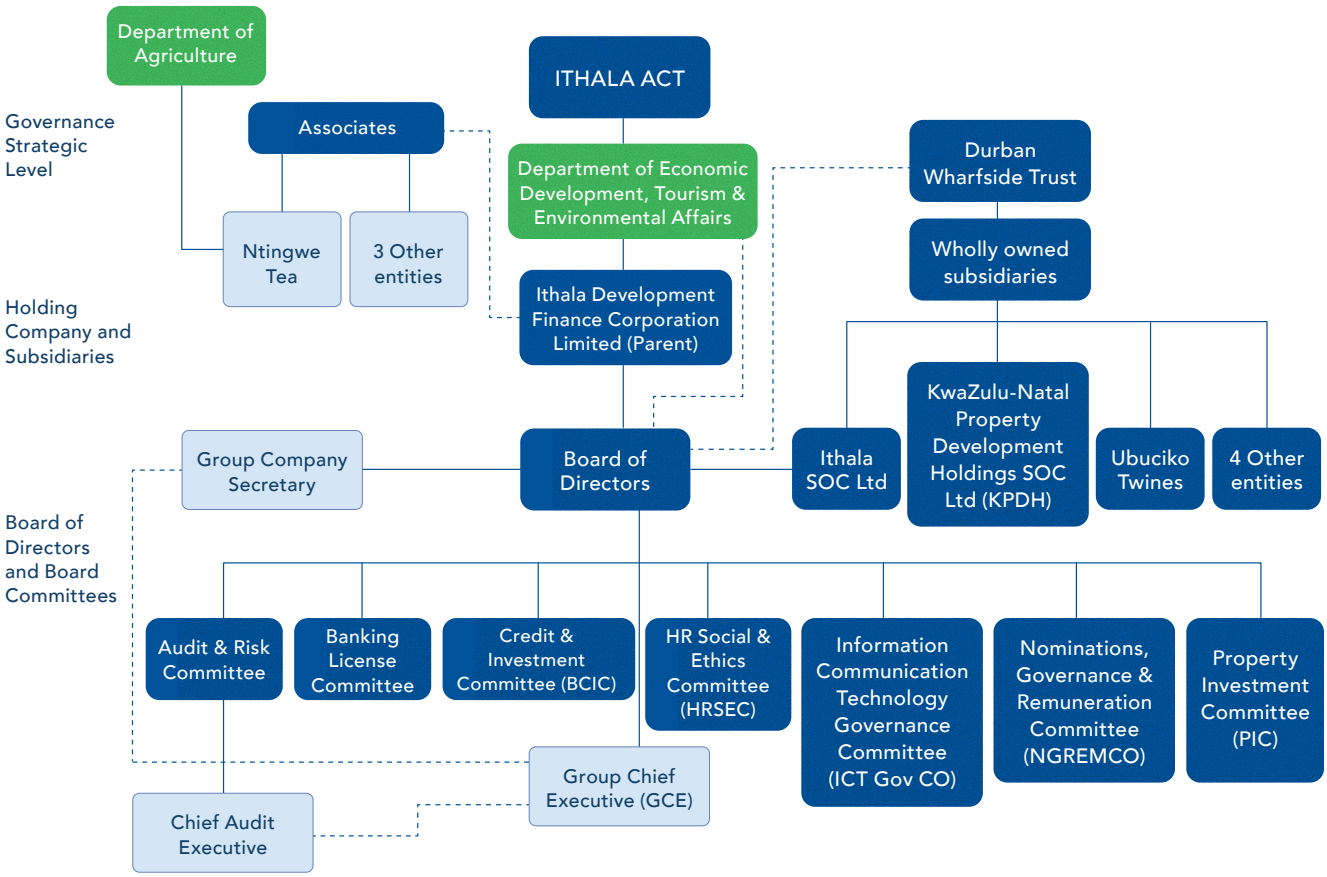
- Protection of Personal Information Act (POPIA) Policy
- Domestic Prominent Influential Persons (DPIP) and Foreign Prominent Public Officials (FPPO) and Related Party Policy
- Treasury and Investment Management Policy
- Supply Chain Management (SCM) Policy
- Investigation Policy
- Infrastructure Maintenance Policy
- Code of Business Conduct: Delegated Powers of Authority

Policies are reviewed every three years or when circumstances change.

Group Corporate Governance Structure

The IDFC has established a group corporate governance structure in keeping with the requirements of the Ithala Act (Figure 3.1):

Figure 3.1: IDFC Group Corporate Governance Structure



3.2. Board Committees

Board Committees were established in terms of Section 15(1) of the Ithala Act to support the Board in fulfilling its mandate to oversee operational performance and monitor risk. Committee members are appointed based on their skills, and every effort is made to ensure an equitable distribution of committee responsibilities among non-executive directors. The Board reviewed and approved all committee terms of reference during the year under review and delegated the necessary powers of authority accordingly.

Each committee operates in line with a Board-approved work plan, structured to align with the King IV Report on Corporate Governance, as well as the Public Finance Management Act (PFMA) and the Companies Act. Committee Chairs report on committee activities at every Board meeting, highlighting key risks, emerging issues and proposed mitigation strategies. All committees are empowered to seek independent professional advice, at the organisation's cost, through a Board-approved process.

The following sections outline the purpose and key activities of each Board Committee during the 2024/25 reporting period.

3.2.1. Audit and Risk Committee

The Audit and Risk Committee (ARC) ensures the integrity of financial statements and oversees the effectiveness of internal controls, as well as both external and internal audit functions. The committee monitors strategic risks, with regular quarterly updates and an annual risk workshop used to develop and refine the group's risk register.

A risk-based internal audit plan is implemented, drawing on risk registers, the organisational strategy

and emerging issues. Risk assurance is supported through a combined assurance model, and findings are regularly reported to the committee. An External Quality Assurance Review conducted in 2024/25 found that the IDFC Group Internal Audit Services (GIAS) conforms to the mandatory elements of the International Professional Practices Framework.

A dedicated forensic investigations team reports progress to the ARC In-Committee, which continues to monitor fraud and corruption trends and enforce consequence management where necessary. The organisation also maintains a regulatory universe to monitor legal and regulatory compliance, with quarterly updates submitted to the ARC.

During the year, the ARC prioritised oversight of the group's financial performance and delivery against the Annual Performance Plan (APP), as agreed with EDTEA and the Provincial Treasury in March 2024.

Key areas of focus included:

- Monitoring internal and external audit findings, with progress reports provided by both Internal Audit and the Group CFO.
- Assessing the adequacy of skills and capacity within Audit, Finance and Risk teams.
- Addressing historic irregular, fruitless and wasteful expenditure, including condonation processes and the enforcement of consequence management.
- Reviewing and approving the strategic risk register and adherence to defined risk appetite and tolerance levels.

The ARC recommended the following documents to the Board for approval during the 2024/25 reporting period:

- ARC's Terms of Reference
- Corporate Business Plan and APP for 2025/26
- Budget for 2025/26
- Strategic Risk Register for 2025/26
- Integrated Annual Report for 2023/24
- External Audit Strategy and Engagement Letter for the 2024/25 Audit
- Delegated Powers of Authority (DPoA)
- Protection of Personal Information Act (POPIA) Policy
- Treasury and Investment Management Policy
- Supply Chain Management (SCM) Policy
- Investigation Policy

3.2.2. Banking Licence Committee

The Banking Licence Committee's revised terms of reference were approved by the Board to enable monitoring of efforts to regularise the business of Ithala SOC Limited following the lapse of its banking licence exemption in December 2023.

3.2.3. Credit and Investment Committee

The Credit and Investment Committee is responsible for approving transactions exceeding R10 million and up to R35 million. The committee also oversees credit and investment policies, loan book performance and related matters.

During the year, the committee focused on enhancing collections, strengthening litigation measures to recover bad debts, and encouraging diversification of the loan book through partnerships. A white paper aimed at supporting SMMEs and addressing key sustainability challenges was also recommended to the Board.

3.2.4. Human Resources, Social and Ethics Committee

This committee oversaw the transition from the current to the target organisational structure, following the Board-approved organisational restructure in November 2021. It tracked critical vacancies and the implementation of the Transition Framework.

Progress on the Employee Wellness Strategy was monitored quarterly, with growing employee participation. Key objectives of the strategy include reducing healthcare costs and absenteeism, improving productivity, and boosting employee morale and retention. Broader wellness initiatives included regular health communications, financial education and health awareness campaigns.

The committee also tracked leave liability, overtime and sick leave trends to ensure a productive workforce, and oversaw Organisational Health, Safety and Environmental (OHSE) risks.

The Board approved the committee's revised Terms of Reference, which expanded its oversight of human resources, social and ethics issues. The committee also monitored marketing activities and progress in security and logistics.

3.2.5. ICT Governance Committee

The ICT Governance Committee monitored progress on ICT projects, digital transformation initiatives and cyber security efforts. It reviewed business cases to support process automation and information management and received regular updates on disaster recovery planning to ensure business continuity.

The committee recommended the ICT Strategy FY2026–FY2029, which was subsequently approved by the Board.

3.2.6. Nominations, Governance and Remuneration Committee

This committee applied a Board skills matrix to evaluate whether the Board's composition supports independent, informed decision-making. It plays a central role in embedding sound governance practices and is responsible for reviewing proposed executive appointments to subsidiary boards.

The committee also oversees the group's remuneration framework, which is performance-based and designed to drive accountability and high performance.

3.2.7. Property Investment Committee

The Property Investment Committee focused on the implementation of rebuild and maintenance projects, performance monitoring of the property portfolio and progress on third-party property initiatives.

The Committee reviewed marketing and revenue diversification strategies and monitored efforts to reduce vacancies. The committee also recommended the Infrastructure Maintenance Policy and the Properties Strategy 2025–2030, both of which were approved by the Board.

The Committee's work has supported the development of interlocking partnerships in the property sector. In turn, these partnerships have proven key to fostering investment in the property and infrastructure sector, throughout KZN.

Board Committee Composition and Participation

The composition and participation of Board and Committee members are vital to effective governance and oversight. The tables below detail the membership of each committee during the 2024/25 financial year, along with members' attendance records at scheduled Board and Committee meetings. This information highlights the active engagement of directors in fulfilling their fiduciary and oversight duties.

Architectural Impression of Eshowe Shopping Centre Rebuild Project

Table 3.2: Board and Committee Membership 2024/25

Name	Board of Directors	Audit and Risk Committee (ARC)	Board Credit & Investment Committee (BCIC)	Banking Licence Committee (BLC)	Information Technology and Communications Governance Committee (ITCGC)	Human Resources, Social & Ethics Committee (HRSEC)	Nomination, Governance & Remuneration (NGREMCO)	Property Investment Committee (PIC)
Mr S Mkhize (Chairman)	√			√			√	
Mr C S Gina (Deputy Chairman)	√		√	√		√	√	√
Ms S Dlungwane	√	√		√	√		√	
Dr S L Ndlovu	√	√	√			√	√	√
Prof D Jairam-Owthar	√	√	√		√		√	
Dr U Roopnarain	√	√			√	√	√	
Mr M B Ngubo	√	√	√	√	√		√	√
Dr T L Mwelase	√			√	√	√		√
Adv B A Mbili	√	√	√	√		√		√
Ms P Bengu	√		√			√		

Table 3.3: Board and Committees Meeting Attendance 2024/25

Director		Board of Directors		Audit and Risk Committee (ARC)		Board Credit and Investment Committee (BCIC)		Banking Licence Committee (BLC)		Information, Technology & Communications Governance Committee (ITCGC)		Human Resources, Social and Ethics Committee (HRSEC)		Nominations & Governance Committee (NGREMCO)		Property Investment Committee (PIC)**	
Name	Date of Appointment	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings
Mr S Mkhize (Chairman)	01/06/17 Re-app 01/06/22	13	13	N/A	N/A	N/A	N/A	3	3	N/A	N/A	N/A	N/A	5	5	N/A	N/A
Mr C Gina (Deputy Chairman)	01/06/17 Re-app 01/06/22	13	13	N/A	N/A	9	8	3	3	N/A	N/A	4	4	5	5	4	3
Ms S Dlungwane	05/04/24	13	12	9	9	N/A	N/A	3	3	6	4	N/A	N/A	5	5	N/A	N/A
Dr S Ndlovu	01/06/17 Re-app 01/06/22	13	13	9	9	9	9	N/A	N/A	N/A	N/A	4	4	5	5	4	4
Dr T L Mwelase	05/04/24	13	12	N/A	N/A	N/A	N/A	3	3	6	5	4	4	N/A	N/A	4	4
Prof D Jairam-Owthar	01/06/22	13	13	9	9	9	8	N/A	N/A	6	6	N/A	N/A	5	5	N/A	N/A
Dr U Roopnarain	01/06/22	13	13	9	9	9	(N/A)	N/A	N/A	6	6	4	4	5	5	N/A	N/A
Mr M. Ngubo	01/06/22	13	13	9	9	9	9	3	3	6	5	N/A	N/A	5	5	4	3
Adv B A Mbili	05/04/24	13	12	9	8	N/A	N/A	3	3	N/A	N/A	4	4	N/A	N/A	4	4
Ms P.S Bengu (GCE)	01/11/18 Re-app 1/11/23	13	11	N/A	N/A	9	3	N/A	N/A	N/A	N/A	4	2	N/A	N/A	N/A	N/A

Re-app = Reappointed

N/A = Director is not a member of the Committee

3.3. Executive Leadership

The Group Executive Committee (EXCO) operates under the leadership of the Group Chief Executive and is responsible for providing day-to-day strategic and operational direction across the IDFC. As the highest management committee, EXCO is tasked with driving the implementation of corporate and business plans and supporting the Group Chief Executive in fulfilling her executive responsibilities, as delegated by the Board.

The Committee is chaired by the Group Chief Executive and comprises the entire executive team along with the Group Company Secretary. The Chief Audit Executive, the Divisional Manager: Organisational Strategy, Programme and Efficiency, and the Divisional Manager: Legal Services are permanent invitees to EXCO meetings.

All members of the Committee are prescribed officers under the Companies Act and are expected to carry out their responsibilities accordingly. The Committee meets as often as necessary to perform its duties effectively, with at least one scheduled meeting per month in accordance with its Terms of Reference.

The following members constitute the IDFC's Executive Committee:

Ms Pearl Bengu
Group Chief Executive

Re-appointed:
1 November 2023

- Master's in Public Administration
- B Com
- Licentiate Diploma Part 1
- Financial Services Board Compliance Certificate
- Advanced Certificate Programme in Management Development for Municipal Finance
- Certificate Programme in Management Development for Municipal Finance

Ms Amanda Zuma
Group Chief Financial Officer

Appointed:
1 September 2023

- Chartered Accountant (SA)
- B Com Honours (Accounting)
- B Com (Accounting)
- Registered Auditor
- Leadership Development Programme (University of Pretoria)

Dr Manogran Muthusamy
Group Chief Risk Officer

Appointed:
01 July 2020

- Doctoral Degree in Business Leadership
- Master's in Business Administration (MBA)
- Postgraduate Diploma in Management Studies
- B Com (Financial Management)
- Diploma in Bank Credit Management
- CAIB (SA) – Associate Diploma in Banking
- Certificate in Advanced Business Risk Management

Ms Tozi Mthethwa
Group Corporate Support Services Executive and Acting Business Finance Executive

Appointed:
01 June 2020

- Master's in Business Administration (MBA)
- Master's in Social Science
- Honours in Social Science
- Bachelor of Social Science (BSocSci)
- Management Development Programme (MDP)

Mr Malusi Mthuli
Properties Executive

Appointed:
03 June 2024

- Professional Associated Valuer
- Master's in Business Administration
- B.Com Honours in Property Valuation and Management
- Postgraduate Diploma in Business Administration
- National Diploma in Real Estate

Mr Khetha Cele
Group Chief Information Officer

Appointed:
01 February 2021

- B.Com Honours in Business Information Systems
- B.Com in Business Information Systems and Technology
- Diploma in Project Management

Ms Sarisha Singh
Group Company Secretary

Appointed:
01 December 2024

- B Comm (Law)
- Bachelor of Laws

Mr Armstrong Malope
Organisational Strategy, Performance and Efficiency Executive

Appointed
09 October 2022

- Master of Business Administration (MBA)
- Master of Philosophy in Labour Law and Employment Relations
- Management Advancement Programme
- Postgraduate Diploma in Employment Law and Employment Relations
- Bachelor of Social Sciences (Organisational Psychology)

4. OUR OPERATING ENVIRONMENT

4.1. Macroeconomic Landscape 42
4.2. Development Imperatives 44
4.3. Key Stakeholders 45
4.4. Focus Sectors 47
4.5. Key Challenges 48
4.6. Risk Management 49

4. OUR OPERATING ENVIRONMENT

4.1. Macroeconomic Landscape

4.1.1. The Global Economy

The global economy faced heightened uncertainty throughout the reporting period, driven by geopolitical tensions, trade uncertainty, and policy changes in many leading economies. The conflict in Ukraine and the escalation of violence in the Middle East continue to disrupt global supply chains, while violence threatens to spread beyond Israel-Palestine. Attacks on commercial ships in the Red Sea have further increased shipping costs, especially for oil and manufactured goods, driving up global commodity prices.

Oil prices remained volatile throughout the reporting period. While demand softened in some advanced economies, conflict in the Middle East, disruptions to shipping lanes, refinery shutdowns, and uncertain trade policy, led to periodic price spikes. The oil price uncertainty has limited the ability of Central Banks to control inflation and resulted in petrol price fluctuations, particularly in countries dependent on oil imports - including South Africa.

The appointment of Donald Trump to his second term as U.S. President, in late 2024, has exacerbated uncertainty around trade and international aid. In January 2025, President Trump moved to drastically cut U.S. foreign aid, with enormous impacts on the African continent. Countries, including South Africa, saw a drastic reduction in funding for health and humanitarian programmes, particularly those focused on HIV/AIDS and Tuberculosis. Although health departments, local organisations and other international partners have taken action to address the void, it is expected that the abrupt policy shift will have a significant and detrimental impact on health outcomes and, potentially, economic growth.

The Trump administration has also reignited trade tensions by raising tariffs and signalling an end to long-standing trade agreements. For South Africa, this has created significant uncertainty about the future of the African Growth and Opportunity Act (AGOA), which enables African exporters to access U.S. markets, duty-free, for qualifying goods. The impact of rising tariffs could be devastating for export industries, leading to dampened growth and job losses. The shift also shines a light on the need for rapid implementation of the African Continental Free Trade Act (AfCFTA), as well as enhanced trade between Africa and key markets in Europe and Asia.

4.1.2. South Africa's Economy

South Africa's economic environment continues to face structural challenges, including high unemployment and sluggish growth. There are, however, signs of progress and forecasts for accelerated growth, underscored by improved governance and stabilisation of the country's electricity supply.

South Africa's modest 0.6% GDP growth in 2024 reflects a mixture of persistent structural constraints, such as weak investment, lower consumer spending, logistical inefficiencies, and sector-specific setbacks, particularly in agriculture and trade, alongside the lingering effects of high unemployment, inequality, and weakened state capacity.[1] While the formation of the Government of National Unity (GNU) signalled an intent to reform, global uncertainty, underperforming infrastructure investment, and muted export potential continued to dampen economic momentum.

The National Treasury's medium-term outlook expects GDP growth to average just over 1.5% annually in the next three years, which is below the level needed to reduce unemployment or significantly increase household incomes.[2] Manufacturing, construction, and mining remain stagnant or are declining, with weak private investment and low business confidence. These sectors (manufacturing and construction) typically drive credit demand for business expansion, equipment upgrades, and commercial property, and are key to IDFC's business portfolio.

South Africa's fiscal constraints are considerable – debt-service costs now consume over 20% of the budget, limiting the government's ability to fund infrastructure, public employment, and business-support initiatives, and reducing the capacity to deploy counter-cyclical spending during economic downturns. However, there are promising developments: the government has launched a R1 trillion, three-year Infrastructure Plan (including the Infrastructure Fund and Strategic Integrated Projects) which allocates R402 billion to transport, R219 billion to energy, and R156 billion to water and sanitation networks. Complementing this, the Independent Power Producer (IPP) programmes,

1 StatsSA. Gross Domestic Product – Fourth Quarter of 2024. Released 4 March 2025. https://www.statssa.gov.za/publications/P0441/P04414th-Quarter2024.pdf

2 National Treasury Budget. 21 May 2025. The Government's Response to the May 2025 Parliamentary Fiscal Framework Hearings. https://www.treasury.gov.za/documents/National%20Budget/2025May/May%202025%20Budget%20PH%20pres%20FINAL.pdf

under REIPPPP and the Risk-Mitigation IPP framework, have added over 8 GW of renewable capacity, enhancing electricity supply stability and reducing loadshedding.[3]

Geopolitical risks, including the ongoing conflicts in Ukraine and the Middle East, as well as instability in key commodity-producing regions, continue to pose inflationary threats. While South Africa's exposure to global energy and grain prices has decreased since 2022, renewed tensions have caused oil price volatility and currency pressures, increasing the risk of a resurgence in domestic inflation.

4.1.3. Inflation, Interest Rates and Credit Conditions

In 2024, the South African Reserve Bank (SARB) kept the repo rate at 8.25% for most of the year as part of its plan to anchor inflation expectations within the target range of 3–6%. The decision, while effective in reducing inflation (5.3%), also led to tighter borrowing conditions. Prime lending rates remained above 11.75%, exerting upward pressure on monthly debt service costs for both households and businesses.[4]

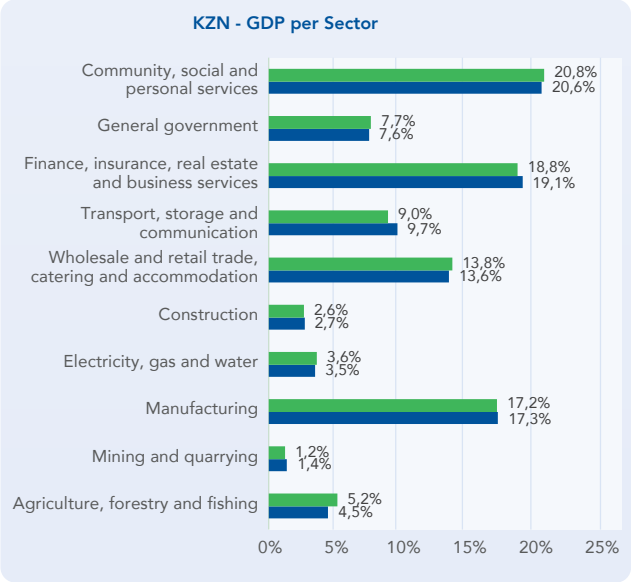
High borrowing costs have disproportionately impacted micro, small, and medium enterprises (MSMEs), especially in the retail, services, and agriculture sectors where profit margins are tight. Growth in household credit has slowed, with most new loans unsecured and mainly used to cover essential expenses rather than for asset acquisition. According to FinMark Trust (2024), 42% of South Africans borrowed funds to afford basic needs such as food and transport, indicating widespread financial strain.[5] Moreover, the Rand's depreciation, averaging R18.40 to the US dollar in 2024, has increased import costs, adding pressure on manufacturers, logistics firms, and MSMEs, and reducing their ability to repay loans. On a positive note, inflation has started to stabilise, fostering a more predictable economic environment for both businesses and consumers.

4.1.4. KwaZulu-Natal Economy

KwaZulu-Natal (KZN) remains South Africa's second-largest provincial economy, contributing around 16% to the national GDP. With a gross provincial product of about R1.08 trillion in 2024, showing a growth of 5.65%, the province continues to be a key driver of the country's economic output, especially in logistics, agriculture, and manufacturing. However, KZN faces notable labour market challenges, with an unemployment rate of 32.3%, slightly above the national average, and increasing by 3.7 percentage points between the fourth quarter of 2024 and the first quarter of 2025. The agriculture sector remains crucial for rural development, job creation, and export earnings. KZN is the country's leading producer of sugarcane and timber and plays an important role in the citrus, dairy and poultry industries. The eThekwini Municipality continues to be the economic hub of the province, contributing 60,5% of KZN's GDP according to recent studies.[6]

The province's economic structure is relatively diversified, with the community and social services sector accounting for the largest share of GDP (20,8%), followed by finance (18,8%), manufacturing (17,2%), and trade (13,8%). The graph below shows the GDP contribution per sector from 2023 to 2024 in real values (not adjusted for inflation).

Figure 4.1: GDP per Sector for KZN 2023 vs 2024



Source: Quantec Standardised Regional Data, 2023-24.

The provincial economy remains under significant strain due to ongoing infrastructure decay and a series of recurring shocks. The 2022 floods caused widespread damage to roads, bridges, rail lines, and housing, much of which has yet to be fully repaired. Additionally, the 2021 riots led to extensive destruction of IDFC's properties, with repairs still ongoing. Persistent issues such as infrastructure vandalism, load-shedding, and disruptions at key ports – particularly Durban and Richards Bay – have

3 Business Tech. 2024 budget in a nutshell – the biggest winners and losers. https://businesstech.co.za/news/budget-speech/753819/2024-budget-in-a-nutshell-the-biggest-winners-and-losers

4 SARB. Statement of the Monitory Policy Committee – November 2024. https://www.resbank.co.za/en/home/publications/publication-detail-pages/statements/monetary-policy-statements/2024/Statement-of-the-Monetary-Policy-Committee-September-20241

5 FinMark Trust. 2024. Data Portal for South Africa. https://finmark.org.za/data-portal/ZAF

6 Quantec Easy Data. Standardised Regional Data. GVA and Employment. Accessed 15 June 2025

further undermined logistics reliability and increased the cost of doing business. Incidents of truck attacks and unrest along the N3 corridor have heightened perceptions of instability, potentially deterring much-needed investment.

Despite these challenges, signs of resilience are emerging. Growth in agri-processing and logistics, especially near Dube TradePort and the Richards Bay Industrial Development Zone, creates new investment and inclusive growth opportunities. The e-commerce and informal retail sectors remain drivers of job creation and business development, particularly in peri-urban and rural areas. Furthermore, the IDFC's extensive industrial property portfolio, including Isithebe, Ezakheni, and Madadeni Industrial Estates, has experienced increased demand for rental space. This trend highlights the rising need for affordable industrial facilities and positions IDFC as a significant supporter of MSMEs and regional economic progress.

4.1.5. Impact on the IDFC

As a development finance institution operating in KwaZulu-Natal, IDFC's performance is significantly influenced by macroeconomic trends at the global, national, and provincial levels. The slow pace of economic recovery, combined with high interest rates and high unemployment, has important implications for both the demand for finance and clients' ability to meet repayment obligations.

Finance Demand Outlook

The demand for development finance in the province remains high, especially among micro-enterprises, cooperatives, and emerging farmers. However, high interest rates and business risk aversion have led to a cautious lending environment. Many potential clients, particularly in retail and informal trade, have postponed expansion or equipment purchases due to uncertainty over input costs, energy supply, and consumer demand.

Lending opportunities are more promising in logistics, green infrastructure, and agro-processing, especially when combined with business development support and technical assistance. There is also heightened interest in renewable energy installations, particularly among commercial property clients and industrial tenants.

Repayment Capacity and Credit Risk

The ability of existing clients to meet repayment obligations continues to be under pressure. Factors such as decreased consumer footfall, weak business turnover, and climate-related disruptions have heightened the risk of non-performing loans in sectors like agriculture and trade. Tenants in IDFC's retail and industrial property portfolios have also experienced operating cost pressures, which could lead to delayed rental payments or higher vacancy rates.

Mitigating these risks requires targeted credit screening, early-warning systems, and enhanced support for clients after disbursement. Flexible tools such as loan restructuring, grace periods, and performance-based financing can help maintain viable businesses through short-term shocks.

4.2. Development Imperatives

The Ithala Development Finance Corporation (IDFC) supports the province's broader agenda for economic transformation and inclusive development through its financial and non-financial interventions. These interventions align with the priorities outlined in the KwaZulu-Natal Provincial Growth and Development Strategy (PGDS), which acts as a roadmap for promoting sustainable economic growth and job creation across the province.

The PGDS sets out key development imperatives that inform IDFC's activities, particularly in the area of SMME and co-operative finance. These imperatives include the following:

- Improving access to finance by KwaZulu-Natal-based SMMEs and co-operatives.
- Propelling sustainable economic development and job creation.
- Driving and supporting programmes aimed at reducing poverty and inequality.
- Enabling beneficiation in agriculture and manufacturing.
- Supporting the development of the tourism and services sectors.
- Institutionalising business support services to promote enterprise sustainability.
- Advancing rural and township economic development.
- Driving radical economic transformation.
- Enhancing the effectiveness of SMME support interventions.
- Reducing unnecessary red tape that constrains enterprise growth.
- Building a culture of service excellence across all interventions.
- Promoting innovative business solutions responsive to community and market needs.

Through its strategic alignment with these imperatives, IDFC seeks to ensure that its financing, property management, and project implementation efforts contribute meaningfully to inclusive economic growth and transformation in KwaZulu-Natal.

4.3. Key Stakeholders

In defining our strategy to meet our developmental mandate, we stay constantly aware of the diverse needs of stakeholder groups. These groups have either a direct or indirect economic and social stake in IDFC's activities and can influence or be influenced by our decisions, actions, objectives, and policies.

Table 4.1 provides a list of stakeholder groups, preferred engagement methods and expectations, as well as IDFC's response to these expectations.

Table 4.1: Stakeholder Groups and Expectations

Stakeholder	Engagement Method	Stakeholders Expectations	IDFC's Response
Provincial Government	• Quarterly performance reports • Quarterly meetings • Annual general meeting • Meeting with the Legislature/Portfolio Committee	• Financial sustainability and viability • Alignment with Government's economic development agenda • Efficient and effective utilisation of allocated funds	• IDFC signed a Shareholders' Compact with EDTEA • APP is aligned to the Provincial Growth and Development Plan • Quarterly performance reports against the APP are compiled and submitted to the EDTEA • Quarterly engagements are held with EDTEA to discuss performance and the achievement of targets
Clients	• Business Finance clients' pre-funding interaction • Post-funding interaction • We visit and interact with our property clients and tenants on an ongoing basis	• Accessible and affordable financial services • Non-financial support services • Well-maintained commercial and industrial properties • Affordable rents • Business premises in prime developments	• Pricing for government grant funding is less than prime • Post-funding non-financial support is provided through the post-investment monitoring units of Business Finance • Increased allocation for capital and maintenance expenditure • Competitive and, in most cases, highly favourable rentals • Industrial and commercial premises located in growth nodes
Regulators	• Regulatory reporting	• Responsible lending • Fair treatment of clients • Safekeeping of client records • Good corporate governance	• Submission of regulatory reports in a timely manner • A fully capacitated compliance unit established
Employees	• Quarterly briefings by the Group Chief Executive • Online internal magazine business broadcasts	• Job security • Fair rewards and recognition • Personal growth and development • Healthy working environment	• Stabilising the finances of the organisation to ensure sustainability • Advancing skills development through study loans and other forms of training support • Advancing talent management initiatives
Service Providers	• We interact with our service providers on an ongoing basis to monitor and track performance • SCM training to SMMEs	• Fair and transparent process of selecting service providers • Pay for services rendered in a timely manner • More opportunities for smaller enterprises	• Approved supply chain policies and procedures in line with Government policy • Specific focus on engaging B-BBEE compliant service providers

4.3.1. Shareholder and Stakeholder Expectations

The shareholder and broader development finance sector have articulated a renewed set of expectations for IDFC, communicated through various forums. These expectations include the following:

- Strengthen capacity to execute on commitments, improve governance and enhance engagement with community sectors.
- Deliver visible transformational outcomes aligned to IDFC's mandate, including job creation, support to SMMEs and co-operatives, and the sustainability of local supply chains.
- Facilitate economic participation, ownership and access to resources for women, youth and persons with disabilities.
- Actively support government initiatives that promote inclusive and radical economic transformation.
- Participate in catalytic initiatives that stimulate economic activity in rural and township areas.
- Demonstrate IDFC's unique relevance and role within the development finance ecosystem.
- Provide business support to SMMEs and co-operatives at both pre- and post-investment stages.

4.3.2. Stakeholder Engagements

The section below provides an overview of some of the engagements between IDFC and its stakeholders during the year under review.

Sundumbili Shopping Centre Refurbishments

On 16 May 2024, IDFC held an important engagement session to discuss the refurbishment of the Sundumbili Shopping Centre. The event was attended by representatives from the Mathonsi Traditional Council, Mandeni Municipality, the Mandeni Informal Traders Forum, and the Mandeni Taxi Association. The gathering aimed to inform and consult key community stakeholders on the development process.

The refurbishment of Sundumbili Shopping Centre marks a significant milestone in IDFC's commitment to improving community infrastructure and promoting inclusive economic growth. Recognising the importance of participatory development, IDFC sought diverse input to ensure the project meets the needs and aspirations of the local community.

2024 Dundee July

Since its inception in 2005, the Dundee July Horse Racing Event has grown from a modest gathering into a flagship rural development and cultural showcase in KwaZulu-Natal. Over time, it has evolved into a major driver of rural tourism and economic activity.

IDFC and Ithala SOC Limited have been proud partners in the event, playing a key role in advancing its socio-economic footprint, particularly over the past nine years. The Dundee July serves as a high-impact stakeholder engagement platform, providing IDFC with the opportunity to:

- Connect with rural entrepreneurs and communities.
- Showcase financial products and business support services.
- Promote access to funding and training for SMMEs.

The 2024 edition, held in the Endumeni Municipality, attracted over 500 participants and around 20,000 spectators. It also created more than 3,000 temporary jobs, supported informal trading, and boosted tourism activity. IDFC's ongoing involvement demonstrates its commitment to encouraging inclusive economic participation, especially in rural and historically marginalised areas.

Eshowe Refurbishments Stakeholder Engagement

On 19 September 2024, IDFC held a stakeholder engagement session to advance the refurbishment of the Eshowe Shopping Centre. This represented a significant step in a project aimed at stimulating economic activity and improving infrastructure in the uMlalazi Municipality.

IDFC Stakeholder Engagement for Eshowe Shopping Centre Rebuild Project

The engagement united municipal leaders, including the Mayor of uMlalazi Municipality, along with representatives from the uMlalazi Taxi Association. Key discussions focused on project timelines, scope, and expected socio-economic benefits, such as job creation and enhanced service delivery.

As one of IDFC's longstanding retail properties, the Eshowe Shopping Centre plays a key role in local economic development. The planned upgrades aimto restore damaged sections of the centre, modernise the facility, improve the shopper experience, and strengthen the centre's position as an essential commercial hub.

This initiative highlights IDFC's dedication to stakeholder-led planning and sustainable infrastructure development.

Properties Brokers Stakeholder Engagement Hosted by IDFC

In 2024/25, in support of interlocking partnerships in the property sector, the IDFC has continued engagement with key stakeholders, including properties brokers.

On 16 October 2024, IDFC, led by Properties Executive, Mr Malusi Mthuli, and members of Senior Management, hosted a Properties Brokers Stakeholder Engagement session. This strategic initiative was part of IDFC's ongoing efforts to strengthen partnerships within the property sector.

The engagement drew a wide range of property brokers, industry experts, and key stakeholders. It offered a platform to examine market trends, share insights, and identify opportunities for collaboration. This initiative highlights IDFC's focus on stakeholder-driven development and its goal to build strong relationships with market participants. The session helped align strategies for sustainable property management and inclusive economic growth across the province.

GCE Town Hall Meetings

The Group Chief Executive (GCE) regularly hosts town hall meetings for all IDFC staff, providing a forum for open dialogue between leaders and employees. These gatherings aim to foster trust, enhance transparency, and cultivate a shared sense of purpose.

To foster inclusivity, the meetings are rotated among IDFC's operational sites. During the reporting period, sessions were held at the Isithebe Industrial Estate, Ithala Trade Centre (Head Office), and the Ezakheni Industrial Estate. Staff members unable to attend in person participated via an online platform.

These town halls have become a valuable engagement tool, strengthening IDFC's internal stakeholder culture and aligning employee efforts with broader organisational goals.

4.4. Focus Sectors

The IDFC focuses its support on economic sectors that demonstrate the greatest potential to drive growth, employment creation, and socio-economic transformation in KwaZulu-Natal. These focus sectors are identified in alignment with the Provincial Spatial Economic Development Strategy and other government priorities.

IDFC's financing and property initiatives are strategically directed towards the following priority sectors:

- Agriculture and agro-processing – including upstream and downstream value chain development.
- Manufacturing – with emphasis on revitalising industrial activity and supporting localisation.
- Trade and services – particularly township and rural enterprises operating in retail, wholesale, and service-based industries.
- Commercial property – enabling access to affordable space for businesses across urban, peri-urban, and rural areas.
- Construction – supporting contractors, infrastructure projects, and job creation in the built environment.
- Logistics – promoting enterprises that facilitate the movement of goods within and beyond the province.
- Mining – with a focus on small-scale mining enterprises and beneficiation.
- Tourism – enhancing the competitiveness of tourism ventures, particularly in underdeveloped regions.

By prioritising these sectors, IDFC aims to catalyse economic activity in areas where it can have the most meaningful developmental impact, while also supporting the provincial government's efforts to diversify the economy and create sustainable livelihoods.

4.5. Key Challenges

Across its operations, IDFC faces a complex set of internal and external challenges that must be managed to sustain performance, uphold governance standards, and fulfil its developmental mandate. These challenges are categorised below, with targeted interventions identified in response.

4.5.1. Capitalisation and Loan Book Performance

The Enterprise Development Fund, which IDFC administers on behalf of EDTEA, has suffered from under-capitalisation and declining loan collections. This has constrained the organisation's ability to support SMMEs and co-operatives at scale. Several structural factors also continue to impact financial performance, including:

- Low interest rates on concessional loans (typically 4% to 9%)
- IFRS 9 treatment of Stage 3 loans, limiting revenue recognition
- Reduced management fees
- A high non-performing loan (NPL) ratio, recorded at 61.7% at year-end

To address these issues, IDFC has implemented a portfolio improvement strategy, which includes intensified legal recoveries, restructuring viable distressed accounts, and increasing performing loan volumes. Targets include growing the loan book to R1.1 billion and accelerating collections from defaulters.

4.5.2. Access to Collateral and Inclusive Lending

Many clients, especially in rural and township areas, have limited collateral and credit history, making it difficult to secure loans or recover funds in cases of default. This is compounded by infrastructure constraints, weak business models, and limited market access.

To mitigate risk and support inclusive development, IDFC has adopted a Township and Rural Economy Investment Policy aligned with the provincial Township and Rural Economies Revitalisation Strategy (TRERS). The policy prioritises viable financing for underserved enterprises, augmented by enhanced pre-lending assessments and support and post-investment monitoring and support.

4.5.3. Financial Sustainability of the Property Portfolio

IDFC's property portfolio has not been significantly expanded in over 15 years. Ageing infrastructure, deferred maintenance, and increasing compliance costs are placing downward pressure on returns. Key concerns include:

- Rising operating costs (security, regulatory compliance, maintenance)
- Increased competition in township and rural markets from private developers
- Energy instability and logistics challenges undermining industrial tenant viability
- Elevated vacancy rates in some estates

In response, IDFC has adopted strategies to improve rental collections, implement redevelopment, refurbishment and maintenance projects, and enhance tenant engagement in high-risk areas.

4.5.4. Technology Modernisation Constraints

Ongoing budgetary constraints have delayed the implementation of several mission-critical ICT systems, most notably the Commercial Lending System. The delay has hindered IDFC's ability to modernise credit risk management, streamline operations, and produce real-time reporting for decision-making. The project has been rescheduled for implementation in 2025/26.

4.5.5. Brand Clarity and Reputational Risk

Stakeholders continue to conflate IDFC and SOC Limited due to overlapping branding and historic association. This confusion has weakened stakeholder confidence and introduced reputational risks, especially in light of the liquidation application against Ithala SOC Limited.

A process is underway to differentiate the brand identities of the two entities and ensure clear, consistent messaging across stakeholder engagements.

4.5.6. Adverse Macroeconomic Environment

South Africa's ongoing economic headwinds – including low GDP growth, rising inflation, and constrained consumer demand – are negatively affecting clients' repayment ability and tenants' rental affordability. These macro factors have led to elevated defaults, delayed payments, and a rise in rent arrears across the IDFC portfolio.

4.5.7. Organisational Capacity and Talent Retention

To fully deliver on its developmental mandate, IDFC must enhance its internal capacity. Shortages of skills in critical areas such as Properties and ICT, along with legacy vacancies and staff turnover, have impacted operational efficiency and institutional resilience.

A structured capacity-building and organisational renewal programme is being implemented to ensure that the right expertise is in place to drive performance.

4.6. Risk Management

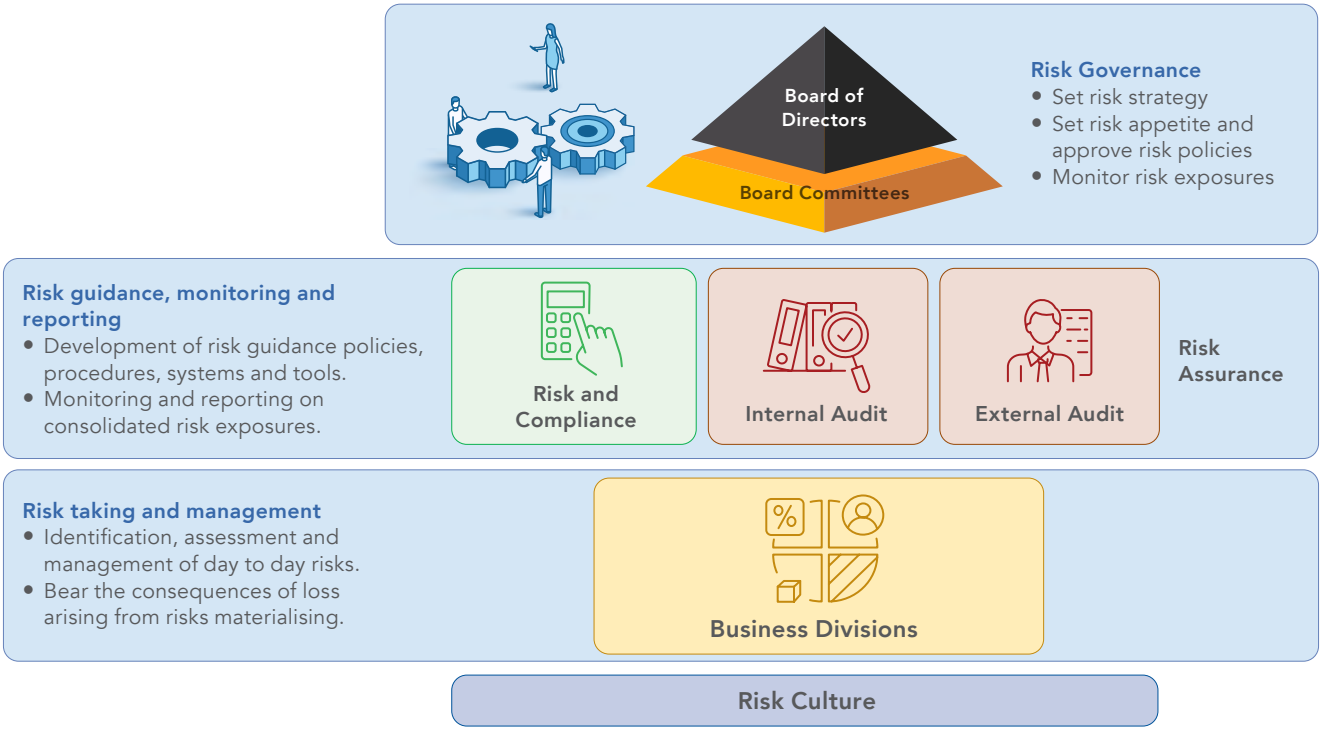
4.6.1. Risk Management Approach

IDFC's Enterprise Risk Management (ERM) Framework specifically addresses the structures, processes, and standards established to manage risks consistently across the entire organisation. It also clearly defines the responsibilities and accountabilities for the ERM process and the reporting of risks and incidents at various levels within IDFC.

The IDFC ERM approach is based on the COSO Risk Management Framework shown in the figure below.

Figure 4.2: COSO Risk Management Framework

Figure 4.3: Integrated Enterprise Risk Management Model



4.6.2. Defining Risk within the Organisation

IDFC defines risk as any factor that could obstruct the achievement of desired business objectives or cause adverse outcomes or failure. The Enterprise Risk Management (ERM) System covers various risk categories, including strategic risks, operational risks, and the risk of fraud.

Strategic risk refers to the current and potential impact on earnings or capital caused by poor business decisions, incorrect implementation of decisions, or a failure to respond effectively to industry changes. It encompasses processes and systems, regulatory compliance, legal risk, and business continuity. Operational risk involves the potential for loss resulting from inadequate or failed internal processes, personnel, systems, or external events, including issues affecting IDFC's daily operations. Fraud risks involve intentional misconduct meant to avoid detection and secure unlawful gains.

4.6.3. Principles of Risk Management

Risk management at IDFC is guided by the following five principles:

1. Protect IDFC's reputation through a sound risk culture and attitude
2. Compliance with regulatory requirements and principles
3. A strongly defined risk management structure
4. Communication and coordination between the Executive Committee (EXCO) and Executive Management
5. Communication and coordination between the ARC and the Board

4.6.4. Combined Assurance

Combined assurance aims to support IDFC in understanding the extent of assurance necessary, as well as identifying areas where IDFC should enhance or address these levels to effectively manage organisational risk. This process facilitates transparency regarding the assurance provided and the responsible parties within IDFC. Additionally, it includes an evaluation to determine whether the assurance furnished is sufficient.

IDFC follows a four-lines-of-assurance model, which defines clear accountabilities for managing risk and the control environment.

Table 4.2: IDFC Four-Lines-of-Assurance Model

FIRST LINE Management Oversight	SECOND LINE Management of Risk	THIRD LINE Independent Assurance	FOURTH LINE Independent External Assurance

Nature of Assurance:
· Line management is accountable and responsible for the management of risk and performance
· Policies & procedures
· Delegation of authority
· Management review
· Periodic self-assessments
	Nature of Assurance:
	· Corporate functions provide support to line management in executing their duties.These include:
	  · Quality control functions
	  · Legal & Compliance
	  · ERM
		Nature of Assurance:
		· Independent assurance provider: Internal audit
			Nature of Assurance:
			· Independent assurance providers such as:
			  · External audit
			  · External forensic and fraud examiners
			  · Regulators
			  · Other external assurance providers e.g. ISO certification

Role: · Implement preventative, directive and detective controls · Conducts Control Self-Assessments	**Role:** · Review 1st line of assurance · Confirm compliance with relevant policies and legislation	**Role:** · Review 1st and 2nd line of assurance · Risk-based internal audits · Risk management reviews · Compliance with policies and procedures · Corporate governance reviews · Specific ad hoc reviews requested by management/ Board	**Role:** · Statutory external audits · Certification services such as ISO certification · Regulatory compliance reviews
Reporting lines: · Executive Management Committees · Operational Committees · Board	**Reporting lines:** · Audit & Risk Committee · Regulatory Forums · Health and Safety Forums · Board	**Reporting lines:** · Regulators · Board and Audit and Risk Committee · Executive Management	**Reporting lines:** · Regulators · Board and Audit and Risk Committees · Executive Management · Public

4.6.5. Identifying, Monitoring and Managing Risk

Management is responsible for identifying and assessing risks that IDFC may encounter in executing its strategy, including strategic, operational, and fraud risks across all areas of business. Risks are monitored by the ARC quarterly through the adoption and implementation of an ERM Framework, strengthening risk management at both strategic and operational levels within the organisation.

The ARC reviews the ERM Framework periodically and oversees the control and enhancement of systems, policies, practices, and procedures. The aim is to ensure that all risks, including key risk indicators, risk appetite, tolerance, and avoidance levels, are identified, measured, controlled, monitored, and reported. The risk appetite is monitored and reviewed continuously in line with changing economic conditions.

The 2024/25 financial year was particularly challenging from a risk perspective, owing to the ongoing negative effects of economic conditions, which severely impacted our Business Finance and Properties clients. Consequently, the risks related to rental collections and loan repayments increased during the review period. As a result, the ARC closely monitored IDFC's cash position, aligning with our risk appetite and the rapidly evolving environment.

IDFC takes multiple measures to actively manage risk. Strategic risks are reviewed annually in line with the organisation's strategic goals and direction, ensuring updates to key risk indicators, risk appetite, tolerance, and avoidance levels. IDFC has officially appointed risk champions in all Business Units, helping to elevate the organisation's risk maturity. It has fostered a strong culture of risk awareness and ethical practices, including ethics and fraud risk management, led by the Anti-Fraud and Ethics Committee. This Committee submits quarterly reports to the relevant Board Committees.

4.6.6. Emerging Risks

The liquidation application initiated by the Prudential Authority (PA) against Ithala SOC Limited present a significant emerging risk to the Group. The wholly owned subsidiary was instructed to cease operations, severely disrupting the delivery of essential financial services, most notably, SASSA grant payments in rural areas. Community frustration linked to this disruption has raised the risk of damage to IDFC-owned infrastructure.

In accordance with Section 32(3) of the Ithala Act, the residual assets and liabilities of Ithala SOC must be transferred to IDFC in the event of the subsidiary's failure. This exposes IDFC, as the holding company, to considerable financial risk should a shortfall in assets materialise.

A related reputational risk is the confusion between IDFC and Ithala SOC Limited. The public, service providers, and stakeholders frequently conflate the two entities, resulting in reputational harm and, in some instances, contractual or legal consequences for IDFC. Several service providers have threatened to cancel service-level agreements (SLAs) under the mistaken belief that IDFC is Ithala SOC. In response, IDFC has initiated a brand differentiation project to establish a distinct identity. This initiative is supported by ongoing communication efforts driven by the Marketing and Communication department to correct stakeholder misconceptions and reinforce IDFC's standalone position.

4.6.7. Top Risks

IDFC remains committed to a comprehensive and proactive risk management process that protects its assets and ensures the organisation is adequately covered against potential threats. In January 2024, a strategic risk workshop was convened to review and update the corporate risk register, aligning it with the revised organisational strategy and objectives.

A total of eleven strategic risks were identified and mapped according to their residual risk levels and associated controls. These risks span financial sustainability, property investments, SMME support, programme delivery, reputational exposure, innovation, compliance, talent management, subsidiary failure, business continuity, and cybersecurity.

The risk profile is reflected in Table 4.3, while Table 4.4 sets out the strategic outcomes and the specific risks that could impede their achievement. It also outlines the controls and mitigation strategies currently in place to manage each risk.

A total of 11 strategic risks were identified. Table 4.4 on page 53 shows the risk profile at a residual risk level.

Table 4.3: Risk Profile at a Residual Risk Level

Control Effectiveness					
1 Very low - Control measures are ineffective					Subsidiary Failure Risk
2 Low - Some of the risk exposure appears to be controlled	SMME sustainability risk Compliance risk Talent Management Risk and emotional well-being of employees risk				
3 Medium - There is room for some improvement			Programme delivery risk Reputational risk Business continuity and resilience Cyber security and data protection	Financial sustainability risk Property portfolio investment risk Innovation and ICT risk	
4 High - Majority of risk exposure is effectively controlled and managed					
5 Very high - Risk exposure is effectively controlled and managed					
	Reduce control 1 – 2.5	Acceptable 2.6 – 5	Monitor 6 – 10	Action required 11 - 20	Immediate action required +21
Residual risk					

Table 4.4: Strategic Outcomes and Risks

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
1.	**Outcome 1:** Increased investment in development programmes and projects by strategic partners	Financial Sustainability Risk	• Execution of the approved IDFC and Business Development strategy and monitoring of its implementation. • Implementation of the Strategic Partnership Policy. • Effective functioning of the Management Credit & Investment Committee for Business Finance. • Monitoring and tracking the Annual Performance Plan. • Utilise the Post Investment Monitoring process to monitor the loan portfolio and to prevent non-performing loans. • Embedding of the Risk Appetite Controls within the organisation, particularly Credit Risk Management controls. • The Technical Investment Support Unit performs due diligence and financial analysis on new loan applications to mitigate against potential high default rates in the high-risk market that IDFC operates in. • Revised debtor management processes implemented and consolidated for Business Finance and Properties. • Implementation of lending policies, which also include security requirements for loans. • Enterprise Development Fund (EDF) policy has been amended in relation to the 5 Cs of the credit assessment principles. • Defined processes for pre- and post-business support functions. • Monitoring of thresholds to ensure they are in line with the recently reviewed Concentration Risk Policy. • Classification of clients and implementation of collection plan with regard to the top 10 high-value clients. • Regular valuation of collateral held on Business Finance loans to manage impairments. • Brand awareness initiatives. • Daily cash on hand (cash availability) monitoring by the GCFO. • Monthly cash flow forecasting submitted to EXCO and Board Sub-Committees. • Weekly available funds confirmed with Finance prior to submitting to MCIC for loans. • Monthly income and expenditure monitoring by the GF team. • Strict expenditure control (i.e. systems do not allow purchases without a budget). • Budget adjustment in order to meet the minimum cash reserves. • Benchmarked the cost structure across the organisation. • Review of current operating model across the organisation. • Additional revenue generated from implementing agent programmes and projects. • Property Investment Committee established to deal with strategic property matters and investments. • Reviewed and refined Business Finance processes and updated SOPs. • Development and implementation of business development strategy has been incorporated into the marketing and communications strategy, which has been updated and included as part of the marketing monthly plans. (i.e. establishing an MOU with Districts which creates opportunities for Finance, Properties and Implementing Agents). • Increased pricing of the EDF Fund and a higher pricing structure on the IDFC fund. • Roll out of PSP plan - phase 1.
2.	**Outcome 2:** Property Portfolio optimised for tenant retention and attraction	Property Portfolio Investment Risk	• Benchmark reports obtained on rentals per portfolio - rental valuation exercise to inform the setting of rental rates. • Analysis of management information reports. • Implementation of property management policy. • Property strategy implementation. • Customer service strategy implementation. • Property maintenance plan implementation. • Physical security at sites. • Strengthened stakeholder engagements. • Implementation of Asset Management Policy. • The Management Property Investment Committee is in place. • The property's maintenance plan has been updated to become more robust: - Operational Expenditure - Infrastructure - New developments • Developed the technical operations (facilities management and engineering) policy.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
3.	**Outcome 3:** Increased contribution of supported SMMEs and co-operatives to socio-economic transformation and job creation	SMME Sustainability Risk	• Skills development workshops organised to provide non-financial support to clients. • The business support function is in place to assist in business sustainability and job creation. • The EDTEA Steering Committee is in place to ensure alignment with the provincial development plan. • Harnessing alternative funding mechanisms and programme participation through strategic partnerships in the public and private sectors. • Ring fencing of funds for SMMEs. • Capacitated the business support function. Appointment of staff members completed. • The economic report (which includes GDP, Growth, Interest rate, impact on Business Finance and Properties) is prepared by Properties and reported to EXCO, BCIC and to the Board on a quarterly basis. • PIM and Legal collaboration implemented and on-going with the assistance of the Group Legal services division and there is a management committee (PIM) who are attending to recoveries, liquidations, and collections in respect of amounts owing by the top 10 high value clients that are on Stage 3, in terms of IFRS classification. • Restructuring and turnaround of loans to assist SMMEs (i.e., payment holidays, rehabilitation, debt consolidation). • Implementation of SCM Preferential Procurement Policy. • Rollout of implementing agent programmes (Zimele Traders Fund). • Implementation of operation VULA. • Collaboration with potential markets, i.e., district municipalities, departments, Durban Chamber of Commerce, business trade fairs, business associations and DTI, creating both local and overseas markets (through MOUs). • Manual check of suppliers against the Treasury database to confirm validity against blacklisting. • Cession arrangements with suppliers. • Bulk-buying programme being implemented on behalf of EDTEA. • Implemented supplier and enterprise development programmes within the province, in collaboration with government departments and SOEs, through the establishment of MOUs with District municipalities. • Established a methodology for risk rating and vetting the viability of an informal market. • Developed a rural and township economy strategy for IDFC. • Developed the SMME development policy to enable SMME growth and sustainability.
4.	**Outcome 5:** Effective implementation of development programmes and projects in the province	Programme Delivery Risks	• Approved implementation plans for new projects. • Resourcing of support functions. • Quarterly reports presented to the project owners, Committees, and the Board on the progress of projects. • Vetting of SLAs by Legal before signing. • The Organisational strategy, performance, and efficiency (OSPE) unit monitors compliance and delivery against the SLA. • Implementing Agent Project Management policy. • Developed the Implementing Agent Risk Management Plan. • Reviewed and approved the organisational structure for the Implementing Agent business unit by HRSEC. • Regular engagements with project owners, where there are quarterly reports presented to the project owners.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
5.	**Outcome 6:** Sustainable and high-performing organisation	Reputational Risk	• Implementation of sound Corporate Governance principles. • Proactive media monitoring. • The monthly marketing and communications activity plan is in place and is reported back quarterly to EXCO, HRSEC and to the Board. • Developed and approved annual marketing plan. • Updated and approved stakeholder engagement strategy and plan. • Updated and approved the marketing and communications strategy. • The Group Internal Audit department has a dedicated FSI division for investigating any allegations of fraud and corruption. • There is a whistle-blowing fraud hotline for the reporting of any allegations of fraud and corruption. • Employees' annual declaration of interest / as and when required. • Reporting to ARC on fraudulent and unethical activities. • Ethics Survey is conducted every three years to assess the employee perception of IDFC's ethical environment. • Continuous monitoring by Management of the implementation of controls. • Consequence management policies and procedures are in place. • The Fraud Risk Register is developed and monitored continuously. • Cash Threshold Reporting and suspicious reporting in respect of suspected money laundering. • Segregation of duties is driven through delegations of authority. • Governance structures are in place to ensure oversight and compliance with policies and procedures. • Quarterly awareness/ training initiatives on ethics/ values and fraud trends. • Anti-Fraud and Ethics Policy in place. • Anti-fraud and Ethics Committee to enhance the mitigation of fraud and the enhancement of the ethics environment. • Updated the Code of Ethics Policy. • Management and Board committees for assessing the viability and risk appetite for loan applications. • Public relations broadcasts providing a positive image of IDFC. • Entering into third-party MOUs with strategic business partners to assist in building the economy of KZN. • Implementation of the property maintenance plan. • Appointed a Marketing Agency for the branding exercise. • Developed the Brand Strategy. • Developed the Corporate Identity Manual. • Automated Customer Relationship Management system.
6.	**Outcome 6:** Sustainable and high-performing organisation	Innovation and ICT	• ICT strategy drives the department's budget and Key ICT Projects to be delivered. • ICT Governance Framework, as well as a governance committee providing oversight, is in place. • Training activities in accordance with the plan for the ICT team to keep abreast with the changes. • Budget allocation for the execution of the ICT strategy. • Engaging markets to identify suitable ICT solutions for business processes. • Revision and implementation of the enterprise architecture. • Development of business cases with the support of the Board. • The ICT Steering Committee provides added oversight on ICT projects and actions. • Management execution of the ICT strategy with ICT employees, ensuring departmental scorecard alignment. • SLA with Ithala SOC in respect of support for AS 400. • Review of all systems to be undertaken in conjunction with ICTGC, for prioritisation purposes. • Reprioritised ICT Budget in conjunction with GCFO and ICTGC. • SMART Access Management System implemented.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
7.	**Outcome 6:** Sustainable and high-performing organisation	Compliance Risk	• Annual compliance plan, monitoring, and quarterly reporting against the compliance plan. • Monitoring of performance using scorecards on a quarterly basis. • Legal compliance function identifies upcoming legislation impacting IDFC. • Compliance log to track non-compliance with key legislation. • The internal audit plan provides assurance on the adequacy and effectiveness of controls. • Internal Audit reviews the effectiveness of the compliance division. • Training of Board/staff on changes in legislation (e.g. FICA & AML). • Additional Board members have been appointed in 2024. • Performance scorecard of employees (D to F) has been updated to include compliance with legislation under operational efficiency KPA, and adherence thereto.
8.	**Outcome 6:** Sustainable and high-performing organisation	Talent Management, Risk and the emotional well-being of employees	• HCM Talent Acquisition, Talent Development and Performance Management Policies and Procedures implemented. • Remuneration and Benefits Policy and Procedure developed to offer employees attraction and retention benefits. • Employee Value Proposition (EVP) Framework has been developed to offer employees attraction and retention benefits and has been implemented. • Training and development programmes based on gaps identified, based on the Individual Development Plan (IDP). • Annual remuneration benchmarking exercise is conducted. • Implementation of succession plan with key talent identified. • Skills mapping against business needs. • Employee incentive bonus scheme is in place. • IDFC has an Employee Assistance Programme (EAP) which is available for all staff and their families. • Engagement of the EAP is ongoing, and broadcast of their services is ongoing for employees in need due to emotional stress. • Annual wellness days are held and open to all staff. • Offering subsidised medical aid to employees. • Business process re-engineering in HCM - revised recruitment process. • Management appraises employees in accordance with relevant policies for HCM. • Annual employee engagement surveys.
9.	**Outcome 6:** Sustainable and high-performing organisation	Subsidiary Failure Risk	• Regular Joint Board Meetings (Ithala SOC Limited and IDFC). • Quarterly feedback from the subsidiary Boards to the shareholders. • Signed Shareholder compact. • APP for subsidiaries (Ithala SOC Limited). • IDFC nominates Directors to subsidiary boards. • MOA target included as an annexure to the shareholders' compact and implementation tracked (Ithala SOC Limited). • APP performance of the subsidiaries is included in the quarterly reports to the shareholders. • Defined deliverables in the shareholders' compact, including quarterly performance monitoring. • The new board has been finalised, and the Board Committees have also been finalised. • Implementation of the terms of the Shareholder compact is being managed by IDFC. The Ithala SOC Chief Executive is invited to IDFC board meetings and presents on their performance results on a quarterly basis.
10.	**Outcome 6:** Sustainable and high-performing organisation	Business Continuity and Resilience	• Quarterly DRP tests. • OHS policy implementation. • BCM policy implementation. • BCM plan implementation. • BCM training and awareness.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
11.	**Outcome 6:** Sustainable and high-performing organisation	Cyber Security and Data Protection	• IDFC users are connecting via VPN, which is a secure environment. • A firewall to prevent intrusions and weekly monitoring of the report. • Antivirus to protect computers against malicious software. • IDFC users use Mimecast (enforced email security controls) to connect to their emails. • Qualys continuously and automatically detects vulnerabilities and critical misconfigurations across the IDFC environment, real-time alerts on zero-day vulnerabilities, compromised assets, and network irregularities. • Event Log Analyser collects, analyses, and archives in real-time event logs from distributed Windows hosts and Syslogs from distributed Unix hosts or network devices to pick up potential threats and vulnerabilities. • Training activities in accordance with the plan for the ICT team to keep abreast with the changes. • Annual penetration tests to combat vulnerabilities in the ICT environment. • An ICT Governance Framework as well as a governance committee are in place. • Approved POPI policy in place, dealing with the handling of both electronic and physical data. • Central PAIA Information Officer who controls requests and the release of information sought from the organisation, in line with policies and legislation. • Password controls that leave an audit trail of who accessed the system and when, and data fields that can be changed only by an authorised employee. • Cloud backup in place for mails, data, and files, should files be lost on servers or hard drives. • Identity verification OTP sent to employees' mobile devices to change passwords or when logging on from alternate devices, to ensure devices are not compromised. • Data encryption. • SLAs with hosted service providers. • Continuous cybersecurity training and awareness.

4.6.8. Compliance

IDFC operates in a highly regulated environment, and we consider all applicable legislative and regulatory requirements when setting our strategic objectives. Regulatory compliance ensures that IDFC adheres to its legal and regulatory obligations across the sector. Failure to comply could lead to litigation.

Compliance is also strategically vital for safeguarding our reputation, minimising operational risks, and setting a standard for a robust compliance culture across all business activities. Legal Compliance has established partnerships with regulatory bodies to enhance knowledge and collaboration. Regulatory Compliance guarantees adherence to legislation and statutory reporting requirements to third-party regulators, including the payment of annual levies.

IDFC's strategic objectives are outlined in the Ithala Act No. 5 of 2013. The IDFC is a public entity under the Public Finance Management Act No. 1 of 1999 and is listed in Schedule 3D of that Act. It is also recognised as an Accountable Institution under Schedule 1 of the Financial Intelligence Centre Act No. 38 of 2001.

Furthermore, IDFC is a registered credit provider and an authorised financial services provider under the National Credit Act No. 34 of 2005 (NCA) and the Financial Advisory and Intermediary Services (FAIS) Act No. 37 of 2005.

Key controls introduced to mitigate the risk of non-compliance include the development of compliance manuals, policies and procedures, as well as Compliance Regulatory Management Plans (CRMPs). Over the past financial year, IDFC has concentrated on testing these CRMPs and fostering a compliance culture within the organisation.

IDFC has also implemented a Compliance Risk Management Framework aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa, which facilitates proactive management of compliance risks.

The regulatory compliance universe was established to integrate compliance legislation impacting all business processes. It encompasses all relevant legislation affecting IDFC, identified in consultation with Business Units. A list of key legislation is provided in the table below.

Table 4.5: IDFC Key Legislation

IDFC KEY LEGISLATION	
No.	**Legislation**
1.	Ithala Development Finance Corporation Act, 2013
2.	Public Finance Management Act, 1999
3.	National Credit Act, 2005 (NCA)
4.	Financial Intelligence Centre Act, 2001 (FICA)
5.	Protection of Personal Information Act, 2013 (POPI)
6.	Preferential Procurement Policy Framework Act, 2000
7.	Occupational Health and Safety Act, 1993
8.	Labour Relations Amendment Act, 2014
9.	Prevention and Combating of Corrupt Activities Act, 2004
10.	Security By Means of Movable Property Act, 1993
11.	Superior Courts Act, 2013
12.	Consumer Protection Act, 2008
13.	Magistrates Court Act, 1944
14.	Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998
15.	Property Practitioners Act, 2019
16.	Electronic Communications and Transactions Act, 2002
17.	Black Economic Empowerment Act, 2003 / Broad–Based Black Economic Empowerment (B-BBEE) Act, 2003
18.	The Legal Practice Act, 2014
19.	National Environmental Management Act, 1998
20.	Prevention of Organised Crime Act, 1998
21.	Skills Development Act, 1998 and Skills Development Levies Act, 1999
22.	Arbitration Act, 1965
23.	Promotion of Equality and Prevention of Unfair Discrimination Act, 2000
24.	Protection of Constitutional Democracy against Terrorist and Related Activities Act (POCDATARA), 2004
25.	Construction Industry Development Board (CIDB) Act, 2000
26.	Protected Disclosures Act, 2000
27.	Value Added Tax Act 89, 1991
28.	Private Security Industry Regulation Act, 2001
29.	Basic Conditions of Employment Amendment Act 20, 2013
30.	Employment Equity Amendment Act, 2013
31.	Unemployment Insurance Act, 2001
32.	Companies Act, 2008
33.	Pensions Funds Act, 1956
34.	Administrative Adjudication of Road Traffic Offences Act, 1998
35.	Copyright Act, 1978
36.	Promotion of Access to Information Act, 2000
37.	Promotion of Administrative Justice Act, 2000
38.	Bills of Exchange Act, 1964
39.	Competition Act, 1998
40.	Banks Amendment Act No. 19, 2003
41.	Financial Advisory and Intermediary Services Act, 2002
42.	Insolvency Act, 1936
43.	Criminal Procedure Act, 1977
44.	Conventional Penalties Act, 1962

During the year under review, the Regulatory Compliance Division continued with the ongoing monitoring of compliance with the above legislation, identifying, measuring, aggregating and testing CRMPs, monitoring management actions and reporting the level of compliance thereto to governance structures.

The Legal Compliance Division assists in implementing efficient business processes, capable of improving operations within the IDFC to ensure regulatory compliance. IDFC's Board actively promotes a stakeholder-inclusive approach regarding the governance of the organisation.

4.6.9. Fraud Prevention

Fraud prevention and mitigation activities aim to protect IDFC's reputation and minimise any financial loss caused by fraud, financial crime, or misconduct by staff or external third parties. Fraud prevention involves creating a detailed fraud risk register, continuously monitoring controls in place, and reporting on fraud risks and activities to management committees and the ARC.

IDFC undertakes the following interventions to manage the risk of fraud:

- Instil in employees a sound ethical culture and values-driven ethos
- Ethics and fraud awareness staff training
- Updating of the fraud prevention and whistle-blowing policies, Code of Conduct and the Ethics Strategy
- Maintaining an independently managed Whistle Blowing reporting process for suspected fraud and employee misconduct
- Independent investigation of reported matters
- Ensuring corrective action is taken against any persons implicated in fraudulent activities
- Maintaining adequate and effective internal controls
- Ensuring timely and accurate processing of transactions
- Regular Anti-Fraud and Ethics Committee (AFEC) meetings to deal with fraud and ethics trends in the organisation
- Independent internal and external audit assurance reviews of controls and reporting to the ARC
- Cash Threshold and suspicious transactions reporting

IDFC showcasing its properties at the 2024 South African Shopping Centre Congress

5. HOW WE CREATE VALUE

5.1. Our Strategy 62
5.2. Value Creation through the 6 Capitals 66
5.3. King IV Compliance..... 67
5.4. Our Business Activities 68
5.5. Enabling Functions..... 74
5.6. Socio-Economic Transformation 81

5. HOW WE CREATE VALUE

5.1. Our Strategy

IDFC's strategy is guided by national development priorities, provincial imperatives, and shareholder expectations. Strategic objectives are developed in alignment with the Medium-Term Strategic Framework (MTSF 2019–2024) and are aimed at advancing inclusive economic growth, transformation, and empowerment in KwaZulu-Natal.

The IDFC Five-Year Strategic Plan (2020-2025)

In 2019/20, IDFC adopted a five-year Strategic Plan (2020–2025), which continues to steer the organisation's efforts. The strategic framework is summarised in Figure 5.1, which outlines the organisation's legislative and policy mandates, mission, strategic outcomes, and impact objectives.

Figure 5.1: IDFC Mandate and Strategic Objectives

LEGISLATIVE MANDATES | POLICY MANDATES

IDFC MANDATES AND IMPACT STATEMENT

Sustainable and competitive SMME's and co-operatives, optimised property portfolio, and effectively implemented development projects contributing meaningfully to growth, socio-economic transformation and job creation in KwaZulu-Natal

Accelerating growth, socio-economic development, and empowerment in KwaZulu-Natal

IDFC MISSION

To accelerate economic growth and transformation, entrepreneurship, and job creation for the people of KwaZulu-Natal, by:

- promoting investment in development projects,
- optimising the property portfolio,
- supporting sustainable small enterprises,
- facilitating skills development, and
- serving as the preferred implementing agent for economic and infrastructure projects

OUR VALUES

1. Integrity
2. Innovative
3. Customer-centric
4. Teamwork
5. Sustainability

IDFC MISSION - DIRECTED OUTCOME

PROMOTE		SUPPORT	FACILITATE		ADMINISTER
Increased investment in development programmes and projects	Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors	SMMEs and co-ops supported to be sustainable participants in the mainstream economy and socio-economic development in the province	Increased access to economic opportunities for KZN residents and enterprises from designated groups	Effective implementation of development programmes and projects in the province	Sustainable and high performing organisation

Mission and Objectives

IDFC's mission is to accelerate economic growth and transformation, entrepreneurship, and job creation for the people of KwaZulu-Natal by:

- promoting investment in development projects,
- optimising the property portfolio,
- supporting sustainable small enterprises,
- facilitating skills development, and
- serving as the preferred implementing agent for economic and infrastructure projects.

These objectives are pursued across four strategic focus areas: Promote, Support, Facilitate, and Administer. Within this framework, IDFC aims to:

- attract private and public investment into provincial development initiatives,
- support SMMEs and co-operatives to become sustainable participants in the mainstream economy,
- expand access to economic opportunities for designated groups, and
- ensure the IDFC remains a sustainable, high-performing organisation.

Tracking Progress – Key Performance Indicators

Progress towards achieving these goals is tracked through Key Performance Indicators (KPIs) defined in the Annual Performance Plan (APP). These indicators are linked to six strategic outcomes with corresponding targets, as summarised in the table below.

Table 5.1: IDFC Strategic Outcomes and Targets 2020 - 2025

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Strategic focus area PROMOTE: Encourage the participation of the private sector and community organisations in development projects and programmes, and in the development of human resources and social, economic, financial and physical infrastructure in the province.		
Outcome 1: Increased investment in development programmes and projects by strategic partners	1.1. Cumulative Rand value of investment attracted into provincial development programmes and projects	Business Finance (matched funding): R500 million Properties (partnership investments in properties): R650 million
Outcome 2: Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors	2.1. Return on Investment in the Property Portfolio	>8,8%
	2.2. Vacancy rate of gross lettable space	<10%
	2.3. Percentage growth in the asset value of properties over the five-year period	25% (5% per annum)
	2.4. The number of new developments and industrial hubs revitalised over the five-year period	Five (5)
	2.5. Cumulative number of jobs created through infrastructure development and new leases	7,069 jobs from 2020/21 to 2024/25
Strategic focus area SUPPORT: Provide financial and non-financial support and assistance to KwaZulu-Natal residents and enterprises, to enable them to best participate in the mainstream economy and in the socio-economic development of the province.		
Outcome 3: Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation	3.1. Rand value of the loan book	R1 billion
	3.2. Survival rate of SMME's supported (Percentage of SMME's supported that are operational two years after receiving financial support from IDFC + IDFC loan performing)	70%
	3.3. Cumulative number of jobs created by supported enterprises	10,000 jobs from 2020/21 to 2024/25
	3.4. Percentage of non-performing loans	<60%
	3.5. Percentage of loans with first disbursement within 30 days after loan approval	90%

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Strategic Focus Area FACILITATE: Make it easier to do business and invest, and ensure excellence in the planning, executing, financing and monitoring of the implementation of development projects and programmes in the province.		
Outcome 4: Increased access to economic opportunities for KZN residents and enterprises from designated groups	4.1. Rand value of public sector procurement in KwaZulu-Natal accessed by IDFC supported SMME's and co-operatives over the five-year period (Facilitating access to markets and localisation)	R500 million
	4.2. Percentage of funding allocated to enterprises owned by designated groups: • Black • Women • Youth • PwD's	1. Black, African in particular - 60% 2. Women - 40% 3. Youth - 35% 4. PwD's - 3%
	4.3. Cumulative number of black manufacturing businesses supported to be sustainable participants in historically monopolised sectors	Six (6)
Outcome 5: Effective implementation of development programmes and projects in the province	5.1. Percentage of SLA commitments achieved on assigned projects	90%
Strategic focus area ADMINISTER: Ensure a capable, ethical and sustainable organisation.		
Outcome 6: Sustainable and high-performing organisation	6.1. External audit outcome	Achieve an unqualified audit outcome by 2022/23, and maintain thereafter
	6.2. IDFC cost-to-income ratio	Including grant and Fair Value adjustment: 70% Excluding grant: 75%
	6.3. Percentage customer satisfaction rating (revised methodology)	>90%
	6.4. Percentage overall organisational performance rating	>90%
	6.5. Return on investment of the Ithala Group	5%

Looking Ahead: Strategic Priorities for 2025–2030

The IDFC Board approved a new Five-Year Strategy in February 2025. This Strategy – aligned to the KZN Medium-Term Development Plan (2025-2029) and the Provincial Growth and Development Strategy (PGDS) – sets out the organisation's priorities and targets for the strategic cycle. The Strategy retains core focus areas such as Business Finance, Property Development, and Implementing Agent services, while sharpening its emphasis on:

- Building institutional sustainability and impact measurement
- Accelerating funding mobilisation for catalytic programmes
- Driving township and rural economy development through localised partnerships
- Strengthening project delivery capabilities and infrastructure investment readiness
- Launching a Training Academy to deliver accredited skills development for future finance professionals

These strategic interventions are designed to further stabilise operations, secure regulatory compliance, and advance the IDFC's developmental mandate across the province of KZN.

5.1.1. Business Finance Strategies

IDFC's Business Finance Unit provides financial and non-financial services to SMMEs and co-operatives in KwaZulu-Natal, with a particular focus on previously disadvantaged individuals. The target market includes start-ups and existing SMMEs seeking to grow or formalise their operations, especially in rural and township areas.

Business finance support is aligned with provincial imperatives as set out in the KwaZulu-Natal Provincial Growth and Development Strategy (PGDS). These include improving access to finance, reducing inequality, supporting localisation, and fostering economic transformation. (See Section 4.2 Development Imperatives for details.)

The Unit supports businesses in priority economic sectors including agriculture and agro-processing, manufacturing, trade and services, commercial property, construction, logistics, mining, and tourism. IDFC also provides business support services to improve client sustainability. These services are delivered through partnerships with key agencies, including Trade and Investment KZN, the Agricultural Development Agency, the National Construction Incubator, and Umzinyathi Development Agency. Five dedicated post-investment officers proactively monitor client performance, assist with turnaround strategies, and provide restructuring support where viable.

Key challenges in business finance—such as the high percentage of non-performing loans (NPLs), low profitability due to concessional interest rates, and limited secondary recovery options—are addressed in Section 4.5.1 Business Finance. IT system upgrades to improve credit processes, including the postponed implementation of the Commercial Lending System, are covered in Section 5.4.1 ICT.

The Business Finance Unit has set the following KPIs:

- Increase in the number and success rate of start-up businesses,
- Decrease in business failures and NPLs,
- Increase in average business lifespan, and
- Number of training and mentorship programmes implemented for SMMEs.

5.1.2. Properties Strategy

IDFC's property strategy seeks to revitalise and expand a diverse portfolio of industrial and commercial assets across KwaZulu-Natal, with a particular focus on long-term sustainability, tenant retention, and alignment with the province's developmental priorities. As a strategic asset, the Property Portfolio plays a critical role in supporting economic growth, job creation, and spatial transformation.

During the 2024/25 financial year, IDFC continued to implement a capital investment programme aimed at ensuring functionality, compliance, and long-term value creation within the Property Portfolio. This included the ongoing replacement of roofs across Industrial Estates, which is expected to extend the usable life of affected facilities by up to 20 years, along with the installation of automatic sprinkler systems in applicable factories.

To support portfolio growth, IDFC is also pursuing strategic partnerships and long-term lease agreements that can unlock additional capital for investment. Several transactions were approved by the Board and are currently being finalised. These partnerships demonstrate growing investor interest in IDFC-owned assets and provide a platform for infrastructure upgrades, renewable energy installations, and commercial redevelopment.

A summary of Board-approved strategic partnership transactions currently underway is provided in Section 5.3.2 under Core Business Activities.

In parallel, IDFC is executing a focused Asset Management Strategy to maximise the return on its property investments. This strategy is designed to reinvest rental income and capital appreciation into infrastructure upgrades and high-performing properties that can stimulate economic activity and attract sustainable tenants. The long-term aim is to generate additional income for the Group and reinforce IDFC's contribution to KwaZulu-Natal's economic development.

Reducing rental vacancies is a key component of this strategy. The financial health of the Property Portfolio relies on attracting and retaining quality tenants across all property types. IDFC is actively addressing this challenge through targeted marketing campaigns and by enhancing tenant retention via tailored business support services.

Finally, IDFC remains committed to maintaining a safe, compliant, and professionally managed property environment. The organisation conducts regular condition assessments across all buildings and infrastructure, ensuring that properties are kept to a standard that supports tenant satisfaction and regulatory compliance. These maintenance and compliance activities are integral to safeguarding asset value and positioning the portfolio for long-term growth.

5.1.3. Implementing Agency Strategies

Under its legislated mandate in the IDFC Act (No 5 of 2013), IDFC is responsible for planning, executing, financing, and overseeing the execution of development projects and programmes that promote economic growth and transformation across KwaZulu-Natal. This role is carried out by its Implementing Agent Division, which aims to function as a dependable partner in delivering sustainable development results for the province.

The division operates with a strong focus on financial sustainability while promoting socio-economic empowerment. Its approach is based on the belief that successfully implementing infrastructure and development projects can unlock valuable economic opportunities for communities and encourage long-term growth.

IDFC's Implementing Agent Strategy is focused on ensuring efficient, timely, and impactful delivery of catalytic projects and programmes. Key objectives include:

- Strengthening the institutional capacity of the Implementing Agent Division.
- Establishing a robust policy framework to govern project delivery.
- Ensuring the effective execution of provincial programmes and infrastructure initiatives.
- Enhancing revenue generation through professional implementation services.
- Building strong relationships with clients and partners through ongoing business development.

Across all its activities, the division seeks to embed a spirit of partnership - one that encourages collaboration, stakeholder confidence, and shared commitment to the province's development agenda.

5.2. Value Creation through the 6 Capitals

IDFC's strategic approach is underpinned by the integrated use of the six capitals defined in the <IR> Framework. These capitals are actively managed to create sustainable value for stakeholders and ensure long-term developmental impact.

5.2.1. Financial Capital

IDFC manages its capital base carefully to fund development initiatives. Strong cost control and revenue diversification have helped ensure sustainability. Over the five-year period, IDFC maintained a cost-to-income ratio of 70% and attracted R853 million in property investment.

5.2.2. Manufactured Capital

The organisation's property and infrastructure portfolio is vital for driving economic transformation in KZN. From refurbishing unrest-affected properties to developing new industrial hubs, IDFC has increased the value of its property assets by 25.9% over five years, establishing new platforms for business activity.

5.2.3. Human Capital

IDFC focuses on talent development, leadership stability, and staff wellbeing. Internal capacity has been bolstered through the creation of OSPE, the Implementing Agent Unit, and training programmes like the SAICA-accredited internship scheme. There were no labour disruptions during the review period.

5.2.4. Intellectual Capital

The organisation continues to enhance its systems, strategies, and governance frameworks. The development of new policies (e.g., Township and Rural Economy Investment Policy, Project Management Policy) and quality assurance processes has strengthened operational resilience and institutional knowledge.

5.2.5. Social and Relationship Capital

Partnerships with provincial departments, municipalities, private sector players, and communities are central to IDFC's mandate. Programmes such as Inkunzísematholeni, Imbokodo Iyazenzela, and StarSaver showcase IDFC's commitment to societal transformation and building trust within communities.

5.2.6. Natural Capital

IDFC champions green economy initiatives through youth-backed innovations and solar infrastructure integration into projects. Initiatives like biochar production and recycled plastic products further demonstrate IDFC's increasing dedication to environmental sustainability.

5.3. King IV Compliance

As a developmental finance institution, the IDFC recognises the importance of robust governance in achieving sustainable impact for the people of KZN. The application of King IV principles is integral to ensuring accountability, transparency, and the trust of our partners, stakeholders and clients. The following table reflects how each of the King IV principles is applied within our governance structures and processes generally, as well as achievements made in 2024/25.

Table 5.2: Application of King IV Principles

King IV Principle	Application by IDFC	Explanation / Supporting Evidence
1. Ethical Leadership	Applied	The Board oversees the establishment of governance policies and frameworks, ensuring that internal stakeholders are committed to ethical behaviour and adhere to the IDFC Code of Conduct.
2. Organisational Ethics	Applied	The Board has a strict zero-tolerance policy regarding fraud, theft, or corruption. The Board and executives have established a strong ethics culture, including ethics and fraud risk management, led by the Anti-Fraud and Ethics Committee, monitored by EXCO and the Board Human Resources and Ethics Committee.
3. Responsible Corporate Citizenship	Applied	IDFC supports inclusive economic development by providing financial and non-financial support to SMMEs, training in business and banking, business, commercial, and industrial infrastructure, as well as access to financial services, with emphasis on previously disadvantaged groups and rural and township economies.
4. Strategy and Performance	Applied	The IDFC's new Five-Year Strategy is aligned with the organisation's development mandate and the priorities outlined in the MTDP and PGDS. Performance is monitored quarterly against an approved Annual Performance Plan (APP).
5. Reporting	Applied	The Integrated Annual Report is prepared annually in alignment with relevant reporting standards and the PFMA. Reports are submitted to KZN EDTEA and the AGSA.
6. Roles and Responsibilities of the Board	Applied	The Board oversees the IDFC's strategy, risk management, and performance monitoring. Delegation of authority is formalised through Board-approved charters and committee terms of reference, ensuring appropriate accountability for decision making, as well as independent and effective oversight functions.
7. Board Composition	Applied	The Board comprises a diverse mix of skills, experience, and independent oversight, and reflects the province's gender and demographic diversity.
8. Board Committees	Applied	Board Committees are established in terms of Section 15(1) of the Ithala Act. The IDFC has seven Board Committees to support the execution the Board's mandate. Each Committee operates in line with a Board-approved workplan.
9. Performance Evaluations	Applied	The Board Performance Evaluation Framework outlines a three-year assessment cycle: including an evaluation of the Board (Year 1), evaluations of the Board Committees (Year 2), and an independent evaluation of both the Board and its Committees (Year 3).
10. Appointment and Delegation to Management	Applied	The Board clearly delegates authority to Executive management. Executive performance is measured bi-annually against strategic KPIs.
11. Risk Governance	Applied	A robust Enterprise Risk Management framework is in place and monitored by the Audit and Risk Committee.
12. Technology and Information Governance	Applied	The Board has established an ICT Governance Framework, and an ICT Governance Committee is in place. Cyber security, data protection and digitisation are strategic priorities of the organisation.
13. Compliance Governance	Applied	IDFC complies with legislation including the PFMA, FICA, FAIS, and the National Credit Act, among others. Compliance reports are reviewed quarterly.
14. Remuneration Governance	Applied	Remuneration is performance-based and approved by the Nomination, Governance and Remuneration Committee.
15. Assurance	Applied	IDFC appoints internal and external assurance providers and follows a four-lines-of-assurance model, which defines clear accountabilities for managing risk and the control environment.
16. Stakeholder Relationships	Applied	The Board actively promotes a stakeholder-inclusive approach regarding governance. The Board has approved, and oversees regular updates to, the Stakeholder Engagement Policy and Plan.
17. Institutional Integrity	Applied	The Board acts in the best interest of IDFC, free from undue influence. The IDFC aligns to the Principles of Responsible Investment (PRI) with oversight from Board Committees.

5.4. Our Business Activities

The building blocks of the IDFC's Business Model are shown below, illustrating how the entity creates, delivers, and captures value for its customers.

KEY PARTNERS

- EDTEA and provincial treasury
- All spheres of government
- Public entities
- Local government
- Private sector developers and investors
- Financial institutions
- Education and training institutions, including SETAs
- Traditional authorities
- Communities and community-based organisations

KEY ACTIVITIES

- Facilitating investments in development projects that drive economic growth and transformation
- Managing the property portfolio to retain and attract tenants, focusing on key sectors and maintaining high occupancy rates
- Providing financial products and business support services to small enterprises
- Acting as the implementing agent for infrastructure and economic development projects, ensuring timely and efficient execution
- Implementing initiatives aimed at inclusive economic growth and job creation
- Facilitating training and development of human resources in the province

KEY RESOURCES

- Diverse property portfolio
- Skilled, professional workforce
- Partnerships with government and private sector
- Technology and infrastructure
- Financial resources

VALUE PROPOSITIONS

- Increased investment in economic and infrastructure development programmes
- Optimised and competitive property portfolio
- Innovative and sustainable small enterprises
- Timely and high-quality delivery of development projects
- Increased economic transformation and empowerment

CUSTOMER RELATIONSHIPS

- Long-term partnerships with government and municipalities
- Tenant engagement and retention, and long-term relationships
- Advisory and mentorship for small enterprises
- Investor relations management
- Small enterprise investment management (pre-investment-post)
- Customer complaints management

CHANNELS

- Government partnerships
- Traditional authority collaborations
- Digital platforms
- Head office and regional offices
- Workshops and training programmes
- Public-Private Partnerships

CUSTOMER SEGMENTS

- Small enterprises (SMMEs and co-operatives)
- Black industrialists
- Private sector investors
- Provincial, district, and local government
- Property tenants - industrial and retail
- Community-based organisations

COST STRUCTURE

- Property management and development costs
- Small enterprises financial and non-financial support costs
- Operational and overhead costs
- Project implementation expenses
- Marketing and investment promotion

REVENUE STREAMS

- Property rentals, leasing, and utility recovery charges
- Sale of utilities at industrial estates
- Resource allocation on development project implementation
- Financial services to small enterprises
- Development partnerships and investments

5.4.1. Business Finance

The IDFC Business Finance Department plays a pivotal role in facilitating small business development and job creation across KwaZulu-Natal. Through financial and non-financial services tailored for SMMEs and co-operatives, the Department enables clients to access the capital, skills and support needed to establish, grow and sustain their enterprises.

Stakeholder Partnerships

To drive inclusive development and enhance client support, IDFC maintained or entered into formal partnerships with a range of strategic stakeholders. These include Trade and Investment KZN (TIKZN), Agribusiness Development Agency (ADA), National Construction Incubator (NCI), uMzinyathi District Agency (UDA), South African Farmers Development Association (SAFDA), SAPPI, MONDI and the Department of Transport (DOT). These partnerships help facilitate holistic support across priority sectors.

Business Support Initiatives

As part of its ongoing business support initiatives, the following interventions were implemented in 2024/25:

- **Masakhe Business Skills Training:** An accredited service provider delivered business skills training across all 11 district municipalities in KwaZulu-Natal. A total of 200 participants completed the programme between November 2023 and November 2024. Certificates have been issued in seven districts, with the remainder scheduled for Q2 2025/26.
- **Appointment of a Business Support Service Provider:** From January 2025, a dedicated provider began offering mentorship and advisory services to 15 SMMEs. Focus areas included brand repositioning, marketing strategy development, coaching and mentorship, accounting and bookkeeping, and operational efficiency. Early results indicate promising improvements in business performance.
- **SMME Funding Toolkit:** Both online and manual versions of the SMME Funding Toolkit were finalised. The online version will be integrated into the IDFC website, while the manual version is already in use at business clinics and reception areas. The toolkit is positively impacting SMME financial literacy and funding readiness.
- **Distressed Farms Programme:** The agricultural portfolio carries the highest rate of non-performing loans. To address this, IDFC identified 34 distressed farms and appointed a panel of agricultural experts in February 2025. Eleven farms are being assessed for rehabilitation potential.

The project will unfold over three phases:

(i) assessment and planning including site visits, viability assessments, and turnaround plans,
(ii) implementation of approved plans in partnership with clients, and
(iii) monitoring and evaluation of farm performance, continuity plans and a formal closure report.

Legal recovery processes are being accelerated, where rehabilitation is not feasible.

- **Masakhe Incubation Centres:** Two incubation centres were launched in eThekwini and Umgungundlovu to support entrepreneurs and manufacturers. A comprehensive training programme has been developed to address key entrepreneurial challenges and build sustainable businesses. At the December 2024 launch, five SMMEs participated in a workshop covering access to funding, market access, financial due diligence, and regulatory compliance.
- **Township and Rural Economy Training Programme:** Business skills training will be rolled out to SMMEs in all municipal districts through the IDFC Training Academy. The initiative targets Business Finance clients, prospective clients, tenants and prospective tenants. A training provider has already been appointed to support implementation.

Businesses Supported

To demonstrate real-world impact, the following businesses were supported with funding in 2024/25:

Foot Prints Holding (Pty) Ltd: Awarded R9.2 million to purchase assets for a five-year Mondi contract, hauling 180,000 tonnes of timber per year in Richards Bay.

Mthonjaneni Transport Services Co-Op Ltd: Granted R20.8 million for 13 buses to deliver community transport under a Department of Transport contract.

Sakhisizwe Forestry and Construction (Pty) Ltd: Approved for R10.5 million in asset finance to support silviculture and related services under a Mondi SA contract.

Alfredson Projects (Pty) Ltd: Provided with a bridging loan facility of R8.1 million to execute a Transnet SOC Limited contract to upgrade the North Groyne Promenade in Durban.

Lindasiviwe Trading Enterprise (Pty) Ltd: Approved a R20.7 million loan to acquire forklifts in support of a heavy lifting contract with Transnet SOC Limited.

5.4.2. Properties

IDFC owns and manages a diverse property portfolio comprising industrial estates, shopping centres, commercial spaces, and vacant land, amounting to 1,2 million square metres of industrial and commercial space. This portfolio spans peri-urban, township and rural areas across KwaZulu-Natal and plays a key role in supporting economic development, job creation and industrial activity in previously underserved regions. IDFC's property assets are primarily let to SMMEs, many of which would otherwise face barriers to affordable and accessible space.

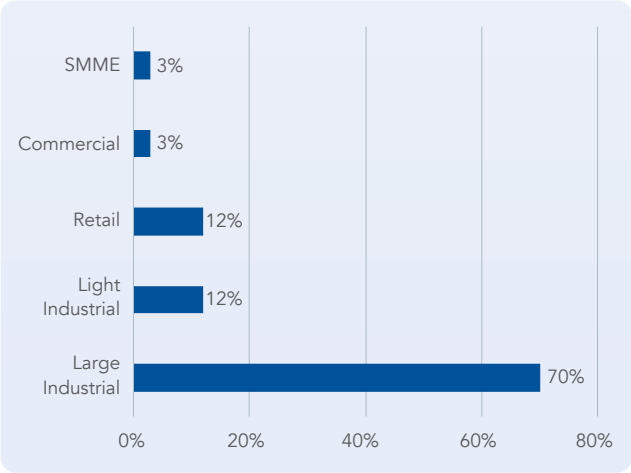
The portfolio is strategically managed to support both commercial performance and developmental impact. IDFC's Properties Department is structured into four specialised divisions:

- **Property Management:** Oversees property leasing, tenant mix, and relationship management.
- **Asset Management:** Responsible for long-term asset optimisation, value realisation and strategic growth.
- **Property Development and Project Management:** Manages construction, refurbishment and redevelopment projects.
- **Technical Operations:** Covers Facilities Management and Engineering Services, including planned maintenance and municipal infrastructure.

Portfolio Overview

IDFC's property portfolio includes a diverse mix of industrial, retail, commercial and SMME assets. Figure 5.2. provides a breakdown of the portfolio by sector.

Figure 5.2: Property Portfolio by Sector



- **Large Industrial Portfolio:** Constituting 70% of the portfolio, IDFC's large industrial assets include three major industrial estates – Isithebe (Mandeni), Ezakheni (Ladysmith) and Madadeni (Newcastle). These estates comprise factory units ranging from 200m² to 35,000 m², collectively employing an estimated 24,000 people. IDFC manages the municipal infrastructure within the estates, including roads, electricity, water, sewage and refuse removal.
- **Light Industrial Portfolio:** Located primarily in the eThekwini Metro, these multi-unit industrial parks accommodate 142 tenants and are co-owned in some instances with Growthpoint. Their strategic locations attract high-quality manufacturing and service-related businesses.
- **Retail Portfolio:** IDFC owns 21 shopping centres accommodating 422 tenants. Retail spaces vary from 4m² kiosks to anchor spaces of 5,158 m², catering to both small enterprises and national retailers.
- **Commercial Portfolio:** Comprising 13 properties (six office blocks and seven commercial-use buildings), this segment includes the Ithala Trade Centre in Durban. Thirty-five tenants were housed in commercial premises during the year.
- **SMME Portfolio:** IDFC manages 43 micro-industrial parks situated mainly in rural and township areas. These parks accommodate 242 tenants, including small factories, motor parks and handicraft centres.

In addition, the property portfolio includes significant vacant land holdings: 167 serviced industrial sites, 19 commercial sites, and 235 residential sites. Of these, 110 sites are currently under illegal occupation. During the year, IDFC finalised an audit and verification process for all vacant land (excluding industrial estate sites), with key findings now under review.

Properties Strategy and Operations

During the 2024/25 financial year, IDFC continued to invest in the functionality, compliance, and sustainability of its portfolio. This included implementing the second phase of the roof replacement programme for industrial estates, upgrading fire safety systems in applicable factories, and launching further capital refurbishment projects aimed at retaining tenants and improving revenue potential.

A core component of IDFC's property strategy involves leveraging its assets to drive inclusive economic activity. The organisation prioritises letting to local businesses, facilitates access to underutilised land, and supports tenants through targeted business development services. These efforts are complemented by marketing and retention strategies aimed at reducing rental vacancies and improving financial sustainability.

The following business activities define the core of IDFC's property operations:

- Managing and maintaining the diverse property portfolio
- Facilitating access to affordable industrial and retail space for industrialists and SMMEs
- Implementing capital improvement and compliance programmes
- Driving redevelopment through strategic partnerships and long-term leases
- Enhancing asset performance and revenue through an active asset management strategy
- Promoting inclusive economic participation in township and rural areas

These initiatives form part of a broader effort to unlock the socio-economic value of state-owned property assets while strengthening IDFC's own revenue base.

5.4.3. Implementing Agent

As part of its founding mandate, IDFC is authorised to plan, execute, finance and monitor the implementation of development projects and programmes in the province of KwaZulu-Natal. This function is delivered through its Implementing Agent (IA) Division, which focuses on supporting provincial departments and entities to fast-track infrastructure development and economic transformation initiatives.

Over the past year, IDFC has continued to deepen its role as a trusted implementing partner, particularly in strategic catalytic programmes. These include infrastructure upgrades, rural and township revitalisation initiatives, and other development interventions aligned with the province's inclusive growth priorities. The IA Division plays a critical role in ensuring that these initiatives are effectively implemented, within budget and on time, while meeting high standards of governance and accountability.

The IA function also creates opportunities for local economic participation, with a specific focus on SMMEs and co-operatives. Through these projects, IDFC ensures that procurement benefits are localised and contribute to sustainable development at a grassroots level. In doing so, the institution actively supports the objectives of job creation, economic empowerment and capacity-building within local communities.

Recognising the need for institutional strengthening, IDFC has prioritised the development of a fit-for-purpose IA framework, capacitating the Division to scale its activities and pursue partnerships across all spheres of government. Continued efforts to establish systems, policies and partnerships are central to ensuring the long-term sustainability and expansion of this function.

5.5. Enabling Functions

IDFC's enabling functions provide the critical support infrastructure required to ensure the organisation delivers on its strategic objectives effectively and sustainably. These functions span information technology, human capital, occupational health and safety, and environmental management. Each plays a foundational role in promoting operational efficiency, compliance, and institutional resilience across the organisation's core business areas.

5.5.1. Information and Communication Technology

Information and Communication Technology (ICT) plays a critical role in enabling IDFC's business units to meet their respective mandates by delivering effective business solutions and services through people, processes and technology. During the reporting period, the department focused on enhancing operational resilience, improving service delivery and strengthening governance frameworks.

Strategic Infrastructure and Systems Modernisation

The ICT department continues to implement its infrastructure modernisation programme, laying the foundation for a more resilient and digitally enabled organisation. Key initiatives, such as the Data Centre Refresh and the migration of core systems to a cloud-optimised environment, progressed steadily, with implementation activities scheduled to continue into the next financial year.

The procurement of enterprise systems to automate critical business processes - such as lending, workflow, document management and property management - was initiated during the period under review. These efforts will continue into the 2025/26 financial year, with a strong focus on operational efficiency and improved service delivery.

Notably, the department delivered several in-house solutions to automate customer complaints and micro-loan processes. These developments reflect ICT's ongoing commitment to innovation and its ability to respond to business needs through agile, cost-effective technology solutions.

Building Capacity and Skills

The ICT department continues to build internal capacity through a combination of formal education and practical learning. Team members participate in seminars and industry events to stay informed

about emerging technologies and evolving trends, including:

- Access to global learning platforms such as Microsoft, AWS and Oracle supports continuous development and optimises use of existing systems.
- Courses in Microsoft Azure, ITIL, CompTIA Security+, Certified in Cybersecurity, Certified in Information Security Management (CISM), AWS Cloud Practitioner, AWS Certified Solutions Architect, AWS Certified SysOps Administrator and AWS Certified Developer.

Operational Performance and SLA Monitoring

Routine operational housekeeping activities were conducted across various ICT service areas in the period under review. SLA monitoring continued in partnership with key service providers to ensure agreed performance standards were consistently met.

Information Security and Governance

Significant progress was made in strengthening information security and governance. Internal controls were enhanced, governance frameworks were updated and advanced security measures were implemented across network and endpoint environments. An annual vulnerability assessment conducted by an external service provider confirmed substantial improvements in the organisation's security posture. Notable enhancements were achieved in perimeter security (firewall), website protection and broader IT infrastructure.

Structured awareness training was introduced to promote secure digital practices across the organisation. In addition, the ICT strategy, cybersecurity protocols and recovery frameworks were reviewed to maintain alignment with industry best practices and IDFC's broader digital transformation and organisational resilience goals.

Risk Management and Business Continuity

ICT participated in the Risk and BCM Champion Training programme, reinforcing its role in enterprise risk management and business continuity planning. The training covered the business continuity management framework and clarified the responsibilities of BCM champions in maintaining and activating recovery strategies.

Detergent Shared Manufacturing Production Area and Equipment

5.5.2. Health, Safety and Environment

Health, safety and environmental stewardship are areas of significant focus at IDFC. Continuous awareness is promoted throughout the organisation, and the Health, Safety and Environment (HSE) Strategy is grounded in risk management, policy implementation and employee engagement. This Strategy supports a culture that fosters responsible behaviours, effective management systems and the promotion of staff health and well-being.

IDFC seeks full compliance with all legal requirements for the protection of health, safety and the environment by:

- Identifying, controlling, eliminating or reducing health and safety risks and significant environmental impacts
- Preventing pollution, accidents and work-related ill-health while driving continuous improvement
- Training and informing all employees to ensure adequate knowledge and to entrench a positive HSE culture across the organisation
- Allocating appropriate resources to ensure effective compliance with HSE policies and procedures

Compliance levels are assessed periodically through both internal and external assurance processes. These evaluations provide assurance to relevant authorities that IDFC's operations and business units meet applicable legislative requirements and organisational policies. Good progress has been made towards developing and implementing improvement plans across the organisation.

Health

IDFC remains fully committed to protecting the health of its employees - the organisation's most valuable assets. A working environment that actively cultivates awareness of health issues is actively cultivated to promote preventative care. Several initiatives are in place to support employee wellness, including health screening, prevention and testing programmes hosted through wellness days in collaboration with medical aid providers, optometrists, counsellors and other service providers.

Safety

Occupational Health, Safety and Environment (OHSE) training, awareness campaigns, inspections and audits are conducted on a regular basis to uphold workplace safety. There were no reportable safety incidents during the 2024/25 financial year in terms of Section 24 of the Occupational Health and Safety Act. IDFC continues to uphold a vision of zero harm across all environments where its employees, tenants and visitors operate.

Environment

IDFC is dedicated to ensuring its operations do not harm the natural environment. The organisation understands that failing to meet environmental requirements risks not only ecosystems but also its own long-term sustainability. IDFC continues to collaborate closely with environmental regulators to ensure compliance and responsible environmental practices.

There were no new reportable environmental incidents during the 2024/25 financial year.

5.5.3. Human Resources

IDFC's Human Capital function drives the strategic imperatives of the organisation by providing professional human resource management services. IDFC sets out to provide a human capital base that is capable, motivated and stimulated enough to ensure that the organisation drives economic development and empowerment in the province. The Human Capital function must also promote the financial sustainability of the organisation and ensure that it continues to remain relevant as a Development Finance Institution (DFI).

The Human Capital Strategy supports the organisation's workforce initiatives by ensuring that IDFC is properly staffed with individuals who possess the requisite skills and competencies to deliver on the organisational mandate. This is achieved by:

- Inculcating a high-performance organisational culture
- Supporting business units to achieve their strategic objectives
- Implementing human resources processes aimed at transformation and service delivery
- Driving an effective talent management process
- Implementing the Integrated Employee Value Proposition (EVP) as a retention mechanism

Staff Profile

The IDFC Human Capital function stewards the organisation's Employment Equity Plan, which addresses equity in the workplace, including the recruitment of Persons with Disabilities (PwDs) and the equitable representation of women in management. Equity targets are embedded in recruitment requisitions to drive measurable progress.

During the reporting period, the number of PwDs employed remained at 2,2% of the permanent staff complement, consistent with the previous year. As of 31 March 2025, IDFC employed 275 permanent employees – six fewer than the prior year, mainly due to terminations.

Table 5.3: Staff Profile as at 31 March 2025

Employee Levels	Designated											Foreign Nationals			Non-Designated White Males		Grand Total	Disabled
	African			Coloured			Indian			White								
	F	M	Total	F	M	Total	F	M	Total	F	Total	F	M	Total	M	Total		
FU	1		1			0			0		0			0		0	1	
FL	2	2	4			0		1	1		0			0		0	5	
EU			0			0	1		1		0			0		0	1	
EL	4	6	10			0	3		3		0			0	1	1	14	
D4	6	11	17			0	1	3	4		0			0	1	1	22	1
D3	3	3	6			0		3	3		0		1	1		0	10	1
D2	7	6	13			0			0		0			0		0	13	
D1	4	5	9	1		1	2		2	1	1			0		0	13	
C5	8	9	17	1	1	2	3		3		0			0		0	22	
C4	32	17	49	1	1	2	2	1	3		0	1		1		0	55	2
C3	11	5	16			0			0		0			0		0	16	1
C2	16	2	18			0			0		0			0		0	18	
C1	7	14	21	1		1	1		1	1	1			0		0	24	
B4	3	11	14			0			0		0			0		0	14	1
B3	6	6	12			0			0		0			0		0	12	
B2		4	4			0			0		0			0		0	4	
B1		5	5			0			0		0			0		0	5	
A3		3	3			0			0		0			0		0	3	
A2	5	18	23			0			0		0			0		0	23	
Permanent	116	127	243	4	2	6	13	8	21	2	2	2	2	1	1	2	275	6
Non Permanent	19	21	40														40	
Grand Total	135	148	283	4	2	6	13	8	21	2	2	1	1	2	2	2	315	6

Isithebe Industrial Park

Figure 5.3: Employees by Employment Status as of 31 March 2025

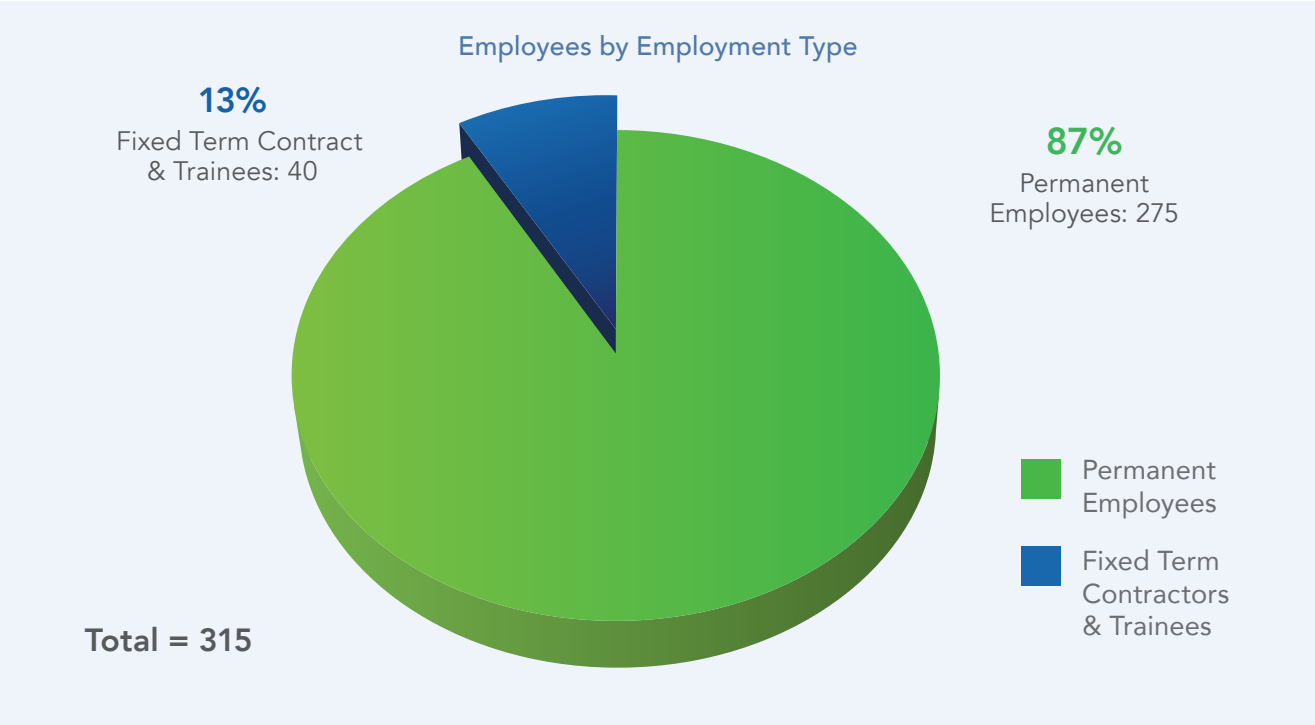
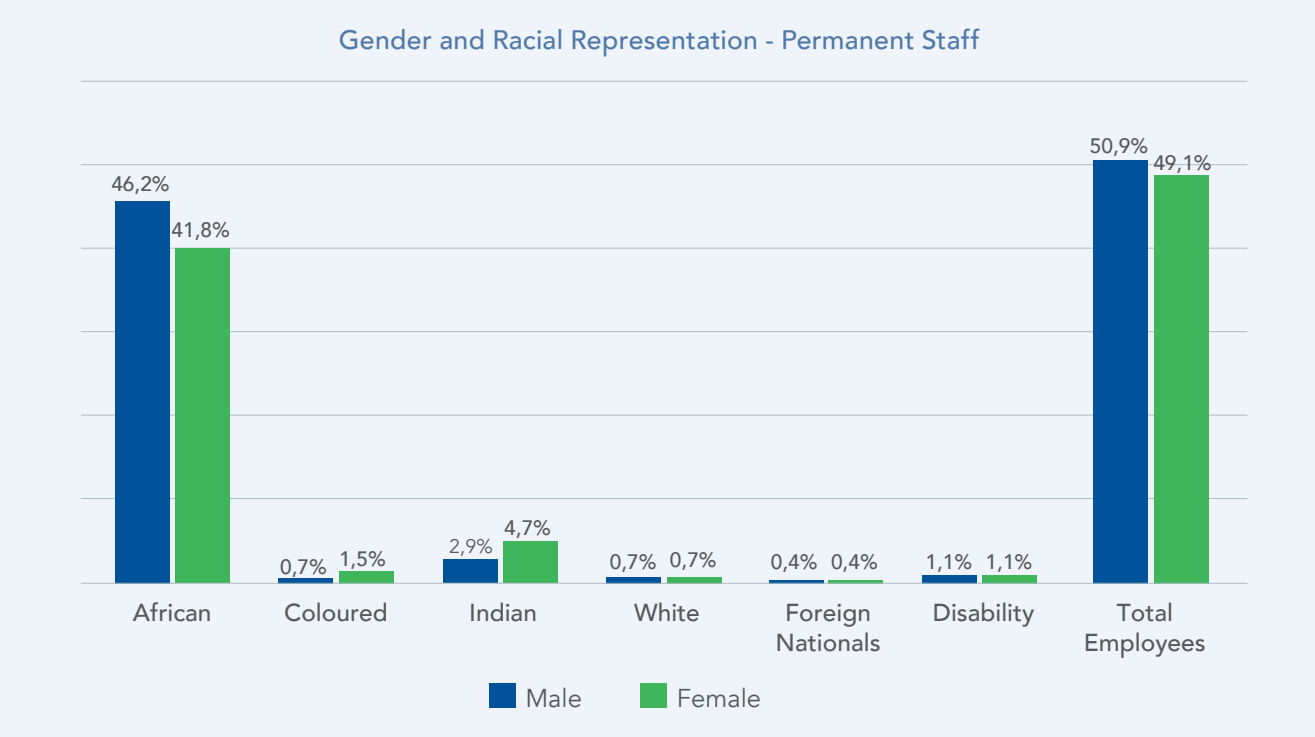


Figure 5.4: Employee Gender and Racial Representation as of 31 March 2025



Of the total workforce, 87% were permanent employees and 13% were on fixed-term contracts at the close of the financial year. A balanced gender representation of 50,9% male and 49,1% female was achieved, with the latter increasing by 1,8% year-on-year. The racial breakdown reveals that the vast majority of both male and female employees are Black African, with small proportions of Indian, Coloured, White, and foreign national staff.

Age profile analysis shows that 75% of employees are aged between 36 and 55, while 9% are youth (under 36), marking a 2% increase from the previous reporting period. Only 16% are aged 56 and above and are likely to retire within the next decade, allowing for a strong succession plan. Youth representation in management rose from 4,8% in 2023/24 to 5,1% in 2024/25.

Figure 5.5: Employee Age Profile as of 31 March 2025

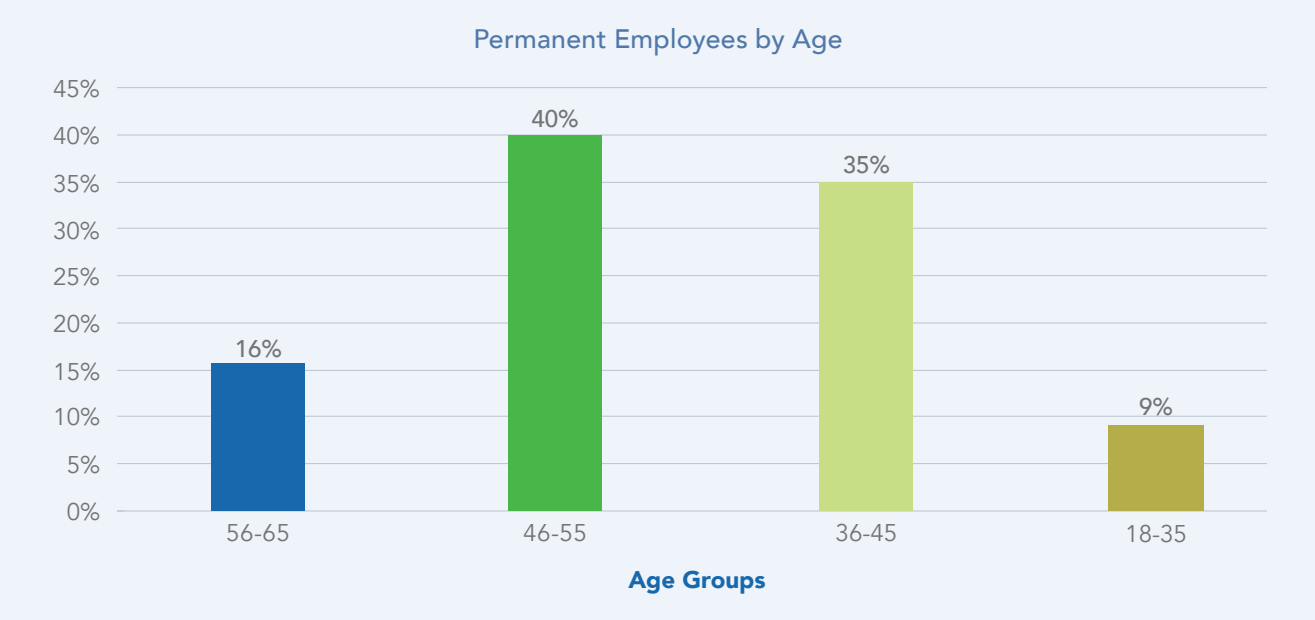
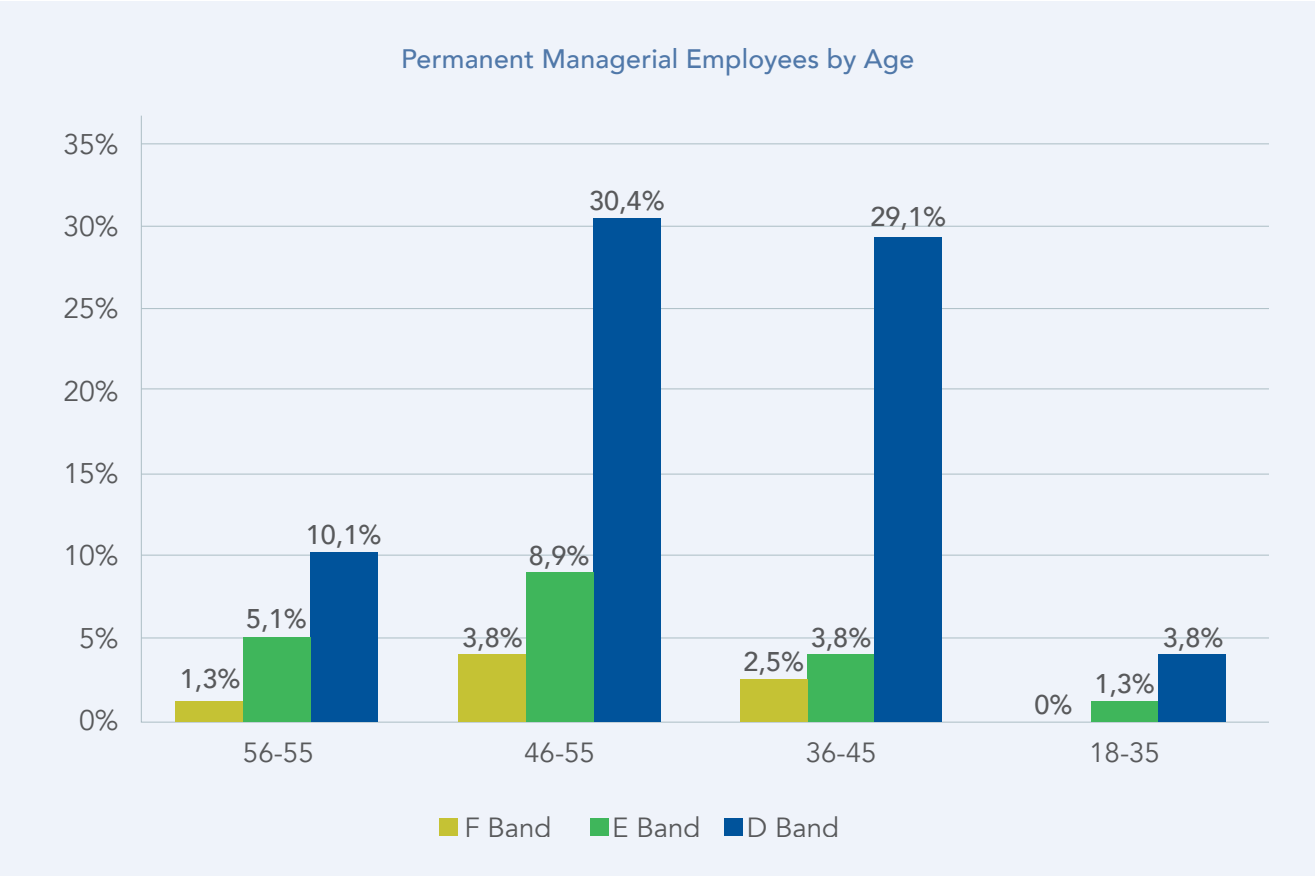


Figure 5.6: Employees by Managerial Level as of 31 March 2025



These outcomes reflect successful implementation of the Employment Equity Plan. Further progress is needed to meet the 50,5% female representation target in total employment and to continue attracting youth into leadership roles.

During the reporting period, the organisation recorded a low staff turnover rate of 2,1%, well below the 10% threshold and a 4,9% improvement from the prior year. Of the 19 employees who exited IDFC, seven resigned, eight retired, two were medically boarded, one was dismissed, and one passed away.

Training and Development

Despite cost-containment measures, IDFC continued to invest in employee development. In total, 29 training interventions were delivered through the Annual Training Plan and ad hoc initiatives, amounting to R863,979.

The organisation continued its partnership with the South African Institute of Chartered Accountants (SAICA), supporting nine aspiring Chartered Accountants through a structured three-year training programme. Four trainees were newly appointed during the year.

Additionally, five apprentices were recruited in plumbing and electrical engineering. These apprentices are undertaking a three-year programme to qualify as artisans.

IDFC also appointed eight beneficiaries under the Expanded Public Works Programme (EPWP) for landscaping services at the Isithebe Industrial Estate, with the initiative to be expanded to other estates. All EPWP participants were contracted for 12 months.

Further, 46 interns and 10 in-service trainees were recruited through a partnership with FASSET, offering work-integrated learning opportunities for university and TVET graduates in finance, commerce and administration. This programme resumed in March 2025.

The total expenditure on training programmes amounted to R1,946,442 in 2024/25, bringing the total investment in human capital development for the year to R2,810,421.

Talent Management

IDFC continued to support organisational sustainability by maintaining a pipeline of skilled professionals. As noted, nine SAICA trainees were enrolled in the accounting programme during the year.

In addition to the five apprentices in the Properties Unit, IDFC also implemented a Youth Internship and In-Service Training Programme in partnership with FASSET. This saw 56 young people recruited into administrative roles, including in commercial property management. The programme provides a 12-month internship for graduates and 18 months of practical training for TVET learners.

An Employee Satisfaction Survey (ESS) was conducted to assess implementation of the Employee Value Proposition. The survey indicated a 73% satisfaction rate – a substantial increase from the 56% reported in 2024. This improvement is attributed to the organisation's efforts to address feedback from the previous cycle.

Effective and Efficient Employee Relations

IDFC continues to maintain constructive relations with organised labour. A Recognition Agreement with NEHAWU ensures regular engagement via the Local Labour Forum. A Wage Negotiation Agreement for 2024/25 was concluded without industrial action.

A two-day Labour Relations Conference was held in August 2024 between IDFC senior management and NEHAWU. The engagement produced shared commitments under the themes of People, Process and Technology, with implementation to be tracked over time.

Despite the absence of strikes, IDFC managed eight labour disputes – six at the Commission for Conciliation, Mediation and Arbitration (CCMA) and two at the Labour Court. Four matters remained unresolved at year-end.

Recognition of Excellence

Performance management remains integral to aligning employee outputs with organisational strategy. IDFC implemented its Performance Management Policy consistently across the organisation, supported by workshops and guidance from Human Capital Management.

Although no performance bonuses were declared for the period, the Board approved gratuities for qualifying employees in recognition of their performance.

Employee Wellness

The Employee Wellness Programme aims to support the physical, emotional and mental well-being of staff and their families. This contributes to employee engagement and organisational effectiveness.

Wellness initiatives during the year included financial education, World AIDS Day awareness, and health screenings for vision, blood pressure, cholesterol, diabetes and family medical history.

Through the Employee Assistance Programme (EAP), external service providers supported employees experiencing personal or professional difficulties. Webinars were also conducted to assist staff with adjusting to changing work environments.

IDFC Organisational Review

As part of the organisational transition process, more than 85% of IDFC staff received placement letters during the financial year. The remainder will be finalised during the first quarter of the next financial year.

5.6. Socio-Economic Transformation

IDFC is committed to the national socio-economic transformation agenda, placing special emphasis on Broad-Based Black Economic Empowerment (B-BBEE) and related community-based initiatives. Central to this commitment is the incorporation of previously disadvantaged and marginalised people into the mainstream economy. To achieve this, IDFC undertakes a range of business activities, including Corporate Social Investment (CSI), sponsorships, skills development, employment equity, preferential procurement, female and youth empowerment workshops, and the approval of loans to Black-owned co-operatives and SMMEs.

As a Public Entity, IDFC also adheres to the Public Finance Management Act (PFMA), which seeks to maximise service delivery through the efficient and effective use of financial resources. In accordance with the PFMA and Section 217 of the Constitution, IDFC maintains a procurement and provisioning system that is fair, equitable, transparent, competitive and cost-effective.

Total procurement spend in the 2024/25 financial year amounted to R346.4 million, up from R251.4 million the previous year. This excludes an additional R672.6 million paid to other government institutions, including Eskom, municipalities, government departments, state-owned enterprises, universities, colleges, professional bodies and the AGSA. Of the procurement spend, 97.8% (R339 million) went to Black-owned businesses, significantly exceeding the 60% target.

In alignment with the Provincial Government's mandate to catalyse radical economic transformation, IDFC also implemented preferential procurement in favour of African Exempted Micro-Enterprises (EMEs), Qualifying Small Enterprises (QSEs), and businesses owned by women, youth and People with Disabilities (PwDs). Procurement spend with women-owned businesses reached 34.7% (R120.3 million) against a target of 28%, while youth-owned businesses accounted for 27% (R93.4 million) against a target of 25%. Spend with PwD-owned businesses amounted to 5.3% (R18.4 million), more than double the target of 2%.

Paramount Light Industrial located in Mount Edgecombe

6. OUR PERFORMANCE

6.1. Business Finance 84
6.2. Property Portfolio 85
6.3. Implementing Agent Division 88
6.4. Training Academy 92
6.5. Corporate Social Investment Activities 92
6.6. Ithala SOC Limited 96
6.7. Performance Outputs and Indicators 97
6.8. Group Chief Financial Officer's Report 102

6. OUR PERFORMANCE

6.1. Business Finance

The Business Finance Department continued to play an important role in enabling small business development through the delivery of loans, prioritising businesses owned by previously disadvantaged individuals and those in rural and township economies.

In the 2024/25 financial year, IDFC processed 466 applications from SMMEs, with 401 (86%) approved, amounting to R445 million. Of this, R336 million (75%) was disbursed to 396 businesses. Overall, 92% of funding was allocated to Black-owned businesses, 27% to youth-owned enterprises, and 24% to women-owned businesses, while 3% was directed to businesses owned by persons with disabilities.

These supported businesses collectively created 2,023 new jobs, reflecting the IDFC's continued commitment to driving socio-economic impact despite prevailing economic challenges. Furthermore, over the reporting period, R179 million in procurement-linked funding was awarded to clients securing contracts with the provincial government, exceeding the target of R130 million.

To strengthen the sustainability of funded enterprises, the Department prioritised business support services that enhance enterprise resilience and ensure better loan book performance. Of the businesses funded, 91% remained operational two years after receiving support, surpassing the 85% target. Additionally, 99.7% of applicants who received pre-funding support successfully secured approval, against a 90% target.

Clients and Partners

Strategic partnerships are crucial in broadening the influence of IDFC's development finance initiatives. Through formal Memoranda of Understanding (MOUs), IDFC works with key private and public sector bodies to enhance access to finance, promote inclusive growth, and improve post-investment support for clients. These alliances strengthen developmental results by pooling financial resources, technical expertise, and a shared commitment to economic transformation.

SAPPI Partnership

On 23 June 2022, IDFC signed an MOU with SAPPI to support emerging entrepreneurs from SAPPI-affiliated communities who had secured contracts with the company. The collaboration allowed IDFC to fund six businesses to the value of R59.69 million, resulting in the creation of 72 jobs.

Table 6.1: SAPPI-Funded Clients

Client Name	District
Thuba Construction CC	iLembe District
Exodec 345 CC	eThekwini Municipality
Mandeni Waste Recyclers	iLembe District
Sikhunya Security Service	King Cetshwayo District
Qhude Projects 123 (Pty) Ltd	iLembe District
Ozwide Group Investment (Pty) Ltd	iLembe District

SAFDA Partnership

IDFC partnered with the South African Farmers Development Association (SAFDA) to support emerging farmers through funding for agricultural projects, debt restructuring, and transformation within the agricultural value chain. Two sugarcane farming clients received funding worth R11.2 million, creating 23 jobs and retaining 169 existing jobs. These clients also gained from the South African Sugar Association's 10% grant facility.

Table 6.2: SAFDA-Funded Clients

Client Name	District
Dhanpal Sugar Estate (Pty) Ltd	iLembe District
Asambe Cane (Pty) Ltd	iLembe District

Department of Transport

Following an MOU signed in May 2022, IDFC funded four businesses to the value of R29.7 million, contributing to 22 new jobs in the transport and construction sectors.

Table 6.3: Department of Transport-Funded Clients

Client Name	District
Nguyazane Plant Hire (Pty) Ltd	eThekwini Municipality
Magedla Construction (Pty) Ltd	eThekwini Municipality
Mega Roads and Civils (Pty) Ltd	eThekwini Municipality
Mthonjaneni Transport Services Co-Operative Ltd	uThungulu District

Department of Education

In partnership with the KwaZulu-Natal Department of Education, IDFC provided working capital to contractors delivering the National School Nutrition Programme (NSNP). During the 2024/25 financial year, IDFC disbursed R95.11 million to NSNP contractors, ensuring meal delivery across the province and contributing to improved learner outcomes.

Mondi Partnership

A strategic partnership was established between IDFC and Mondi, a leading packaging and paper company. The collaboration has led to funding for eight clients totalling R93.2 million and the creation of 556 jobs in the forestry and related value-added sectors.

Table 6.4: Mondi-Funded Clients

Client Name	District
Goobs Forestry Ltd	Zululand District
New Age Forestry (Pty) Ltd	uThungulu District
Footprint Holdings (Pty) Ltd	King Cetshwayo District
Zanokhule Forestry (Pty) Ltd	Zululand District
Siyawisa Hlathi CC	King Cetshwayo District
Njojo Construction CC	uThungulu District
Mananda Projects (Pty) Ltd	uThungulu District
Sakhisizwe Forestry and Construction (Pty) Ltd	uThungulu District

uMzinyathi Development Agency

IDFC and the uMzinyathi Development Agency established a collaborative relationship to provide enterprise development support, including access to finance and business mentorship. Through this arrangement, support was extended to two clients, including Khukza Farming.

SourceFin Business Funding Partnership

On 1 August 2024, IDFC initiated a partnership with SourceFin Business Funding to promote economic recovery in KwaZulu-Natal. The MOU aims to facilitate access to finance and improve support services for SMMEs through:

- Purchase order financing
- Invoice discounting
- Post-investment monitoring and collections
- Capacity building
- Non-financial support
- Knowledge sharing between IDFC and SourceFin

This partnership aligns with the KwaZulu-Natal Economic Recovery Plan, supporting regional growth through targeted funding and enterprise support.

Co-Funded Deals

During 2024/25, clients funded by the Business Finance Department accessed matched funds amounting to R17 million, exceeding the R5 million target.

Table 6.5: Clients Benefiting from Co-Funding

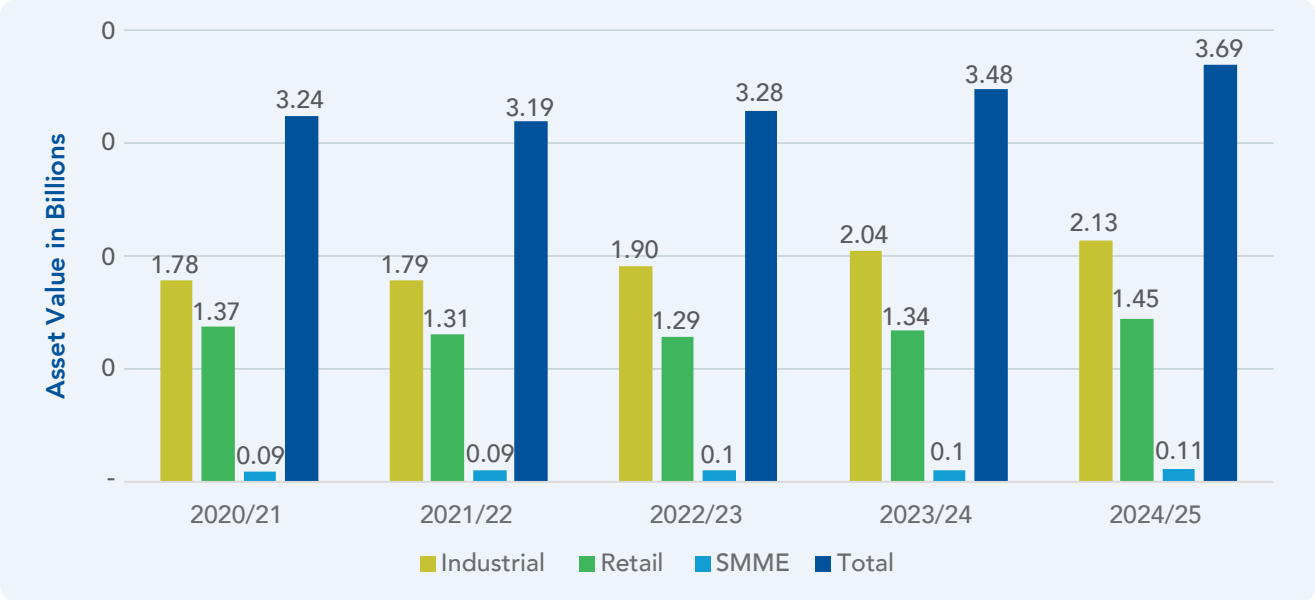
Client Name	IDFC Loan Approved	Matched Funding	Co-Funding Institution
Footprint Holdings (Pty) Ltd	R9.19 million	R1.16 million	Mondi Zimele
Mananda Projects (Pty) Ltd	R14.84 million	R6.50 million	Mondi Zimele
Sakhisizwe Forestry and Construction (Pty) Ltd	R13.97 million	R9.34 million	Mondi Zimele

6.2. Property Portfolio

Investment Overview

The total value of the property portfolio increased by 6% to R3.7 billion in 2024/25. Portfolio growth continues to be constrained by slow economic recovery, infrastructure degradation, delayed repairs following the 2021 civil unrest and persistently high vacancy levels. Nevertheless, IDFC remained committed to fostering partnerships across the property sector, towards a stronger organisation and a more inclusive and collaborative economy.

Figure 6.1: Value of the IDFC Property Portfolio 2024/25



Capital Expenditure Programme

IDFC's Capital Expenditure (CAPEX) Programme aims to improve property condition, functionality and regulatory compliance. Total CAPEX in 2024/25 reached R115.2 million, exceeding the R100 million target.

Key activities included:

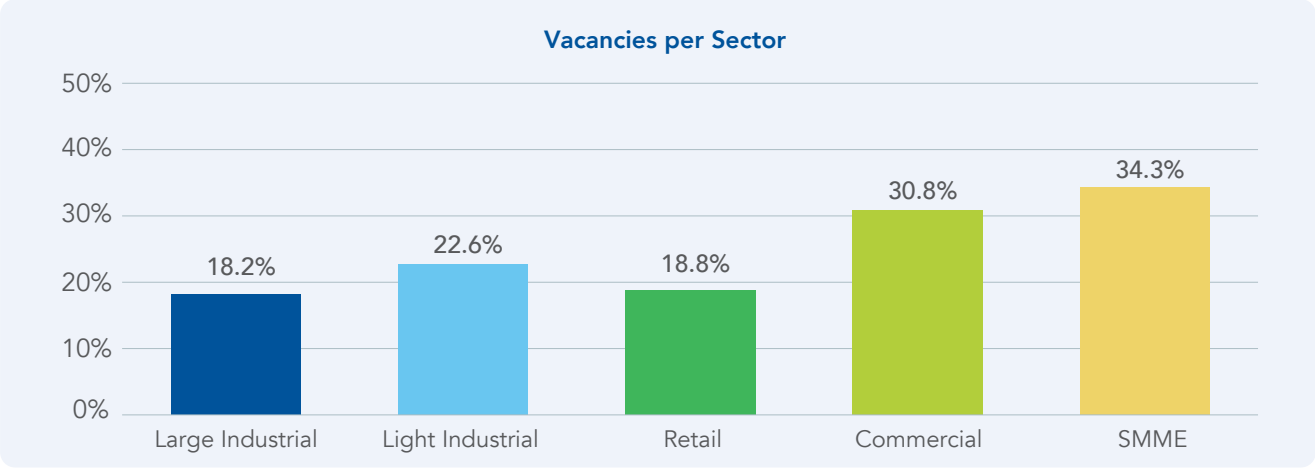
- Construction commencement on four properties damaged during the 2021 unrest: Sundumbili Plaza, Eshowe Shopping Centre, Flamingo Industrial Park and Isithebe Site 184.
- Remodelling of the Howick Shopping Centre.
- EDTEA-funded solar energy installations at IDFC properties that house three Detergent Centres and the Pulp and Paper Incubator.

These projects employed approximately 120 people during construction and enabled the reinstatement of around 600 tenant jobs. All rebuild projects are expected to reach completion in 2025/26.

Vacancy Levels and Lease Activity

The vacancy rate in the portfolio declined from 25.2% to 19.8% over the financial year, despite challenging market conditions. IDFC is exploring innovative leasing models and retention strategies to mitigate these pressures.

Figure 6.2: Property Vacancies Per Sector 2024/25



IDFC concluded 269 new leases and lease renewals during the 2024/25 financial year, surpassing the target of 220.

New Tenants and Investments

Several notable tenants were secured during the year, helping to reduce vacancies and stimulate economic activity:

Sivusa Retail: A long-term lease was concluded for the Howick Shopping Centre, which had a vacancy rate exceeding 90% since 2013. Sivusa Retail is investing R37.8 million in refurbishment and the development of a taxi rank. At year end, the project was 16% complete, with a 5 438m² vacancy reduction.

Your Advantage (Pty) Ltd: Your Advantage, a startup lounge suite manufacturer supplying national retailers, established operations in an 11 000m² factory at Isithebe Industrial Estate, creating 115 jobs.

Argentum Bespoke Motor Works: A 100% black-owned business specialising in luxury vehicle valet and paint protection, this company was established in Flamingo Industrial Park.

IDFC also advanced a number of strategic property transactions during the reporting period, in partnership with private sector investors. These include the redevelopment and solar installation projects at select commercial sites.

Table 6.6: Board-Approved Strategic Partnership Transactions

Investor	Property	Nature of investment
Alleyroads Group (Pty) Ltd	Isithebe Industrial Estate	Solar installation – power Purchase Agreement
NQLT Venture Capital Pty Ltd / Sivusa Retail Pty Ltd	Howick Shopping Centre	Remodelling and refurbishment
GETG Instrumentation (Pty) Ltd	Erf 1294 KwaMsane A - Commercial Vacant land	Development of an apprentice training centre
Wemvula Investments (Pty) Ltd	Ulundi BA 435 - Commercial Vacant land	Development of a small retail centre
Motseng Investment Holdings (Pty) Ltd	Umlazi Shopping Centre	Redevelopment of shopping centre
Exemplar REITall (Pty) Ltd	KwaMashu Shopping Centre	Redevelopment of shopping centre
Alleyroads Group (Pty) Ltd	Madadeni Shopping Centre	Remodelling, refurbishment and installation of solar farm

Prospects for 2025/26 Financial Year

Looking ahead, the Properties Department has finalised a five-year strategy (2025 to 2030) to guide portfolio performance. Key objectives include:

- Increasing gross income
- Optimising operating costs
- Driving operational efficiencies
- Accelerating CAPEX and maintenance execution
- Enhancing governance, risk and compliance
- Raising capital for strategic investments

6.3. Implementing Agent Division

The value proposition of the IDFCs Implementing Agent Division is to surpass the needs and objectives of project sponsors through efficient and effective delivery that incorporates socio-economic and compliance considerations, ensuring sustainable development programmes. The impact of the infrastructure projects is significant for many communities, which have benefited from the projects executed by the Implementing Agent unit in terms of job opportunities during both the construction and operational phases.

In the 2024/25 financial year, the Implementing Agent created 330 construction jobs against a target of 300, with a further 400 construction jobs targeted for the 2025/26 financial year. Through the effective implementation of various projects, the Implementing Agent Division earned R5.5 million in income against a target of R10 million for the 2024/25 financial year. This unfavourable variance is mainly due to delays in project implementation caused by external factors, which are currently being addressed through stakeholder engagements at the highest levels.

Flagship Projects

Vula Detergents Shared Manufacturing Facilities

One of the province's flagship programmes, implemented by IDFC on behalf of the KZN EDTEA, is the Vula Detergents Shared Manufacturing Programme. Over four years, IDFC has successfully established and operationalised four facilities in KwaMashu (eThekwini), Gamalake (Ugu District), Esikhawini (King Cetshwayo District) and Madadeni (Amajuba District). The total project value is R91.4 million. During the reporting period, IDFC installed solar backup systems at all four facilities.

Detergents Shared Manufacturing Facility situated in Amajuba District Municipality

To date, these centres have created 28 operational jobs and supported 38 co-operatives in a comprehensive three-year incubation programme. The first intake of 50 co-operatives completed the programme at the KwaMashu facility.

The intended outcomes of the programme are to:

- Facilitate skills development in industrial and household chemical manufacturing;
- Provide shared manufacturing facilities;
- Support quality assurance, compliance, and statutory registrations;
- Enable transformation and B-BBEE growth within the chemical industry; and
- Build value chain linkages and market access.

Madadeni Clothing and Textiles Industrial Hub

Appointed by EDTEA, IDFC is implementing Phase 1 of a R68.7 million Clothing and Textile Industrial Hub at Madadeni Industrial Estate. The project involves design, construction, and equipping of an incubation facility. Construction commenced in July 2023 and was 98% complete by 31 March 2025. Phase 2, which involves operationalisation, will commence in the 2025/26 financial year, pending budget allocation by the EDTEA.

Construction of Clothing and Textile Hub at Madadeni Industrial Estate

Sewing equipment installed at the Clothing and Textile Hub

Pulp and Paper Incubation Facility (New Germany, eThekwini)

Phase 1 of the Pulp and Paper Incubation Facility, valued at R13.9 million, was completed during the reporting period. IDFC secured premises, redesigned and refurbished the site, and installed a solar backup system. Phase 2, involving equipment procurement and installation, is scheduled for the new financial year.

The intended outcomes include:

- Skills development in toilet paper and packaging production;
- Provision of shared manufacturing space;
- Support for quality assurance, statutory compliance, and value chain integration.

Pulp and Paper Incubation Facility established in New Germany, Ethekwini

d) Bakery Incubation Facility (eThekwini)

IDFC was appointed to establish and operationalise a Bakery Incubation Facility valued at R16.2 million. Renovations and configurations were completed in 2024/25. In partnership with the Bakery and Food Technology Incubator (BICSA), bakery equipment was installed and operationalisation commenced.

BICSA was appointed to manage operations for six months until May 2025. In 2024/25, 48 trainees were enrolled in the one-year professional training programme.

Bakery Incubation Equipment

Training underway at the Bakery Incubation Facility

e) Ndumo Retail Development

The R259.5 million Ndumo Retail Development is a major EDTEA project to construct a shopping centre in northern KwaZulu-Natal. IDFC completed all necessary approvals and appointed a construction contractor. However, stakeholder issues related to land leases delayed construction. EDTEA and IDFC are engaging stakeholders to resolve the matter, with construction anticipated to begin in 2025/26.

Architectural Impression of Ndumo Retail Centre

f) Zimele Traders Fund and Spaza Shop Grant Funding

EDTEA established the Zimele Traders Fund to uplift rural and township spaza shops. IDFC is administering the fund, which provides soft loans (up to R100,000) and grants (R20,000 in stock per beneficiary).

A total of R11.9 million was transferred to IDFC for loans, and R10 million allocated for grant funding. By year-end:

- 1,137 grant applications were received;
- 442 spaza shops were approved grants for stock distribution;
- R1.16 million grant funding was reserved for storm-affected Tongaat shops, with stock distribution planned in 2025/26;
- No loan applications were received during the year.

g) Edendale Auto Services Hub

The Edendale Auto Services Hub is a Phase 1, R49.8 million project in the Umgungundlovu District to support artisans in the auto services sector. IDFC is finalising a long-term lease agreement with Msunduzi Municipality. Construction is planned for 2025/26.

Other Key Projects

EDTEA Projects:

- Thokazi Royal Lodge Refurbishment: Conditional assessment and design completed. Additional funding required to begin refurbishments.
- Bulk Buying Programme: A central bulk buying facility has been established in Isithebe (iLembe District), including 17 delivery trucks to reduce input costs for rural traders. 21 people are employed at the facility.
- KwaZulu-Natal Co-operative Grant Funding: Under Operation Vula, IDFC disbursed R38.3 million to 38 beneficiaries, completing the R40 million programme in 2024/25.

KZN Department of Human Settlements:

Fund Administrator – Transitional Emergency Accommodation and Military Veterans Housing: IDFC serves as the fund administrator, managing interest-bearing accounts and disbursing funds as needed.

6.4. Training Academy

In fulfilling its mandate to promote, assist, and encourage the development of the province's human resources, IDFC initiated a collaborative research initiative with the primary objective of enhancing internal operational efficiency, while supporting the growth and sustainability of SMMEs. As part of this effort, the IDFC has focused on implementing targeted training programmes to empower SMMEs through skill development and capacity building, culminating in the IDFC Training Academy.

The Training Academy will provide business skills training to SMMEs across the KZN province, targeting the IDFC's Business Finance clients, prospective clients, tenants, and prospective tenants. Its mission is to build high-demand skills in finance and business management, enhance professional development, and promote entrepreneurship.

To ensure accreditation and meaningful skills advancement, IDFC has commenced with the process of becoming an accredited Assessment Centre (Knowledge Centre) under the "IDFC Training Academy. The organisation has engaged with the Department of Higher Education and the Quality Council for Trades and Occupations (QCTO) to seek accreditation for the following qualifications: Small Business Consultant (NQF Level 4), Project Manager (NQF Level 4), and New Venture Creation (NQF Level 2).

Applications for accreditation of five occupational qualifications have been submitted to the QCTO, namely:

- Human Resources Officer
- Small Business Consultant
- Business Banking Officer
- Public Administration Officer
- Project Management

To date, two qualifications - Public Administration Officer and Business Banking Officer - have been successfully accredited. The remaining three are expected to be accredited by the end of the 2025/26 financial year.

The IDFC has also commenced with upgrades to its training facilities. These efforts are meant to ensure compliance with required standards and to develop a leading training centre, conducive to knowledge development. These efforts include enhanced security technology and the installation of training screens.

Through the establishment of its Training Academy, IDFC aims to develop a sustainable pipeline of SMMEs, trained under its own programmes. These enterprises are envisioned to become future clients of IDFC's Business Finance and Properties divisions.

6.5. Corporate Social Investment Activities

IDFC's Corporate Social Investment (CSI) programmes align with the developmental mandate of the organisation and create hope, access and opportunity for the people of KwaZulu-Natal. IDFC's flagship CSI programmes are:

- Skills Development
- Job Creation and Entrepreneurship

During the 2024/25 financial year, our CSI programme focused on enterprise development and developing entrepreneurship among women, youth and persons with disabilities.

Inkunzísematholeni Youth in Business Programme

IDFC, in collaboration with the EDTEA Youth Empowerment Directorate, conducted a series of impactful two-day workshops under the Inkunzísematholeni Youth in Business Development Programme. These workshops took place in rural and peri-urban areas across the Ugu, uMzinyathi and uMgungundlovu District Municipalities. Key partners included SEDA, NYDA, SEFA and the relevant District and Local Municipalities.

The first day of the workshop focused on initiating and nurturing a business, business plan development, financial support, and pitching skills. A total of 332 youth engaged in discussions and learning sessions. On day two, 116 participants presented their business ideas.

IDFC initiated the Inkunzísematholeni Youth in Business Competition to recognise innovative business activities among unemployed youth, with a focus on the green economy. The following Youth Month award winners were announced and granted start-up capital:

Ugu District

- **R100 000** – Mr Goodluck Nzimande, Managing Director of **Essential Elucidation (Pty) Ltd,** an innovation company developing emission control and electricity-generating devices. Goodluck's invention is designed to power a vehicle's battery, internal heating and cooling systems using combustion heat that would otherwise go to waste.
- **R80 000** – Ms Nomcebo Nzimakwe, Managing Director of **Sky Drop (Pty) Ltd**, an eco-friendly company that produces drinking water using atmospheric water generators which extracts water directly from humidity in the air. Nomcebo is not only building a business but reshaping the future of sustainable living.

- **R20 000** – Mr Sekelo Shude, founder of **Kuluhlaza Trading**, a company manufacturing eco-friendly paving bricks from recycled plastic waste. The business has patented two types of pavers and now employs two permanent staff while working with over 20 informal recyclers.

Mr Sekelo Shude, founder of Kuluhlaza Trading

uMzinyathi District

- **R100 000** – Ms Sbusisiwe Thusi, founder of the **Agri-Hub Centre**. Her innovation uses biochar derived from crop residues to restore soil fertility, improve crop yields and sequester carbon.
- **R80 000** – Ms Nokulunga Luvuno, Managing Director of **Famgate Engineers (Pty) Ltd**, a solar installation company delivering affordable and reliable energy solutions to rural and peri-urban households and businesses.
- **R20 000** – Mr Nzuzo Sithole, Managing Director of **Inzuzoyezwe Solutions,** which promotes hydroponic farming to address food security in water-scarce rural areas.

uMgungundlovu District

- **R100 000** – Ms Nomfundo Sibisi, Managing Director of **Cuban Technology Cave (Pty) Ltd**, who developed a smart band system that enables real-time communication between parents and school transport drivers.
- **R80 000** – Ms Nosipho Mtambo, founder of **Amtoti Hydro Electric Dam**, a business planning inland dams and hydro-solar plants to provide sustainable electricity.
- **R20 000** – Mr Thabiso Ngcobo, founder of **Wesizwe1bm8**, a business that produces the "Shielder" – a ceremonial art installation crafted from treated timber.

Imbokodo Iyazenzela Women in Business Programme

The Imbokodo Iyazenzela programme was rolled out in 2024 in collaboration with EDTEA's Women Empowerment Unit, SARS, SEDA and the KwaZulu-Natal Provincial Treasury. It was implemented in Ugu, Amajuba, uMkhanyakude and uMzinyathi Districts.

The programme offered training in:

- Business management
- Business plan development
- Market access
- Financial management
- Supply chain management
- SARS compliance
- Registration on the Central Supplier Database

Imbokodo Iyazenzela Women in Business Workshop at Emandlangeni Town Hall, Utrecht

A total of 358 women participated in this initiative. Each of the following seven women received R50 000 in financial support to grow their businesses:

Table 6.7: Beneficiaries of the Imbokodo Iyazenzela Women in Business Programme

Name	Business	Municipality
Thandi Shezi	Shezi Mgengwo (Pty) Ltd	Mzumbe Local Municipality
Thandi Hadebe	Thuthukisani Cooperative	Alfred Duma Local Municipality
Zamokuhle Dorothy Mdletshe	Emadletsheni B&B and Laundry	uMhlabuyalingana Local Municipality
Nompumelelo Ntombela	Yanqoba Trading (Pty) Ltd	Emadlangeni Local Municipality
Gcina Zwane	Sagcina Trading	Alfred Duma Local Municipality
Zama Msoni	Baker on Wheelz	eThekwini Local Municipality
Dumile Ndlovu	Martin Marcus (Pty) Ltd	Msunduzi Local Municipality

Imbokodo Iyazenzela Women in Business Awards Ceremony

Youth and Women in Business Awards

On 22 November 2024, IDFC and EDTEA hosted the Youth and Women in Business Awards at the Durban Olive Convention Centre. The event celebrated resilience and innovation among emerging entrepreneurs across KwaZulu-Natal. The 16 honourees were recognised for their outstanding performance, with financial awards provided to support their businesses. This initiative aligns with IDFC's broader strategy to stimulate entrepreneurship and economic transformation.

Abantwanabethu School Shoes Drive and StarSaver Programme

IDFC, in partnership with Lion Match, delivered school shoes and financial literacy training across various schools through the Abantwanabethu School Shoes Drive and StarSaver Programme. The initiative reached the following schools:

- Dendethu Primary School – Mandeni
- A.J. Mwelase Primary School – Lamontville
- Qhoshephethe Primary School – Folweni
- Mangwazane Primary School – Jozini
- Kwahlomula Primary School – Manguzi
- Nsukumbili Primary School – Manguzi
- Salamanga High School – Manguzi

The StarSaver Programme, in collaboration with the Banking Association of South Africa, taught learners from Grades 4 to 12 essential money management skills to build a culture of saving from a young age.

Mandela Day

In honour of Mandela Day 2024, IDFC and Lion Match donated 150 pairs of school shoes to learners at Fredville Senior Primary School in Inchanga. The event was supported by Build It Botha's Hill, which contributed cleaning materials to improve hygiene. The MEC for Economic Development, Tourism and Environmental Affairs also attended, underscoring the importance of youth upliftment in KwaZulu-Natal.

6.6. Ithala SOC Limited

During the financial year 2024/25, Ithala SOC Limited has continued to demonstrate resilience and a steadfast commitment to its mandate, despite operating under constrained regulatory and economic conditions. The year was marked by intensified efforts to address the implications of the expiry of the banking licence exemption notice under the Banks Act, which previously allowed Ithala SOC Ltd to accept public deposits. The institution remains under the oversight of a Repayment Administrator (RA), appointed as part of an agreement with the Prudential Authority (PA) to ensure the safety of depositor funds while a longer-term regulatory solution is pursued.

In line with this, the shareholder, through the KZN Provincial Treasury, has progressed engagements with the National Treasury seeking a long-term solution for Ithala SOC Ltd. Work is underway to explore the feasibility of transitioning to other business models, aligned with Ithala SOC Ltd's developmental and financial inclusion mandate.

Operationally, Ithala SOC Ltd has prioritised stability and customer retention. Despite restrictions on deposit-taking, the business has retained a substantial portion of its customer base, with deposits showing a decline of 11% year-on-year. The instructions issued by the RA to stop deposit taking activities and the complete freeze on all activities from 16 January 2025 has negatively affected the customer deposit balance. The loan book also suffered a similar fate as lending was also halted. The gross loans advanced to customers as at 31 March 2025 amounted to R2.05 billion (31 March 2024: R2.25 billion), showing a 9% drop year on year. Ithala SOC Ltd continues to enhance its credit risk management measures aimed at curbing defaults and strengthening recoveries. Revenue, including grant income, grew by 2% whilst a 11% drop in expenses was recorded with a resultant effect of a positive JAWS ratio of 9.5% (FY2024: negative 1.5%).

Financially, the institution remained under pressure, as the result of RA restrictions and the provisional liquidation application launched by the PA in January 2025. The impact over the reporting period has been constrained revenue growth.

On 27 March 2026, the Provincial Executive Council resolved that Ithala Soc be integrated into IDFC and that a new accounting authority be appointed by Provincial Treasury. The IDFC is currently developing a plan that will direct the process for an orderly, legally compliant and operationally controlled integration process that prioritises stabilisation of operations, protection of strategic provincial assets, particularly the loan book, continuity of permissible business functions (consumer lending and insurance), excluding deposit-taking activities, restoration of governance and accountability, and containment of fiscal and operational risk. There has been no decision to change the legal status of Ithala Soc nor curtail any permissible business activities.

Manguzi Shopping Centre Tenant Activation held on 17 May 2024

6.7. Performance Outputs and Indicators

6.7.1. A Reflection of the 2020-2025 Strategic Performance

The five-year strategy that concluded on 31 March 2025 reflected considerable achievements across organisational development, governance, finance, business finance, and property portfolio management.

Organisational Development and Capacity Building

- Established the Organisational Strategy, Performance and Efficiency (OSPE) Department to enhance strategic alignment and performance.
- Re-established and capacitated the Implementing Agent Unit.
- Introduced pre- and post-investment support functions for SMMEs within Business Finance.
- Centralised debtors' management under Group Finance to improve alignment and collections.
- Created the Securities and Logistics Division to conduct site-wide security assessments.
- Appointed SCM panels across core departments to streamline procurement.
- Achieved SAICA accreditation, enabling five aspiring accountants to complete their articles over three years.
- Gained accreditation as a QCTO and SETA Training and Skills Development Academy in 2023/24.

Governance and Financial Management

- Collected R5.8 billion over the five-year period, exceeding collection targets.
- Maintained strong governance with four consecutive unqualified audit outcomes, culminating in a clean audit in 2023/24.
- Avoided new irregular expenditure for four years.
- Enforced cost containment measures that ensured continuity during COVID-19, the 2021 unrest, and 2022 floods, without state bailouts.
- Recovered from two significant cyberattacks.
- Maintained labour peace with no disruptions.
- Established a Properties Investment Committee to improve investment decisions.
- Raised R36.52 million in revenue via the Implementing Agent Division since 2020.
- Introduced new policies covering Strategic Partnerships, Project Management, Property Asset Management, and Rural & Township Investment.

Business Finance

- Disbursed R1.02 billion in loans to 1,830 small enterprises since April 2020.
- Increased the loan book from R895 million to R1.033 billion by March 2025.
- Launched Masakhe Business Clinics to support SMMEs through training and financial guidance.
- Secured multiple partnerships with entities such as DUT, SAPPI, Mondi, DBSA, and government departments.
- Established the Township and Rural Economies Revitalisation Strategy (TRERS) Fund and associated policies.
- Established two SMME Incubators with tailored training and development support for entrepreneurs.

Properties

- Increased the fair value of the property portfolio by 25.9%, reaching R3.7 billion.
- Reduced vacancy rates from 27.8% in 2021 to 19.8% in 2025.
- Rebuilt five unrest-damaged properties; four others are currently under construction.
- Assessed and prioritised redevelopment of dilapidated properties and vacant land.
- Secured 12 long-term leases for previously underutilised commercial land.
- Issued RFPs for key remodelling projects and secured new long-term tenants, including at Howick and Madadeni.
- Implemented new policies for strategic property partnerships and asset management.

6.7.2. Performance Against the 2024–2025 Annual Performance Targets

The 2024/25 IDFC APP identified the organisations output indicators and targets for the financial year. These are summarised in Table 6.8, accompanied by comments from IDFC's Management.

Table 6.8: Performance Against the 2024/25 APP Targets

Output Indicators	2024/25 Annual Targets	Annual Actual Output	Management Comments
Outcome 1 Increased investment in development programmes and projects			
Rand value of external matched funding secured per annum	R5 million	R17.01 million	Target achieved
Rand value of investments secured (capital raised) for property developments	R350 million	R428.8m	Target achieved
Outcome 2 Property portfolio optimised for tenant retention and attraction			
Rand value of capital expenditure on rebuild projects	R50 million	R65.3m	Target achieved
Rand value of capital expenditure on remodelling projects	R30 million	R30.7m	Target achieved
Number of jobs facilitated through the Capital Expenditure Programme and all new leases	1800	3344	Target achieved
Number of new and renewal leases concluded with tenants	220	269	Target achieved
Percentage vacancy rate of gross lettable area	<20%	19.8%	Target achieved
Number of new leases concluded with tenants for vacant commercial land	10	12	Target achieved
Percentage of repairs and maintenance in relation to the asset base	1.60%	3.3%	Target achieved
Return on Investment in property portfolio	8.32%	9.2%	Target achieved
Outcome 3 Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation			
Rand Value of loan book	R1.1b	R1.033b	The target was not achieved. Business Finance will drive deal acquisition and disbursement in 2026 FY to grow the loan book.
Average turnaround time for approval of loans from date of valid application (All documentation in order)	Within 15 working days	9 working days	Target achieved
Percentage of approved loans disbursed per annum	70%	75%	Target achieved
Percentage of loans with first disbursement within 30 days after loan approval	90%	93%	Target achieved
Average percentage of stage 3 loans per annum	<=60%	61.7%	The target was not achieved. Business Finance will continue to drive the reduction in the percentage of stage 3 loan accounts. This will be done through pro-active close monitoring of accounts, aggressive collections, writing off of irrecoverable loans, restructuring of qualifying loans and increasing advances. In addition, Business Support services is provided to clients.
Percentage of businesses pre-supported that accessed funding	90%	99.7%	Target achieved

Output Indicators	2024/25 Annual Targets	Annual Actual Output	Management Comments
Percentage of businesses funded that are performing two years after first disbursement	80%	91%	Target achieved
Number of jobs facilitated through SMME's and co-operatives that received funding from IDFC	2 500	2 023	The target was not achieved. Business Finance will drive deal acquisition and disbursements. In 2024/25 there are contingent loan approvals which will facilitate 631 jobs once disbursed.
Outcome 4 **Increased access to economic opportunities for KZN residents and enterprises from designated groups**			
Percentage preferential procurement spend on enterprises that are: Black-owned	Black: 60%	Black - 97.8%	Target achieved
Percentage preferential procurement spend on enterprises that are: Women-owned	Women - 28%	Women - 34.7%	Target achieved
Percentage preferential procurement spend on enterprises that are: Youth-owned	Youth - 25%	Youth - 27%	Target achieved
Percentage Preferential procurement spend on enterprises that are: Persons with Disabilities (PwDs)-owned	PwDs owned - 2%	PwDs owned - 5.3%	Target achieved
Percentage of funding allocated to designated groups per annum: Black, African in particular	Black, African in particular: 85%	Black, African in particular: 92%	Target achieved
Percentage of funding allocated to designated groups per annum: Women	Women: 40%	Women: 24%	The target was not achieved. Business Finance will drive deal acquisition from these designated groups.
Percentage of funding allocated to designated groups per annum: Youth, 35 years and under	Youth: 40%	Youth: 27%	
Percentage of funding allocated to designated groups per annum: PwD's	PwD's: 2%	PwDs: 3%	Target achieved
Rand value of IDFC supported SMME's and co-operatives benefiting from Provincial Government procurement spend	R130m	R179m	Target achieved
Number of SMME's and co-operatives supported in rural and township economies	20	21	Target achieved
Number of black manufacturing business enterprises supported	5	5	Target achieved
Outcome 5 **Effective implementation of development programmes and projects in the province**			
Average percentage achievement of agreed project milestones (deliverables)	=>85% achievement of agreed project milestones	86%	Target achieved
Number of jobs facilitated through construction projects implemented	300	330	Target achieved

Output Indicators	2024/25 Annual Targets	Annual Actual Output	Management Comments
Outcome 6 Sustainable and high-performing organisation			
External audit outcome on previous year financial statements	Unqualified	Unqualified	Target achieved
Number of material findings on the external audit of performance objectives	Zero material findings	Zero material findings	Target achieved
Number of material findings on the external audit of non-compliance with legislation	Zero material findings	Zero material findings	Target achieved
CS5. Gross collections (cumulative)	R1.3b	R1.38b	Target achieved
CS6. Net profit (cumulative)	R166.3m	R132.3m	The target was not achieved. Included in the R166m budget is R51m recapitalisation grant for SOC, however the nature of the grant was changed to fund operational costs of SOC therefore the grant could not be accounted for as income for IDFC, hence actual performance is lower than budgeted. The change in the purpose of the grant was not known or anticipated at the time of the budget adjustment in November 2024.
Percentage of cost-to-income	Incl. grant and FV adjust: 76.28 % Excl. grant: 80.92%	Incl. grant and FV adjust: 70 % Excl. grant: 70%	Target achieved.
Number of days cash on hand	>5 days cash on hand	48 days	Target achieved.
Percentage of irregular expenditure submitted to Provincial Treasury for condonation or to Board for removal	100%	95%	The target was not achieved. The remaining 5 items are in progress and will be cleared during Quarter 1 of 2025/26.
Percentage implementation of recovery measures in respect of fruitless and wasteful expenditure.	100%	100%	Target achieved.
Percentage customer satisfaction rating	80% customer satisfaction rating	71%	The target was not achieved. Recommendations of the study will be operationalized at Business Unit level in Properties and Business Finance. Support Units such as Marketing, SCM, Finance, Risk, Human Capital will be involved to support the implementation of the recommendations.
CS12. Percentage employee satisfaction rating	90%	73%	The target was not achieved. Action plans will be implemented at Business Unit level, supported by HCM, with the aim of improving employee engagement.
CS13. Percentage of consequence management cases related to corruption finalised within 90 days	80%	N/A	There were no reported corruption cases during the reporting period.
IA3. Rand value of income generated from projects assigned to IDFC for implementation	R10 million	R5.5m	The target was not achieved. There were delays with the implementation of certain large value projects due to external factors. These include Ndumo Retail Centre, Thokazi Royal Lodge and Auto Services Hub. IDFC and the project owners are expediting actions to unlock these projects.

Subsidiary Performance

The following table presents the performance information for the IDFC wholly owned subsidiaries that are operational. This excludes Ithala SOC Limited, which prepares its own Integrated Annual Report and can be downloaded at www.myithala.co.za.

Table 6.9: Performance of IDFC Subsidiaries

KPIs	2024/25 Annual Target	Annual Actual Output	Management Comment
NONGOMA PLAZA LIMITED			
Gross collections	R18.9 million	R20.6 million	Target Achieved.
Net profit	R9.3 million	R15.6 million	Target Achieved.
DURBAN WHARFSIDE TRUST			
Gross collections	R11.9 million	R11.25 million	The target was not achieved due to increased vacancies at the property.
Net Profit	R3.5 million before distribution	R7.1 million before distribution	Target Achieved.

Informal Trader Stalls at Nongoma Shopping Centre

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Ms Nondumiso Amanda Zuma
Group Chief Financial Officer

INTRODUCTION

I am pleased to report that the IDFC obtained an unqualified audit opinion with no findings on compliance from the Auditor-General for the year under review. The achievement of a clean audit speaks to the organisation's financial disciplines, which are embedded within the culture of the organisation. This culture has proven especially key as the IDFC stabilises itself following a series of external shocks, including the economic downturn, which have had a severe negative impact on the province.

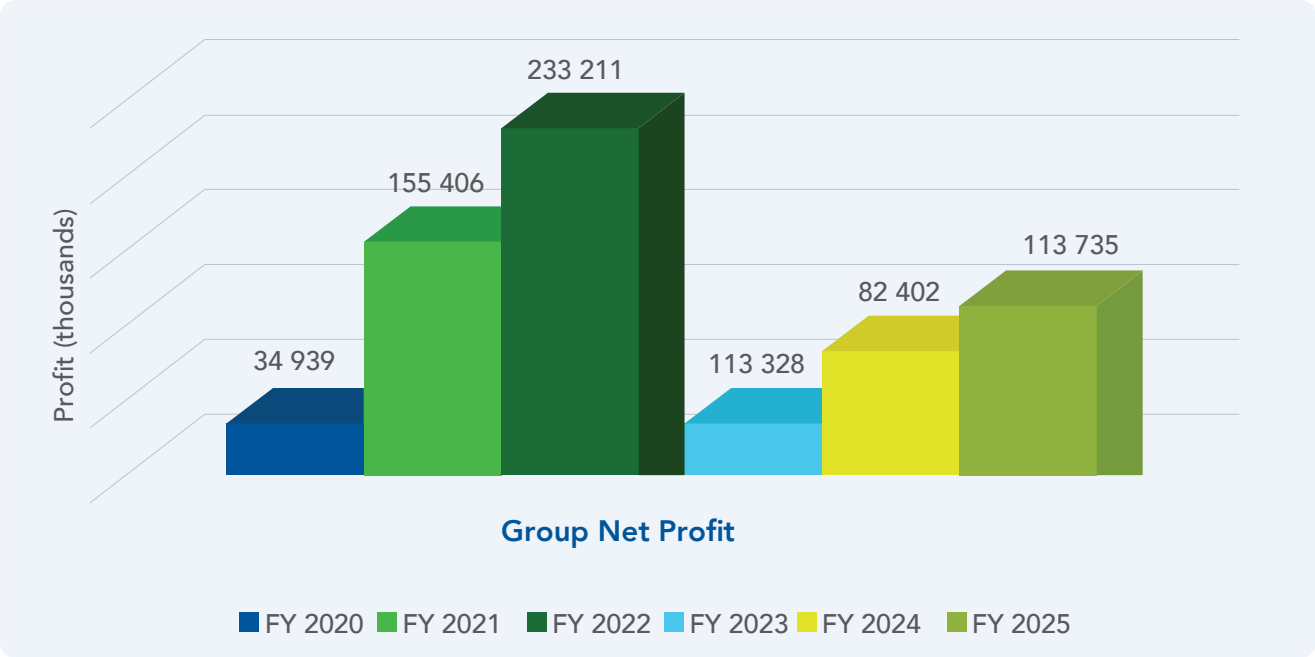
The IDFC continues to play a critical role in inclusive development of the provincial economy amidst a difficult economic climate. This sustainability is underscored by the organisation's strong control environment and accountability ecosystem, which continues to shield the IDFC's sustainability, while also preparing it for the future. Of note in the 2024/25 financial year, is the increase in debtors' collections, which exceeded the approved target, reaching R1,38 billion for the year (2024: R1,22 billion).

The IDFC Group continues its steady recovery, realising a net profit of R114 million for the financial year ended 31 March 2025, an increase from the R82 million recorded in the previous financial year. This improvement was driven by a 21% increase in fair value adjustments arising from ongoing investments and refurbishments within the properties portfolio, a 10% increase in rental income as we continue to fill property vacancies, and a 12% increase in revenue from the sale of electricity, water, and other services to tenants.

The corporation recorded a net loss of R310 million for the 2024/25 financial year, representing a significant decline from the net profit of R79 million achieved in 2023/24. This deterioration in performance is primarily attributable to impairment charges relating to the investment in Ithala SOC following the decision by the prudential authority not to renew its banking license exemption, appointment of the Repayment Administrator and the freezing of bank accounts. In addition, the recapitalisation grant of R49,2 million - originally intended for the recapitalisation acquisition of shares in Ithala SOC - was repurposed as an operational grant for Ithala SOC to support Ithala SOC's operational costs, given that its bank accounts remain frozen.

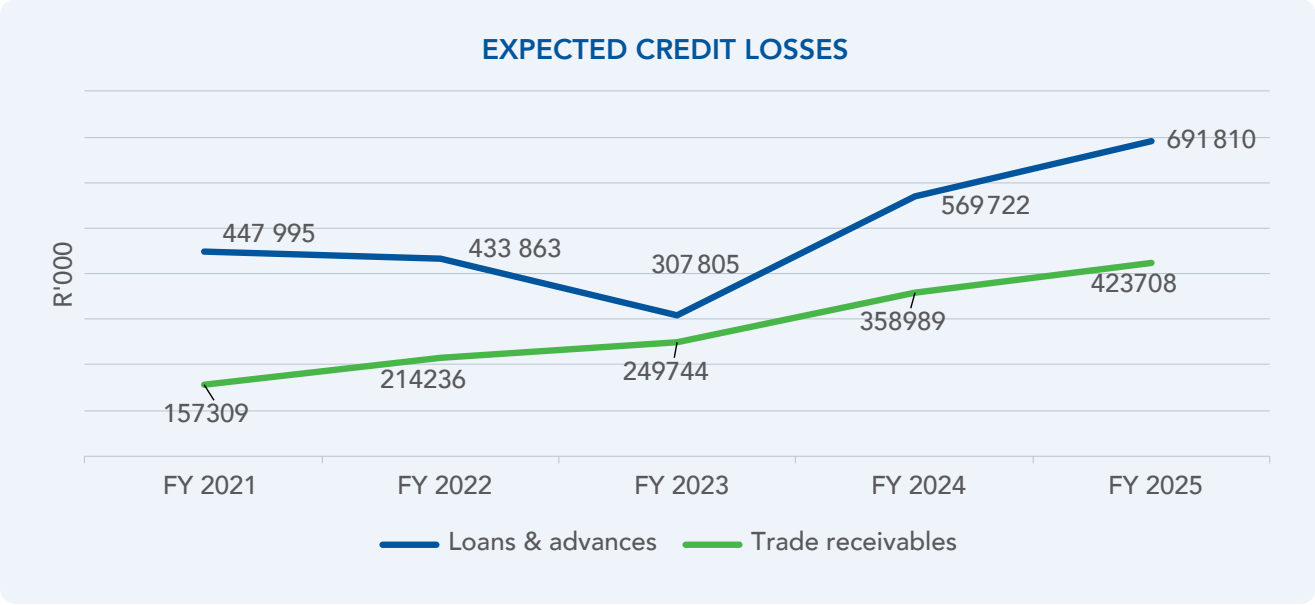
> *"The IDFC Group continues its steady recovery, realising a net profit of R114 million for the financial year ended 31 March 2025, an increase from the R82 million recorded in the previous financial year."*

The diagram below summarises the Ithala Group's net profit over the past six financial years. It shows that profitability is stabilising.



The ongoing recovery from constrained economic conditions continues to challenge the organisation, its clients and tenants. These effects are evident in the performance of the organisation over the past five years, particularly the rise of Non-Performing Loans (NPLs) and rental debtors.

The following graph depicts the Expected Credit Losses (ECL) over the past five financial years for trade receivables, loans and advances. Recovery efforts were further disrupted by the freezing of Ithala SOC bank accounts, which adversely affected collections and debit order facilities, while sowing confusion among clients, resulting in previously performing accounts falling into arrears.



ECL has trended upwards since 2021, reflecting the increasing difficulty clients face in meeting their loan instalment and rental obligations. This trend highlights the significant impact of the weak economy on the Group's core operations and client base, which comprises mainly SMME's - a group particularly vulnerable to economic pressure.

2024/25 FINANCIAL PERFORMANCE

In 2024/25, the IDFC Group recorded total operating income of R1,57 billion, a 3% increase on the prior year. Income includes repurposed grant funding of R47 million received from EDTEA to support Ithala SOC's operations while its bank accounts remained frozen by the Repayment Administrator. Performance was further supported by higher fair value gains on investment properties, reflecting progress in the reconstruction of properties damaged during the 2021 civil unrest.

Total operating expenditure increased by 0.3%, from R1,46 billion in 2023/24 to R1,47 billion in 2024/25. Electricity purchases from Eskom, which are on-sold to tenants in the IDFC's Industrial Estates, rose by 12.25% due to above-inflation tariff escalations as approved by NERSA. Security costs remained elevated due to the ongoing risks of break-ins and vandalism. The Group continues to review and implement additional measures, including technology-enabled solutions, to protect critical infrastructure and support the KZN economy.

The Properties Department recorded a profit of R384.4 million for 2024/25, compared to a budget of R329.7 million. The favourable variance was driven primarily by the fair value adjustment of R133 million, which is R16 million above budget. The valuation of investment properties improved in line with progress in the completion of property rebuilds. Rental income of R405 million was also higher than budgeted due to filling of vacancies following the completion of rebuilds and implementation of strategies to reduce vacancies. While there was general improvement on the performance of the property portfolio, there was a regression in debtor performance, as indicated by the increase in the bad debt provisions by R75 million. Properties debtors deteriorated by 16% year-on-year, as the collection of arrears continued to pose a challenge to the properties division.

The Business Finance Department incurred a loss of R67.8 million against a budgeted profit of R2.2 million. This underperformance was primarily driven by higher-than-expected credit losses, which exceeded the budget by R74.1 million due to Stage 3 interest reversals. Despite this, the value of NPLs showed a marginal improvement year-on-year of 1.04%, closing the year at 52%.

To address the high proportion of NPLs, the IDFC is providing post-investment support to clients, including access to markets and financial management so they may better service their debt. Grant income fell short of budget by R2.4 million, as repurposed funds were not utilised as projected, which affects the recognition of the grant income. The respective projects are underway and expected to be finalised in the next financial year. Sundry revenue was also below budget by R8.2 million due to the sale of repossessed properties, which has not been finalised as conveyancing processes are still in progress.

The Implementing Agent Unit generated R5.5 million in revenue for 2024/25, against a target of R10 million, largely due to some of the funds being repurposed to support Ithala SOC operational costs. This unit continues to implement key projects for government, including four detergent centres and bakery incubator, which have been constructed and operationalised, benefiting several businesses and cooperatives. The unit has several projects planned for the new financial year, aimed at increasing profitability in 2025/26 and supporting growth of the KZN economy.

The largest subsidiary in the Group, Ithala SOC Limited, reported a loss of R26.1 million compared to the budgeted loss of R43.2 million. The variance is attributed to the additional grants received by Ithala SOC from Provincial Government.

2024/25 FINANCIAL POSITION

The Group's total assets decreased slightly year-on-year, from R8,2 billion to R7,9 billion. This decline is primarily driven by a decrease in loans and advances of R71,2 million as a result of the NPLs. Fixed assets decreased by R49,4 million due to disposals of property, plant and equipment and a decline in the value of the right-of-use assets within Ithala SOC. Straight line rental adjustments also decreased by R4,6 million, while statutory investment decreased by R129,1 million due to a change in share price. These decreases were partially offset by an increase in intangible assets of R12,3 million, an increase in insurance contract assets of R8,3 million, and a significant improvement in the fair value of investment property of R133 million.

The Group's total liabilities decreased by 11,32% year-on-year, from R3,421 billion in 2023/24 to R3,034 billion in 2024/25. The Group has a debt-to-equity ratio of under 1%, indicating a very low gearing ratio. As such, the Group is well positioned to attract investments and provide security as we focus on rebuilding the business.

As at 31 March 2025, the Group's total assets exceeded liabilities by R4,9 billion. Accordingly, the Group remains solvent and continues to operate as a going concern.

FOCUS AREAS

The Group remains committed to achieving financial sustainability and appropriately gearing the business to support the execution of the new Five-Year Strategy, which commences in 2025. To achieve these objectives, the Group focused on the following financial drivers:

Cost Management

The Group continues to prioritise cost management and the effective deployment of assets and resources to generate value. Cost management is critical to business sustainability and is the foundation of operational efficiency.

Credit Collections

The Group has centralised and enhanced our credit collection efforts, with focus on deepening our understanding of clients' business challenges to collect arrears through suitable payment arrangements.

Liquidity Management

The Group actively manages our liquidity position and makes prudent financial decisions to ensure sustainability. We have embarked on various fundraising activities with strategic partners to secure the capital required to grow the business.

FUTURE OUTLOOK

Management is confident that the organisation will turn a corner in the next financial year, despite the current economic challenges. The Group continues to explore opportunities and devise mitigating interventions to protect long-term sustainability.

The Corporation has budgeted for a net profit of R71,3 million for the 2025/26 financial year, decreasing to R28,7million in FY2027 and thereafter increasing to R54 million in FY2028. The projected decline in 2025/26 reflects investment in the maintenance and capex budget for the property portfolio, which is expected to yield results in the coming years. The budget also addresses capacity enhancement through recruitment and training.

The capital budget for 2025/26 is focussed on growing the asset base with loans and advances of R160 million, investment in the property rebuild program and property refurbishments of R230,8 million, investment in operational systems of R34,8 million, and business support to clients of R16,6 million to improve the success rate of SMMEs and enhance collections.

The Group plans to embark on a recapitalisation programme to remodel and expand targeted shopping centres and is looking to diversify and grow its loan book. We will use our strong balance sheet to raise the capital necessary for the increase in investment activity and will continue to strengthen our relationship with funders and investors to execute our financial model and support a strategy to grow our portfolios.

Acknowledgments

I would like to highlight our ongoing appreciation to our clients and tenants who believe in IDFC and support our mandate by honouring their financial obligations as we grow the KZN economy together. I would also like to thank the Board, Audit and Risk Committee, Executives for the support and the whole of Group Finance staff for their diligent work this financial year and congratulate them for sustaining good governance and maintaining the clean audit outcome year on year.

Finally, I extend my appreciation to the Auditor General and all supporting audit firms for their professional and diligent service and support through the annual audit and look forward to a continued professional relationship.

Ms Nondumiso Amanda Zuma
Group Chief Financial Officer

7. FINANCIALS

Report of Audit and Risk Committee 108
Statement of Responsibility by the Board of Directors . 111
Report of the Auditor-General 112
Directors' Report 117
Statement of Financial Position 120
Statement of Profit or Loss and Other Comprehensive Income..... 122
Statement in Changes in Equity 124
Statement of Cash Flows..... 125
Accounting Policies..... 126
Notes to the Financial Statements 144
Annexure A: PFMA Compliance Report..... 234

REPORT OF THE AUDIT AND RISK COMMITTEE

The Report of the Audit and Risk Committee of the Board is in terms of regulation 27.1.10(b) and (c) of the Treasury regulations [in terms of sections 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act of 1999 as amended] and the requirements of the King IV Code of Governance.

BACKGROUND

The Board's Audit and Risk Committee plays a pivotal role in ensuring robust governance within the Corporation and Group. Beyond its statutory obligations under the Companies Act and the PFMA. The Committee is integral to the governance framework, providing independent oversight and ensuring the effectiveness of accounting policies, internal controls, risk management, and financial reporting processes. Its role is crucial in upholding transparency, accountability, and compliance with statutory requirements.

TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal Terms of Reference that have been approved by the Board and has executed its duties during the past financial year in accordance with such Terms of Reference.

COMPOSITION

The Audit and Risk Committee comprised six Independent Non-Executive Directors as at 31 March 2025 as follows:

- Dr S L Ndlovu, Doctor in Business Administration (PhD), Masters in Business Administration (MBA), Professional Accountant (SA), Advanced Diploma in Management Accounting (ACMA), National Diploma in Cost Management Accounting (CIMA),
- Dr U Roopnarain, Doctor in Political Sociology (PhD), Master's in Political Sociology (MBA), Honours in Social Science, Bachelor of Social Science, LLM (Human Rights Law),
- Prof D Jairam-Owthar, Doctor in Business Leadership (DBL in Digitization), Master's in Business Admin (Specialisation in Information Technology), Computer Science Postgrad Program (Artificial Intelligence & Machine Learning), BCompt (Accounting Sciences),
- Mr M Ngubo, Bachelor of Accounting, Postgraduate Diploma in Business Administration (Management and Leadership), MSc Global Energy, MCom Finance (Investment Management),
- Ms Dlungwane, Chartered Accountant (SA), Master of Philosophy (Development Finance), B Com Honours, B Com, Member of the Chartered Institute of Management Accountants (CIMA),
- Adv Mbili, Masters of Laws (Business Law), LLB Degree, B Juris, Post Graduate Diplomas in Labour Law and Drafting & Interpretation of Contracts.

The Group Chief Executive, the Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Audit Executive, other executives and representatives from external audit are attendees of the committee meeting. Both internal and external auditors have unrestricted access to the Committee, facilitating open communication and independent reporting on matters. This structure and practice uphold the independence and effectiveness of the audit process, ensuring robust governance and accountability within the organization.

MEETINGS

The Audit and Risk Committee held nine meetings during the period under review.

Table 16: Audit and Risk Committee Meeting Attendance (2024/25)

Name	Number of meetings attended out of the 9 meetings held
Ms S Dlungwane	9
Dr S.Ndlovu	9
Adv. Mbili	8
Dr U Roopnarain	9
Prof D Jairam -Owthar	9
Mr M. Ngubo	9

STATUTORY DUTIES

In the execution of its statutory duties during the 2024/25 financial year, the Audit and Risk Committee:

- Understood that the appointment of the AGSA, as an auditor, complies with the relevant provisions of the Companies Act and Public Finance Management Act;
- Determined the fees to be paid to the AGSA, as disclosed in Note 34 of the Annual Financial Statements;
- Determined the terms of engagement of the AGSA;
- Reviewed the annual report and annual financial statements for the 2023/24 financial year;
- Reviewed and recommended to Board the key strategic documents such as corporate plan, annual performance plan and the budget for 2025/26
- Approved and adopted the changes to the 2025/26 internal audit charter, ensuring alignment to the new Global Internal Audit Standards

- Oversaw the implementation of effective policies and plan for risk management;
- Approved the internal audit three year- rolling plan and the annual audit plan for 2025/26;
- Ensured compliance and adherence to applicable legal, regulatory and accounting requirements; and
- Contributed to a climate of discipline and control to mitigate against fraud.

INTERNAL CONTROLS

The system of internal controls within the IDFC is designed to provide reasonable assurance that the assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA. This is achieved by means of a risk based internal audit plan, where the internal audit function provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective in mitigating the risks.

The Audit and Risk Committee monitors the controls improvement, whilst management retains the responsibility for implementing such recommendations as per the Treasury Regulations.

From the Audit and Risk Committee's review of the Internal Audit reports presented during the 2024/25 financial year and the outcome of the AGSA audit process, it can be concluded that the system of internal control as applied over financial and non-financial matters, enterprise risk management and in compliance with laws and regulations is generally adequate in most areas and requires improvement in certain areas of the business.

The Audit and Risk Committee has:

- Reviewed the effectiveness of IDFC's system of internal controls, including receiving assurance from all four lines of assurance;
- Reviewed significant issues raised by the internal and external audit;
- Reviewed policies and procedures for preventing irregular expenditure; strengthening financial controls; and detecting fraud; and
- Reviewed significant cases of misconduct, or fraud, or any other unethical activity by employees of IDFC.

REGULATORY COMPLIANCE

The Audit and Risk Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and is satisfied with the expertise and adequacy of resources within the compliance function. Based on the processes and assurances obtained, the Committee believes that IDFC generally complies with regulatory requirements.

EXTERNAL AUDIT

The Audit and Risk Committee has reviewed the external audit scope to ensure that critical areas of the business are being addressed, and reviewed the external auditor's report, including issues arising out of the report.

Based on processes followed and assurances received, nothing has come to the Committee's attention with regard to the external auditor's independence. Details of the external auditor's fees are set out in note 34 of the Annual Financial Statements.

INTERNAL AUDIT

The Audit and Risk Committee believes that the Group Chief Audit Executive possesses the appropriate expertise and experience to meet her responsibilities in this position. The Audit and Risk Committee has:

- Reviewed and approved the internal audit charter which is aligned to the new Global Internal Audit Standards;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Satisfied itself that the internal audit function has the necessary resources, and standing authority within IDFC to enable it to discharge its functions;
- Reviewed internal audit reports, including the response of management to issues raised therein;
- Satisfied itself that findings by the Internal Auditors are tracked and implemented by management;
- Approved the three-year rolling internal audit plan and the risk based annual audit plan;
- Monitored the implementation of the new Global Internal Audit Standards in accordance with the roadmap;
- Encouraged co-operation between all levels of assurance in accordance with the combined assurance framework; and
- Considered the outcome of the External Quality Assurance review of the internal audit function and appreciated a conformance outcome.

The internal audit function operates with a high degree of independence and objectivity, supported by robust governance structures and adherence to professional standards. There is no evidence to suggest any compromise in these principles.

FINANCE FUNCTION

The Audit and Risk Committee:

- Believes that the Group Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities in this position;

- Is satisfied with the expertise and adequacy of resources within the finance function; and
- Is satisfied with the quality of the quarterly management reporting and annual reporting to both the Board and the Shareholder, the Department of Economic Development, Tourism and Environmental Affairs.
- Is satisfied on the financial management and the going concern assertion which has been used in the preparation of the corporation's and group financial statements.

Based on the processes and assurances obtained, the Committee believes that the accounting practices are generally adequate.

RISK AND MANAGEMENT FUNCTION

The Audit and Risk Committee believes that the Group Chief Risk Officer possesses the appropriate expertise and experience to meet the responsibilities in this position.

The Committee has actively engaged in identifying strategic risks and has reviewed key documents such as the strategic risk register, risk appetite and tolerance levels for the 2024/25 financial year, and the risk management plan for 2025/26. Additionally, the Committee has considered the risk assessment assurance report, which outlines how identified risks will be managed to achieve the organization's set goals. Senior management continues to take responsibility for risk management by presenting their business unit's respective risks to the Board committees. The Group Chief Risk Officer has provided assurance on the levels of compliance with legislative frameworks. Based on the processes followed and assurances received, it is evident that risk management practices are embedded within business processes, and management continues to prioritize them.

COMBINED ASSURANCE MODEL

In compliance with King IV on Corporate Governance, the Audit and Risk Committee continues to monitor a combined assurance model to provide a co-ordinated approach to all assurance activities and address significant risks facing the company.

Reporting on combined assurance principles continued during the financial year under review, providing the Audit and Risk Committee an overall assurance on the adequacy and effectiveness of controls on strategic risks for the organisation. Amongst others, combined assurance provides assurance to the Audit and Risk Committee that significant risks, including strategic risks and controls to mitigate the risks are assessed by different assurance providers. The combined assurance implementation is evident in the external audit's reliance on certain work conducted by internal audit. In line with King IV, assurance providers reviewed organisational external reports to provide assurance on the accuracy, validity and completeness of the reports.

Overall, the organization's commitment to implementing combined assurance principles in line with King IV reflects a proactive approach to governance and risk management, which is essential for sustainable business success.

SUBSEQUENT UPDATE TO GOVERNANCE STRUCTURE

The former board of directors term ended on 30th of November 2025 and a new board of directors was appointed on 1 February 2026, which was during the period of preparing the Integrated Annual Report for the 2024/25 financial year. In February 2026, the Board reconstituted the governance structures with the Enterprise Risk and Social Ethics Committee having oversight on enterprise risk integration, insurance governance, ICT risks, compliance, and adherence to PFMA and King V principles, the Nominations, Governance and Performance Committee oversees organisational performance, governance adequacy and delegated of authority alignment, and the Audit Committee being responsible to oversee financial reporting, internal controls, and audit readiness.

This Integrated Annual Report was recommended by the Audit Committee to the Board for approval.

Prof D Jairam-Owthar
Chairperson: Audit Committee

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The financial statements have been prepared in accordance with International Finance Reporting Standards.

In preparing the annual financial statements, the following have been adhered to:
- The KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013;
- The Public Finance Management Act (PFMA), Act No. 1 of 1999; and
- The International Finance Reporting Standards (IFRS).

The Directors are responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

Nothing has come to the attention of the Directors from management or the internal and external auditors to indicate any breakdown in the functions of these controls during the year under review, which resulted in any material loss to the Corporation and Group.

All employees are required to maintain the highest ethical standards in ensuring that the Corporation and the Group's business practices are concluded in a manner which, in all reasonable circumstances, is above reproach.

IDFC and Group Annual Financial Statements have been prepared on the going concern basis. This basis of accounting has been adopted by the Board after having made enquiries of management and given due consideration to information presented to the Board. Accordingly, the Directors have no reason to believe that IDFC and the Group will not continue as a going concern in the year ahead.

The Auditor-General was appointed, as independent auditor, in terms of the Public Audit Act, Act No. 25 of 2004, and the Public Finance Management Act, Act No. 1 of 1999, and has audited the Corporation Annual Financial Statements and the Group Annual Financial Statements.

Their report is presented on pages 112 to 116.

The Annual Financial Statements which appear on pages 120 to 232 were approved by the Board of Directors on 30 April 2026 and are signed on its behalf by:

Mr. Khayo E. Mpungose
Chairman of the Board

Ms Pearl Bengu
Group Chief Executive

GROUP COMPANY SECRETARY'S CERTIFICATION

The Group Company Secretary certifies that Ithala Development Finance Corporation Limited has lodged with the appropriate regulatory authority all returns, as are required, in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013. All such returns are correct and up-to-date.

Ms S Singh
Group Company Secretary

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Ithala Development Finance Corporation and its subsidiaries (the group) set out on pages 120 to 232, which comprise the consolidated and separate statement of financial position as at 31 March 2025, the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, consolidated and separate statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including material accounting policy information.

2. In my opinion the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2025, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS®) Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.

4. I am independent of the group in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material impairment allowances

7. As disclosed in note 2 to the consolidated and separate financial statements, the group reported material impairment allowances of R691,81 million (2023-24: R569,72 million) on loans and advances as a result of loans becoming non-performing.

8. As disclosed in note 14 to the consolidated and separate financial statements, the group reported material impairment allowances of R446,47 million (2023-24: R381.75 million) on trade and other receivables as a result of trade and other receivables becoming non-performing.

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

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

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

11. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report

that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

12. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 115, forms part of my auditor's report.

Report on the annual performance report of IDFC

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

14. I selected the following material performance indicators related to Outcome 2: Property portfolio optimised and tenant retention and attraction presented in the annual performance report for the year ended 31 March 2025. I selected those indicators that measure IDFC's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Rand value of capital expenditure on rebuild projects
    - Rand value of capital expenditure on remodelling projects
    - Number of jobs facilitated through the capital expenditure programme and all new leases
    - Number of new and renewal leases concluded with tenants
    - Percentage of vacancy rate of gross lettable space
    - Number of new leases concluded with tenants for vacant commercial land.

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

16. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over-achievement or under-achievement of targets.

17. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

18. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

19. I draw attention to the matter below.

Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under- achievements.

Report on compliance with legislation of IDFC

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

22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

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

24. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

25. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the audit report and those selected material indicators in the scoped-in objective presented in the annual performance report that have been specifically reported on in this auditor's report.

26. My opinion on the consolidated and separate financial statements, and my reports on the audit of the annual performance report and compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

27. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected material indicators in the scoped-in objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

30. I did not identify any significant deficiencies in internal control.

Other reports

31. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

32. The group's internal audit and risk assurance services conducted internal investigations covering the period 2022 to 2025. The investigations related to allegations of irregularities arising from supply chain management deviations, loans and advances and human resource processes. Three investigations were completed, and the implementation of investigation recommendations was in progress. In addition, forty-eight investigations are still in progress at the date of this report.

Auditor-General

Pietermaritzburg
2 April 2026

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for the selected objective and on the entity's compliance with selected requirements in key legislation.

Financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(3)(d); 66(5); 67
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); 32.1.1(c); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury Instruction 4 of 2015-16	Paragraph 3.4
National Treasury Instruction 5 of 2020-21	Paragraph 4.8; 4.9; 5.3
Second Amendment to National Treasury Instruction 5 of 2020-21	Paragraph 1
Erratum National Treasury Instruction 5 of 2020-21	Paragraph 2
National Treasury SCM Instruction 03 of 2021-22	Paragraph 4.2
National Treasury SCM Instruction 11 of 2020-21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2, 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025

The Directors have pleasure in presenting this report as part of the Annual Financial Statements (AFS) of Ithala Development Finance Corporation Limited (The Corporation) and the consolidated financial statements of the Corporation and its subsidiaries (referred to as The Group) for the financial year ended 31 March 2025.

A. Legal Form and Domicile

The Corporation is a provincial development finance institution, wholly owned by the KwaZulu-Natal Government Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and operating in terms of the Ithala Development Finance Corporation Act No.5 of 2013.

The Corporation operates within the legal framework of the Public Finance Management Act, No.1 of 1999 (PFMA); as a listed public entity under Schedule 3: Part D.

The Corporation is domiciled in South Africa. The address of its registered office and principal place of business is number 29 Canal Quay Road, Point Waterfront, Durban 4001.

B. Nature of Operations

Ithala Development Finance Corporation manages fully integrated business activities that provide a range of financial and property services throughout KwaZulu-Natal.

The Corporation makes equity investments in various subsidiaries and associated companies located in the KwaZulu-Natal province in keeping with its legislated development mandate. These are outlined in Notes 8, 12 and 28 of the AFS.

C. Financial Results

The results of the Corporation and the Group for the year ended 31 March 2025 are disclosed in the annual financial statements set out on pages 120 to 232.

For more details on the financial results of the Subsidiaries and Associated Companies refer to the separate annual financial statements of these companies and see Note 8, 12 and 28 of the Group Financial Statements for summary financial information between the Corporation and these companies.

D. Policy Directives

No policy directives were received from the MEC: Economic Development, Tourism and Environmental Affairs during the financial year ended 31 March 2025.

E. Events Subsequent to the Date of Statement of Financial Position

As disclosed in Note 8 of the annual financial statements, the Board of Directors resolved prior to the reporting date to liquidate its subsidiaries, Nongoma Plaza (Pty) Ltd and Port Shepstone Quarries (PSQ). Accordingly, the subsidiary's financial statements were prepared on a liquidation basis as at 31 March 2025.

Subsequent to year-end, the legal dissolution of the subsidiaries were formally completed on the 28th of July 2025 for PSQ and 31 August 2025 for Nongoma Plaza (Pty) Ltd.

As the decision to liquidate and the measurement of the subsidiary on a liquidation basis occurred prior to the reporting date, the final dissolution constitutes a non-adjusting event after the reporting period in terms of IAS 10. Accordingly, no adjustments have been made to the amounts recognised in these consolidated financial statements.

The final liquidation did not result in any material differences from the amounts previously recognised.

F. Fair value of investments

The fair value of investment property as disclosed in Note 3 is R3,64 billion at year end (2024: R3,42 billion). The other fair valued investment is an investment held with SA Corp Real Estate valued at R9,98 million (2024: R9,23 million). Please refer to notes 10 for further details on this investment.

G. Ordinary Share Capital

The Share Capital of the Corporation has remained unchanged during the financial year under review. The authorised and issued share capital of the company is R1 billion (2024: R1 billion).

H. Dividends

No dividends were declared or payable to the shareholder (EDTEA) as retained income attributable to the ordinary shareholder is reinvested in projects that promote economic development.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025 (continued)

I. Interests in Contracts

There were no contracts entered into in which Directors and Officers of the Corporation had an interest. Refer to note 28 for details on related party transactions.

J. Sources of Funding

The Corporation did not raise any new long-term borrowings during the year under review (2024: R nil). Refer to note 18 for details on existing borrowings.

During the year under review, the Corporation received no government grants (2024: R51.1 million). The grant received in the prior from EDTEA was for Ithala SOC's capital injection. Refer to notes 21 and 23 for details of grants and funds held on behalf of other entities.

K. Going Concern Basis of Accounting

• Corporation

The Corporation's business activities, together with the factors likely to affect its future development, performance, and position as at 31 March 2025, have been assessed by the Directors. The financial position of the Corporation, its cash flows, liquidity position and borrowing facilities are described in the relevant sections of the financial statements. In addition, note 29 to the financial statements includes the company's policies, processes for managing its capital, details of its financial instruments and its exposures to credit and liquidity risk.

As highlighted in notes 13 and 29 to the financial statements, the Corporation meets its day to day working capital requirements from its own cash resources and has open lines of credit of R105 million (2024: R100 million) from major financial banking institutions.

The Group posted a profit of R113,74 million for the year ended 31 March 2025 (2024: R82,4 million profit) as disclosed in the annual financial statements. The Group is solvent and liquid - refer to the Chief Financial Officer's report on pages 102 to 105 for details.

The Directors have a reasonable expectation that the Corporation and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis.

• Subsidiaries

The going concern ability of the Corporation's subsidiary companies has been assessed by the Directors at year end. The following subsidiaries' Annual Financial Statements were prepared on a liquidation basis:

- Ubuciko Fabrics and Twines (Pty) Ltd;
- Port Shepstone Quarries (Pty) Ltd;
- Nongoma Plaza Limited;
- Sibaya Conservation Projects (Pty) Ltd; and
- KwaZulu-Natal Property Development Holding SOC Limited.

The above subsidiaries are under voluntary liquidation and their annual financial statements have been prepared on the liquidation basis. Refer to the subsidiary's individual Annual Financial Statements for details on the reporting basis adopted.

• Ithala SOC Limited

Ithala is no longer regulated by the Bank Acts, since the expiry of the banking licence exemption. From 15 December 2023 Ithala has been operating under the Repayment Administrator (RA) appointed by the Prudential Authority (PA). The appointment of the RA and the accompanying instruction issued to stop lending and deposit-taking activities resulted in a decline in revenue and contributing to the losses.

Ithala posted a loss of R26.1 million (2024: R92.1 million) for the year ended 31 March 2025. The net loss for FY2025, includes Expected Credit Losses (ECL) and bad debts written-off of R13.7 million (2024: R28,6 million). Despite Ithala not being able to trade for much of the year and then being put into a frozen state from 16 January 2025. Ithala stemmed the losses by reducing cost. Various cost-cutting initiatives were implemented which have seen a huge decline in operating expenses year-on-year.

As at 31 March 2025 and despite the challenges faced by Ithala, the Company remained resilient with total assets exceeding total liabilities by R328.1 million (31 March 2024: R354.2 million) and total surplus funds were R776 million (31 March 2024: R855 million).

On 16 January 2025, the PA filed for provisional liquidation of Ithala, alleging technical and legal insolvency, however on the 13 February 2026, the Prudential Authority attorneys wrote to Ithala and MEC of EDTEA advising that they intend withdrawing the liquidation application. The MEC of EDTEA and the Board of Ithala has accepted the withdrawal.

The FSCA has suspended Ithala's Financial Service Provider (FSP) license and issued a notice of withdrawal of the FSP license of Ithala. There are on-going engagements between Ithala and FSCA to deal with the non-compliance issues given the legislative trigger points which are a course of non-compliance. In the interim, to resolve the non-compliance, Ithala has written to the FSCA informing them we intend to move the insurance business to the IDFC until Ithala resolves the current challenges it faces. The migration of the insurance business is in progress. As it stands, the license remains suspended and not withdrawn.

Ithala was instructed by the PA to repay depositors within 14 days of their instruction dated 24 October 2024. The Minister of Finance has issued a guarantee in favour of repayment bank to the full value of Ithala's deposit book. The repayment process began in December 2025 with over 60% of deposits already refunded based on the last report received. National Treasury will be repaid the amount paid to Ithala depositors by Provincial Treasury. Ithala has ceded the loan book as security for the loan guarantee between National Treasury and Provincial Treasury and will use a portion of the instalments received from the loan book to repay the loan. The agreement between Ithala and Provincial Treasury is still being finalised.

The KZN Government has provided considerable support to ensure the continued existence of Ithala. During the financial year, Ithala received funding of R49,9 million to pay for critical losses. Additional funding has been received subsequent to year-end to ensure the continued existence of Ithala and all creditors are paid while a long-term solution is found.

On 27 March 2026, the Provincial Executive Council resolved that Ithala Soc be integrated into IDFC and that a new accounting authority be appointed by Provincial Treasury. The IDFC is currently developing a plan that will direct the process for an orderly, legally compliant and operationally controlled integration process that prioritises stabilisation of operations, protection of strategic provincial assets, particularly the loan book, continuity of permissible business functions (consumer lending and insurance), excluding deposit-taking activities, restoration of governance and accountability, and containment of fiscal and operational risk. There has been no decision to change the legal status of Ithala Soc nor curtail any permissible business activities.

After considering the current financial scenarios, the severe but plausible sensitivities and the funding support made available to Ithala, the Directors have a reasonable expectation that the Ithala have adequate resources for their operational needs. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis for the preparation of Ithala's financial statements as at 31 March 2025.

L. Board of Directors

Information pertaining to Board Members and Committees is covered from page 28 to 37 of the annual report.

Please refer to note 42 of the AFS for details on any changes in the Board of Directors.

M. Company Secretariat

The Group Company Secretary is Ms. S Singh, B Comm (Law), Bachelor of Laws, whose address is the Corporation's registered office (see section A above).

N. Information disclosed in terms of Section 55(2)(b) of the PFMA

- Particulars of irregular expenditure and fruitless and wasteful expenditure incurred are disclosed in Notes 38 and 39 of the AFS.
- In the ordinary course of business and in accordance with prevailing business rules, the Group wrote-off bad loans of R10.2 million (2024: R52,4 million).

Despite the write-off of these bad debts, the company continues to pursue these defaulters and no effort is spared in trying to recover monies owed to the Group. During the year under review a total of R3,531 million (2024: R1,734 million) was recovered from bad debts previously written off.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

		Group		Company	
		2025	2024 Restated *	2025	2024 Restated *
	Note(s)	R'000	R'000	R'000	R'000
ASSETS					
NON-CURRENT ASSETS					
Loans and advances	2	2 322 592	2 355 064	407 846	361 928
Investment property	3	3 639 171	3 422 468	3 420 843	3 227 121
Property, plant and equipment	4	262 052	277 497	222 679	229 368
Intangible assets	5	28 356	16 052	8 572	4 124
Right-of-use assets	6	42 217	62 411	-	-
Straightlining of operating lease income	7	45 575	50 818	43 833	48 746
Investments in subsidiaries	8	-	-	133 954	570 685
Long-term receivable	9	8 166	8 166	8 166	8 166
Investments in shares	10	9 976	9 229	9 976	9 229
Insurance contract assets	11	68 720	60 450	68 720	60 450
Investments in associates	12	1 192	823	1 192	823
Statutory investments and reserves	13	135 259	264 329	-	-
		6 563 276	**6 527 307**	**4 325 781**	**4 520 640**
CURRENT ASSETS					
Inventories	15	6 574	7 382	3 979	3 981
Loans and advances	2	63 851	192 579	55 131	47 543
Trade and other receivables	14	198 523	188 544	252 761	230 650
Straightlining of operating leases income	7	5 155	4 499	5 226	5 030
Right- of-use asset	6	-	13 844	-	-
Cash and cash equivalents	13	1 103 573	1 282 746	411 133	637 265
		1 377 676	**1 689 594**	**728 230**	**924 469**
Non-current assets held for sale	16	1 813	1 417	1 665	1 269
Total Assets		**7 942 765**	**8 218 318**	**5 055 676**	**5 446 378**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	1 008 582	1 008 582	1 008 582	1 008 582
Actuarial reserve		52 380	41 527	37 973	31 709
Retained income		3 850 002	3 747 119	3 382 915	3 699 154
Non-controlling interest	18	(2 127)	(169)	-	-
		4 908 837	**4 797 059**	**4 429 470**	**4 739 445**
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	18	1 783	9 074	-	7 291
Long service obligations	20	18 592	17 779	15 514	14 910
Retirement benefit obligation	20	88 660	93 099	43 661	47 342
Government grants	21	5 841	5 841	5 841	5 841
Deferred tax liability	32	31 064	25 517	-	-
Provisions	22	21 288	17 140	21 288	17 140
Deposits due to customers	19	23 088	31 243	-	-
Lease liabilities	24	38 687	81 871	11 630	11 802
		229 003	**281 564**	**97 934**	**104 326**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

		Group		Company	
		2025	2024 Restated *	2025	2024 Restated *
	Note(s)	R'000	R'000	R'000	R'000
CURRENT LIABILITIES					
Trade and other payables	23	628 671	682 540	494 545	564 975
Borrowings	18	7 280	7 193	7 280	7 193
Long service obligations	20	1 515	3 182	1 084	2 609
Retirement benefit obligation	20	7 227	7 545	4 204	4 646
Government grants	21	26 835	22 808	15 957	13 504
Provisions	22	11 898	16 945	4 971	9 408
Liabilities related to non-current assets held for sale	48	2 506	-	-	-
Deposits due to customers	19	2 093 672	2 371 214	-	-
Lease Lliabilities	24	25 321	28 268	231	272
		2 804 925	**3 139 695**	**528 272**	**602 607**
Total Liabilities		**3 033 928**	**3 421 259**	**626 206**	**706 933**
Total Equity and Liabilities		**7 942 765**	**8 218 318**	**5 055 676**	**5 446 378**

*The prior period adjustment for General Service Levy has a net nil impact on the Statement of Financial Position. Refer to note 46.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
		2025	2024 Restated *	2025	2024 Restated *
	Note(s)	R'000	R'000	R'000	R'000
Interest income calculated using the effective interest rate	35	436 357	456 897	115 901	117 639
Total interest income	35	436 357	456 897	115 901	117 639
Interest expense calculated using the effective interest rate	36	(107 916)	(106 397)	(1 123)	(1 889)
Bank overdraft		(1 603)	(4 106)	(1 603)	(4 106)
Other interest expense	36	(22 969)	(23 939)	(9 534)	(9 569)
Total interest expense	36	(132 488)	(134 442)	(12 260)	(15 564)
Net interest income before credit impairment charges		**303 869**	**322 455**	**103 641**	**102 075**
		(198 102)	(171 161)	(174 680)	(140 958)
Net losses on derecognition of loans and advances	2	-	52 410	-	33 261
Expected credit loss-loans and advances	2	(133 384)	(114 327)	(117 213)	(71 414)
Expected credit loss-trade and other receivables	14	(64 718)	(109 244)	(57 467)	(102 805)
Net interest income after credit impairment charges		**105 767**	**151 294**	**(71 039)**	**(38 883)**
Other operating income	33	1 455 809	1 367 860	1 185 230	1 134 032
Insurance revenue	11	12 221	11 651	12 221	11 651
Operating income		**1 573 797**	**1 530 805**	**1 126 412**	**1 106 800**
Operating expenditure					
Insurance expense	11	(9 779)	(10 117)	(9 779)	(10 117)
Other operating expenses	34	(1 407 335)	(1 420 628)	(990 748)	(929 132)
Impairment of non-current assets held for sale	16	(124)	(697)	(124)	(697)
Depreciation and amortisation	4, 5 & 6	(43 652)	(50 682)	(14 147)	(17 065)
Impairment of investments in subsidiaries	8	-	-	(423 741)	(97 736)
Impairment of investment in deposits with banks	13	2 441	4 756	-	-
ECL on straight lining of operating lease income reversed / (charged)	7	(10 507)	13 690	(9 941)	13 405
Operating profit (loss) before taxation	**34**	**104 841**	**67 127**	**(322 068)**	**65 458**
Insurance finance income/ (expense)	11	5 828	5 144	5 828	5 144
Profit / (Loss) before taxation		**110 669**	**72 271**	**(316 240)**	**70 602**
Taxation	37	(7 787)	60	-	-
Profit / (Loss) for the year		**102 882**	**72 331**	**(316 240)**	**70 602**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains / (losses)	20	10 853	10 077	6 264	8 463
Actuarial gains / (losses)		**10 853**	**10 077**	**6 264**	**8 463**
Total comprehensive income (loss) for the year		**113 735**	**82 408**	**(309 976)**	**79 065**
Profit / (Loss) before actuarial gains / (losses) attributable to:					
Owners of the parent		104 840	72 361	(316 240)	70 602
Non-controlling interest		(1 958)	(30)	-	-
		102 882	**72 331**	**(316 240)**	**70 602**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
		2025	2024 Restated *	2025	2024 Restated *
	Note(s)	R'000	R'000	R'000	R'000
Total comprehensive income / (loss) attributable to:					
Owners of the parent		115 693	82 438	(309 976)	79 065
Non-controlling interest		(1 958)	(30)	-	-
		113 735	**82 408**	**(309 976)**	**79 065**

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Other Comprehensive Income	Retained Income	Total Attributable to Equity Holders of the Group / Company	Non-Controlling Interest	Total Equity
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Dividends	-	-	-	-	-	-
Loss for the year	-	-	-	-	1 869	1 869
Restated* Balance at 01 April 2023	**1 008 582**	**31 450**	**3 674 758**	**4 714 790**	**(139)**	**4 714 651**
Other comprehensive income	-	-	-	-	(30)	(30)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(30)**	**(30)**
Other comprehensive income	-	10 077	-	10 077	-	10 077
Profit for the year	-	-	72 361	72 361	-	72 361
Total comprehensive income for the year	**-**	**10 077**	**72 361**	**82 438**	**(30)**	**82 408**
Balance at 31 March 2024	**1 008 582**	**41 527**	**3 747 119**	**4 797 228**	**(169)**	**4 797 059**
Profit for the year	-	-	102 883	102 883	(1 958)	100 925
Other comprehensive income	-	10 853	-	10 853	-	10 853
Total comprehensive income for the year	**-**	**10 853**	**102 883**	**113 736**	**(1 958)**	**111 778**
Balance at 31 March 2025	**1 008 582**	**52 380**	**3 850 002**	**4 910 964**	**(2 127)**	**4 908 837**
Note(s)	17&22					
Company						
Balance at 01 April 2023	**1 008 582**	**23 246**	**3 628 552**	**4 660 380**	**-**	**4 660 380**
Profit for the year	-	-	70 602	70 602	-	70 602
Other comprehensive income	-	8 463	-	8 463	-	8 463
Total comprehensive income for the year	**-**	**8 463**	**70 602**	**79 065**	**-**	**79 065**
Balance at 01 April 2024	**1 008 582**	**31 709**	**3 699 154**	**4 739 445**	**-**	**4 739 445**
Profit for the year	-	-	(316 239)	(316 239)	-	(316 239)
Other comprehensive income	-	6 264	-	6 264	-	6 264
Total comprehensive income for the year	**-**	**6 264**	**(316 239)**	**(309 975)**	**-**	**(309 975)**
Balance at 31 March 2025	**1 008 582**	**37 973**	**3 382 915**	**4 429 470**	**-**	**4 429 470**
Note(s)	17&22					

STATEMENT OF CASH FLOWS

	Note(s)	2025 R'000	2024 Restated* R'000	2025 R'000	2024 Restated* R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	25	185 209	130 924	191 418	151 349
(Increase) in working capital	25	(429 080)	(40 386)	(153 846)	(63 913)
Dividends received from investment in shares		715	4 675	715	4 675
Interest paid	25	(10 242)	(12 966)	(2 149)	(3 026)
Dividends	26	-	-	-	-
Tax Paid		(534)	(9 141)	-	-
Net cash generated from operating activities		**(253 932)**	**73 106**	**36 138**	**89 085**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment to promote economic development in KwaZulu-Natal:					
Loans and advances					
- granted		(348 399)	(537 577)	(323 919)	(276 671)
- repaid		379 537	510 567	153 707	192 855
Additions to property, plant and equipment	4	(10 947)	(20 813)	(8 035)	(5 897)
Proceeds from sale of property, plant and equipment		4	748	4	37
Additions to investment property	3	(83 647)	(20 998)	(82 704)	(15 249)
Additions to intangible assets	5	(15 608)	(9 697)	(7 323)	(358)
Proceeds/(Payments) relating to liquid assets	13	129 059	(18 401)	-	-
Proceeds on disposal of non-current assets held for sale		348	58	348	58
Decrease/ (Increase) in subsidiaries, associated companies and joint ventures		-	-	13 068	(64 822)
Net cash generated/ (utilised) by investing activities		**50 347**	**(96 113)**	**(254 854)**	**(170 047)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	18	(7 145)	(6 857)	(7 204)	(6 798)
Repayment of shareholders loan		-	-	-	-
Principal payment on lease liabilities	24	(14 646)	(17 522)	(213)	(282)
Government grant received*	21	46 203	51 142	-	51 142
Net cash generated/(utilised) by financing activities*		**24 412**	**26 763**	**(7 417)**	**44 062**
Net (decrease) / increase in cash and cash equivalents		**(179 173)**	**3 756**	**(226 133)**	**(36 900)**
Cash at the beginning of the year		1 282 746	1 278 990	637 265	674 165
Cash and cash equivalents at end of year	13	**1 103 573**	**1 282 746**	**411 132**	**637 265**

Included in the cash generated by operations is interest received from clients of R409.8m (2024: R456.9m) and interest paid to clients of R135.8m (2024: R134.5m).

*Government grants received relates to grants provided by the shareholder for financing purposes.

ACCOUNTING POLICIES

Corporate information

Ithala Development Finance Corporation (IDFC) is a Company incorporated and domiciled in Republic of South Africa. The address of its registered offices and principal place of business is 29 Canal Quay Road, Point Waterfront, Durban. The Group is a public entity that provides property, banking and other financial services. The consolidated financial statements of IDFC for the year ended 31 March 2025 comprise of IDFC and its subsidiaries, together referred to as the Group and individually, referred to as the Company. The words "Group" and "Ithala" are used interchangeably throughout the Annual Financial Statements. For the holding company, the words ''IDFC'' and ''Company'' are used interchangeably.

The subsidiaries comprise of the following entities:
- Ithala SOC Limited (referred to as SOC)
- Nongoma Plaza (Pty) Ltd (referred to as Nongoma)
- Durban Wharfside Trust (referred to as Wharfside)
- Ubuciko Fabrics and Twines (Pty) Ltd (referred to as Ubuciko)
- Port Shepstone Quarries (Pty) Ltd (referred to as PSQ)
- Sibaya Conservation Projects (Pty) Ltd (referred to as Sibaya)
- KwaZulu-Natal Property Development Holdings (SOC) Ltd (referred to as KPDH)
- CowSlip Investments (Pty) Ltd

The consolidated and separate financial statements for the year ended 31 March 2025 were authorised for issue in accordance with a resolution of the directors on 30 April 2026.

1. MATERIAL ACCOUNTING POLICIES

Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

1.1 BASIS OF PREPARATION

Basis of measurement

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis utilising the historical cost concept except for the following:
- Post-retirement medical and defined benefit obligations are measured at actuarial values.
- Listed Equity investments are measured at fair value.
- Investment properties are measured at fair value.
- Non-current assets held for sale are measured at the lower of fair value less costs to sell and carrying value.

The consolidated financial statements are presented in South African Rands, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

1.2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations adopted by the IASB, the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements issued by the South African Financial Reporting Standards Council and South African the Companies Act, 2008.

The consolidated financial statements have been prepared in compliance with the Public Finance Management Act (PFMA).

1.3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of asset, liabilities, income and expenses. These also concern the future and will thus affect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected by the revisions.

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year relate to the following:

Going Concern

Management has made an assessment of the Group's ability to continue as a going concern by considering the current financial position, operational factors affecting the Group, the impact of current and anticipated economic conditions as well as reviewing the assumptions underlying the budget and forecasts and is satisfied that the Group has the resources to continue in business for the foreseeable future. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Ithala SOC assessment

Ithala posted a loss of R26.1 million (2024: R92.1 million) for the year ended 31 March 2025. The net loss for FY2025, includes Expected Credit Losses (ECL) and bad debts written-off of R13.7 million (2024: R28,6 million). Despite Ithala not being able to trade for much of the year and then being put into a frozen state from 16 January 2025, Ithala stemmed the losses by reducing cost. Various cost-cutting initiatives were implemented which have seen a huge decline in operating expenses year-on-year.

The appointment of the Repayment Administrator (RA) and the accompanying instruction issued to stop lending and deposit-taking activities resulted in a decline in revenue, contributing to the losses. The KZN Government has provided considerable support to ensure the continued existence of Ithala. During the financial year, Ithala received funding of R49,9 million to pay for critical losses. Additional funding has been received subsequent to year-end to ensure the continued existence of Ithala and all creditors are paid while a long-term solution is found.

As at 31 March 2025 and despite the challenges faced by Ithala, the Company remained resilient with total assets exceeding total liabilities by R328.1 million (31 March 2024: R354.2 million) and total surplus funds were R776 million (31 March 2024: R855 million). Ithala is no longer regulated by the Bank Acts, since the expiry of the banking licence exemption.

Since inception, Ithala has been operating under exemption notices, granted and extended by the Minister of Finance and the Prudential Authority (PA). The last exemption notice expired on 15 December 2023 and the Prudential Authority declined Ithala's request for a further extension. Ithala also submitted a Section 12 application to establish a bank and this was also declined by the Prudential Authority. From 15 December 2023 Ithala has been operating under the Repayment Administrator appointed by the Prudential Authority. Ithala attempted to form an alliance with a registered bank to hold the deposit book while Ithala regularises its operation. However, this was unsuccessful. Ithala was instructed by the Prudential Authority to repay depositors within 14 days of their instruction dated 24 October 2024.

On 16 January 2025, the PA filed for provisional liquidation of Ithala, alleging technical and legal insolvency. The RA subsequently instructed all key service providers to suspend services and directed Ithala's bankers, ABSA, to freeze all operational bank accounts. These actions have significantly disrupted Ithala's business operations, particularly its ability to access cash and meet operational obligations from its own banking infrastructure. This also meant clients could not access their deposits held at Ithala. Ithala is opposing this application. Contrary to the PA's assertion, Ithala remains solvent, as independently confirmed by a third-party expert valuation. The entity's total assets exceed its total liabilities by R328 million as at 31 March 2025. The insolvency conclusion and liquidation application by the PA, which states that Ithala is both technically and legally insolvent, is based on a method that does not align with any recognised accounting standard or legal insolvency test.

Ithala has been working tirelessly on alternative plans to not only find a short-term solution but a long-term solution. This also included an out of court settlement with the PA, however the PA rejected this settlement offer. Ithala management and Board have put together an alternative plan with the guidance of the Provincial Executive Council. This plan will give Ithala an opportunity to rebuild and restructure. The revised plan has been approved by Ithala's Board of Directors as well as the Board of Directors of the shareholder, the IDFC. The final plan has been submitted to the Provincial Executive Council and is awaiting their approval. Based on the plan, the estimated cost to restructure Ithala is R67,5 million.

Financial Service Provider (FSP) Licence

Ithala applied to the FSCA for exemption from Section 48 of Board Notice 194 of 2017 which requires FSP that are not registered Banks to comply with the Financial Soundness Requirements. It is important

ACCOUNTING POLICIES (cont.)

to note that the aforesaid section does not apply to FSP's that are registered Banks, however, the FCSA is expecting Ithala to comply with these requirements. Accordingly, Ithala has previously been exempted from Section 48 by the FSCA despite it not being a registered Bank in terms of the Banks Act. The latest exemption application was submitted on July 2022 and the FSCA has since declined the request for exemption.

The decline immediately renders Ithala to be non-compliant with Section 48 of the Board Notice 194 of 2017. It is against that background that the FSCA has served Ithala with a notice of intention to suspend Ithala's FSP licence and invited Ithala to make representations in countering the pending decision to suspend its FSP license. The FSCA expressed concerns relating to the risk exposure of the premiums collected and the financial soundness of Ithala when applying a simple insolvency test, a test to which registered Banks are not subjected.

Ithala has made representations following numerous engagements with the FSCA and indicated the rational for the exemption to be granted and the need for the license to be sustained. Ithala put more emphasis on the legislative gap to cater for its uniqueness and that a simplified calculation should not be applied due to it holding deposits which are recognised as current liabilities:

- Ithala has also made a further submission for reconsideration of the FSCA decision to decline the exemption application and made available a guarantee of R4,1 million against the premiums collected.
- Following the aforesaid declined application, the FSCA has suspended Ithala's FSP license and issued a notice of withdrawal of the FSP license of Ithala. There are on-going engagements between Ithala and FSCA to deal with the non-compliance issues given the legislative trigger points which are a course of non-compliance. There are ongoing court cases which has a direct impact on the position adopted by the FSCA given the nature of Ithala's business.

In the interim, to resolve the non-compliance, Ithala has written to the FSCA informing them we intend to move the insurance business to the IDFC until Ithala resolves the current challenges it faces. The migration of the insurance business is currently at 55% completion.

As it stands, the license remains suspended and not withdrawn.

With the deposits in the process of being repaid and the deposit book being derecognised from Ithala's Statement of Financial Position and replaced by a long-term loan owed to Provincial and National Treasury, Ithala will be in a position to then meet the financial soundness requirements as its current assets will exceed its current liabilities. This will then result in the licence suspension being lifted.

Going concern conclusion

Management has concluded that the going concern basis of accounting remains appropriate for the preparation of Ithala's financial statements as at 31 March 2025. This conclusion is supported by the following:

- Ithala is not insolvent. Ithala's assets exceeds its liabilities by R328 million.
- Ithala has been receiving ongoing financial support from the shareholder and KZN Government to settle its debts as they become due.
- The Minister of Finance has issued a guarantee in favour of repayment bank to the full value of Ithala's deposit book. The repayment process began in December 2025 with over 60% of deposits already refunded based on the last report received. National Treasury will be repaid the amount paid to Ithala depositors by Provincial Treasury. Ithala has ceded the loan book as security for the loan guarantee between National Treasury and Provincial Treasury and will use a portion of the instalments received from the loan book to repay the loan. The agreement between Ithala and Provincial Treasury is still being finalised.
- On the 13 February 2026, the Prudential Authority attorneys wrote to Ithala and MEC of EDTEA advising that they intend withdrawing the liquidation application. The MEC of EDTEA and the Board of Ithala has accepted the withdrawal.
- Ithala is actively engaging the shareholders and the Provincial Executive Council on the proposed restructure that was approved by the Board.

Ithala will continue to exist in some form, which is most likely be a standalone institution offering lending, payments and insurance which is a restructure approved by the Board.

Ithala continues to receive financial support from the shareholder and KZN Government. The KZN Department of Economic Development Tourism and Environmental Affairs's and Provincial Treasury repurposed funds to ensure the operating cost for the FY2026 will be covered and all creditors are settled as they become due.

However, management acknowledges that a material uncertainty does exists, as required under IAS

1.25, due to the revised restructured plan awaiting approval from the Provincial Executive Council and the short-term funding not yet finalised due to repayments administrators continued hold on Ithala bank balances.

Despite the uncertainty that currently exists which cast doubt on Ithala's going concern status and its ability to settle its debts as they become due, management with the support of the shareholder and Government of KwaZulu-Natal, is certain that Ithala will continue to exist in the foreseeable future in one form or another. It is expected that all obligations will be settled in the normal course of business and that Ithala will implement its restructuring plan and accordingly the going concern basis of accounting has been adopted in the preparation of the Annual Financial Statements.

Measurement of the expected credit loss allowance

The measurements of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the risk management note 29, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Measurement of leased asset and leased liability - IFRS 16

Refer to 1.11 below for details on the measurement of the right-of-use asset and lease liability.

Extension and termination options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Factors such as the importance of the underlying assets to our operations, undertaking of significant leasehold improvements and our past practice were taken into account in the assessment of the probability of exercising these extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Discount rate

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate. The Corporation determines its incremental borrowing rate by applying its judgements and determining a suitable and observable risk-free rate that are denominated in the same currency of the lease. A credit spread is then added to the observable risk free rate to reflect the lessee's creditworthiness.

Measurement of post-retirement obligations and long service awards.

The cost of the defined benefit and defined contribution pension plans are determined using actuarial valuations. The actuarial valuations involves assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Refer to the Post retirement obligations note 20 for the assumptions used.

Fair value measurements

Fair values for investment properties and properties in possession are determined by independent valuers. The valuations are performed using various methods including:

- The comparable sales method which entails comparing the subject property's value forming attributes with those of the comparable properties that have recently exchanged hands in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence or similarity degree of characteristics influencing value.
- The capitalisation method which takes into account net rental income which is then capitalised using an appropriate capitalisation rate. The capitalisation rate is used to indicate the

ACCOUNTING POLICIES (cont.)

rate of return that is expected to be generated on the investment property. Refer to the note 30 for fair value information for assumptions used.

Asset lives and residual values

Property, plant and equipment as well as intangible assets are depreciated or amortised over their estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets and residual values are assessed annually.

Prepayment - Land

Assets such as property, plant and equipment are only capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the cost thereof can be reliably measured. Where payments have been made for assets and transfer has not occurred at year end, such payments are accounted for as prepaid assets.

Investments in associates

Although the group holds less than 20% of the equity shares of Mabibi Development Company (Pty) Ltd and it has less than 20% of the voting power at shareholder meetings, the group exercises significant influence by virtue of its contractual right to appoint two directors.

The recommendation from the KZN Rationalisation of Public Entities exercise that was received by Ithala in June 2017 was for the shares held by Ithala and DARD in Ntingwe Tea (Pty) Ltd to be transferred to the Agribusiness Development Agency (ADA). Plans are currently in progress to transfer Ntingwe to ADA. However, the administration function was transferred to ADA during the 2021/22 financial year.

We have determined that the Group still continues to have significant influence in the associate despite the transfer of the administration function and is hence treated as an associate. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associate, after adjustments to align the accounting policies of the associate with those of the Group where applicable, from the date that significant influence commences until the time that significant influence ceases.

Loans and advances

Refer to note 29 Risk Management, for disclosure of the inputs, assumptions and changes in the models and assumptions used to calculate the expected credit losses in the current financial year.

MATERIAL ACCOUNTING POLICIES

1) BASIS OF CONSOLIDATION

The consolidated financial statements include assets, liabilities and results of operations of the company, its subsidiaries, associates and joint ventures. The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting year as the company, using consistent accounting policies.

(a) Subsidiaries

Subsidiaries are entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation. Goodwill arising from the excess of the purchase consideration paid over the fair value of the net identifiable assets on acquisition is not amortised and is tested for impairment annually. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of original business combination and the non-controlling interest's share of changes in equity since the date of the business combination. Losses applicable to the non-controlling interest, in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and the financial ability to cover such losses.

Investments in subsidiaries comprises of the initial investment and any subsequent loans made to the subsidiaries and are recognised at cost in the holding accounts. The investments are reviewed and written down for impairment where considered necessary. Information about the subsidiaries' activities is set out in the investment in subsidiaries note 8.

(b) Cell captives

The cell captives do not meet the criteria to be classified as a separate entity. As a result, the Group has not consolidated the cell captives and has accounted for it in line with IFRS 17 requirements, as applicable to insurance contracts . Information about the Group's cell captive activities is set out in note 11.

1.4 INVESTMENT PROPERTY

Investment property is initially recognised at cost including transaction costs and subsequently measured at fair value.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from it.

Gains and losses arising from retirement or disposal of investment property are recognised in profit or loss in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up will be recognised in profit or loss when the compensation becomes receivable.

A change in use of properties from being held to earn rental or for capital appreciation or both, to owner occupied properties, results in these properties being accounted for as Property, Plant and Equipment and will be measured at cost (being the fair value amount at the date of change in use) less accumulated depreciation and any accumulated impairment losses.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.5 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment and work in progress are initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment that is still at the construction phase and not yet ready for use by the Group, is recognised as work-in-progress in property, plant and equipment. All costs associated with the construction of the asset are included as work-in-progress. The asset is capitalised to the respective class of property, plant and equipment once it is ready for use, as intended by management, and the certificate of completion has been obtained. The asset will subsequently be depreciated over its estimated useful life.

Subsequent measurement

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using the straight line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Where buildings are erected on leasehold land or land held under a permission to occupy certificate with a finite life, the buildings are depreciated over the duration of the lease or permission to occupy certificate. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

ACCOUNTING POLICIES (cont.)

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure and buildings	Straight line	50 years
Plant and equipment	Straight line	3-25 years
Motor vehicles	Straight line	4-5 years
Motor vehicles	Straight line	4 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 LANDFILL RESTORATION AND DISMANTLING COST

The holding company holds landfill sites close to the industrial estates that it uses to dispose of waste. The Holding Company has an obligation to restore the landfill sites in terms of the Group's policy as well as the applicable legislation requirements. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of land includes the initial estimate of the costs of restoring the site on which the waste is dumped.

The changes in the liability are added to, or deducted from, the cost of the land in the current period limited to the carrying amount of the land if there are changes to the future estimate of the liability. Where a decrease in the liability exceeds the carrying amount of the land, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of land, the entity considers whether this is an indication that the new carrying amount of the land may not be fully recoverable and is therefore tested for impairment by estimating its recoverable amount. Any impairment loss is recognised in profit or loss.

1.7 INTANGIBLE ASSETS

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software, goodwill and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition.

Intangible assets with a definite useful life are amortised using the straight-line method over their useful economic life, generally not exceeding 20 years. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Group's significant intangible assets consists of computer software. Acquired computer software and licences are capitalised as assets on the basis of the costs incurred to acquire and bring the specific software into use. Capitalised computer software is amortised over 2 years and carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight–line method to write-down the cost of intangible assets to their residual values over their estimated useful lives from the date they are available for use.

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. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Costs associated with maintaining computer software programmes are recognised as an expense, as and when incurred.

Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system, which will be controlled by the Group and has a probable benefit exceeding one year, are recognised as intangible assets. These costs are initially capitalised as work-in-progress up to the date of completion of projects after which the asset is transferred to computer software and accounted for as per the computer software and licences policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis, irrespective of whether there is an indication of impairment.

Retirement and disposals

An intangible asset shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue.

1.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

The carrying amounts of the Group's property, plant and equipment, right-of use assets and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests investments in subsidiaries annually.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated on a pro-rata basis to reduce the carrying amounts of the assets in the CGU (group of CGUs).

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for cash generating units/ assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those cash generating units assets are estimated.

The increased carrying amount of an asset/cash generating unit attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost or cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.9 FINANCIAL INSTRUMENTS

a) Initial recognition and measurement

Financial instruments are recognised when the group becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised / (derecognised) on the date the group commits to purchase / (sell) the instruments (trade date accounting).

b) Financial assets classification and subsequent measurement

The group classifies its financial assets into the following measurement categories based on the group's assessment of the business model:

ACCOUNTING POLICIES (cont.)

Amortised Cost which consists of the following classes:

- cash and cash equivalents;
- Loans and advances to customers;
- Loans to subsidiaries, joint ventures and associates;
- Deposits due to customers;
- Trade and other receivables; and
- Statutory liquid assets.

Fair value through profit or loss (FVTPL) which consists of the below items:

- Investment in cell captives; and
- Investment in listed funds.

Business Model

The business model reflects how the group manages the assets in order to generate cash flows. That is whether the group's objective is solely to collect the contractual cash flow from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of "other" business and measured at FVTPL. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows, the group assesses whether the financial assets' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of time value of money, credit risk, other basic lending risks and a profit margin consistent with a basic lending arrangement. Based on these factors, the group classifies its debt into the amortised cost category.

The group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The group subsequently measures all equity investments at fair value through profit or loss. Dividends, which are a return on such investments, continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

c) Amortised Cost

Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in terms of the group's expected credit loss policy. A gain or loss from a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income in profit or loss using the effective interest rate method.

d) Effective interest rate method

The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The effective interest rate method considers all contractual terms of the financial instrument and includes any fees or incremental costs which are directly attributable to the instrument and is an integral part of the effective interest rate, but not future credit losses.

In calculating interest income on stage 1 and stage 2 financial assets, the effective interest rate is applied to the gross carrying amount of the asset. However for stage 3 financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial instrument is adjusted if the group revises its estimate of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For purchased or originated credit-impaired financial assets, the group applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

In applying the effective interest method, the group identifies fees that are an integral part of the effective interest rate of loans granted. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. These include origination fees received by the group relating to the creation or acquisition of loans such as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

e) Impairment of financial assets

The group assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets carried at amortised cost and Fair Value through Other Comprehensive Income (FVOCI) (**) and with the exposures arising from loan commitments and financial guarantee contracts. The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The group recognises a loss allowance at an amount equal to the lifetime ECL, except for financial assets on which credit risk has not increased significantly since their initial recognition. The loss allowance on financial assets on which credit risk has not increased significantly since their initial recognition are at an amount equal to the 12 month ECL.

The loss allowance on trade receivables are always measured at an amount equal to the lifetime ECL.

f) Significant increase in credit risk

The group assesses at each reporting date, whether the credit risk of a financial instrument has increased significantly since initial recognition. This is based on the comparison of the risk of default occurring on the financial instrument as at each reporting date to initial recognition over the expected life of the financial instrument. It considers available reasonable and supportable forward-looking information.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments.

g) Impairment of financial assets: Definition of default

The Group defines a default consistent to the internal risk management practices for the relevant financial instruments and considers qualitative factors when appropriate.

The Group's criteria in the determination of impairment of a financial asset or group of assets include observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the customer or borrower;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the lender is over indebted; and
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets that may have arisen from global economic conditions that correlate with defaults on the assets because of adverse changes in the financial services sector, which has impacted on borrowers.

A backstop is applied and the financial instrument is considered to be in default if the borrower is more than 90 days due on its contractual payments.

h) Financial assets subject to renegotiated terms

The group sometimes renegotiates or otherwise modifies the contractual cash flow of loans to customers. When this happens, the group assesses whether the new terms are substantially different to the original term.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. These loans are not considered to be past due. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

ACCOUNTING POLICIES (cont.)

Restructuring activities include extended payment arrangements, and deferral of payments, amongst others.

Following restructuring, a previously overdue advance is managed together with other similar accounts once the customer demonstrates the ability to make contractual payments for a specific period. Restructuring policies and procedures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

If the terms are substantially different, the group derecognises the original asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

i) Write off of financial assets

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

j) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The initial fair value is amortised over the life of the loan commitment.

When loan commitments are below market value, they are subsequently measured at the lower of the following:

(a) The amount of the loss allowance; and
(b) The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The difference between the carrying amount of a financial liability and the consideration paid, including any non-cash transferred or liabilities assumed, shall be recognised in profit or loss.

k) Derecognition of financial assets

On derecognition of a financial asset, the difference between the carrying amount of the asset (measured at the date of derecognition) and any consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

l) Financial liabilities

Financial liabilities are initially measured at fair value including transaction costs and subsequently classified and measured at amortised cost.

The group's financial liabilities at amortised costs included customer deposits, trade and other payables and loan accounts with Nedbank and Khula Enterprise Finance Ltd (repaid during the current financial year).

Derecognition of financial liabilities

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

m) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

1.10 INSURANCE CONTRACT ASSETS

Definition and classification

The Group has investments in 2 cell captives that allows the use of insurance licenses for short-term and long-term insurance. The interests held are in the form of preference shares in terms of the shareholder subscription agreements between the Group and the insurers. In terms of those agreements, the company is required to maintain the solvency of the cells and is thereby exposed to significant insurance risk of the underlying insurance policies written through

the cells. The arrangement is therefore deemed to constitute an in-substance reinsurance contract whereby the company is the insurer and the insurance cell is the cedant.

Insurance contracts are contracts under which the company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. Any reference to insurance contracts issued shall apply to reinsurance contracts.

Unit of account

Through the cell insurance arrangement referenced in the definition and classification the Group has issued two in-substance reinsurance contracts, the cells cover life and non-life business and are therefore not aggregated as the underlying risks are not similar nor are they managed together. Each contract therefore forms its own group for accounting purposes and any reference to a group of insurance contracts shall refer to that single contract.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the Groups. When contracts meet the recognition criteria in the Groups after the reporting date, they are added to the Groups in the reporting period in which they meet the recognition criteria. Composition of the Group is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met.

Measurement

The cell insurers use the Premium Allocation Approach (''PAA'') for measuring contracts with a coverage period of one year or less, or those with a longer coverage period but where use of the PAA has been assessed as resulting in a reasonable estimation of the insurance contract compared to the use of the General Measurement Model (''GMM''). On a look-through basis, the Group has applied the PAA to the measurement of the in-substance reinsurance contracts issued by the company.

The liability/asset for remaining coverage (''LCR/ARC'') is measured based on the amounts recognised by the cell captives adjusted to reflect the solvency support provided through the subscription for preference shares, and any undeclared accumulated funds held in the cell. Essentially this amount approximates the net asset value of the cell.

The amount of insurance revenue recognised in the reporting period depicts the transfer of the promised services at an amount that reflects the portion of consideration the company expects to be entitled to in exchange for those services. This is the revenue so recognised by the cell captives adjusted to reflect any costs incurred for services rendered by the cell captive on behalf of the Group.

Insurance service expenses recognised include the following (as measured by the cell captive):

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses.

Any insurance dividends received from the cell captives reduce the carrying amount of the ARC.

1.11 GOVERNMENT GRANTS AND IMPLEMENTING AGENT PROJECTS

Government grants are recognised when there is reasonable assurance that the Group has complied with the conditions attached to the grant and that the grant has been received.

ACCOUNTING POLICIES (cont.)

Government grants whose primary condition is that the Group should purchase, construct or acquire non-current assets are deducted in arriving at the carrying amount of the assets. The grants are recognised as income over the periods necessary to match the grant with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred with no future related cost are recognised in profit or loss in the period in which they are received. Government grants received for specific loans and advances programmes are recognised as income when all the conditions of the grant have been fulfilled and there is reasonable assurance that the grant will be received.

During its course of business, IDFC may enter into binding arrangements where it undertakes transactions with third parties ''on behalf of, and for the benefit of, other entities". The entity on whose behalf the activities are being undertaken and who ultimately benefits (or bears losses), is the principal in the arrangement. IDFC accounts for these in the balance sheet as projects and does not recognise any transactions in the income statement relating to the projects, nor does IDFC recognise any assets acquired for the purposes of fulfilling the conditions of the projects.

1.12 TAXATION

Current tax assets and liabilities

Ithala Development Finance Corporation is exempt from normal tax in terms of Section 10(1) (cA) (i) of the Income Tax Act. Consequently, all wholly owned subsidiaries of the Corporation are exempt from normal tax in terms of Section 10(1) (cA)(ii) of the Income Tax Act. Subsidiaries that are wholly owned are not subject to normal taxation except for Sundumbili, Nongoma, Wharfside and Sibaya.

Tax expense for subsidiaries that are not wholly owned comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.13 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Operating leases - lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is recognised under revenue in the statement of profit or loss.

Right of use of assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

The Group recognises a right-of-use asset and a lease liability at the initial application date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use asset is initially measured at cost, which comprises:

a) the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date;
b) plus any initial direct costs incurred by the lessee; and
c) an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be amortised over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is assessed for impairment, where there is an indicator of impairment, and if the asset is found to be impaired, the carrying value of the right of use asset is reduced by impairment losses, and adjusted for certain re-measurements of the lease liability.

Termination / Cancellation of lease

In the event of cancellation / termination of the lease by either party (lessee or lessor), the right of use asset is derecognised and any difference is recognised in profit or loss on derecognition.

The right-of-use asset is derecognised to reflect the partial or full termination of the lease. The Group, as lessee, recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. The lease liability is derecognised accordingly.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments (including substance fixed payments), less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability shall be subsequently measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

Lease modifications and rental concessions

The Group assessed whether any rental concessions received were as a direct consequence of the Covid 19 pandemic constituted lease modifications. In assessing whether concessions received are lease modifications, the below factors would need to be considered:

- whether or not the concessions resulted in a change to the scope of the lease i.e. if there had been changes in the right of use conveyed to the Group as lessee.
- whether or not there has been a change in the consideration for the lease, considering the overall effect of any change in the lease payments.
- whether or not the practical expedient as per IFRS 16 could be applied i.e. if the concessions did not extend beyond June 2022, it would not need to be accounted for as a lease modification, provided that the concession did not result in a change either to the scope or consideration for the lessee.

The Group received a reduction in lease payments and going forward, the yearly escalation rates will be applied on the reduced lease payments. As this has resulted in a change to the consideration for the lease, it has been accounted for as a lease modification. Refer to the right of use and finance lease liability

ACCOUNTING POLICIES (cont.)

notes, where the impact of the modification on the right of use asset and lease liability has been quantified. However, these reductions in payments were not as a result of the Covid 19 pandemic. Lease payments were renegotiated with the landlords as the subsidiary company had ceased operations.

Finance leases - lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

1.14 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula.

1.15 EMPLOYEE BENEFITS

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages and salaries, annual leave, sick leave, bonuses, contributions to retirement funds, car allowance, housing subsidy, cell phone allowance and medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

b) Defined contribution plans

When an employee has rendered service to the group during a period, the group recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (sundry debtor) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense.

c) Post-retirement medical aid benefit

The Group provides post-retirement medical aid benefits to substantially all employees who commenced employment prior to 1 August 2000. The scheme is unfunded.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries for the post-retirement medical aid fund.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straightline basis over the average period until the amended benefits become vested.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

d) Pension and Provident Fund

The group previously had a defined benefit provident fund and a defined benefit pension fund which was funded. The defined benefit plans were closed off and employees were transferred to the Old Mutual defined contribution plans. However, the defined benefit plans have pensioners who have not been transferred to Old Mutual as the Group is still waiting for the trustees and FSCA to give the go ahead to transfer the pensioners. Plan assets pertaining to the pensioners are therefore still currently held as at year end.

For defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries for the liability that is outstanding as at year end for the pensioners as well as the plan assets.

When the projected unit credit method calculation results in a potential asset being recognised, the net defined benefit asset shall be measured at the fair value of the plan assets less the present value of the defined benefit obligation limited to the present value of any economic benefits available in the form of refunds from the plan. As at year end the potential asset has not been recognised as the plan assets have not been allocated to the Group by the FSCA as yet for use in the reduction of future contributions or as a refund.

For the pension and provident fund benefits, actuarial gains and losses are recognised in profit or loss in the year in which they arise. The net interest expense is determined on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Net interest expense is recognised in profit or loss.

e) Long service award

For the long service award, the Group pays out the employee a certain percentage of the total cost to Group or a fixed amount. The payment is made based on the number of years, the employee has rendered service to the group, which should be a minimum of 5 years. The payment of the award is the cost of providing the benefits which is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the long service award.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

For the long service award actuarial gains and losses are recognised in the year in which they arise in profit or loss. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

f) Termination benefits

If the termination benefits include post-employment benefits, these shall be accounted for as detailed above under post-employment benefits, otherwise termination benefits payable within 12 months after the end of the reporting period they are measured in accordance with the requirements of short-term benefits. If termination benefits are payable beyond 12 months after the end of the reporting period they are measured in accordance with the requirements of other long term benefits. The group is demonstrably committed to curtailment or settlement.

1.16 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell or distribute.

An impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell shall be recognised in profit or loss. A gain shall be recognised resulting from the subsequent increase in fair value less cost to sell off an asset, not in excess of the cumulative impairment loss that has been recognised.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

Non-current assets held for sale consists of immovable property, mainly comprising private residential dwellings, which have been repossessed by the Group and are being held as collateral for underlying lending arrangements that subsequent to origination, have defaulted.

ACCOUNTING POLICIES (cont.)

These properties include properties registered and available for sale and properties sold for which transfer to a purchaser is in progress.

1.17 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Company in which they are declared.

1.18 RELATED PARTY

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Identifying related party relationships

The following are regarded as related parties of the Group:

a) A person or a close member of the person, that is a member of key management personnel or executive authority of the Group,
b) An entity that is related to the Group when the following conditions are met:
   i) The entity and the Group are members of the same group,
   ii) One entity (Group or entity) is an associate or joint venture of the other entity, and
   iii) The Group is controlled by key management personnel or executive authority.

Within the context of South African government and the sphere within which the Group operates (the provincial sphere) the following are related parties to the Group: all departments, public entities and Provincial Legislature.

Identifying related party transactions

A related party transaction is a transfer of resources, services and obligations between a reporting entity and a related party, regardless of whether a price is charged.

1.19 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is measured as the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Gains from the expected disposal of assets shall not be taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

Contingent liabilities, which include certain guarantees other than financial guarantees, are reasonably possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events, not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Contingent assets are reasonably possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not, that an inflow of economic benefits will occur. However, when the inflow of economic benefits is virtually certain, as asset is recognised in the statement of financial position because that asset is no longer considered to be contingent.

1.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised in accordance with IFRS 15, Revenue from contracts with customers, when the performance obligation with the customer has been satisfied by transferring the goods or services to the customer as promised in the contract.

Revenue is measured based on the consideration specified in the contracts with customers, net of VAT and excludes amounts collected on behalf of third parties.

The Group's revenues are earned mainly from the following services and goods as disclosed in the other operating income note:

Rental received

Rental income from investment property is recognised in profit/loss on a straightline basis over the lease term in accordance with the leases standard. Lease incentives granted are recognised as part of the total rental income over the lease term.

Sale of electricity, water, refuse and sewage

Sale of goods is recognised when control over the goods is transferred to the customer and the collectability is probable. Revenue from the sale of electricity, water, refuse and sewage are recognised when consumed by the customer, to the extent that is probable that the consideration due to the Group, in exchange for the sale of utilities will be received. The transaction price will be based on the stand-alone selling prices and usage of the utilities by the tenant. When assessing the probability of the consideration being received from the entity, the payment history on the tenants' accounts are analysed as well as the status of their account for example, if the account is in dispute, under legal proceedings, tenant is insolvent, or has absconded etc.

Fees earned

Fee income includes services fees, binder fees and investment fees and is recognised as the related services are performed.

Services Recovered

Recoveries include items such as rates, refuse removal, cleaning and security. Recoveries do not represent revenue from a contract with a customer as defined by IFRS 15. The monies received are a re-imbursement by clients to the Group for payments made to the municipality on their behalf. The payments made on behalf of the clients and the recovery should net off. Any remaining portion is recognised as an expense in the statement of profit or loss and other comprehensive income.

Commission

Commission earned from contracts with customers is recognised when the performance obligation (banking and delivery agency services) has been satisfied by transferring control of the services to the customer. The amount of the consideration that is expected to be transferred in exchange for the services is the transaction price per the contract.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES

	Group		Company	
	2025	2024	2025	2024
Sectoral analysis	R'000	R'000	R'000	R'000
Housing and commercial property	1 431 288	1 516 822	-	-
Micro finance - secured	621 894	737 470	-	-
Micro finance - unsecured	8 318	12 936	17 038	12 936
Agri finance	344 254	320 410	344 254	320 410
Franchise finance	66 988	45 659	66 988	45 659
Procurement finance	98 694	92 159	98 694	92 156
Commercial property finance	137 865	111 783	137 865	111 783
Asset finance	291 377	208 046	291 377	208 046
Structured finance	77 575	72 080	77 575	72 080
Gross carrying amount	**3 078 253**	**3 117 365**	**1 033 791**	**863 070**
Credit impairment for loans and advances	(690 990)	(568 617)	(569 994)	(452 497)
Expected credit loss (Loan commitments)	(820)	(1 105)	(820)	(1 105)
Less: Credit impairment balance	**(691 810)**	**(569 722)**	**(570 814)**	**(453 602)**
Net loans and advances including current portion	**2 386 443**	**2 547 643**	**462 977**	**409 468**
Less: Current portion included under current assets	(63 851)	(192 579)	(55 131)	(47 543)
Net loans and advances* **	**2 322 592**	**2 355 064**	**407 846**	**361 925**
Non- performing loans	901 484	754 955	637 346	526 594
Impaired portion of the non-performing loan	(626 749)	(512 108)	(530 798)	(430 624)
Unimpaired portion of non- performing loans	**274 735**	**242 847**	**106 548**	**95 970**

Included in loans and advances above are day one losses of R90.3m (2024: R53.9m).

*The day 1 loss arises as a result of loans from the Enterprise Development Fund issued at below market rates. The agreement between the shareholder and IDFC is that these loans will be advanced at interest rates between 2% - 7%.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Day one losses*				
Opening balance	53 869	46 804	53 869	46 804
Day one loss recognised	(15 153)	20 521	(15 153)	20 521
Amortised	51 576	(13 456)	51 576	(13 456)
Closing balance	**90 292**	**53 869**	**90 292**	**53 869**
Maturity analysis				
Maturing:				
Up to 1 month	633 671	506 285	487 638	402 731
From 1 month to 6 months	130 274	131 963	61 776	55 367
From 6 months to 1 year	156 458	124 052	76 531	43 042
From 1 year to 5 years	793 334	786 825	300 708	236 054
After 5 years	1 373 236	1 568 240	107 138	125 876
	3 086 973	**3 117 365**	**1 033 791**	**863 070**

The maturity analysis is based on the remaining period to contractual maturity date as determined at the end of the year.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Expected credit loss for loans and advances				
Balance at beginning of the year	(569 722)	(507 805)	(453 602)	(415 448)
Charge to income statement				
Bad debts written off*	10 200	52 410	180	33 261
Expected credit loss**	(247 367)	(113 683)	(117 678)	(70 771)
ECL on loan commitments	(285)	(644)	286	(644)
Balance at end of the year	**(807 174)**	**(569 722)**	**(570 814)**	**(453 602)**

*Bad debts written off represent losses made on the derecognition of loans and advances measured at amortised cost.

Comprising:				
Impairment for performing loans - Stage 1 and 2	(80 635)	(56 550)	(39 054)	(21 863)
Impairment for non-performing loans - Stage 3	(725 719)	(512 067)	(530 940)	(430 634)
Expected credit loss (Loan commitments)	(820)	(1 105)	(820)	(1 105)
Impairment for loans and advances	**(807 174)**	**(569 722)**	**(570 814)**	**(453 602)**

The information disclosed below relating to the impairment losses has been prepared in terms of IFRS 7 using the expected credit loss model in terms of IFRS 9.

Expected credit loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 (refer to note 30 for description of the different stages) due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions. Refer to note 30 for changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Movement in gross carrying amount and expected credit loss allowance

Both the gross carrying amount and ECL have increased year-on-year, with the ECL coverages also increasing, particularly on stage 3 loans. However, new business growth and a reduction in loans triggering SICR has resulted in a greater proportion of the portfolio being in stage 1 and thus the overall ECL coverages has reduced. The increase in ECL is primarily driven by a combination of the following factors:

- The time to collateral recovery assumption applied within the LGD model was adjusted to 36 months based on the ageing of collateral on book.
- The backstop, adjusted the provisioning model so that loans that have been in default for more than 60 months are fully provided for.
- The continued ageing of defaulted loans has resulted in reduced recovery expectations, whilst the gross carrying amount on such loans have increased with additional accrued interest.
- Introduction of a 5% LGD floor.
- Discounting losses in the ECL calculation at contractual rates rather than market rates increased impairments.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

At Company level, there has been a slight decline in the NPL ratio, from 71% in the prior year, to 69% in the current financial year. At Group level, there has been a slight increase in the NPL ratio, from 23% in the prior year, to 24% in the current financial year.

At Group level, balances and impairments decreased in absolute terms over the financial year and we experienced a slight decrease in the NPL ratio from 25% in the prior financial year to 23% in the current financial year.

In terms of forward looking information, macroeconomic indicators such as GDP which were stressed during the Covid 19 period have rebounded to near pre-2020 levels in real terms. However, additional risks are posed by inflation and interest rate risk, which were not stressed to the same extent or driving defaults over the Covid 19 period. In the prior year, the macroeconomic model was adjusted to cater for these risks by incorporating CPI and real extension to firms. The macroeconomic model has been recalibrated based on updated information, but these variables as well as GDP have again been included in the model to ensure that such risks are allowed for. The absolute impact of this adjustment is relatively small due to the impairments being concentrated in stage 3.

In the prior year, elevated defaults were experienced due to the impacts of Covid 19. Combining the latest curing rules with default rates having peaked in Q2 of 2021, a higher NPL ratio was observed year-on-year for the Company. The NPL ratio increased from 64% to 71% from the 2021 financial year. Additionally, the ageing NPL population and a more prudent assumption of the average time to collateral recovery had resulted in higher stage 3 coverage ratios. Therefore, despite balances and impairments decreasing in absolute terms over the financial year, coverage ratios had increased due to the greater concentration of the portfolio in NPL and the higher coverage applied to these stage 3 exposures. At Group level in the prior year, balances and impairments decreased in absolute terms over the financial year and we experienced a slight decrease in the NPL ratio from 25% in the 2021 financial year, to 23% in the 2022 financial year.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2025	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	1 606	2 111	-	3 717	56	1 782	284	956	680	3 448	564	7 770	11 487
Stage 2	21 272	9 698	-	30 970	333	4 018	-	2 460	785	6 507	-	14 103	45 073
Stage 3	57 838	23 595	-	81 433	6 444	186 218	23 545	53 945	19 371	81 108	59 992	430 623	512 056
Opening balance 1 April 2024	**80 716**	**35 404**	**-**	**116 120**	**6 833**	**192 018**	**23 829**	**57 361**	**20 836**	**91 063**	**60 556**	**452 496**	**568 616**
Recalibration of model**	(59)	242	-	183	-	-	-	-	-	-	-	-	183
Recalibrated opening balance	**80 657**	**35 646**	**-**	**116 303**	**6 833**	**192 018**	**23 829**	**57 361**	**20 836**	**91 063**	**60 556**	**452 496**	**568 799**
Changes to model assumptions and methodologies	(252)	(212)	-	(464)	(172)	(2 832)	(1 303)	161	1 035	1 379	1 048	(684)	(1 148)
Financial assets derecognised during the period**	(5 393)	(4 657)	-	(10 050)	(481)	-	(8)	(1 254)	(1)	(13)	(3 121)	(4 878)	(14 928)
Stage 1 net transfers	1 159	732	-	1 891	1	681	(65)	(82)	437	(701)	(24)	247	2 138
Stage 2 net transfers	(4 829)	(3 276)	-	(8 105)	(193)	(3 063)	499	(2 065)	(2 493)	(3 013)	34	(10 294)	(18 399)
Stage 3 net transfers	9 587	5 102	-	14 689	439	618	140	6 800	2 769	15 515	-	26 281	40 970
New financial asset originated or purchased	1	1	-	2	862	2 309	754	5 636	1 330	12 637	270	23 798	23 800
Changes in PDs/LGDs/ EADs	10 253	4 255	-	14 508	826	43 947	2 292	5 100	6 762	14 443	9 569	82 939	97 447
Changes to model assumptions and methodologies	(2 875)	(2 602)	-	(5 477)	-	-	-	-	-	-	-	-	(5 477)
Macro economic forecasts	(1 426)	(874)	-	(2 300)	(4)	(14)	(4)	(21)	(3)	(10)	3	(53)	(2 353)
Total net P&L charge during the period	**6 225**	**(1 531)**	**-**	**4 694**	**1 278**	**41 646**	**2 305**	**14 275**	**9 836**	**40 237**	**7 779**	**117 356**	**122 050**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2025	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Other movements with no P&L impact Transfers:													
	86 882	**34 115**	**-**	**120 997**	**8 111**	**233 664**	**26 134**	**71 636**	**30 672**	**131 300**	**68 335**	**569 852**	**690 849**
Stages closing balances													
Stage 1	1 023	939	-	1 962	177	2 853	908	1 685	922	2 833	272	9 650	11 612
Stage 2	18 056	5 028	-	23 084	358	2 818	1 287	2 890	943	19 778	1 330	29 404	52 488
Stage 3	67 803	28 148	-	95 951	7 576	227 993	23 939	67 061	28 807	108 689	66 733	530 798	626 749
	86 882	**34 115**	**-**	**120 997**	**8 111**	**233 664**	**26 134**	**71 636**	**30 672**	**131 300**	**68 335**	**569 852**	**690 849**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2025	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	919 204	609 311	-	1 528 515	2 988	53 428	20 255	15 904	71 032	78 657	8 613	250 877	1 779 392
Stage 2	414 874	82 541	-	497 415	2 865	18 593	-	19 155	6 445	38 544	-	85 602	583 017
Stage 3	182 744	45 618	-	228 362	7 083	248 389	25 404	57 100	34 306	90 845	63 467	526 594	754 956
Opening balance 01 April 2024	**1 516 822**	**737 470**	**-**	**2 254 292**	**12 936**	**320 410**	**45 659**	**92 159**	**111 783**	**208 046**	**72 080**	**863 073**	**3 117 365**
Recalibration of model	409	-	-	409	-	-	-	-	-	-	-	-	409
Stage 1 net transfers	(26 750)	(4 492)	-	(31 242)	(80)	5 992	(4 508)	(3 218)	(19 067)	(37 631)	(8 161)	(66 673)	(97 915)
Stage 2 net transfers	(11 882)	(11 716)	-	(23 598)	(524)	(8 752)	5 819	(6 771)	(5 964)	459	8 161	(7 572)	(31 170)
Stage 3 net transfers	38 632	16 219	-	54 851	605	2 761	(1 311)	9 989	25 031	37 172	-	74 247	129 098
Financial assets derecognised during the period**	(60 155)	(56 874)	-	(117 029)	(5 028)	(2)	(2 139)	(19 296)	(1 192)	(1 308)	(4 813)	(33 778)	(150 807)
Financial asset originated or purchased	1 090	1 178	-	2 268	8 872	27 645	29 429	28 332	27 887	91 777	3 435	217 377	219 645
Interest accruals and payments received	(26 878)	(59 891)	-	(86 769)	257	(3 800)	(5 961)	(2 501)	(613)	(7 138)	6 873	(12 883)	(99 652)
	1 431 288	**621 894**	**-**	**2 053 182**	**17 038**	**344 254**	**66 988**	**98 694**	**137 865**	**291 377**	**77 575**	**1 033**	**3 086 973**
Stages closing balance													
Stage 1	835 481	518 745	-	1 354 226	5 845	65 076	38 067	15 963	67 514	64 329	3 554	260 348	1 614 574
Stage 2	381 603	53 215	-	434 818	2 804	15 229	4 095	11 618	8 462	87 833	6 056	136 097	570 915
Stage 3	214 204	49 934	-	264 138	8 389	263 949	24 826	71 113	61 889	139 215	67 965	637 346	901 484
	1 431 288	**621 894**	**-**	**2 053 182**	**17 038**	**344 254**	**66 988**	**98 694**	**137 865**	**291 377**	**77 575**	**1 033 791**	**3 086 973**

Loss Allowance: 2023	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	1 804	2 357	-	4 161	64	220	286	652	295	1 763	-	3 280	7 441
Stage 2	19 686	7 783	-	27 469	233	1 732	34	1 084	615	5 851	1 399	10 948	38 417
Stage 3	46 860	13 866	-	60 726	4 604	152 827	21 329	46 291	47 441	76 735	51 533	400 760	461 486
Opening balance 01 April 2023	**68 350**	**24 006**	**-**	**92 356**	**4 901**	**154 779**	**21 649**	**48 027**	**48 351**	**84 349**	**52 932**	**414 988**	**507 344**
Recalibration of model**	(6 196)	3 815	-	(2 381)	-	-	-	-	-	-	-	-	(2 381)
Recalibrated opening balance	**62 154**	**27 821**	**-**	**89 975**	**4 901**	**154 779**	**21 649**	**48 027**	**48 351**	**84 349**	**52 932**	**414 988**	**504 963**
Changes to model assumptions and methodologies	(159)	(75)	-	(234)	-	-	-	-	-	-	-	-	(234)
Financial assets derecognised during the period**	(6 992)	(5 195)	-	(12 187)	(364)	(2 866)	-	(2 022)	(9 460)	(9 190)	(19)	(23 921)	(36 108)
Stage 1 net transfers	645	(21)	-	624	-	195	25	28	961	961	-	1 075	1 699
Stage 2 net transfers	(2 094)	(3 257)	-	(5 351)	(226)	258	(32)	(261)	(647)	588	-	(320)	(5 671)
Stage 3 net transfers	6 127	9 168	-	15 295	759	(2 244)	-	1 188	(20 419)	(608)	(134)	(21 458)	(6 163)
New financial asset originated or purchased	1 005	3 557	-	4 562	1 160	3 763	125	6 085	249	5 057	-	16 439	21 001
Changes in PDs/LGDs/EADs	14 911	8 769	-	23 680	501	32 963	2 143	5 497	1 318	9 438	10 455	62 315	85 995
Changes to model assumptions and methodologies	5 159	(5 232)	-	(73)	110	(1 391)	(127)	(1 095)	(1 064)	1 169	(2 852)	(5 250)	(5 323)
Changes to model assumptions and methodologies	-	-	-	-	-	6 787	63-	-	1 594	868	208	9 520	9 520
Macro-economic forecasts	(40)	(131)	-	(171)	(8)	(226)	(17)	(86)	(47)	(474)	(34)	(892)	(1 063)
Total net P&L charge during the period	**18 562**	**7 583**	**-**	**26 145**	**1 932**	**37 239**	**2 180**	**9 334**	**(27 515)**	**6 714**	**7 624**	**37 508**	**63 653**
Other movements with no P&L impact													

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2024	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Other movements with no P&L impact Transfers:													
	80 716	**35 404**	**-**	**116 120**	**6 833**	**192 018**	**23 829**	**57 361**	**20 836**	**91 063**	**60 556**	**452 496**	**568 616**
Stages closing balances													
Stage 1	1 606	2 111	-	3 717	56	1 782	284	956	680	3 448	564	7 770	11 487
Stage 2	21 272	9 698	-	30 970	333	4 018	-	2 460	785	6 507	-	14 103	45 073
Stage 3	57 838	23 595	-	81 433	6 444	186 218	23 545	53 945	19 371	81 108	59 992	430 623	512 056
	80 716	**35 404**	**-**	**116 120**	**6 833**	**192 018**	**23 829**	**57 361**	**20 836**	**91 063**	**60 556**	**452 496**	**568 616**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2023	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Stage 1	932 279	565 257	-	1 497 536	5 227	33 661	21 102	9 215	19 412	42 874	-	131 491	1 629 027
Stage 2	497 133	111 534	-	608 667	4 862	18 566	3 319	11 697	36 242	27 468	6 499	108 653	717 320
Stage 3	171 135	33 760	-	204 895	4 961	238 112	23 536	47 799	76 008	89 922	58 940	539 278	744 173
Opening balance 01 April 2023	**1 600 547**	**710 551**	**-**	**2 311 098**	**15 050**	**290 339**	**47 957**	**68 711**	**131 662**	**160 264**	**65 439**	**779 422**	**3 090 520**
Stage 1 net transfers	(104 989)	(15 523)	-	(120 512)	16	3 892	3 319	199	62 690	(9 098)	9 794	70 812	(49 700)
Stage 2 net transfers	78 700	(7 923)	-	70 777	(1 033)	(532)	(3 319)	(2 158)	(29 650)	7 581	(6 499)	(35 610)	35 167
Stage 3 net transfers	26 289	23 446	-	49 735	1 017	(3 360)	-	1 959	(33 040)	1 517	(3 295)	(35 202)	14 533
Financial assets derecognised during the period**	(72 458)	(50 347)	-	(122 805)	(6 670)	(5 109)	(91)	(16 696)	(9 913)	(11 842)	(19)	(50 340)	(173 145)
Financial asset originated or purchased	31 098	135 017	-	166 115	5 637	28 793	5 330	37 090	14 731	58 088	-	149 669	315 784
Interest accruals and payments received	(42 365)	(57 751)	-	(100 116)	(1 081)	6 387	(7 537)	3 054	(24 697)	1 536	6 660	(15 678)	(115 794)
Stages closing balance	**1 516 822**	**737 470**	**-**	**2 254 292**	**12 936**	**320 410**	**45 659**	**92 159**	**111 783**	**208 046**	**72 080**	**863 073**	**3 117 365**
Stage 1	919 204	609 311	-	1 528 515	2 988	53 428	20 255	15 904	71 032	78 657	8 613	250 877	1 779 392
Stage 2	414 874	82 541	-	497 415	2 865	18 593	-	19 155	6 445	38 544	-	85 602	583 017
Stage 3	182 744	45 618	-	228 362	7 083	248 389	25 404	57 100	34 306	90 845	63 467	526 594	754 956
	1 516 822	**737 470**	**-**	**2 254 292**	**12 936**	**320 410**	**45 659**	**92 159**	**111 783**	**208 046**	**72 080**	**863 073**	**3 117 365**

*Included in the financial assets derecognised, is the bad write off for Group of R10.2m (2024: R52.4m) and Company of R0.180m (2024: R33.3m).

**Ithala SOC Ltd does the credit impairment model half yearly and then the annual recalibration. The results of the recalibrations are the changes in the ECL output of the model.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

Group	2025				2024			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Housing and commercial property	11 793	-	-	-	16 988	-	6 537	-
Micro finance - secured	3 573	-	-	-	2 839	-	1 791	-
Micro finance - unsecured	-	-	-	-	108	-	-	-
Agri-finance	12 335	1 993	-	-	3 647	-	4 076	-
Procurement finance	432	-	-	-	2 910	-	-	-
Commercial property	5 777	259	-	-	-	-	-	-
Asset finance	35 919	(175)	2 332	403	469	-	5 691	-
Franchise finance	-	-	-	-	-	-	5 754	-
Total	**69 829**	**2 077**	**2 332**	**2 077**	**26 961**	**-**	**23 849**	**-**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

Company	2025				2024			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Micro finance secured	281	-	-	-	-	-	-	-
Micro finance - unsecured	-	-	-	-	108	-	-	-
Agri-finance	12 335	1 993	-	-	3 647	-	4 076	-
Procurement finance	432	-	-	-	2 910	-	-	-
Asset finance	35 919	(175)	2 332	403	469	-	5 691	-
Commercial property finance	5 777	259	-	-	-	-	5 754	-
Total	**54 744**	**2 077**	**2 332**	**403**	**7 134**	**-**	**15 521**	**-**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

The nature of the modification that did not result in derecognition was the extension of the loan terms. As the extension was not considered to be significant, it would not warrant a change from being measured at lifetime expected credit losses to 12 month expected credit losses.

*Stage 1 and 2 modifications as noted in the table above is split as follows:

Housing and commercial property - Ithala SOC Ltd
2025: R11 793 000 - Stage 2
2024: R16 988 000 - Stage 2

Micro finance - secured - Ithala SOC Ltd
2025: R3 292 000 - Stage 2
2024: R2 839 000 - Stage 2

Micro-finance - unsecured - Company
2025: R5000 - Stage 1
2025: R7000 - Stage 2
2024: R108 000 - Stage 1

Agri Finance - Company
2025: R14 000 - Stage 1
2025: R226 000 - Stage 2
2024: R3 647 000 - Stage 2

Procurement finance - Company
2025: R220 000 - Stage 1
2025: R451 000 - Stage 2
2024: R2 910 000 - Stage 2

Commercial finance - Company
2025: R139 000 - Stage 2
2025: R56 000
2024: NIL

Asset finance - Company
2025: R702 000 - Stage 1
2024: R469 000 - Stage 1

Structured finance - Company

The tables below reflects the credit quality and maximum exposure to credit risk based on Empirical scores, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology and impairment assessment and measurement approach are explained in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Mortgage and Housing Loans - Ithala SOC Limited - 31 March 2025	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.00%-0.50%	627 015	7 263	-	634 278
0.51%-11.70%	208 466	288 288	-	496 754
11.71%-29.50%	-	45 352	-	45 352
29.51%-100%	-	40 700	-	40 700
Non-performing	-	-	-	-
100%	-	-	214 204	214 204
Gross Carrying Amount	**835 481**	**381 603**	**214 204**	**1 431 288**

Mortgage and Housing Loans - Ithala SOC Ltd - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.00%-0.50%	221	4	-	225
0.51%-11.70%	918 983	307 908	-	1 226 891
11.71%-29.50%	-	65 529	-	65 529
29.51%-100%	-	41 430	-	41 430
Non-performing	-	-	-	-
100%	-	-	182 744	182 744
Gross Carrying Amount	**919 204**	**414 871**	**182 744**	**1 516 819**

Micro finance secured - Ithala SOC Limited - 31 March 2025	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.00%-0.50%	208 484	1 137	-	209 621
0.51%-11.70%	310 228	27 221	-	337 449
11.71%-29.50%	-	2 982	-	2 982
29.51%-100%	-	21 875	-	21 875
Non-performing	-	-	-	-
100%	-	-	49 934	49 934
Gross Carrying Amount	**518 712**	**53 215**	**49 934**	**621 861**

Micro finance secured - Ithala SOC Limited - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Total R'000
12 Month PD Range	-	-	-
Performing	-	-	-
0.00%-0.50%	19 624	-	19 624
0.51%-11.70%	589 687	38 944	628 631
11.71%-29.50%	-	6 653	6 653
29.51%-100%	-	36 946	36 946
Non-performing	-	-	-
100%	-	-	45 616
Gross Carrying Amount	**609 311**	**82 543**	**737 470**

Micro finance unsecured - Company - 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	5 845	2 111	-	7 956
11.71%-29.50%	-	51	-	51
29.51%-100%	-	642	8 389	9 031
Non-performing	-	-	-	-
Gross Carrying Amount	**5 845**	**2 804**	**8 389**	**17 038**

Micro finance unsecured - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	2 989	2 316	-	5 305
29.51%-100%	-	548	-	548
Non-performing	-	-	-	-
100%	-	-	7 083	7 083
Gross Carrying Amount	**2 989**	**2 864**	**7 083**	**12 936**

Agri Finance - Company - 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	21 786	-	-	21 786
11.71%-29.50%	43 290	2 843	-	46 133
29.51%-100%	-	12 387	263 948	276 335
Non-performing	-	-	-	-
Gross Carrying Amount	**65 076**	**15 230**	**263 948**	**344 254**

Agri Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	24 615	-	-	24 615
11.71%-29.50%	28 813	12 267	-	41 080
29.51%-100%	-	6 326	-	6 326
Non-performing	-	-	-	-
100%	-	-	248 389	248 389
Gross Carrying Amount	**53 428**	**18 593**	**248 389**	**320 410**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Franchise Finance - Company - 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	38 067	-	-	38 067
11.71%-29.50%	-	38	-	38
29.51%-100%	-	4 057	24 826	28 883
Non-performing	-	-	-	-
Gross Carrying Amount	**38 067**	**4 095**	**24 826**	**66 988**

Franchise Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	20 255	-	-	20 255
Non-performing	-	-	-	-
100%	-	-	25 404	25 404
Gross Carrying Amount	**20 255**	**-**	**25 404**	**45 659**

Procurement Finance - Company - 31 March 2025	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	4 699	4 220	-	8 919
11.71%-29.50%	11 263	321	-	11 584
29.51%-100%	-	7 077	71 114	78 191
Non-performing	-	-	-	-
Gross Carrying Amount	**15 962**	**11 618**	**71 114**	**98 694**

Procurement Finance - Company - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	9 871	9 304	-	19 175
11.71%-29.50%	4 287	989	-	5 276
29.51%-100%	1 746	8 862	-	10 608
Non-performing	-	-	-	-
100%	-	-	57 100	57 100
Gross Carrying Amount	**15 904**	**19 155**	**57 100**	**92 159**

Commercial Property Finance - Company - 31 March 2025	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.00%-0.50%	32	-	-	32
0.51%-11.70%	61 796	-	-	61 796
29.51%-100%	5 686	8 462	61 889	76 037
Non-performing	-	-	-	-
Gross Carrying Amount	**67 514**	**8 462**	**61 889**	**137 865**

Commercial Property Finance - Company - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	52 446	-	-	52 446
11.71%-29.50%	18 586	-	-	18 586
29.51%-100%	-	6 445	-	6 445
Non-performing	-	-	-	-
100%	-	-	34 306	34 306
Gross Carrying Amount	**71 032**	**6 445**	**34 306**	**111 783**

Asset Finance - Company - 31 March 2025	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	29 686	-	-	29 686
11.71%-29.50%	34 643	-	-	34 643
29.51%-100%	-	87 833	139 215	227 048
Non-performing	-	-	-	-
Gross Carrying Amount	**64 329**	**87 833**	**139 215**	**291 377**

Asset Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	48 811	9 326	-	58 137
11.71%-29.50%	29 846	27 097	-	56 943
29.51%-100%	-	2 121	-	2 121
Non-performing	-	-	-	-
100%	-	-	90 845	90 845
Gross Carrying Amount	**78 657**	**38 544**	**90 845**	**208 046**

Structured Finance - Company - 31 March 2025	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	119	-	-	119
11.71%-29.50%	3 435	-	-	3 435
29.51%-100%	-	6 056	67 965	74 021
Non-performing	-	-	-	-
Gross Carrying Amount	**3 554**	**6 056**	**67 965**	**77 575**

Structured Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
11.71%-29.50%	8 613	-	-	8 613
Non-performing	-	-	-	-
100%	-	-	63 467	63 467
Gross Carrying Amount	**8 613**	**-**	**63 467**	**72 080**

3. INVESTMENT PROPERTY

Reconciliation of investment property - Group - 2025	Opening balance**	Additions	Fair value adjustments	Total
Investment property	3 422 468	83 647	133 056	3 639 171

Reconciliation of investment property - Group - 2024	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	3 254 959	57 790	(420)	110 139	3 422 468

Reconciliation of investment property - Company - 2025	Opening balance**	Additions	Fair value adjustments	Total
Investment property	3 227 121	82 704	111 018	3 420 843

Reconciliation of investment property - Company - 2024	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	3 070 492	52 041	(420)	105 008	3 227 121

Other disclosures

The valuation of the investment property has been performed by independent qualified valuers, registered with the South African Council for the Properties Valuers Profession (SACPVP). Refer to Note 30 for fair value disclosures.

** Included in the opening balance is the Right-Of-Use Asset of R4m relating to PTO's held as investment property.

Details of property

Amounts recognised in profit and loss for the year

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Rental income from investment property	393 141	367 547	369 465	349 170
Direct operating expenses from rental generating property	(436 609)	(435 322)	(411 594)	(413 238)
Direct operating expenses from non-rental generating property	(11 245)	(10 176)	(11 245)	(10 176)

Below we have disclosed sales and recoveries generated through investment property.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Sale of Utilities	524 844	466 414	524 844	466 414
Purchases	(419 610)	(374 443)	(419 610)	(374 443)
Recoveries	121 166	119 287	114 379	113 193
	171 687	156 545	164 900	150 451

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Group	2025			2024		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Infrastructure and buildings	309 121	(108 093)	201 028	308 643	(102 814)	205 829
Leasehold improvements	62 424	(56 637)	5 787	63 917	(56 536)	7 381
Plant and equipment	224 573	(171 359)	53 214	241 290	(179 951)	61 339
Motor vehicles	11 718	(9 695)	2 023	11 718	(8 770)	2 948
Total	**607 836**	**(345 784)**	**262 052**	**625 568**	**(348 071)**	**277 497**

Company	2025			2024		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Infrastructure and buildings	309 121	(108 093)	201 028	308 643	(102 814)	205 829
Leasehold improvements	12 665	(12 665)	-	12 665	(12 665)	-
Plant and equipment	81 829	(61 778)	20 051	99 596	(78 422)	21 174
Motor vehicles	10 692	(9 092)	1 600	10 692	(8 327)	2 365
Total	**414 307**	**(191 628)**	**222 679**	**431 596**	**(202 228)**	**229 368**

Reconciliation of property, plant and equipment - Group - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Infrastructure and buildings	205 829	483	-	(5 284)	201 028
Plant and equipment	61 339	10 464	(1 688)	(16 901)	53 214
Motor vehicles	2 948	-	-	(925)	2 023
Leasehold improvements	7 381	-	(852)	(742)	5 787
	277 497	**10 947**	**(2 540)**	**(23 852)**	**262 052**

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Infrastructure and buildings	208 067	2 956	-	420	(5 614)	205 829
Plant and equipment	64 055	14 841	(713)	(27)	(16 817)	61 339
Motor vehicles	2 092	1 690	(131)	-	(703)	2 948
Leasehold improvements	7 590	1 326	-	-	(1 535)	7 381
	281 804	**20 813**	**(844)**	**393**	**(24 669)**	**277 497**

Reconciliation of property, plant and equipment - Company - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Infrastructure and buildings	205 829	479	-	(5 280)	201 028
Plant and equipment	21 174	7 241	(1 302)	(7 062)	20 051
Motor vehicles	2 365	-	-	(765)	1 600
	229 368	**7 720**	**(1 302)**	**(13 107)**	**222 679**

Reconciliation of property, plant and equipment - Company - 2024

	Opening balance	Additions	Disposals	Transfers*	Depreciation	Total
Infrastructure and buildings	208 067	2 949	-	420	(5 607)	205 829
Plant and equipment	28 152	1 258	(127)	(27)	(8 082)	21 174
Motor vehicles	1 338	1 690	(131)	-	(532)	2 365
	237 557	**5 897**	**(258)**	**393**	**(14 221)**	**229 368**

Net carrying amounts of leased assets (other information)

Fully depreciated property, plant and equipment still in use	23 259	26 448	23 259	26 448

Property, plant and equipment with nil book values represents property, plant and equipment that are still in use and have a nil book value and to assets with a cost of R5,000 and below that have been fully depreciated in line with the Group's policy. These assets do not have significant useful lives remaining thus reassessment of useful lives and adjustments to carrying amounts would be immaterial.

The reassessment of useful life is performed at each balance sheet date except for assets with costs that is below R5,000.

5. INTANGIBLE ASSETS

Group	2025			2024		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Licenses	941	(922)	19	3 747	(3 594)	153
Computer software	26 171	(18 059)	8 112	50 924	(47 278)	3 646
Other intangible assets*	31 110	(10 885)	20 225	22 824	(10 571)	12 253
Total	**58 222**	**(29 866)**	**28 356**	**77 495**	**(61 443)**	**16 052**

Company	2025			2024		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Licenses	941	(922)	19	3 747	(3 594)	153
Computer software	8 602	(1 108)	7 494	33 355	(30 755)	2 600
Other intangible assets*	3 263	(2 204)	1 059	3 263	(1 892)	1 371
Total	**12 806**	**(4 234)**	**8 572**	**40 365**	**(36 241)**	**4 124**

Reconciliation of intangible assets - Group - 2025

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses	153	-	-	(135)	18
Computer software	3 646	7 323	(1 834)	(1 023)	8 112
Goodwill	151	-	-	-	151
Other intangible assets	12 102	8 285	-	(312)	20 075
	16 052	**15 608**	**(1 834)**	**(1 470)**	**28 356**

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Licenses	287	-	-	-	(134)	153
Computer software	5 123	1 334	-	80	(2 891)	3 646
Goodwill	151	-	-	-	-	151
Other intangible assets	4 869	8 363	(711)	(80)	(339)	12 102
	10 430	**9 697**	**(711)**	**-**	**(3 364)**	**16 052**

Reconciliation of intangible assets - Company - 2025

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses	153	-	-	(134)	19
Computer software	2 600	7 323	(1 835)	(594)	7 494
Goodwill	151	-	-	-	151
Other intangible assets	1 220	-	-	(312)	908
	4 124	**7 323**	**(1 835)**	**(1 040)**	**8 572**

Reconciliation of intangible assets - Company - 2024

	Opening balance	Additions	Amortisation	Total
Licenses	287	-	(134)	153
Computer software	4 613	358	(2 371)	2 600
Goodwill	151	-	-	151
Other intangible assets	1 559	-	(339)	1 220
	6 610	**358**	**(2 844)**	**4 124**
Other information				
Cost of intangible assets with nil book value	2 792	19 275	2 792	19 275

Intangible assets with nil book values represents assets that are still in use and have a nil book value and assets with a cost of R5,000 and below that have been fully depreciated in line with the Group's policy. These assets do not have significant useful lives remaining thus reassessment of useful lives and adjustments to carrying amounts would be immaterial.

The remaining useful lives for intangible assets of the Group as at 31 March 2025

	2025	2024
Other intangible assets	3 - 5 Years	1 - 2 Years
Licences and warranties	1 - 4 Years	1 - 4 Years
Other	2 - 3 Years	1 - 50 Years

*The Group's other intangible assets comprises the banking and insurance system and the electricity connection rights.

An amount of R32,4 million was recognised as an intangible asset impairment provision during the 2011 year. This impaired asset relates to the banking system project (Temenos MCB) which was scheduled to be commissioned in June 2010.

In 2018 Ithala SOC initiated a new banking system project for implementation of an integrated enterprise-wide core banking platform with a digital customer centric paradigm expected to modernise Ithala SOC's technology as well as close various risk and compliance exceptions. Work-in-progress incurred to the value of R26 million which was funded by a R40 million grant received from the KwaZulu-Natal government for the purpose of funding the project. System development has been halted and legal action taken against the service provider. The R26 million carrying value has been reduced by the corresponding R40 million grant funding received, thus no impairment was required. Refer to **Note 27 and Note 41.**

6. RIGHT- OF- USE OF ASSETS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Net carrying amounts of right-of-use assets				
Land, buildings and equipment - Non current asset	42 217	62 411	-	-
Land and buildings - Current asset*	-	13 844	-	-
Total Right- of- use Asset*	**42 217**	**76 255**	**-**	**-**

Reconciliation of right-of-use assets - Land, buildings and equipment

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Opening Balance	76 255	53 518	-	471
Additions	-	45 853	-	-
Depreciation	(18 331)	(22 645)	-	-
Derecognition	(13 224)	(471) -	-	(471)
Modifications	(2 483)	-	-	-
	42 217	**76 255**	**-**	**-**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right- of- use asset which has been expensed in the total depreciation charge in profit or loss, is presented below.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Land and buildings	18 331	20 299	-	-
Equipment	-	2 346	-	-
	18 331	**22 645**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

6. RIGHT- OF- USE OF ASSETS (continued)

	No. of leases	Fixed Payments (%)	Variable Payments	Discount rate (%)
Lease Contract				
Property Leases with fixed payments	2	100	-	8.00 - 10.45

Ithala SOC Ltd's lease portfolio primarily consists of property which includes branch and ATM space. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. Lease payments are renegotiated on expiry of the lease to reflect market rentals. The branch and ATM space leases were entered into many years ago.

Company

Leases with Fixed Payments

The Company has leases for land either directly with the owners of the land or permission to occupy. IDFC has erected buildings and leases those buildings to various tenants in exchange for monthly rental payments. The rental escalation rates for the permission to occupy vary, however the majority does not. All PTO's have a 50 year lease period with different remaining lease periods, as they commenced on different dates. The range of remaining lease periods is between 7 to 33 years. These leases have no renewal options nor do they allow the transfer of land to IDFC.

Lease with Variable Payments

IDFC entered into a lease that has a variable payment portion based on turnover. The lease escalates at a higher of 12% on 1 September of each year, or turnover rental taking into consideration the market conditions. Historically, the rental has escalated based on turnover rental and economic conditions, hence this lease is considered to have variable lease payments linked to the turnover of the building. The lease commenced in 1997 and is expected to terminate in 2047. The lease term is for 50 years and the remaining lease period as at 31 March 2025 is 22 years. The lease has no renewal options nor does it allow the transfer of land to the Company. The variable lease payments are not part of the lease liability and were not included on the initial recognition of the lease liability and the right-of-use of asset. To date, variable lease payments of R2 062 026 have been paid to the lessor as the turnover rental. The lease has no covenants.

Other disclosures

The assets relating to these leases fall within the scope of IAS 40 and all IAS 40 disclosure requirements have been adhered to. Refer to notes 3 and 6.

Short-term leases and leases of low-value assets

The Group has applied the recognition exemption in IFRS 16 to short-term leases and low value assets. The Group recognised the lease payments of R5.3m (2024: R2.8m) associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses, at lease commencement date, whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents the right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in 'trade and other payables' in the statement of financial position.

Discount rates used

The discount rates used are based on the borrowing rates that IDFC would have been charged had funds been borrowed to purchase the right to use the underlying assets. This is based on historical information. It should be noted that the rates vary, as the leases were concluded in different periods, hence averages are being disclosed below.

Lease information	No. of leases	Fixed payments (%)	Variable Payments (%)	Discount rate (%)
Property Leases with fixed payments	18	100	-	4.95 - 11.70
Property Leases with variable payments	1	83	17	19,50

7. STRAIGHTLINING OF OPERATING LEASE INCOME

Non-current assets	45 575	50 818	43 833	48 746
Current assets	5 155	4 499	5 226	5 030
	50 730	**55 317**	**49 059**	**53 776**

	No. of leases	Fixed payments (%)	Variable Payments (%)	Discount rate (%)
Opening balance	55 317	29 723	53 776	28 950
Straight line accrual / (reversal) during the year	5 920	11 904	5 224	11 421
Expected credit loss reversed / (charged) to income statement*	(10 507)	13 690	(9 941)	13 405
Closing balance	50 730	55 317	49 059	53 776
Current portion of long term debtor	(5 155)	(4 499)	(5 226)	(5 030)
Non-current portion of long term debtor	**45 575**	**50 818**	**43 833**	**48 746**

Minimum future rental receivable under non-cancellable operating leases are as follows:

	No. of leases	Fixed payments (%)	Variable Payments (%)	Discount rate (%)
Next 12 months	5 155	4 499	5 226	5 030
From 2 to 5 years	30 753	35 799	29 684	35 010
Later than 5 years	35 127	24 816	33 888	23 534
	71 035	65 114	68 798	63 574
Adjustment for expected lease payments	(20 305)	(9 797)	(19 739)	(9 798)
	50 730	**55 317**	**49 059**	**53 776**

Analysis of provisions				
Balance at the beginning of the year	9 797	23 487	9 798	23 203
Reversal/(charge) to income statement	10 508	(13 690)	9 941	(13 405)
Balance at end of the year	**20 305**	**9 797**	**19 739**	**9 798**

Operating leases relate to investment property owned by the intend with lease terms of between 3 to 10 years at an average escalation rate of 7%. Some operating lease contracts contain an option to renew for a further 3 to 10 years at market related rates. The lessees do not have an option to purchase the property at the expiry of the lease period.

NOTES TO THE FINANCIAL STATEMENTS

7. STRAIGHTLINING OF OPERATING LEASE INCOME (continued)

	Group		Company	
	2025	2024	2025	2024
Maturity analysis - lease payments to be received	R'000	R'000	R'000	R'000
Year 1	231 891	145 649	217 701	138 759
Year 2	173 850	103 644	162 914	98 659
Year 3	112 451	71 573	105 453	67 971
Year 4	75 996	42 978	73 688	40 495
Year 5	56 008	33 388	54 648	32 613
After year 5	225 322	109 071	219 194	109 071
	875 518	**506 303**	**833 598**	**487 568**

8. SUBSIDIARIES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Cowslip Investments (Pty) Ltd				
Shares at cost	-	-	3	3
Share premium	-	-	2 778 928	2 778 928
Grant applied	-	-	(2 778 931)	(2 778 931)
	-	**-**	**-**	**-**
Subsidiaries				
Shares at cost *	-	-	839 774	839 774
Less impairment of investments**	-	-	(838 797)	(507 679)
	-	**-**	**977**	**332 095**
Net loans				
Loans to subsidiaries***	-	-	372 525	385 593
Less impairment of loans****	-	-	(239 549)	(147 003)
	-	**-**	**132 976**	**238 590**
Total investment in subsidiaries	**-**	**-**	**133 953**	**570 685**

Cowslip Investment Properties (Pty) Ltd was established solely to facilitate the funding of the Inkosi Albert Luthuli Central Hospital. Grant funds were provided by the KwaZulu-Natal Department of Health (DOH) to fund the operations of Cowslip. This was achieved by utilising grants received from the DOH to acquire shares in Cowslip, whose sole function was to act as a conduit for the grant funding provided by the DOH to fund the acquisition of assets by Impilo Consortium (Pty) Ltd. The project agreement expired on 31 May 2024.

Investments in subsidiaries include loans to subsidiaries extended on acquisition when IDFC bought shares from minorities and intercompany transactions that haven't been paid as at year end. All subsidiaries are wholly owned by Ithala Development Finance Corporation, except for Nongoma Plaza and PSQ. IDFC has impaired the loans to subsidiaries by R239.6m (2024: R147m) and these are eliminated at Group level.

***The loans comprise the following:
- PSQ R57m (2024: R59m)
- Ubuciko R83m (2024: R83m)
- Nongoma R58m (2024: R61m)
- Wharfside R76m (2024: R73m)
- Sibaya R4m (2024: R4m)
- Ithala SOC Limited R88m (2024: R95m)

The current year impairment charge mainly relates to the impairment of the investment in Ithala SOC Ltd due to recent challenges following the appointment of the Repayment Administrator by the Prudential Authority.

****The impairment charge relates to impairment of loans issued to subsidiaries where the recoverability of these loans is not probable. For Nongoma the recoverable amount is the value in use, determined using the discounted cash flow method. The cash flows were discounted using the weighted average cost of capital of 10.32%. In assessing impairment for the current financial year, the value of collateral held, i.e. the investment property, was also factored into account when determining the recoverable amount. As the value of the collateral held exceeded the loan balance owing by Nongoma, no impairment was considered necessary. Refer to the reconciliation table below.

Impairment reconciliation - 2025	Impairment raised on Investment in shares	Impairment raised on loans to subsidiaries	Total
Opening balance	507 679	147 003	654 682
Impairment charge in the current year****	331 118	92 545	423 663
Closing balance	**838 797**	**239 548**	**1 078 345**

Impairment reconciliation - 2024	Impairment raised on investment in shares	Impairment raised on loans to subsidiaries	Total
Opening balance	413 537	143 890	557 427
Impairment charge / (reversal) in the current year****	94 142	3 113	97 255
Closing balance	**507 679**	**147 003**	**654 682**

Dissolution of Nongoma and dilution of shareholding in Port Shepstone Quarries

On 9 November 2021, approval was obtained from the MECs of EDTEA, Provincial Treasury and all relevant officials for the dissolution of Nongoma. Upon dissolution, IDFC will receive the property as a dividend in specie whilst minority shareholders will receive a dividend in cash. The dissolution will have no impact on the financial statements at Group level.

Nongoma is in the process of being wound up, the process of transferring the property is under way and attorneys have been appointed. The process is expected to be completed within the next 12 months after year end.

Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in Portshepstone Quarries and acquisition of a third party Investor to revive the operations of Port Shepstone Quarries. IDFC was able to secure an investor for PSQ (Refer to Note 46).

9. LONG TERM RECEIVABLE

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Non - current asset*	8 166	8 166	8 166	8 166

*The long term receivable relates to the prepayment for the purchase of land that has not yet been finalised. It is expected that the acquisition process will be finalised once all requirements are satisfied. Payment has been made for the land upon which the Kwa-Mashu Shopping Centre has been built. The shopping centre was constructed after obtaining "Permission-to-occupy". However, the transfer of the land is yet to be finalised.

As IAS 40.16 recognition criteria refers to "owned' investment property, management has in its judgement determined that the land has not yet met the ownership criterion for recognition and the payment is therefore treated as a prepayment.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT IN SHARES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Designated at fair value through profit or loss:				
Investment in SA Corp Real Estate	9 976	9 229	9 976	9 229
Reconciliation of Investment in SA Corp Real Estate				
Balance at the beginning of the year	9 229	7 660	9 229	7 660
Fair value gain recognised in profit and loss	747	1 569	747	1 569
	9 976	**9 229**	**9 976**	**9 229**

Fair value information

Refer to Note 30: Fair value information for details of valuation policies and processes.

11. INSURANCE CONTRACT ASSETS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Balance at beginning of the year	60 450	57 773	60 450	57 773
Movements:				
Insurance revenue	12 221	11 651	12 221	11 651
Insurance service cost	(9 779)	(10 117)	(9 779)	(10 117)
Dividends	-	(4 001)	-	(4 001)
Insurance finance income/(expense)	5 828	5 144	5 828	5 144
Balance at end of the year	**68 720**	**60 450**	**68 720**	**60 450**
Insurance contract by insurer				
MFRF cell captive arrangement	37 535	32 810	37 535	32 810
Guardrisk cell captive arrangement	31 185	27 640	31 185	27 640
	68 720	**60 450**	**68 720**	**60 450**

Ithala has investments in 2 cell captives that allow the Group use of insurance licenses for short term and long term insurance. The cell captives are with Guardrisk (Life) and Mutual and Federal (Short-term), who are both registered insurers. The interests held are in the form of preference shares and in terms of the shareholder subscription agreements between the Group and the insurers. In terms of those arrangements, the company is required to maintain the solvency of the cells and is thereby exposed to significant insurance risk of the underlying insurance policies written through the cells. The arrangement is therefore deemed to constitute an in-substance reinsurance contract whereby the company is the insurer, and the insurance cell is the cedant.

The Assets for Remaining Coverage (ARC) and Liabilities Incurred Claim (LIC) for both cells was immaterial at the end of the current financial year. As at 31 March 2025, Guardrisk had an ARC of Rnil (2024: R1.3m) and LIC of R1.9m (2024: R2.6m), Mutual and Federal had an ARC of Rnil (2024: R189k) and LIC of R1.4m (2024: Rnil).

The group, through Ithala SOC, provides services to the cell captive arrangements in terms of which it earns commission and binder fees. At consolidated level the income earned is considered a part of the IFRS 17 in-substance re-insurance arrangement and as such that income is recognised as part of the insurance contract revenue and similarly any direct expenses incurred to earn that revenue is recognised as part of insurance service expenses. The reclassification does not impact the profits recognised by the group but is for presentation purposes only.

12. ASSOCIATED COMPANIES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Unlisted investments				
Shares at cost	2	2	2	2
Less: provisions	(2)	(2)	(2)	(2)
Group carrying value	-	-	-	-
Net loans				
Loans to associates	56 225	56 225	56 225	56 225
Less: provisions	(54 942)	(55 402)	(54 942)	(55 402)
	1 283	**823**	**1 283**	**823**
Total interest in associated companies	**1 283**	**823**	**1 283**	**823**

The impairment charge relates to impairment of loans and investments issued to associates where the recovery of these loans is not probable. There has been no movement in the ECL balance for the year.

Investments in associates and joint ventures are equity accounted for. Summary of significant financial information can be found below.

Significant financial information of associated companies

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Total assets				
Total non-current assets	14 612	10 120	14 612	10 120
Total current assets	5 501	3 267	5 501	3 267
	20 113	**13 387**	**20 113**	**13 387**
Total Liabilities				
Total non-current liabilities	213 253	213 253	213 253	213 253
Total current liabilities	9 251	8 967	9 251	8 967
	222 504	**222 220**	**222 504**	**222 220**
Net Liabilities	**(202 391)**	**(208 833)**	**(202 391)**	**(208 833)**
Group's share of net liabilities of associates	(75 037)	(75 782)	(75 037)	(75 782)

NOTES TO THE FINANCIAL STATEMENTS

12. ASSOCIATED COMPANIES (continued)

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Total Revenue	16 946	2 819	16 946	2 819
Total Losses	(14 253)	(1 895)	(14 253)	(1 895)
Unrecognised share of losses:				
- Current Period	97	70	97	70
- Cumulative	(75 038)	(75 784)	(75 038)	(75 784)

No associates are considered to be individually material and therefore the financial information has been presented on an aggregate basis.

The Group has a joint arrangement with ZAN Family Trust in Ulundi Shopping Centre where operating and financial decisions are made by mutual consent. As the shopping centre is yet to be built and to commence trading, there are no equity accounted profits or losses accounted for to date. The loan to Ulundi Shopping Centre is as reported in the related parties note. As Ulundi Shopping Centre is not a material joint arrangement, the financial information of the entity has not been disclosed.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Cash and cash equivalents consist of:				
Coin and bank notes	7 344	54 198	36	15
Bank balances	411 097	637 607	411 097	637 250
Investment and balance with banks**	685 132	590 941	-	-
	1 103 573	**1 282 746**	**411 133**	**637 265**
Cash and cash equivalents held by the entity that are not available for use by the group.	291 940	449 801	291 940	449 801

Included in cash is an amount of Rnil (2024: R15.2m) relating to cash in transit at year-end to be delivered by the security company to branches.

Cash not available for use by the Group includes an amount of R292m (2024: R450m) relating to ring-fenced collections derived from advances made from the Enterprise Development Fund as well as funds held by the Group on behalf of other entities for various projects, as disclosed in Note 23.

The Group invests surplus funds with financial institutions that are rated in accordance with Fitch ratings (or equivalent rating) with a minimum long term rating of A, excluding those with Ithala SOC Limited which is not independently rated but has been approved as an authorised intermediary by the Group. Due to investments being held in institutions that are highly-rated, these instruments are neither past due nor impaired. The carrying amount of the cash and cash equivalents approximates its fair value.

**Included in investments and balances with banks above, are Ithala SOC Limited's investments and deposits with banks of R207.9m (2024: R180.2m), analysed as per below. Included in the analysis, is the credit risk exposure of investments based on the internal credit risk rating grades and year-end stage classification. The gross carrying amount also represents Ithala SOC Ltd's maximum exposure to credit risk on these investments.

**At March 2025 the gross carrying value of investments was R211.7m (March 2024: R189m) against which ECL of R3.8m (March 2024: R6.2m) was held. Of the ECL, R3.5m (March 2024: R5.9m) is from a single investment in Land Bank. The gross carrying value of this investment at 31 March 2025 was R15.0m (March 2024: R25.9m). The reduction in the gross carrying value was due to a capital settlement of R10.7m (March 2024: R8.6m). The capital reduction and improved prospects of recovering the investment has reduced the ECL from R8.6m (March 2024: R10.5m) to R3.5m (March 2024: R8.6m).

** The modification loss has been derecognised in the current year on the Land Bank instrument due to Land Bank paying interest at a market rate when compared to prior year.

	Ithala SOC Limited 2025	Ithala SOC Limited 2024
	R'000	R'000
Fixed term funds	196 775	163 128
Balances in State Owned Institutions	14 973	25 877
	211 748	189 005
Impairment of investments	(3 780)	(6 167)
Modification of investments**	-	(2 642)
Balance at the end of the year	**207 968**	**180 196**

Credit impairments for investments and deposits	Ithala SOC Limited 2025	Ithala SOC Limited 2024
	R'000	R'000
Balance at the beginning of the year	6 167	10 926
Impairments (reversed) / raised**	-	(4 759)
Balance at the end of the year	**6 167**	**6 167**

Investments - 2025	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R'000	R'000	R'000	R'000
Modification Loss**	-	(2 642)	-	(2 642)

Investments - 2024	Stage 1: 12 month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL	Total
	R'000	R'000	R'000	R'000
Standard Grade	163 128	-	-	163 128
Low Grade	-	25 877	-	25 877
Gross carrying amount	163 128	25 877	-	189 005
Modification loss**	-	(2 642)	-	(2 642)
Loss allowance	(240)	(5 927)	-	(6 167)
Carrying amount	**162 888**	**17 308**	**-**	**180 196**
Statutory liquid assets				
Treasury bills**	135 270	264 329	-	-
Undrawn facilities available for Company are as follows:				
ABSA Bank				
Overdraft Facility	50 000	35 237	50 000	35 237
Financial Guarantees	55 000	55 013	55 000	55 013
Letter of Credit	-	9 750	-	9 750
	105 000	**100 000**	**105 000**	**100 000**

** The Group invests in statutory investment (recognised as non-current assets) to ensure that the minimum reserve requirements are met. These funds are not available for use in operational activities. Amounts held as at 31 March 2025 exceed the minimum reserve requirements by R30.5m (2024: R30.5m), and are invested in terms of the Group's capital management policy.

NOTES TO THE FINANCIAL STATEMENTS

13. CASH AND CASH EQUIVALENTS (continued)

The balance on treasury bills is stated after taking into account impairment of R12 000 (2024: R65 000). The impairment is quantitatively immaterial.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Financial instruments:				
Trade receivables	539 989	465 027	491 321	423 964
Other receivables*	105 005	105 379	162 146	149 924
Gross trade and other receivables	644 994	570 406	653 467	573 888
Credit Impairment:				
Trade receivables	(423 708)	(358 989)	(377 943)	(320 475)
Other receivables**	(22 763)	(22 763)	(22 763)	(22 763)
Total trade and other receivables	**198 523**	**188 654**	**252 761**	**230 650**

A portion of the Other receivables relate to rental deposits received from tenants and retention monies held on projects which are initially recognised as part of trade payables and subsequently re-invested. These amount to R81.5m for the Group (2024: R71.3m) and R79.6m for the Company (2024: R69.3m).

**Included in the ECL for other receivables is an advance to Ntingwe which has been fully impaired. ECL for the remainder of the other receivables is considered immaterial.

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable prospect of recovery, for example, when a debtor has been placed under liquidation.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The resultant loss rates are calibrated based on historical credit loss experiences, taking into account both the time value of money and previous write-offs and recoveries.

Historical loss rates are calculated as a product of the monthly roll rates across buckets using real outstanding debtors, taking into account the time value of money component. Historical loss rates are then adjusted for forward looking information to derive the expected credit loss as at the measurement date. The loss rate is the average rate per time bucket. A total provision as at the valuation date can thus be calculated by summing all the provisions for the different ageing buckets.

The assessment of the ECL rates is performed per portfolio, being small, medium and micro (SMME) enterprises, retail, light, large industrial estates and subsidiaries individually, as reflected in the below provision matrix. The assessment is carried out in April as the information is considered forward looking. The ECL rates obtained from the April analysis is then applied to the March ageing.

The Group's loss allowance (ECL) as a percentage of the gross carrying amount increased by 7% from 77% in the 2023/24 financial year, to 84% in the 2024/25 financial year. The Company's loss allowance (ECL) as a percentage of the gross carrying amount, increased by 1% from 76% in the 2023/24 financial year, to 77% in the 2024/25 financial year. Although this is a slight improvement from the prior year, tenants continue to experience challenges with honouring their rental payments. This is mainly due to the prevailing tough economic conditions.

Provision Matrix

2025	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>151 days
	(%)	(%)	(%)	(%)	(%)	(%)
Large and Light Industrial	49	51	67	83	83	83
Small Medium and Micro Enterprises	88	88	93	98	98	98
Retail	53	53	75	100	100	100
Nongoma Plaza	54	57	77	98	98	98
The Durban Wharfside Trust	92	92	95	98	98	98

2024	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>151 days
	(%)	(%)	(%)	(%)	(%)	(%)
Large and Light Industrial	49	51	67	83	83	83
Small Medium and Micro Enterprises	88	88	93	98	98	98
Retail	53	53	75	100	100	100
Nongoma Plaza	54	57	77	98	98	98
The Durban Wharfside Trust	92	92	95	98	98	98

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The carrying value of trade and other receivables approximates the fair value.

The group's historical credit loss experience shows significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is as follows:

Group	2025	2025	2024	2024
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss:				
Less than 30 days past due	108 754	50 328	104 871	47 096
31 - 60 days past due	26 597	18 648	25 607	18 223
61 - 90 days past due	21 641	18 752	31 430	26 922
91 - 120 days past due	19 226	16 974	26 074	22 522
More than 120 days past due	360 043	332 789	277 057	257 394
Deposits	-	13 789	-	(13 168)
Total	**536 261**	**451 280**	**465 039**	**358 989**

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (continued)

Company	2025 Estimated gross carrying amount at default	2025 Loss allowance (Lifetime expected credit loss)	2024 Estimated gross carrying amount at default	2024 Loss allowance (Lifetime expected credit loss)
Expected credit loss:				
Less than 30 days past due	104 558	47 259	100 584	43 999
31 - 60 days past due	25 438	17 464	24 325	17 033
61 - 90 days past due	20 717	17 786	30 466	25 974
91 - 120 days past due	18 353	16 038	25 116	21 579
More than 120 days past due	322 308	292 676	243 583	224 531
Deposits	-	(13 280)	-	(12 641)
Total	**491 374**	**377 943**	**424 074**	**320 475**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses):

	Group		Company	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Opening balance	**(381 752)**	**(272 507)**	**(343 238)**	**(240 433)**
Loss allowance recognised during the year	(64 718)	(109 245)	(57 467)	(102 805)
Closing balance	**(446 470)**	**(381 752)**	**(400 705)**	**(343 238)**

15. INVENTORIES

	Group		Company	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Land	1 504	1 504	1 504	1 504
Consumables	5 070	5 878	2 475	2 477
	6 574	**7 382**	**3 979**	**3 981**

Land included in inventories relates to residential sites that were held for development and selling. These do not meet the criteria for investment property and property, plant and equipment.

Inventory pledged as security

The group has no inventory pledged as security for overdraft facilities as at 31 March 2025 as well as in the prior period (31 March 2024).

16. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Balance at beginning of the year	2 928	2 827	2 780	2 679
Acquisitions	868	165	868	165
Disposals	(348)	(58)	(348)	(58)
Other movements	-	(6)	-	(6)
Carrying amount before impairment	3 448	2 928	3 300	2 780
Accumulated impairment loss	(1 635)	(1 511)	(1 635)	(1 511)
Net carrying amount	**1 813**	**1 417**	**1 665**	**1 269**
Accumulated impairment loss				
Balance at beginning of the year	1 511	814	1 511	814
Charge / (Reversal of) impairment to income statement	124	697	124	697
Balance of accumulated impairment loss at end of the year	**1 635**	**1 511**	**1 635**	**1 511**

Non-current Assets held for sale relate to immovable properties that have been repossessed by the group. Management is committed to its plan to sell the repossessed immovable property within the next 12 months. However, due to market conditions it is not always possible to sell properties.

17. SHARE CAPITAL

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Authorised				
1 008 582 361 Ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
Issued				
Ordinary	1 008 582	1 008 582	1 008 582	1 008 582

Non-controlling interest arises as a result of minority shares in Nongoma Plaza and PSQ.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Balance at the beginning of the year	(169)	(139)	-	-
Movement in non-controlling interests: Shares of loss / (profit)	(1 958)	(30)	-	-
Closing balance as at 31 March 2025	**(2 127)**	**(169)**	**-**	**-**

18. BORROWINGS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
At amortised cost				
Total borrowings	9 063	16 267	7 280	14 484
Portion repayable within 12 months	(7 280)	(7 193)	(7 280)	(7 193)
Non - current	**1 783**	**9 074**	**-**	**7 291**

NOTES TO THE FINANCIAL STATEMENTS

18. BORROWINGS (continued)

	Instalment	Year of final repayment	Interest rate	Group 2025	Group 2024	Company 2025	Company 2024
	R'000	R'000	%	R'000	R'000	R'000	R'000
Nedbank							
Repayable in monthly instalments	635	March 2026	10.5%	7 280	13 825	7 280	13 825
Khula Enterprise Finance Ltd/Sefa							
No fixed terms of repayment	-	December 2024		-	659	-	659
Loans from minority shareholders							
Repayable in half-yearly instalments	-		-	1 783	1 783	-	-
Total borrowings				**9 063**	**16 267**	**7 280**	**14 484**

The interest rate applicable on the borrowings is variable.

The movement in borrowings is reflected in the below table:

	Group 2025	Group 2024	Company 2025	Company 2024
Opening balance	16 267	23 124	14 484	21 282
Repayments- cash flow movement	(8 268)	(8 746)	(8 327)	(8 687)
Interest	1 123	1 889	1 123	1 889
Closing balance	**9 122**	**16 267**	**7 280**	**14 484**

	Group 2025	Group 2024	Company 2025	Company 2024
	R'000	R'000	R'000	R'000
Capital Repayments	7 145	6 857	7 204	6 798
Held at amortised cost				
Nedbank	7 280	13 825	7 280	13 825
The loan is secured and repayment is by way of equal monthly installments of part capital and interest over the loan term. These repayments will change with the variation in the variable rate.				
Khula Enterprise Finance Ltd/Sefa	-	659	-	659
The loan is repayable in monthly instalments repayment and the interest rate is variable.				
Loan from minority shareholders	1 783	1 783	-	-
There are no fixed terms of repayment.				
	9 063	**16 267**	**7 280**	**14 484**

19. DEPOSITS DUE TO CUSTOMERS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Call deposit accounts	82 668	82 884	-	-
Savings accounts	1 268 542	1 008 883	-	-
Term deposits	765 550	1 310 690	-	-
	2 116 760	**2 402 457**	**-**	**-**
Maturity analysis repayable*:				
On demand	1 357 957	1 099 125	-	-
Up to 1 month	127 400	153 136	-	-
From 1 month to 6 months	470 868	750 734	-	-
From 6 months to 1 year	137 447	368 219	-	-
From 1 year to 5 years	23 088	31 243	-	-
	2 116 760	**2 402 457**	**-**	**-**
Savings accounts are further analysed as follows:				
Pass Book*	1 024 241	713 103	-	-
Trust accounts	53 947	53 984	-	-
Debit Card	179 457	231 210	-	-
Corporate	10 897	10 586	-	-
Total Savings	**1 268 542**	**1 008 883**	**-**	**-**
Term deposits are further analysed as follows:				
Retail accounts	445 779	909 107	-	-
Retail accounts	319 771	401 583	-	-
Total term deposits	**765 550**	**1 310 690**	**-**	**-**
Non-current liabilities	23 088	31 243	-	-
Current Liabilities	2 085 335	2 371 214	-	-
	2 108 423	**2 402 457**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

19. DEPOSITS DUE TO CUSTOMERS (continued)

*The maturity analysis reflected above is the discounted maturity, as the balance reported as at 31 March 2025 is the balance due to the client (no future interest is included in this value).

Savings accounts, as disclosed in the table above, have no fixed terms and are available to customers on demand.

Term deposits are available to customers upon maturity.

**A Pass Book is a paper book used to record bank transactions on a depositor's account and is an alternative means of banking for customers who do not prefer electronic banking.

20. RETIREMENT BENEFITS

Post-retirement medical obligations (Closed Fund)

The Group provides post-retirement medical benefits to substantially all employees who commenced employment prior to 1 August 2000. An actuarial valuation of post-retirement medical obligations at 31 March 2025 quantified the present value of unfunded obligations at R95.8m (2024: R100.6m) for Group and R47.9m (2024: R52.0m) for Company. These actuarial valuations are conducted annually, at balance sheet date. The principal actuarial assumptions used included a discount rate of 11.50% (2024: 13.60%), and a health care cost inflation rate of 7.00% (2024: 9.00%). The valuations are performed by independent, qualified experts.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Movement in the defined benefit obligation, is as follows:				
Balance at beginning of the year	100 644	105 181	51 988	58 352
Current service costs	979	1 100	348	446
Interest costs	13 118	12 327	6 720	6 790
Net actuarial (gain)/loss recognised during the year	(10 852)	(10 078)	(6 264)	(8 463)
Benefit payment	(8 002)	(7 886)	(4 927)	(5 137)
Balance at end of the year	**95 887**	**100 644**	**47 865**	**51 988**
Amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligations	95 887	100 644	47 865	51 988
Liability-Non-Current portion	88 660	93 099	43 661	47 342
Liability- Current portion	7 227	7 545	4 204	4 646
Liability at end of year	**95 887**	**100 644**	**47 865**	**51 988**
Post retirement medical benefits				
Actuarial gain				
The actuarial gains arose as a result of the following:				
Change in Real Discount Rate	255	(4 294)	134	(1 937)
Higher than expected healthcare costs inflation including changes in members' benefit options	8	(3 516)	(136)	(3 518)
Unexpected changes in membership	(3 702)	(2 280)	(2 868)	(3 018)
Lower than expected healthcare cost inflation including changes in members' benefit options	(7 112)	13	(3 406)	10
Demographic assumption change	(302)	-	12	-
Total	**(10 853)**	**(10 077)**	**(6 264)**	**(8 463)**

Group

Actuarial assumptions used and sensitivity analysis

Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2025	2024
			R'000	R'000
Present value of obligation			95 887	100 644
Health care cost inflation	%	+1%	105 368	110 424
		-1%	87 718	92 196
Discount rate	%	+1%	88 030	92 519
		-1%	105 101	110 147
Average expected retirement age	years	+1 year	93 352	102 229
		-1 year	98 664	97 859

Company

Actuarial assumptions used and sensitivity analysis
Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2025	2024
			R'000	R'000
Present value of obligation			47 865	51 988
Health care cost inflation	%	+1%	51 965	56 337
		-1%	44 277	48 169
Discount rate	%	+1%	44 405	48 305
		-1%	51 863	56 228
Average expected retirement age	years	+1 year	46 834	52 056
		-1 year	49 004	50 891

We have assessed the impact of CPI increasing / decreasing by 3% and the results are as follows:
- An increase of 3% will result in a decrease of the liability to R129.5m (2024: R135.2m) for Group, and R62.1m (2024: R67.1m) for Company.
- A decrease of 3% will result in a decrease of the liability to R74.5m (2024: R78.4m) for Group, and R38.2m (2024: R41.8m) for Company.

Amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Current service cost recognised in profit / loss	979	1 100	349	446
Interest cost recognised in profit / loss	13 118	12 327	6 720	6 790
Net actuarial (gain) / loss for the year recognised in other comprehensive income	(10 853)	(10 077)	(6 264)	(8 463)

Pension and Provident Fund Schemes

The Group provides retirement benefits substantially to all employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all Corporation and Ithala SOC Limited permanent employees. The defined benefit pension fund and the defined benefit provident fund are governed by the Pension Funds Act of 1956, with retirement benefits being determined with reference to both pensionable remuneration and years of service. Both funds are closed to new members.

The defined contribution pension fund and defined contribution provident fund are governed by the Pension Funds Act of 1956, and are open to new members and members who have elected to transfer from the defined benefit funds.

The Pension Funds Act of 1956, requires actuarial valuations of the defined benefit pension and provident funds to be conducted as at the end of each of the three preceding financial years and the actuary found the funds to be in a sound financial position. An actuarial review conducted as at 31 March 2025 showed that in respect of the Defined Benefit Pension Fund and the Defined Benefit Provident Fund, the present value of the obligation was adequately covered by the fair value of the scheme assets.

NOTES TO THE FINANCIAL STATEMENTS

20. RETIREMENT BENEFITS (continued)

The most recent actuarial valuation of plan assets and present value of defined benefits obligations were carried out for the current and prior annual financial years by independent, qualified experts. The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

Defined benefit pension fund

It was resolved during the 2012 financial year to close the defined benefit pension fund. All active members of the fund have been transferred to a defined contribution fund of the Company as at 31 December 2011. The trustees have agreed to utilise the surplus in the pension fund to fund the employer contributions towards the Old Mutual Superfund. The Company has utilised the contribution holiday as at 31 March 2025.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Defined benefit provident fund				
Fair value of plan assets	(16 171)	(12 509)	(9 074)	(7 269)
Surplus	(16 171)	(12 509)	(9 074)	(7 269)
Amount allocated to employer surplus account	16 171	12 509	9 074	7 269
Asset not recognised due to asset ceiling	-	-	-	-
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	12 509	11 347	7 269	6 588
Interest income	1 487	973	848	565
Past service cost	2 361	-	1 062	-
Benefits paid	(80)	(82)	(40)	(41)
Actuarial loss	(106)	271	(65)	157
Balance at end of the year*	**16 171**	**12 509**	**9 074**	**7 269**
Actuarial gain / (loss)				
The actuarial gain / (loss) arose as a result of the following:				
Actuarial gain / (loss) arising from investment returns being higher than expected	106)	271	(65)	157

The Group expects to make no contribution to the Old Mutual Superfund Defined Benefit Provident Fund during the next financial year due to a surplus of R16.2m in the Fund (Company: R9.1m) (2024: Group: R12.5m, Company: R7.3m).

* The planned assets can be disaggregated into the following categories. The balance of R16.2m for Group (2024: R12.5m) and R9.1m for Company (2024: R7.3m) is included under other receivables and this is expected to be utilised within the next 12 months.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Investment Assets	13 589	12 445	7 903	7 232
Current Assets / Liabilities	2 582	64	1 171	37
	16 171	**12 509**	**9 074**	**7 269**

Long service obligation

The company provides long service awards to permanent employees in the form of cash from five years of continuous service and every five years thereafter. An actuarial valuation of the provision for long service awards is conducted annually. The principal actuarial assumptions used included a discount rate of 9.90% (2024: 11.20%) and an average salary inflation of 5.60% (2024: 6.90%).

The most recent actuarial valuation of the long service awards was carried out for the current financial year by independent, qualified experts. The present value of the liability was measured using the Projected Unit Credit Method.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Balance at beginning of the year	20 961	20 926	17 519	17 166
Expensed during the year	4 385	4 305	3 648	3 575
Contributions paid	(3 324)	(2 888)	(2 726)	(2 017)
Unrecognised actuarial gain	(1 915)	(1 382)	(1 843)	(1 205)
Balance at end of the year	**20 107**	**20 961**	**16 598**	**17 519**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	20 107	20 961	16 598	17 519
Current portion	1 515	3 182	1 084	2 609
Non-current portion	18 592	17 779	15 514	14 910
Liability at end of year	**20 107**	**20 961**	**16 598**	**17 519**
Amounts recognised in the statement of profit or loss and other comprehensive income are as follows:				
Current service cost	2 251	2 343	1 861	1 944
Interest cost	2 134	1 961	1 787	1 631
Net actuarial loss recognised in the year	(1 915)	(1 382)	(1 843)	(1 205)
Membership statistics:				
In-service members	611	669	264	277

Sensitivity Analysis - unfunded accrued liability

		Group		Company	
Assumptions	**Change**	2025	2024	2025	2024
		R'000	R'000	R'000	R'000
Central assumptions:		20 107	20 962	16 598	17 520
CPI Inflation	+1%	21 044	22 075	17 495	18 633
	-1%	19 278	19 939	15 768	16 497
Average retirement age	-2 years	17 209	18 065	13 877	14 786
	+2 years	22 980	23 846	19 356	20 282
Discount rate	+1%	19 102	19 921	15 735	16 615
	-1%	21 212	22 107	17 548	18 519
Actuarial loss / (gain)					
The actuarial losses / (gains) arose as a result of the following:					
Change in real discount rate		238	(245)	56	(99)
Higher/(Lower) than expected salary inflation		(2 006)	286	(2 006)	286
Unexpected change in membership		(147)	(1 423)	107	(1 392)
		(1 915)	**(1 382)**	**(1 843)**	**(1 205)**

NOTES TO THE FINANCIAL STATEMENTS

20. RETIREMENT BENEFITS (continued)

We have assessed the impact of CPI increasing / decreasing by 3% and the results are as follows:

- An increase of 3% will result in an increase of the liability to R23.0m (2024: R24.6m) for Group, and R19.5m (2024: R21.2m) for Company.
- A decrease of 3% will result in a decrease of the liability to R17.8m (2024: R18.1m) for Group, and R14.3m (2024: R14.7m) for Company.

21. GOVERNMENT GRANTS

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Government grants - deferred income				
BEE Risk Fund	4 789	4 789	4 789	4 789
DTI Grant	928	928	928	928
Banking System	9 304	9 304	-	-
Ithala SOC Repurposed Grant	1 574	-	-	-
Business support funds	15 957	13 504	15 957	13 504
	32 552	**28 525**	**21 674**	**19 221**
Government grants - Other				
EDTEA Equity Fund	124	124	124	124
Total government grants	**32 676**	**28 649**	**21 798**	**19 345**
Non-current liabilities	5 841	5 841	5 841	5 841
Current liabilities	26 835	22 808	15 957	13 504
	32 676	**28 649**	**21 798**	**19 345**

IDFC receives grants for the purposes of lending to individuals or companies, support for BEE projects as well for construction projects. Grant deferred income relates to the government grants that have not been used for onlending to individuals or companies or supporting BEE projects for identified construction projects. The grant deferred income is recognised as revenue when the grant conditions are met. Details of the significant grants received are as per below:

**Banking system

This grant was received by Ithala SOC Ltd for the purposes of assisting in the development of the new banking system. System development has been halted and the full grant funding was not utilised. These funds have been classified as a current liability as the funds are expected to be utilised within the next 12 months.

****Ithala SOC-Grant Repurposed

The South African Reserve Bank (SARB) issued a directive dated 16 January 2025 through it's repayment administrator (PA) to Ithala SOC Ltd effectively shutting down all access to any systems utilised by Ithala SOC Ltd and it's customers, including financial and communication systems. The directive introduced a restriction to the access of any funds owned by Ithala Bank and its customers and served a notice of motion seeking an urgent application for the liquidation of Ithala SOC Ltd. As a result of the foregoing approval by the KZN Provincial Treasury which stated that the grant initially intended for Ithala SOC recapitalisation project be repurposed in order to enable Ithala SOC to meet it's operational requirements, IDFC entered as an implementing agent on behalf of EDTEA. Refer to Note 23.

The movement in the grants has been accounted for as part of financing activities in the Statement of Cash Flows.

Grant Reconciliation - 2025	Opening Balance	Grant Received	Grant Applied	Reclassified to/from Other Payables / Reprioritised	Interest earned on funds	Closing Balance
BEE Risk Fund	4 789	-	-	-	-	4 789
DTI Grant	928	-	-	-	-	928
Banking System	9 304	-	-	-	-	9 304
Ithala SOC Repurposed Grant	-	46 203	(44 629)	-	-	1 574
Business Support Funds	13 504	-	(2 681)	5 134	-	15 957
Subtotal***	28 525	46 203	(47 310)	5 134	-	32 552
EDTEA Equity Fund	124	-	-	-	-	124
	28 649	**46 203**	**(47 310)**	**5 134**	**-**	**32 676**

Grant Reconciliation - 2024	Opening Balance	Grant Received	Grant Applied	Reclassified to Other Payables / Reprioritised	Interest earned on funds	Closing Balance
BEE Risk Fund	4 789	-	-	-	-	4 789
DTI Grant	928	-	-	-	-	928
Banking System	9 304	-	-	-	-	9 304
Ithala SOC Capital Injection	-	51 142	(51 142)	-	-	-
Business Support Funds	13 980	-	(476)	-	-	13 504
Subtotal***	29 001	51 142	(51 618)	-	-	28 525
EDTEA Equity Fund	124	-	-	-	-	124
	29 125	**51 142**	**(51 618)**	**-**	**-**	**28 649**

***The difference between the closing balances per the grants reconciliation above and the balance for Corporation in the summary table of R9.3m (2024: R9.3m), relates to the Ithala SOC Ltd's banking system.

NOTES TO THE FINANCIAL STATEMENTS

22. PROVISIONS

Reconciliation of provisions - Group - 2025

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	23 657	-	-	(3 719)	1 350	21 288
Provision for audit fees	9 990	11 904	(9 990)	(6)	-	11 898
Other provisions	438	-	-	(438)	-	-
	34 085	**11 904**	**(9 990)**	**(4 163)**	**1 350**	**33 186**

Reconciliation of provisions - Group - 2024

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	22 466	-	-	1 191	23 657
Provision for audit fees	9 271	9 990	(9 271)	-	9 990
Other provisions	438	-	-	-	438
	32 175	**9 990**	**(9 271)**	**1 191**	**34 085**

Reconciliation of provisions - Company - 2025

	Opening balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	20 140	-	-	-	1 148	21 288
Provision for audit fees	5 970	4 971	(5 970)	-	-	4 971
Other provisions	438	-	-	(438)	-	-
	26 548	**4 971**	**(5 970)**	**(438)**	**1 148**	**26 259**

Reconciliation of provisions - Company - 2024

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	19 126	-	-	1 014	20 140
Provision for audit fees	5 493	5 970	(5 493)	-	5 970
Other provisions	438	-	-	-	438
	25 057	**5 970**	**(5 493)**	**1 014**	**26 548**

Non-current liabilities	21 288	17 140	21 288	17 140
Current liabilities	11 898	16 945	4 971	9 408
	33 186	**34 085**	**26 259**	**26 548**

Provision for landfill site

The landfill rehabilitation provision is created for rehabilitation of the sites that have now been closed down. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date using the applicable rate for construction industry. The entity has an obligation to rehabilitate these landfill sites.

The reversal of R3.7m at Group level relates to the derecognition of Port Shepstone Quarries provision. Refer to Note 47.

Provision for rehabilitation

A provision for the rehabilitation costs arising from the mining activities has been recognised. The entity has an obligation to rehabilitate these mining sites. Mining activities ceased operations in 2018.

Provision for audit fees

The provision is for statutory audit fees and is in line with the audit strategy document. Audit fees are invoiced on a monthly basis between April and September. There are no expected reimbursements. The reversal of R6 000 at Group level relates to the derecognition of Port Shepstone Quarries provision. Refer to Note 47.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Financial instruments:				
Trade payables	43 951	50 880	20 618	28 062
Sundry creditors*	404 546	457 713	366 506	434 752
Non-financial instruments:				
Accrued leave pay	25 957	28 854	15 992	16 968
Accrued bonus	4 065	4 151	2 078	2 021
Accruals	118 711	111 588	87 397	79 896
South African Revenue Services	31 441	29 354	1 954	3 275
	628 671	**682 540**	**494 545**	**564 974**

*Included in the sundry creditors are funds held by the Group on behalf of other government entities and for EDTEA projects where the entity plays an implementing agency role, as well as rental deposits received from tenants and retention monies held on projects which have been re-invested, as detailed in Note 14.

The carrying amount of trade and other payables approximates fair value.

	Group		Company	
Funds held by the Group on behalf of other entities for various projects	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Human Settlements Project	80 334	122 783	80 334	122 783
Vulindlela Development Agency Project	3 016	2 793	3 016	2 793
Bulk Buying	9 940	17 252	9 940	17 252
RASET Project	1 823	3 907	1 823	3 907
Operation Vula	-	6 651	-	6 651
Storm Disaster	1 049	1 157	1 049	1 157
Shared Infrastructure SMME and Co-operatives Incubation	15 393	19 675	15 393	19 675
Zimele Traders Fund	14 312	19 090	14 312	19 090
Thokazi Royal Lodge	3 084	8 459	3 084	8 459
Imbokodo Iyazenzela	14	11	14	11
Industrial Hubs	21 212	21 838	21 212	21 838
Ithala SOC operations	1 509	-	1 509	-
Bakery Incubation	2 368	7 937	2 368	7 937
Paper and pulp manufacturing	4 032	12 093	4 032	12 093
Inkunzi Isematholeni	27	116	27	116
Ndumo Retail Project	37 213	21 250	37 213	21 250
Maritime Transport and Manufacture	2 344	2 179	2 344	2 179
	197 670	**267 191**	**197 670**	**267 191**

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES (continued)

Projects Reconciliation 2025	Opening balance	Received or reclassified during the year / interest earned	Spent during the year / funds reallocated	Management fees	Closing balance
Human Settlements Project	122 783	7 673	(49 468)	(654)	80 334
Vulindlela Development Agency	2 793	224	(1)	-	3 016
Bulk Buying	17 252	1 987	(8 724)	(575)	9 940
RASET Project	3 907	261	(2 000)	(345)	1 823
Operation Vula	6 651	334	(6 985)	-	-
Storm Disaster	1 157	91	(199)	-	1 049
Shared Infrastructure SMME and Co-operatives Incubation	19 675	15 204	(17 181)	(2 305)	15 393
Zimele Traders Fund	19 090	1 208	(5 986)	-	14 312
Thokazi Royal Lodge	8 459	3 084	(8 459)	-	3 084
Imbokodo Iyazenzela	11	3	-	-	14
Indusrial Hubs	21 838	31 512	(31 013)	(1 125)	21 212
Ithala SOC Operations	-	49 288	(47 779)	-	1 509
Bakery Incubation	7 937	2 039	(7 365)	(243)	2 368
Paper and pulp manufacturing	12 093	6 250	(13 799)	(512)	4 032
Inkunzi Isematholeni	116	1 047	(1 136)	-	27
Ndumo Retail Project	21 250	28 110	(11 552)	(595)	37 213
Maritime Transport and Manufacture	2 179	165	-	-	2 344
	267 191	**148 480**	**(211 647)**	**(6 354)**	**197 670**

Projects Reconciliation - 2024	Opening balance restated	Received during the year / interest earned	Spent during the year / funds reallocated	Management fees	Closing balance
Human Settlements Project	145 716	9 315	(30 933)	(1 315)	122 783
Vulindlela Development Agency Project	2 602	218	(27)	-	2 793
Bulk Buying	21 601	3 176	(6 525)	(1 000)	17 252
RASET Project	4 051	325	(469)	-	3 907
Operation Vula	10 511	642	(1 052)	(3 450)	6 651
Storm Disaster	1 069	87	1	-	1 157
Shared Infrastructure SMME and Co-operatives incubation	34 194	15 320	(28 012)	(1 827)	19 675
Zimele Traders Fund	17 602	1 488	-	-	19 090
Thokazi Royal Lodge	10 317	179	(1 852)	(185)	8 459
Imbokodo Iyazenzela	132	8	(129)	-	11
Industrial Hubs	36 246	15 462	(26 359)	(3 511)	21 838
Bakery Incubation	5 031	3 962	(760)	(296)	7 937
Paper and pulp manufacturing	13 418	1 093	(1 793)	(625)	12 093
Inkunzi Isematholeni	1 234	61	(1 179)	-	116
Ndumo Retail Project	3 406	19 605	(1 176)	(585)	21 250
Maritime Transport and Manufacture	3 035	178	(899)	(135)	2 179
	310 165	**71 119**	**(101 164)**	**(12 929)**	**267 191**

24. LEASE LIABILITIES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Non-current liabilities	38 687	81 871	11 630	11 802
Current liabilities*	25 321	28 268	231	272
	64 008	**110 139**	**11 861**	**12 074**

*Included in the derecognition of lease liabilities below is an amount relating to the Port Shepstone Quarries (Pty) Ltd. On 25 November 2024, a communication was sent by the lessor to PSQ terminating the lease agreement with immediate effect. The effect of this termination is that as at 31 March 2025, the Right of Use of Asset and the Lease Liability has been derecognised.

**The lease payments reflected in the table below represents the gross payments, including interest. The lease payments on the cash flow reflects the payment of the capital portion only.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Balance as at the beginning of the period	110 139	82 048	12 074	12 595
Additions	-	45 852	-	-
Interest expense	9 119	11 077	1 026	1 137
Derecognition	(31 485)	(239)	-	(239)
Lease payments**	(23 765)	(28 599)	(1 239)	(1 419)
	64 008	**110 139**	**11 861**	**12 074**
Maturity Analysis				
Within 1 year	24 806	29 816	1 328	1 400
Two to five years	38 408	52 223	5 102	5 098
After 5 years	22 070	69 540	22 070	23 345
Interest	(21 276)	(41 440)	(16 639)	(17 769)
	64 008	**110 139**	**11 861**	**12 074**

NOTES TO THE FINANCIAL STATEMENTS

25. CASH GENERATED FROM OPERATING ACTIVITIES

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Net (loss) / income before taxation	110 669	72 271	(316 240)	70 602
Adjustment for non-cash items:				
Expected credit loss - loans and advances	133 384	61 917	117 213	38 153
Expected credit loss - trade and other receivables	64 718	109 245	57 468	102 805
Impairment of non-current assets held for sale	124	697	124	697
Depreciation and amortisation	43 652	50 682	14 147	17 065
Movement in straightlining of operating lease income (Note 7)	4 587	(25 594)	4 717	(24 826)
Movement in NCI	1 958	30	-	-
Fair value movements in:	-	-	-	-
- Investment Property (Note 3)	(133 057)	(110 139)	(111 018)	(105 008)
- Investment in listed shares (Note 10)	(747)	(1 569)	(747)	(1 569)
Loss / (Profit) on disposal of assets	3 920	807	3 135	219
Government grants applied (Note 21)	(47 311)	(51 618)	(2 681)	(51 618)
Impairment of deposits with banks	(2 441)	(4 756)	-	-
Impairment of deposits with banks	-	4 756	-	-
Impairment of investment in subsidiaries	-	-	423 663	97 736
Impairment of investment in associates	(460)	-	(460)	-
Movement in retirement benefit obligation (Note 20)	14 097	13 427	7 068	7 236
Long service obligations (Note 20)	2 470	2 922	1 805	2 370
Movement in provisions:	-	-	-	-
- Provision for rehabilitation (Note 22)	1 350	1 191	1 148	1 014
- Movement in audit fees (Note 22)	1 476	719	(1 437)	477
Derecognition of PSQ ROUA	(14 788)	-	-	-
Interest from borrowings and lease liability (Note 18 and 24)	10 243	12 966	2 149	3 026
Insurance contract profits (Note 11)	(8 270)	(6 677)	(8 270)	(6 677)
Dividends accrued	(366)	(353)	(366)	(353)
Gains on reclassification of financial assets	(5 828)	(5 144)	(5 828)	(5 144)
Net cash generated from operating activities	**185 208**	**130 924**	**191 418**	**151 349**
Changes in working capital:				
Increase in trade and other payables	(54 119)	9 558	(66 616)	(11 601)
Decrease / (increase) in trade and other receivables	(78 746)	(23 620)	(79 579)	(21 997)
Decrease / (Increase) in inventories	808	(1 753)	2	343
Current portion of loans to subsidiaries	-	-	-	(23 504)
Employee benefits	(11 326)	(10 773)	(7 653)	(7 154)
Deposits due to customers	(285 697)	(13 798)	-	-
	(429 080)	**(40 386)**	**(153 846)**	**(63 913)**

26. TAX PAID

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Balance at beginning of the year	2 150	(3 006)	-	-
Current tax for the year recognised in profit or loss	(2 240)	(3 985)	-	-
Balance at end of the year	(444)	(2 150)	-	-
	(534)	**(9 141)**	**-**	**-**

27. COMMITMENTS

Capital commitment

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Authorised and contracted	173 528	41 931	158 792	16 562

The prior year capital commitments have been restated to R41.9m for the Group, previously disclosed as R80.0m and R16.6m for the Company which was previously disclosed as R54.6m, due to the incorrect recognition of contracts that had reached the expiry dates.

28. RELATED PARTIES

Ithala Development Finance Corporation Limited (The Corporation) is a 100% held subsidiary of the KwaZulu-Natal Provincial Government, reporting to the Department of Economic Development, Tourism and Environmental Affairs. The Corporation and its subsidiaries, in the ordinary course of business enter into various transactions with related parties.

Relationships

Subsidiaries	Ithala SOC Limited (100% owned) Nongoma Plaza (Pty) Ltd (99% owned) Durban Wharfside Trust (100% owned) Ubuciko Fabrics and Twines (Pty) Ltd (100% owned) Port Shepstone Quarries (Pty) Ltd (82,5% owned) Sibaya Conservation Project (Pty) Ltd (100% owned) Cowslip Investments (Pty) Ltd (100% owned) KwaZulu-Natal Property Development Holdings (SOC) Ltd (100% owned)
Associates	Rocktail Bay Dev Co. (Pty) Ltd Mabibi Development Company (Pty) Ltd Banzi Pan Development Company (Pty) Ltd Ntingwe Tea Farming (Pty) Ltd
Joint venture	Ulundi Shopping Centre (Pty) Ltd
Members of key management	PS Bengu Dr M Muthusamy Ms NA Zuma TN Mthethwa K Cele AR Malope M Mthuli (Appointed 1 June 2024)

Compensation paid to key management is disclosed under Note 42. Non-executive key management are disclosed under Note 42

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (continued)

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Related party balances and transactions with subsidiaries				
Loan owing by subsidiaries to IDFC				
Ithala SOC Limited	-	-	88 073	95 427
Nongoma Plaza	-	-	57 514	60 914
Durban Wharfside Trust	-	-	76 154	72 483
Sibaya Conservation	-	-	4 183	4 183
Port Shepstone Quarries*	-	-	56 752	58 998
Ubuciko Twines and Fabrics	-	-	82 718	82 769
	-	-	365 394	374 774
Balances owed by IDFC to SOC	-	-	1 509	-

*The Loan amount disclosed above for PSQ is excluding the amount of R3.5m which was recorded as a reduction of the investment in PSQ from an external investor.

Transactions and balances with subsidiaries and IDFC				
Ithala SOC Limited	-	-	-	-
Interest paid on customer deposits and retention accounts	-	-	310	340
Shared services	-	-	8 565	8 565
Rental income	-	-	5 967	5 575
Recovery of operating expenses	-	-	411	445
Administration fees	-	-	-	3 600
Funds Transferred to Ithala SOC Ltd	-	-	47 779	51 142
Deposits due to properties tenants	-	-	58 204	55 603
Outstanding balance on savings and fixed deposits	-	-	14 192	13 734
Nongoma Plaza	-	-	-	-
Management fees earned	-	-	806	686
Interest income from loans	-	-	3 234	3 277
Insurance	-	-	161	143
Sundumbili Plaza	-	-	-	-
Durban Wharfside Trust	-	-	-	-
Distribution received	-	-	2 822	5 591
Management fees earned	-	-	412	499
Insurance	-	-	134	190
Portshepstone Quarries	-	-	-	-
Directors' fees	-	-	105	438
	-	**-**	**143 102**	**149 828**
Loans owing by associates to IDFC				
Rocktail Bay Dev Co (Pty) Ltd	649	607	649	607
Mabibi Development Company (Pty) Ltd	1 977	1 835	1 977	1 835
Banzi Plan Development Company (Pty) Ltd	6 931	6 931	6 931	6 931
Ntingwe Tea (Pty) Ltd	65 694	65 694	65 694	65 694
	75 251	**75 067**	**75 251**	**75 067**

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Loan owing by joint venture to IDFC				
Ulundi Shopping Centre	4 953	4 632	4 935	4 632
Balances held on behalf of associates	-	-	-	-
Ntingwe Tea Farming (Pty) Ltd	26 026	24 532	26 026	24 532
Transactions with associates and IDFC	-	-	-	-
Management fee - Rocktail Bay Dev. Co (Pty) Ltd	30	24	30	24
Management fee - Mabibi Development Company (Pty Ltd	142	142	142	142
Transactions with joint venture and IDFC				
Ulundi Shopping Centre				
Interest Income	322	593	322	593
Related party balances and transactions with other related parties				
Balances between IDFC and other Government Departments and EDTEA				
Department of Human Settlements	80 334	122 783	80 334	122 783
Vulindlela Development Agency	3 016	2 793	3 016	2 793
Bulk Buying Project	9 940	17 252	9 940	17 252
Storm Disaster	1 049	1 157	1 049	1 157
Raset Project	1 823	3 907	1 823	3 907
Operation Vula	-	6 651	-	6 651
Industrial Hubs	21 212	21 838	21 212	21 838
Thokazi Royal Lodge	3 084	8 459	3 084	8 459
Zimele Traders	14 312	19 090	14 312	19 090
Imbokodo Iyazenzela	14	11	14	11
Shared Infrastructure SMME and Co-operatives	15 393	19 675	15 393	19 675
Maritime Transport and Manufactured	2 344	2 179	2 344	2 179
Other - Ndumo Retail Project	37 213	21 250	37 213	21 250
Bakery Incubation	2 368	7 937	2 368	7 937
Paper and pulp manufacturing	4 032	12 093	4 032	12 093
Inkunzi Isematholeni	27	116	27	116
Business support funds	10 697	13 504	-	-
Banking system	9 304	9 304	-	-
BEE Risk Fund	4 789	4 789	-	-
DTI Grant	928	928	-	-
	221 879	**295 716**	**196 161**	**267 191**
Grant Funds Returned to EDTEA				
Thokazi Royal Lodge (Funds recalled by Treasury)	(8 435)	-	(8 435)	-
Transactions between IDFC and other EDTEA subsidiaries				
Rental Income	6 446	3 391	6 446	3 391
Parking	715	755	715	755
Recovery of operating expenses	1 743	927	1 743	927
Recovery of key management benefits	281	724	281	724
	9 185	**5 797**	**9 185**	**5 797**

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (continued)

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
The following funds were received from EDTEA and other KZN Government Departments				
Ithala SOC capital injection	49 288	51 142	49 288	51 142
Paper and Pulp manufacturing	5 656	-	5 656	-
Inkunzi Sematholeni	1 000	-	-	-
Bakery Incubation	1 500	3 500	1 500	3 500
Ndumo Retail Project	25 000	18 000	25 000	18 000
Clothing and Textile Hub	29 694	12 224	29 694	12 224
Thokazi Royal	3 010	-	3 010	-
Shared Infrastructure SMME and Co-operatives	14 000	13 000	14 000	13 000
	129 148	**97 866**	**128 148**	**97 866**
Transactions between Ithala SOC Limited and other IDFC subsidiaries				
Rental	-	-	-	-
Nongoma Plaza (Pty) Ltd	576	407	-	-
Amortisation	576	-	-	-
Rental Deposits held by Ithala SOC Limited	-	-	-	-
Nongoma Plaza (Pty) Ltd	1 095	1 029	-	-
Wharfside Trust	1 016	887	-	-
	2 687	**2 323**	**-**	**-**
Directors' emoluments for other subsidiaries				
ZB Zwane	20	90	-	-
CS Gina	85	346	-	-
Transactions between Ithala SOC Limited and entities owned by EDTEA				
Deposits due to customers held by Ithala SOC Limited for KZN Growth Fund	84 384	82 590	-	-
Interest expense on KZN Growth Fund Deposits	8 445	10 840	-	-

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Loans to members of Provincial Legislature, EDTEA entities and former IDFC Board Members				
Loans granted	41 334	53 345	41 334	53 345
Outstanding balance	28 570	32 259	28 570	32 259
Arrears	(13 615)	(11 734)	(13 615)	(11 734)
Specific Impairment Charge	-	3 504	-	3 504
Security amount	58 945	63 806	58 945	63 806
Interest received	2 490	2 751	2 490	2 751
Loans to key management personnel - Ithala SOC Limited	-	-	-	-
Outstanding balance	18 475	19 564	-	-
Security amount	22 132	22 486	-	-
Interest received	1 845	1 874	-	-
Loans granted by Ithala SOC Limited to executive management of the company	-	-	-	-
Outstanding balance	207	1 470	-	-
Security amount	780	4 165	-	-
Interest received	21	169	-	-
EFG (Proprietary) Limited	-	-	-	-

*Refer to Note 8 for impairments raised as at 31 March 2025 on these loans and the movement in the impairments from the prior year.

***The difference between the loan balances owing by associates above and the balance per the investment in associates note **(Note 12)**, relates to Ntingwe that is included in other sundry debtors.

Various employees of the Holding Company serve as directors in various subsidiaries, associates and joint venture companies at no additional employee benefits to those companies or the holding company. Below is a list of Companies and affected employees.

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (continued)

Subsidiaries, Associates, and Joint ventures	Ms P Bengu	Mr K Cele	Ms F Abdool Kader	Dr M Muthusamy	Mr SD Khwela	Mr B Shangase	Ms S Zondi
Nongoma Plaza (Pty) Ltd			X		X		
The Durban Wharfside Trust			X				
Sibaya Conservation Projects (Pty) Ltd			X				
Rocktail Bay Dev Co (Pty) Ltd							
Banzi Pan Development Company (Pty) Ltd			X				
Mabibi Development Company Pty Ltd							
Ubuciko Twines & Fabrics (Pty) Ltd		X		X			
Portshepstone Quarries (Pty) Ltd			X	X		X	X
Ntingwe Tea (Pty) Ltd							
KwaZulu Natal Property Development Holding (KPDH)	X					X	
Ulundi Shopping Centre			X		X		
Cowslip (Pty) Ltd	X						

29. FINANCIAL RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the year and benefits for other stakeholders and to maintain an optimal capital structure to optimise the cost of capital. The capital structure of the group consists of borrowings, deposits due to customers and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Credit risk management

Credit risk is the risk of suffering financial loss, should any customers or market counterparties fail to fulfil their contractual obligations to the group. Credit risk arises mainly from commercial and consumer loans and advances. Credit risk is a significant risk resulting in management carefully managing its exposure. Credit risk management and control are centralised within a credit risk management team, which reports to the Chief Executive Officer.

Whilst the Board retains overall responsibility for risk management, policies and frameworks are developed by management on an Enterprise-Wide basis striving to identify all relevant risks, to measure and understand such risks and to manage and monitor them in order to minimise and control the impact of adverse occurrences. The Board of Ithala has delegated the responsibility for risk management to Board Sub Committees, namely the Audit and Risk, IT Governance and the Human Resources, Social and Ethics Committees, while the Board of Ithala SOC Limited has delegated the responsibility to the IT Governance and Risk and Capital Management Committee. Each committee has specific terms of reference and delegated powers of authority that are reviewed annually by the Board.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into daily operations.

The year has exposure to the following risks from financial instruments, namely, credit risk, liquidity risk, market risks and operational risks.

Credit risk

Credit risk is the risk of potential loss from the failure of customers, clients or counter parties to fulfil obligations to the group. In order to minimise the potential for loss, the group has adopted a credit risk management philosophy, which is based on the principle of assessing the serviceability of individual loans granted and the recoverability of such loans through cash flows and the underlying security. Loans advanced are secured by tangible assets and other forms of security.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit and Investment Committee. A separate Management Credit and Investment Committee is responsible for management of the company's Credit Risk.

Ithala's credit approval is graduated, where increasing magnitudes of credit transactions require higher levels of authorisation. Each credit application is evaluated on its own merits depending on the value and type of transaction under consideration, and may be considered progressively by Delegated Line function, Management Credit Committee and the Board Credit and Investment Committee. The transaction-based approach is in keeping with Ithala's risk management strategy throughout the company while ensuring compliance with credit policies set by the Board.

Problem exposures, when they arise, are initially dealt with by Line Management unless further degeneration occurs whereupon they are attended to by the company's Business Support, legal and collections staff who then administer the recovery process. Exposures are considered to be non-performing when amounts due are unpaid for more than three months or a counter-party is under judicial management or declared insolvent and management believes that further recoveries are no longer probable.

Credit risk measurement

Loans and advances to customers (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and required of models, as the exposures varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as the likelihood of defaults occurring, of the associated loss ratios and of the default correlations between counterparties. The company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to the detailed notes below.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Credit risk grading

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The company uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into the ratings model.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. Please refer to the next note for a description of how the company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument in then moved to 'stage 3'. Please refer to next note for a description of how the company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months after the reporting date. Instruments in Stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the next note for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- It is expected that an exposure would experience a significant increase in credit risk prior to the existence of objective evidence of impairment or the occurrence of default. Therefore, the company incorporates both forward-looking as well as historical information in determining whether such deterioration has occurred.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit loss	(Significant increase in credit risk since initial recognition) Lifetime expected credit loss	(Credit-impaired assets) Lifetime expected credit losses
9 650	**29 405**	**530 798**

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative Criteria:

A SICR rule was included in the staging model which transfers exposures to stage 2 based on credit score deterioration compared to origination. A worse deterioration through-the-cycle threshold of a 15-point drop triggers SICR, which is a common industry benchmark. The threshold varies based upon prevailing forward looking information, i.e. during a downturn a deterioration of fewer than 15 points is required for SICR to trigger.

Qualitative Criteria:

If the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted

The assessment of SICR incorporates forward-looking information and is performed on a bi-annual basis at a portfolio level for all financial instruments held by the company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The company has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2025.

The following table shows the impact on the 31 March 2025 ECL allowance of changing the PD thresholds for SICR. Increases in ECL (positive amounts) represent higher impairment allowances that would be recognised:

Ithala SOC Limited

Lifetime PD band at initial recognition	Actual threshold applied	Change in threshold R'000	Lower threshold R'000	Higher threshold R'000
Housing loans				
31 March 2025				
<=545	<=545	(87)	27 400	27 314
545-570	545-570	(10)	12 286	12 275
570-605	570-605	600	19 319	19 919
605-625	605-625	443	8 942	9 385
625-650	625-650	177	7 396	7 573
650-675	650-675	631	2 686	3 317
675-999	675-999	2 564	2 687	5 252
31 March 2024				
<=545	<=545	(87)	27 400	27 314
545-570	545-570	(10)	12 286	12 275
570-605	570-605	600	19 319	19 919
605-625	605-625	443	8 942	9 385
625-650	625-650	177	7 396	7 573
650-675	650-675	631	2 686	3 317
675-999	675-999	2 564	2 687	5 252
Micro-finance secured loans 31 March 2025				
<=600	<=600	1 056	24 247	25 303
600-699	600-699	1 177	11 157	12 333
31 March 2024				
<=600	<=600	1 056	24 247	25 303
600-699	600-699	1 177	11 157	12 333

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Company

2025

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Relative Increase
Agri- Finance	Performing Partial Arrears	17.6% 59.6%	42.0%	237.9%
Asset Finance	Performing Partial Arrears	12.7% 57.4%	44.7%	352.7%
Commercial Property	Performing Partial Arrears	10.0% 60.8%	50.8%	507.0%
Franchise Finance	Performing Partial Arrears	5.1% 29.5%	24.4%	478.2%
Micro Finance	Performing Partial Arrears	6.4% 50.6%	44.2%	688.1%
Procurement Finance	Performing Partial Arrears	28.7% 56.8%	28.1%	98.1%
Structured Finance	Performing Partial Arrears	15.7% 65.1%	49.4%	314.9%

2024

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Relative Increase
Agri - Finance	Performing Partial Arrears	18.3% 62.6%	44.2%	241.3%
Asset Finance	Performing Partial Arrears	12.8% 57.4%	44.6%	348.2%
Commercial Property	Performing Partial Arrears	10.3% 61.1%	50.8%	495.9%
Franchise Finance	Performing Partial Arrears	5.4% 33.0%	27.5%	505.2%
Micro Finance	Performing Partial Arrears	6.1% 50.8%	44.6%	727.3%
Procurement Finance	Performing Partial Arrears	29.4% 57.3%	28.0%	95.2%
Structured Finance	Performing Partial Arrears	15.2% 65.1%	49.9%	328.4%

Definition of default and credit-impaired assets

In addition to criteria defined for the transition from Stage 1 into Stage 2, criteria have been defined to be used in transferring accounts into Stage 3, i.e. in the event of default resulting in the commencement of legal collections and rundown proceedings.

Days past due

The IFRS 9 standard incorporates a further rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3. This assumption has not been rebutted in the model, and all such exposures are automatically transferred into Stage 3 in the staging module of the model.

Status codes and write-off amount

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the client provided status codes to indicate distressed accounts to be moved to Stage 3.

Transition due to manual override

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the model incorporates the use of manual overrides in order to allow management to transfer exposures to Stage 3 of the impairment model. This can be done on the basis of an individual assessment that indicates a change from management as an active client to a legal collections and rundown process.

The company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- The criteria above have been applied to all financial instruments held by the company and are consistent with the definition of default used for internal credit risk management processes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the company's expected loss calculation.

A back stop is applied and the financial instruments considered to have met the definition of default if the borrower is more than 90 days past due on its contractual payments.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LCD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Loss Given Default (LCD) represents the company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a profile from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and Lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Corporation's recent default data. The 12-month and Lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

Forward-Looking economic information is also included in determining the 12-month and Lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note below for an explanation of forward-looking information and its conclusion in ECL calculations.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from various trusted economic sources such as Statistic South Africa and Reserve Bank on a bi-annual basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Changes in the model and assumptions used to calculate ECL for the current year

The model has been recalibrated for the financial year-end to include data up to January 2024. Model parameters and PD segments were recalculated to incorporate this information which resulted in shifts in the parameters.

Additional model and assumption changes are listed below:
- The time to collateral recovery assumption applied within the LGD model was adjusted to 36 months based on the average age of collateral in default.
- Enhanced the current PD methodology to be calibrated to the 6-, 24- and 36-month default rate in addition to the 12-month default rate.
- Put in place a 5% LGD floor to allow for risks related to collateral recovery and direct collection costs.
- Adjusted the discounting of losses in the ECL model on the contractual interest rate, rather than market rates.
- A new macroeconomic model was introduced which uses GDP, CPI and unemployment as predictors for transforming through-the-cycle PDs to point-in-time PDs.

The most significant period-end assumptions used for the ECL estimate as at 31 March 2025 are set out below. The scenario 'Base', 'Optimistic' and 'Downturn' were used for all portfolios.

Company

		2026	2027	2028	2029
Gross Domestic Product (GDP) (Rbn)	Base	4 776	4 856	4 941	5 016
	Optimistic	4 861	4 966	5 078	5 177
	Downturn	4 683	4 699	4 746	4 801
Unemployment (%)	Base	32,90 %	32,77 %	39,61 %	32,53 %
	Optimistic	33,10 %	32,71 %	32,29 %	31,95 %
	Downturn	32,05 %	32,63 %	32,87 %	33,02 %
Consumer Price Index	Base	105	110	115	121
	Optimistic	104	108	113	119
	Downturn	106	113	120	126

Ithala SOC Limited		- %	2026	2027	2028
Household income to disposal income	Base	- %	63	63	63
	Optimistic	- %	65	64	59
	Downturn	- %	61	60	59
Unemployment (%)	Base	- %	33,50 %	33,80 %	34,40 %
	Optimistic	- %	32,60 %	32,40 %	31,90 %
	Downturn	- %	35,90 %	36,70 %	38,30 %
Gross Domestic Product (GDP) (Rbn)	Base	- %	4 747	4 788	4 833
	Optimistic	- %	4 993	5 160	5 370
	Downturn	- %	4 937	5 028	5 146
Consumer Price Index (CPI)	Base	- %	110	114	120
	Optimistic	- %	108	113	118
	Downturn	- %	116	124	131

The weightings assigned to each economic scenario at 31 March 2025 were as follows:

	Base	Optimistic	Downturn
All portfolios (Company)	60 %	18 %	22 %
All portfolios (Ithala SOC Ltd)	77 %	5 %	18 %

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis or whenever necessary.

Scenario sensitivity

The most significant assumptions affecting the ECL allowance are as follows:

- Domestic GDP
- Prime rate; or CPI
- Unemployment

Set out below are the changes to the ECL as at 31 March 2025 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Corporation's economic variable assumptions (for example, the impact on ECL of increasing the estimated Domestic GDP by in each of the base, Optimistic, Downturn scenarios).

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Ithala SOC Limited

2025	Unemployment Rate (R'000)	Household income to disposable income R'000	Gross Domestic Product (GDP) R'000	Consumer Price Index (CPI) R'000	Price Consumption R'000
[-0.50%]	120 993	120 989	120 995	120 948	120 994
No change	120 996	120 996	120 996	120 996	120 996
[+0.50%]	121 000	120 999	120 998	121 045	121 003

2024	Unemployment Rate (R'000)	Household Income to disposable income R'000	Gross Domestic Product (GDP) R'000	Consumer Price Index (CPI) R'000	Price Consumption R'000
[-0.50%]	116 118	116 114	116 121	116 086	116 540
No change	116 120	116 120	116 120	116 120	116 120
[+0.50%]	116 121	116 126	116 119	116 154	115 697

Company

2025	GDP R'000	Unemployment R'000	CPI R'000
[-1%]	565 785	570 586	561 597
No change	569 853	569 853	569 853
[+1%]	570 012	569 121	578 116

2024	GDP R'000	Unemployment R'000	CPI R'000
[-1%]	448 469	452 517	446 548
No change	452 456	452 456	452 456
[+1%]	452 534	452 397	458 373

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the company to be statistically credible.

Where sufficient information is not available internally, the company has considered benchmarking internal / external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Credit rating band
- Product type
- Month of book
- Arrears status

The appropriateness of groupings is monitored and reviews on a periodic basis by the Credit Risk team.

Maximum exposure to credit - Financial instruments subject to impairment.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of loans and advances below also represents the company's maximum exposure to credit risk on these financial assets.

Housing and Commercial Property - Ithala SOC Limited

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	835 481	-	-	835 481	919 204	307 909	28 287	1 255 400
30 days	-	-	-	-	-	59 488	3 419	62 907
60 days	-	-	-	-	-	47 478	8 418	55 896
90 days and above	-	-	-	-	-	-	142 620	142 620
	835 481	-	-	835 481	919 204	414 875	182 744	1 516 823
Loss allowance	(1 023)	-	-	(1 023)	(1 606)	(21 272)	(57 838)	(80 716)
Carrying amount	**834 458**	**-**	**-**	**834 458**	**917 598**	**393 603**	**124 906**	**1 436 107**

Micro finance - secured - Ithala SOC Limited

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	-	-	-	-	608 638	33 180	4 452	646 270
30 days	-	-	-	-	673	24 981	1 914	27 568
60 days	-	-	-	-	-	24 382	3 036	27 418
90 days and above	-	-	-	-	-	-	36 215	36 215
	-	-	-	-	609 311	82 543	45 617	737 471
Loss allowance	-	-	-	-	(2 111)	(9 698)	(23 595)	(35 404)
Carrying amount	**-**	**-**	**-**	**-**	**607 200**	**72 845**	**22 022**	**702 067**

29. FINANCIAL RISK MANAGEMENT (continued)

Micro finance - unsecured loans - Ithala SOC Limited

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
90 days and above	-	-	-	-	-	-	-	-

Micro finance - unsecured loans - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	5 845	2 162	-	8 007	2 989	2 316	-	5 305
30 days	-	441	-	441	-	112	-	112
60 days	-	202	-	202	-	436	-	436
90 days and above	-	-	8 388	8 388	-	-	7 083	7 083
	5 845	2 805	8 388	17 038	2 989	2 864	7 083	12 936
Less: future finance charges	(177)	(358)	(7 576)	(8 111)	(56)	(333)	(6 444)	(6 833)
Carrying amount	**5 668**	**2 447**	**812**	**8 927**	**2 933**	**2 531**	**639**	**6 103**

Agri Finance - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	65 076	8 174	2 090	75 340	53 428	12 267	7 739	73 434
30 days	-	528	-	528	-	4 282	-	4 282
60 days	-	6 527	261 859	268 386	-	2 044	6 082	8 126
90 days and above	-	-	-	-	-	-	234 568	234 568
	65 076	15 229	263 949	344 254	53 428	18 593	248 389	320 410
Loss allowance	(2 853)	(2 818)	(227 993)	(233 664)	(1 782)	(4 018)	(186 219)	(192 019)
Carrying amount	**62 223**	**12 411**	**35 956**	**110 590**	**51 646**	**14 575**	**62 170**	**128 391**

Franchise Finance - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	38 067	-	-	38 067	20 255	-	2 667	22 922
30 days	-	4 095	-	4 095	-	-	-	-
60 days	-	-	-	-	-	-	-	-
90 days and above	-	-	24 826	24 826	-	-	22 737	22 737
	38 067	4 095	24 826	66 988	20 255	-	25 404	45 659
Loss allowance	(908)	(1 287)	(23 939)	(26 134)	(284)	-	(23 544)	(23 828)
Carrying amount	**37 159**	**2 808**	**887**	**40 854**	**19 971**	**-**	**1 860**	**21 831**

29. FINANCIAL RISK MANAGEMENT (continued)

Procurement Finance - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	15 832	4 540	-	20 372	15 901	9 487	-	25 388
30 days	130	2 080	-	2 210	-	9 064	-	9 064
60 days	-	4 998	-	4 998	-	604	-	604
90 days and above	-	-	71 114	71 114	-	-	57 100	57 100
	15 962	11 618	71 114	98 694	15 901	19 155	57 100	92 156
Loss allowance	(1 685)	(2 890)	(67 061)	(71 636)	(956)	(2 460)	(53 945)	(57 361)
Carrying amount	**14 277**	**8 728**	**4 053**	**27 058**	**14 945**	**16 695**	**3 155**	**34 795**

Commercial Property Finance - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	67 514	8 139	14 960	90 613	71 032	-	-	71 032
30 days	-	-	-	-	-	5 581	-	5 581
60 days	-	323	-	323	-	864	-	864
90 days and above	-	-	46 929	46 929	-	-	34 306	34 306
	67 514	8 462	61 889	137 865	71 032	6 445	34 306	111 783
Loss allowance	(922)	(944)	(28 806)	(30 672)	(680)	(785)	(19 372)	(20 837)
Carrying amount	**66 592**	**7 518**	**33 083**	**107 193**	**70 352**	**5 660**	**14 934**	**90 946**

Asset Finance - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	64 328	57 737	-	122 065	78 657	36 422	5 729	120 808
30 days	-	4 013	1 073	5 086	-	2 122	-	2 122
60 days	-	26 084	2 641	28 725	-	-	-	-
90 days and above	-	-	135 501	135 501	-	-	85 116	85 116
	64 328	87 834	139 215	291 377	78 657	38 544	90 845	208 046
Loss allowance	(2 833)	(19 778)	(108 689)	(131 300)	(3 448)	(6 507)	(81 108)	(91 063)
Carrying amount	**61 495**	**68 056**	**30 526**	**160 077**	**75 209**	**32 037**	**9 737**	**116 983**

Structured Finance - Company

	2025				2024			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	3 554	5 951	-	9 505	8 613	-	-	8 613
30 days	-	105	-	105	-	-	-	-
60 days	-	-	-	-	-	-	4 813	4 813
90 days and above	-	-	67 965	67 965	-	-	58 654	58 654
	3 554	6 056	67 965	77 575	8 613	-	63 467	72 080
Loss allowance	(272)	(1 330)	(66 733)	(68 335)	(564)	-	(59 992)	(60 556)
Carrying amount	**3 282**	**4 726**	**1 232**	**9 240**	**8 049**	**-**	**3 475**	**11 524**

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk - loans and advances

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Corporation since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Corporation will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group's collateral held against the loans amount to R2.3bn (2024: R3.9bn), made up of mortgage bonds linked to properties valued at year end, cash, credit agreements, notarial bonds, pledged investments, pension and provident fund assets, cession of income, term deposits and moveable assets, suretyships and where appropriate, key policies.

	2025				2024			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Loans and advances								
Housing and commercial property	1 431 288	(86 882)	1 344 406	2 416 036	1 516 822	(80 716)	1 436 106	2 517 237
Micro finance - secured	621 883	(34 114)	587 769	916 933	737 470	(35 404)	702 066	1 013 629
Micro finance - unsecured	17 038	(8 111)	8 927	7	12 936	(6 833)	6 103	16
Agri-finance	344 254	(233 664)	110 590	183 844	320 410	(192 018)	128 392	188 680
Franchise finance	66 988	(26 134)	40 854	19 212	45 659	(23 829)	21 830	25 339
Procurement finance	98 694	(71 637)	27 057	5 541	92 156	(57 361)	34 795	5 586
Commercial property finance	137 865	(30 811)	107 054	106 727	111 783	(20 836)	90 947	92 990
Asset finance	291 377	(131 301)	160 076	77 296	208 046	(91 063)	116 983	59 281
Structured finance	77 575	(68 336)	9 239	2 733	72 080	(60 556)	11 524	2 556
Total loans and advances	**3 086 962**	**(690 990)**	**2 395 972**	**3 728 329**	**3 117 362**	**(568 616)**	**2 548 746**	**3 905 314**

Below is the credit impaired (Stage 3) loans and advances with their collateral:

	2025				2024			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Credit impaired loans and advances								
Housing and commercial property	-	-	-	-	182 744	(57 838)	124 906	-
Micro finance - secured	-	-	-	-	45 617	(23 595)	22 022	-
Micro finance - unsecured	8 389	(7 576)	813	7	7 083	(6 444)	639	16
Agri-finance	263 949	(227 993)	35 956	107 508	248 389	(186 219)	62 170	113 425
Franchise finance	24 826	(23 939)	887	798	25 404	(23 544)	1 860	1 003
Procurement finance	71 113	(67 061)	4 052	4 793	57 100	(53 945)	3 155	4 838
Commercial property finance	61 889	(28 807)	33 082	42 862	34 306	(19 372)	14 934	17 579
Asset finance	139 215	(108 689)	30 526	27 095	90 845	(81 108)	9 737	16 395
Structured finance	67 965	(66 733)	1 232	2 733	63 467	(59 992)	3 475	2 556
Total credit-impaired loans and advances	**637 346**	**(530 798)**	**106 548**	**185 796**	**754 955**	**(512 057)**	**242 898**	**155 812**

Write-off policy

The entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. The group writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Dividends may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 March 2025 for Group was R 10,2m (2024: R52.4m) and Company was R0.180m (2024: R33.3m).

The comparative tables below relating to 31 March 2024, reflects accounts by product wherein no expected credit loss was raised / recognised due to the value of collateral being more than the loan balance.

The tables below reflect accounts by product wherein the value of collateral is more than the loan balance. As part of improvements made to the model from 31 March 2025 and going forward, a 5% LGD floor has been applied in order to cover some risk of non-recoverability of collateral and to allow for direct expenses not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Group 2025	Loan Balances R'000	Security Held R'000
Agri Finance	60 267	140 828
Asset Finance	15 404	20 131
Com / Prop Finance	52 639	84 380
Franchise Finance	2 450	22 564
Procurement Finance	119	748
	130 879	**268 651**

Group 2024	Loan Balances R'000	Security Held R'000
Agri Finance	52 708	100 092
Asset Finance	2 841	10 134
Com / Prop Finance	30 569	50 210
Franchise Finance	7 079	23 580
Procurement Finance	177	748
	93 374	**184 764**

Company 2025	Loan Balances R'000	Security Held R'000
Agri Finance	60 267	140 828
Asset Finance	15 404	20 131
Com/Prop Finance	52 639	84 380
Franchise Finance	2 450	22 564
Procurement Finance	119	748
	130 879	**268 651**

Company 2024	Loan Balances R'000	Security Held R'000
Agri Finance	52 708	100 092
Asset Finance	2 841	10 134
Com/Prop Finance	30 569	50 210
Franchise Finance	7 079	23 580
Procurement Finance	177	74
	93 374	**184 764**

Modification of financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in credit risk of the financial instrument by comparing:

- The risk of a default occurring at the reporting date (based on the modified contractual terms); and
- The risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate, or when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Loans and advances renegotiated

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the group has provided initially.

Rescheduled / renegotiated loans include extended payment arrangements, modification and deferral of payments:

	Group		Company	
Continuing to be impaired after rescheduling:	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Agri Finance	-	4 145	-	4 145
Asset Finance	6 099	5 728	6 099	5 728
Franchise Finance	-	5 603	-	4 603
Non–impaired after rescheduling – would otherwise not have been impaired:				
Agri Finance	12 740	4 031	12 740	4 031
Procurement Finance	442	3 083	442	3 083
Asset Finance	33 576	473	33 576	473
Micro Finance	139	213	139	213
Commercial Property	5 686	-	5 686	-
	58 682	**23 276**	**58 682**	**23 276**

Liquidity risk

Liquidity risk is the risk that the group will be unable to service payment obligations timeously or fund asset growth.

The Board of directors sets the strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation thereof to the Audit and Risk Committee. The Treasury divisions of the group are responsible for the management of liquidity risk. Liquidity risk is monitored on a projected cash flow basis, incorporating ongoing review and assessment of assumptions applied and strategies in place to ensure that commitments are timeously funded.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

- The risk of a default occurring at the reporting date (based on the modified contractual terms);
- The continuous monitoring of actual and projected net cash flows;
- The maintenance of a liquidity "buffer" to fund unforeseen cash flows;
- Daily management of liquidity to support operations and fund asset growth;
- Periodic assessment of sources of funding to fund liquidity shortfalls; and
- Advising management on trends emerging from variance analysis to reassess where necessary business plans and assumptions.

The details of the group's expected contractual maturity for its financial liabilities has been drawn up based on the summary of the undiscounted contractual maturities of financial assets and liabilities including interest that would be payable. A summary of the group liquidity profile and the contractual maturity is reflected in the table below:

Group

2025

	One year	From two to five years	After five years
Loans receivable	-	-	-
Financial liabilities			
Trade and other payables	449 011	-	-
Operating lease liability straightlining	24 806	38 408	22 074
Dividend payable	-	-	-
	473 817	**38 408**	**22 074**

2024	One year	From two to five years	After five years
Financial liabilities			
Deposits due to customers	2 371 214	31 243	-
Trade and other payables	508 593	-	-
Lease liability	29 816	52 223	69 540

Company

2025

	One year	From two to five years
Loans receivable	-	-
Borrowings	7 635	-
Trade and other payables	385 519	-
Lease liability	1 328	5 102

2024	One year	From two to five years	After five years
Financial liabilities			
Borrowings	8 339	7 664	-
Trade and other payables	462 814	-	-
Lease liability	1 400	5 098	23 345

The Group has sufficient financial resources to meet all payments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period, the Group held deposits at call of R655.8 million (2024: R655.8 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company' liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The group had access to an undrawn credit facility of R100 million at the end of the reporting period.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange risks will affect the group's income or the value of it's holdings of financial instruments.

Management has developed an enterprise risk management framework, which is used to manage the Group's exposure to interest rate and equity price risk. Management reports to the Board on a quarterly basis on its efforts to mitigate the exposure of the Group. The objectives are defined as per below.

Interest rate risk

Interest rate risk refers to the potential adverse impact on earnings as a result of changes in interest rates. Yields on assets and liabilities are monitored monthly. In addition, interest rate shock analysis is performed to assess the sensitivity on net interest due to unanticipated movement in interest rates.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and IFRS 7.34(a) non-derivative instruments at balance sheet date. The analysis is prepared assuming the amount of liability and assets outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable and possible change in interest rates. If interest rates had been 2% lower / higher and all other variables were held constant, the Group's Profit for the year ended 31 March 2025 would decrease by R17.8 million, for the Company's profit for the year would decrease by R10.5 million, (2024: Group's loss would decrease by R15.9 million) or Group's profit would increase by R 18.1 million, for the Company's profit for the year would increase by R 10.8 million, (2024: Group's loss would increase by R 8.9 million). This is mainly attributable to the group's exposure to interest on its variable financial instruments.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Equity price risk

The group is exposed to equity risk arising from investments in marketable equity securities at fair value through profit and loss. These investments are held for strategic rather than trading purposes and the group does not actively trade these investments.

Equity price sensitivity

The sensitivity is based on the exposure to equity price risk at the reporting date. The investments are fair valued annually at the close of business on 31 March 2025. The group applies a critical judgment of on the valuation of these investments. If the valuation of the investment at year end had been higher or lower while other variables were held constant, the fair value of investment and fair value gains would have increased or decreased by R 3.2m (2024: R3.2m).

Foreign exchange risks

The group has no exposure to transactions or balances traded or denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

30. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Assets measured at fair value

Group

	2025				2024			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets Measured on a recurring basis[1]								
Investment property	-	-	3 689 926	3 689 926	-	-	3 477 745	3 477 745
Investment in Cell Captives*	-	-	-	-	-	-	-	-
Investment in SA Corp Real Estate	9 976	-	-	9 976	9 229	-	-	9 229
Total	**9 976**	**-**	**3 689 926**	**3 699 902**	**9 229**	**-**	**3 477 745**	**3 486 974**

	2025				2024			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities								
Borrowings **	-	9 063	-	9 063	-	16 267	-	16 267

1) Recurring fair value measurements of assets are those assets that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

* For further details, refer to note 11.

**The amortised cost of borrowings is equivalent to the fair value. For further details, refer to note 18.

NOTES TO THE FINANCIAL STATEMENTS

30. FAIR VALUE INFORMATION (continued)

Company

	2025				2024			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets								
Measured on a recurring basis[1]								
Investment property	-	-	3 469 926	3 469 926	-	-	3 280 898	3 280 898
Investment in SA Corp Real Estate	9 976	-	-	9 976	9 229	-	-	9 229
Total	**9 976**	**-**	**3 469 926**	**3 280 898**	**9 229**	**-**	**3 280 898**	**3 290 127**

	2025				2024			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities								
Borrowings **	-	7 280	-	7 280	-	14 484	-	14 484

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Level 3 financial assets

Reconciliation of level 3 assets

Investment property

2025

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group 2025	Corporation 2025
	Investment property	Investment property
	R'000	R'000
Balance at 01 April 2024	3 477 745	3 280 898
Total gains included in profit/loss	133 056	111 018
Issuances and purchases	83 673	82 729
Straight line rental	(4 548)	(4 719)
Balance at 31 March 2025	**3 689 926**	**3 469 926**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group 2025	Corporation 2025
	Investment property	Investment property
	R'000	R'000
Other (loss) / income	133 056	111 018

2024

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group 2024	Corporation 2024
	Investment property	Investment property
	R'000	R'000
Balance at 01 April 2023	3 284 681	3 099 441
Total gains included in profit/loss	110 139	105 008
Issuances and purchases	57 371	51 622
Straight line rental	25 554	24 827
Balance at 31 March 2024	**3 477 745**	**3 280 898**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group 2024	Corporation 2024
	Investment property	Investment property
	R'000	R'000
Other (loss) / income	110 139	105 008

NOTES TO THE FINANCIAL STATEMENTS

30. FAIR VALUE INFORMATION (continued)

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly).

The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

Valuation techniques and inputs for level two and level three assets

Group

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R'000			%
Investment property	3 689 926	Income capitalisation	Rental escalation rate	7%
			Expenditure Rate	9%
			Capitalisation Rate	10,93%
			Vacancy Rate	6,00%

Sensitivity and interrelationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
		Effect on profit or loss				
		Cap rate	Favourable		(Unfavourable)	
	R'000	%	%	R'000	%	R'000
Investment property	3 689 926	10,93%	9,93%	371 408	11,93%	(309 169)

Company

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R'000			%
Investment property	3 469 926	Income capitalisation	Rental escalation	7%
			Expenditure rate	9%
			Capitalisation rate	11,00%
			Vacancy rate	6,00%

Sensitivity and interrelationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
		Effect on profit or loss				
		Cap rate	Favourable		(Unfavourable)	
	R'000	%	%	R'000	%	R'000
Investment property	3 469 926	11,00%	10,00%	349 264	12,00%	(290 736)
Loans and advances	374 429	%	18%	6 263	10%	(6 348)

Fair value of financial instruments

	Group 2025		Corporation 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R'000	R'000	R'000	R'000
Financial assets				
Loans and advances	2 386 443	-	462 977	374 429

	2025			2024		
	Level 2 R'000	Level 3 R'000	Total R'000	Level 2 R'000	Level 3 R'000	Total R'000
Company						
Loans and Advances Fair value	-	374 429	374 429	-	312 982	312 982
Group						
Loans and Advances Fair value	-	-	-	-	2 567 274	2 567 274

IDFC manages an enterprise development fund on behalf of KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs governed through a funding agreement. The purpose of this fund is to advance development within the Province with loans advanced at specified interest rates range that are below the market. The fair value of these loans was determined using a fair value matrix. The matrix calculates the fair value of the loan using the loan term to determine the applicable government bond rate plus a risk premium.

Description	Fair value	Valuation technique	Unobservable input	Risk Premium	Range (weighted average)
	R'000			%	%
2025					
Loans and advances	374 429	Discounting of future cash flows	Risk based rate and prime rate	3%-16,65%	11,00% to 16,65%
2024					
Loans and advances	312 982		Risk based rate and prime rate	0,0%-14,9%	11,75% to 15,35%

Unrealised gains / (losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period

There is no impact on the profit or loss at the end of the reporting period.

31. NEW STANDARDS AND INTERPRETATIONS

31.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2025 or later periods as detailed below:

NOTES TO THE FINANCIAL STATEMENTS

31. NEW STANDARDS AND INTERPRETATIONS (continued)

IFRS 18 Presentation and Disclosure in Financial Statements
IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 to replace IAS 1 Presentation of Financial Statements. IFRS 18 aims to improve financial reporting by: requiring additional defined subtotals in the statement of profit or loss; requiring disclosures about management-defined performance measures; and adding new principles for the aggregation and disaggregation of items.

The effective date of the amendment is for years beginning on or after 01 January 2027. The Group has elected not to early adopt the standard.

IFRS 19 Subsidiaries without Public Accountability: Disclosure
IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements.Instead, these entities apply the requirements in IFRS 19.

The effective date is for years beginning on or after 7 January 2027. The Group has elected not to early adopt the standard.

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments
The amendments to the Classification and Measurement of Financial Instruments was issued in May 2024 in response to feedback received as part of the post-implementation review of the classification and measurement requirements in IFRS 9 Financial Instruments and relates requirements in IFRS 7 Financial Instruments:Disclosures.

The amendments specify:
- when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date;
- how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and
- new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.

The effective date for the amendment is for years beginning on or after 1 January 2026. **The Group has elected not to early adopt the standard.**

Annual Improvements to IFRS Accounting Standards - Volume 11

Annual Improvements to IFRS Accounting Standards- Volume 11 contains the following amendments:
- IFRS 1 First-time Adoption of International Financial Reporting Standards- Hedge accounting by a first-time adopter
- IFRS 7 Financial Instruments:Disclosures- Gain or loss on derecognition
- Guidance on implementing IFRS 7 Financial Instruments: Disclosures - Introduction, Disclosure of deferred difference between fairvalue and transaction price, credit risk disclosures.
- IFRS 9 Financial Instruments- Derecognition of lease liabilities, Transaction price
- IFRS 10 Consolidated Financial Statements- Determination of a 'de facto agent'
- IAS 7 Statement of Cash Flows- Cost method

The effective date for the amendment is for the years beginning on or after 1 January 2026.

Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity

Contracts Referencing Nature- dependent Electricity amends IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to more faithfully reflect the effects of contracts referencing nature- dependent electricity on an entity's financial statements.

The effective date for the amendment is for the years beginning on or after 1 January 2026.

Amendments to IAS 21: Lack of Exchangeability

An entity is impacted by the amendments when it has transactions or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

A currency is exchangeable when there is an ability to obtain the other currency (with normal administrative delay), and the transaction would take through a market or exchange mechanism that creates enforceable rights and obligations.

The effective date of the standard is for years beginning on or after 1 January 2025. **The Group has elected not to early adopt the standard.**

32. DEFERRED TAX LIABILITY

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Deferred tax liability				
Deferred tax liability	(31 064)	(25 517)	-	-
Reconciliation of deferred tax liability				
At beginning of year	(25 517)	(29 562)	-	-
Expected credit losses	1 783	1 076	-	-
Straight line rental debtors	(8)	(141)	-	-
Fair value adjustment	(7 249)	3 063	-	-
Income received in advance	(25)	189	-	-
Provision for audit fees and other	(48)	(142)	-	-
	(31 064)	**(25 517)**	**-**	**-**

33. OTHER OPERATING INCOME

Other operating income is stated after crediting the following significant items:

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Sundry income	48 330	16 742	5 688	7 426
Dividends received	728	693	728	693
Grants applied	47 311	51 142	2 681	51 142
Rental received	405 769	367 546	384 927	348 771
Sale of electricity, water, refuse and sewage	524 060	466 474	524 845	466 415
Fees earned, commission and service recovered	288 476	311 507	119 201	110 708
Management fee income from projects	6 354	11 200	6 354	11 200
Fair value adjustment on investment property	133 057	110 139	111 018	105 008
Fair value adjustment on investments in shares at fair value through profit / loss	541	1 545	541	1 545
General service levy	5 010	5 010	5 010	5 010
Dormant deposit income	-	9 995	-	-

NOTES TO THE FINANCIAL STATEMENTS

34. OPERATING EXPENDITURE

Operating profit (loss) before taxation for the year is stated after charging the following, amongst others:

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Auditor's remuneration - external				
Audit fees	13 897	11 314	6 267	4 772
Other significant expenses				
Employee costs*	472 714	459 261	250 265	227 483
Purchases of electricity, water and sewage	418 435	374 207	418 435	374 207
Consulting and professional fees	44 589	47 429	15 700	25 923
Assessment rates & municipal charges	154 288	134 355	154 288	134 355
Cleaning	10 270	9 019	10 270	9 019
Security	60 188	72 316	56 666	51 850
Repairs and maintenance - deductible	42 309	54 239	41 118	36 450
Expenses relating to debit card products	-	41 267	-	-

* Refer to Note 20 for details of the income statement movements in respect of retirement benefits and long service obligations.

35. INTEREST INCOME

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Interest income				
Interest generated from an effective interest rate:	-	-	-	-
Investments in financial assets:				
Balances with banks and short-term funds	98 571	103 726	28 020	37 743
Advances	335 815	353 171	87 881	79 896
Other interest income:	-	-	-	-
SARS Interest from tax overprovision	1 971	-	-	-
Total interest income	**436 357**	**456 897**	**115 901**	**117 639**

36. INTEREST EXPENDITURE

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Interest expense calculated using the effective interest rate				
Borrowings	1 123	1 889	1 123	1 889
Interest on savings and deposit accounts	106 793	104 508	-	-
Bank overdraft	1 603	4 106	1 603	4 106
Other Interest expense				
Lease liabilities	9 099	11 076	1 026	1 137
Non- trading interest*	13 870	12 863	8 508	8 432
Total finance costs	**132 496**	**134 450**	**12 260**	**15 564**

*Non-trading interest consist primarily of interest costs on long service and post retirement benefit obligations.

37. TAXATION

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Major components of the tax expense (income)				
Current				
Current year tax	2 240	1 740	-	-
Prior year underprovision / (overprovision)	-	2 245	-	-
	2 240	**3 985**	**-**	**-**
Deferred				
Movement in temporary differences	5 547	(4 045)	-	-
	7 787	**(60)**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit	30 530	15 515	-	-
Tax at the applicable tax rate of 27% or 45%	10 084	5 181	-	-
Tax effect of adjustments on taxable income				
Prior year overprovision	-	(3 379)	-	-
Exempt income	(821)	352	-	-
Base cost movement	(132)	(53)	-	-
Current tax attributable to sole beneficiary	(1 344)	(2 161)	-	-
	7 787	**(60)**	**-**	**-**

*The tax rate of 27% is applicable to the Property subsidiaries (which are companies) and the 45% tax rate is applicable to Durban Wharfside Trust (which is a trust).

38. IRREGULAR EXPENDITURE

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Irregular expenditure				
Irregular expenditure - current year	767	1 367	-	-
Details of irregular expenditure				
- Irregular expenditure under assessment	-	-	-	-
- Irregular expenditure under determination	-	-	-	-
- Irregular expenditure under investigation*	767	1 367	-	-
Total	**767**	**1 367**	**-**	**-**

An amount of R0.8m (2024: R1.4m) was incurred by the Group as a result of non-compliance with the Supply Chain Management policy. Irregular expenditure is being investigated.

39. FRUITLESS AND WASTEFUL EXPENDITURE

There was no fruitless and wasteful expenditure identified in the current financial year for the Group and Company.

40. MATERIAL LOSSES

The Group suffered a loss of R10.2m due to bad debts written off (2024: R52.4m).

The Group suffered a loss of R1.2m as a result of branch robbery in the current year (2024: RNil).

Staff losses and other fraud incidents incurred for the Group in the current year to the value of R1.6m (2024: R4.2m was identified relating to theft occurring in prior periods).

NOTES TO THE FINANCIAL STATEMENTS

41. CONTINGENT LIABILITIES

The Group is currently opposing certain claims that have been instituted against it by various parties. At year end, the outcome of the following legal disputes is considered uncertain.

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
CORPORATION				
- Claim by an employee for alleged malicious damage suffered as a result of a disciplinary hearing	400	400	400	400
- Claim by a supplier for unpaid invoices for work done at Nongoma Plaza	-	77	-	77
- Claim by a supplier for electrical installation	579	579	579	579
- Claim for payment of preliminary stage fees for Shopping Centre project Eugene Maphumulo Architects (Pty) Ltd **	15 271	15 271	15 271	15 271
-Claim by suppliers for unpaid invoices for various services provided at Ezakheni (Sanfira SA (Pty) Ltd and Chalupsky Properties) CC	1 734	1 734	1 734	1 734
- Counter claim by for refurbishment costs incurred by United Heavy Industries (Pty) Ltd ***	52 497	52 497	52 497	52 497
- Counter claim by former employee for accrued short-term employee benefits	71	71	71	71
- Claim for damage resulting from the rain after an Ithala contractor attended to roof repairs	1 809	1 809	1 809	1 809
- Claim for damages caused by an alleged breach of a management agreement	1 002	1 002	1 002	1 002
- Claim by former employee for legal fees	784	784	784	784
- Counter claim by Connectco Employee Trust for the payment of damages by IDFC*	45 718	-	45 718	-
-Counter claim by Atzovision(Pty)Ltd for loss of business opportunities	5 000	-	5 000	-
-Claim by TMS properties for a ceded claim by Inyosi Auctioneers	3 830	-	3 830	-
- Claim arising from refund of rental deposit - Namaqua Wines (Pty) Ltd	187	187	187	187
-Counter claim by Mshibe Hydroponics (Pty) Ltd for damages due to insufficient funding provided	6 500	-	6 500	-
- Counter claim for unpaid invoices Dehal Inc.	186	186	186	186
Ithala SOC Limited				
- Company issued a guarantee in favour of Guardrisk Life Ltd	4 100	4 100	-	-
- Claim against the company for damages due to breach of contract : Nkosini Investments CC	612	612	-	-
- Claim for alleged unfair retrenchment / dismissal	6 770	11 112	-	-
-Claim against invoices not paid: Tech Mahindra****	1 600	1 600	-	-
	148 650	**92 021**	**135 568**	**74 597**

*** Connectco Employee Trust**

The IDFC instituted legal action against Connectco Employee Trust (Pty) Ltd and its sureties in 2020 for the recovery of the debt owed due to the breach of the loan agreements by Connectco Employee Trust (Pty) Ltd. The legal action was immediately defended by Connecto Employee Trust (Pty) Ltd who in turn also brought a counter-claim against the IDFC. Connectco Employee Trust (Pty) Ltd claimed payment of R45m from the IDFC, representing damages suffered by it due to allegedly, the IDFC failing to approve the merger between Connecto Employee Trust (Pty) Ltd and one of the partners (Connectco Fasteners (Pty) Ltd.

**** Eugene Maphumulo Architects (Pty) Ltd**

The plaintiff is claiming that they were appointed by the Corporation to conduct preliminary stage services, for the development of the shopping centre in Ulundi. Following the preliminary stage services, a decision would have been taken to proceed with the development depending on whether it was viable and approved by the Corporation's governance structures. The plaintiff alleges that it has performed in line with its terms of reference, however the Corporation is delaying the procurement of the viability condition. A Joint Venture needed to be formed for this Ulundi Development with IDFC owning 51% and the partner being 49%, therefore the Corporation is of the view that they should not be held accountable for the cost incurred, but the joint venture once it has been established.

***** United Heavy Industries (Pty) Ltd**

United Heavy Industries (tenant) entered into a rental agreement with the Corporation to occupy a space in one of the factories. When the tenant took occupation, they claim to have incurred refurbishment costs. According to the tenant there was an agreement between them and the Corporation to carry out refurbishment costs and these costs will be net off against rental amounts. However there is no clause to that effect within the rental agreement and no communication from the Corporation was sent to the tenant to such extent.

****** Tech Mahindra**

In the 2020 financial year, Tech Mahindra submitted invoices for R2,7 million in respect of License Fees and R18,6 million in respect of system implementation. These invoices have not been settled as there is a dispute regarding the work completed. Ithala SOC Ltd has received a summons to settle R1.6m for services they claim were rendered.

*****Ithala SOC**

In December 2025, the Minister of Finance issued a guarantee in favour of First National Bank to the sum of R2,2 billion for the repayment of Ithala's depositor book. The guarantee ensures that Ithala's depositors will receive their capital balances held with Ithala. The repayment process began in December 2025 with over 60% of deposits already refunded based on the last report received.

Restructuring Plan:

Ithala management and Board have put together an alternative plan with the guidance of the Provincial Executive Council. This plan will give Ithala an opportunity to rebuild and restructure. The revised plan has been approved by Ithala's Board of Directors as well as the Board of Directors of the shareholder, Ithala Development Finance Corporation. The final plan has been submitted to the Provincial Executive Council and is awaiting their approval. Based on the plan, the estimated cost to restructure Ithala is R67,5 million.

NOTES TO THE FINANCIAL STATEMENTS

42. DIRECTORS' EMOLUMENTS

Executive

2025	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Termination benefits	Total
CORPORATION						
PS Bengu - Chief Executive Officer	3 402	820	-	681	-	4 903
Ms NA Zuma	1 835	271	250	222	-	2 578
MP Mthuli (appointed 1 June 2024)	1 896	250	-	-	-	2 146
Dr M Muthusamy	2 313	351	48	344	-	3 056
TN Mthethwa	2 268	501	-	383	-	3 152
K Cele	2 081	451	-	327	-	2 859
AR Malope	2 918	-	-	345	-	3 263
ITHALA SOC LIMITED						
T Vilakazi - Chief Executive Officer	3 237	438	-	-	-	3 675
S Xolo - Head Marketing and Communication	1 982	171	-	-	-	2 153
N Ngobese - Head Business Operations	1 714	156	-	-	-	1 870
R Jugoo - Head Credit (resigned 31 January 2025)	1 306	110	-	-	70	1 486
M Gafoor - Chief Financial Officer	2 773	363	-	-	-	3 136
N Motlagomang: Chief Risk Officer (appointed 06 May 2024)	1 524	127	-	-	-	1 651
A Pather: Head Insurance	1 879	171	-	-	-	2 050
S Nsele - Chief Audit Executive	1 901	160	-	-	-	2 061
K Nkambule - Compliance Officer	1 982	171	-	-	-	2 153
N Masuku - Company Secretary	1 406	128	-	-	-	1 534
S Phakathi - Chief Information Officer	2 039	176	-	-	-	2 215
T Nell - Head HR	1 879	171	-	-	-	2 050
	40 335	**4 986**	**298**	**2 302**	**70**	**47 991**

2024	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Termination benefits	Total
CORPORATION						
PS Bengu- Chief Executive Officer	2 854	650	-	12	-	3 516
Ms NA Zuma (Appointed 1 September 2023)	1 026	146	125	4	-	1 301
F Abdool Kader (Acting from 1 April 2023 to 31 August 2023)	1 583	241	-	298	-	2 122
Dr M Muthusamy	2 160	318	48	8	-	2 534
B Shangase (Terminated 29 February 2024)	1 438	313	-	-	267	2 018
XE Mkhize (Resigned 31 July 2023)	483	101	-	-	1 585	2 169
TN Mthethwa	2 125	454	-	43	-	2 622
K Cele	1 963	412	-	4	-	2 379
AR Malope	1 607	-	-	244	-	1 851
ITHALA SOC LIMITED						
T Vilakazi - Chief Executive Officer	3 237	438	-	-	-	3 675
M Gafoor - Chief Financial Officer (appointed 12 July 2023)	2 307	280	-	-	-	2 587
S Xolo - Head Marketing and Communication	1 898	160	-	-	-	2 058
S Moodley - Head Retail and Business Banking	1 812	156	-	-	-	1 968
N Ngobese - Head Business Operations (appointed 01 October 2023)	882	78	-	-	-	960
R Jugoo - Head Credit (appointed 01 April 2023)	1 057	88	-	-	-	1 145
B Van der Lingen - Chief Risk Officer (resigned 31 August 2023)	755	65	-	-	201	1 021
A Pather - Head Insurance	1 798	160	-	-	-	1 958
S Nsele - Chief Audit Executive	1 859	155	-	-	-	2 014
K Nkambule - Compliance Officer	1 898	160	-	-	-	2 058
N Masuku - Company Secretary	1 334	122	-	-	-	1 456
S Phakathi - Chief Information Officer	2 039	176	-	-	-	2 215
T Nell - Head HR	1 798	160	-	-	-	1 958
	37 913	**4 833**	**173**	**613**	**2 053**	**45 585**

NOTES TO THE FINANCIAL STATEMENTS

42. DIRECTORS' EMOLUMENTS (continued)

Non-executive

2025

	Directors' fees	Total
CORPORATION		
Adv Bheki Mbili (Appointed -15 March 2024)	558	558
S Mkhize - Chairperson	1 147	1 147
C Gina - Deputy Chairperson	877	877
Dr LT Mwelase (Appointed - 15 March 2024)	446	446
S Dlungwane	524	524
Dr S Ndlovu	640	640
Dr D Jairam	608	608
Dr U Roopnarian	562	562
M Ngubo	704	704
ITHALA SOC LIMITED		
N Simelane	663	663
M Pupuma	1 067	1 067
G Sibiya	650	650
Inkosi SN Mkhize	892	892
Y Mjiako	630	630
	9 968	**9 968**

2024

	Directors' fees	Total
CORPORATION		
S Mkhize - Chairperson	1 000	1 000
C Gina - Deputy Chairperson	771	771
PN Sibiya (Terminated - 15 September 2023)	412	412
Dr S Ndlovu	658	658
K Mbonambi (Terminated - 15 September 2023)	305	305
Prof D Jairam-Owthar	619	619
M Ngcobo (Terminated - 15 September 2023)	225	225
Dr U Roopnarian	556	556
M Ngubo	567	567
ITHALA SOC LIMITED		
N Simelane	654	654
M Pupuma	1 335	1 335
G Sibiya	863	863
Inkosi SN Mkhize	1 148	1 148
Y Mijiako	850	850
	9 963	**9 963**

43. CHANGE IN ESTIMATE

Property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets were reassessed during the current year. The effect of the change in estimate during the current year is as follows:

The future impact of the change in estimate will result in depreciation of R0.259m (2024: R1.7m) for Group and R0.259m (2024: R1.3m) for Company, being recognised over the remaining useful life of the asset.

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Decrease in other income*	(259)	(1 651)	(259)	(1 275)
Decrease in other operating expenditure*	259	1 651	259	1 275
	-	-	-	-

44. EVENTS AFTER THE REPORTING PERIOD

Nongoma and PSQ Dissolution

As disclosed in Note 8, the Board of Directors resolved prior to the reporting date to liquidate its subsidiaries, Nongoma and Port Shepstone Quarries (PSQ). Accordingly, the subsidiary's financial statements were prepared on a liquidation basis as at 31 March 2025.

Subsequent to year-end, on the 28th of July 2025 for PSQ and 31 August 2025 for Nongoma, the legal dissolution of the subsidiary was formally completed.

As the decision to liquidate and the measurement of the subsidiary on a liquidation basis occurred prior to the reporting date, the final dissolution constitutes a non-adjusting event after the reporting period in terms of IAS 10. Accordingly, no adjustments have been made to the amounts recognised in these consolidated financial statements.

The final liquidation did not result in any material differences from the amounts previously recognised.

45. LOAN COMMITMENTS

As at 31 March 2025, the Group had loan commitments amounting to R103.03m (2024: R123.8m).

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Loan commitment	106 128	123 795	103 028	118 395

NOTES TO THE FINANCIAL STATEMENTS

46. CORRECTION OF PRIOR PERIOD ERRORS

Effect on Statement of Profit of Loss and Other Comprehensive Income

	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Decrease in depreciation	28 724	28 724	28 724	28 724
Increase in net book value	(28 724)	(28 724)	(28 724)	(28 724)
	-	-	-	-

*General Service Levy revenue

The prior period relates to the overstatement of other income generated from General service levy revenue. The company provides maintenance services to the lot owner's association of Isithebe, Madadeni and Ezakheni industrial estates.

The overstatement of the General service levy revenue was due to the company erroneously recognising revenue for the entire estate whilst it also occupies a portion of the estate and therefore is unable to recover the full amount of levies it has billed to the associations. In order to correct the error, the balance disclosed as General service levy revenue has been decreased by 2024: R28 723.997m (2023: R28 723.997m) with a corresponding decrease to General service Levy expenditure for Levies charged to the company by the Lot owner's association. Thus there is no impact in the Net Profit and no impact on the Statement of Financial Position for Retained Earnings.

47. CONTINGENT ASSET

As at 31 March 2025 a third party investor committed to acquiring 75% of PSQ for R15 million upon achievement of certain milestones. As of the reporting date, R3.5 million has been paid by the investor for a 17,5% share in PSQ.

The additional R12 million commitment is contingent on milestone achievements and is therefore disclosed as a contingent asset as the milestone criterias were not met as at 31 March 2025.

48. LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE

PSQ is one of IDFC Subsidiaries wherein 100% shareholding was held, however this changed during the 2024/25 financial year. IDFC had been looking for a suitable investor to buy 75% shareholding of PSQ, and was successful in securing an investor. The investor signed an agreement of R15m for a 75% shareholding, with payments to be made upon achievement of certain milestones. As at 31 March 2025, the investor had made a payment of R 3.5m leading to a 17.5% shareholding on PSQ. However as of 1 April 2025 IDFC expressed an interest in selling the entire shareholding to the current investor, which then qualifies for PSQ to be held as a non-current asset held for sale. As at 31 March 2025 PSQ was in a net liability position hence all assets and liabilities have been classified as current at group. As at 31 March 2025 PSQ held assets valued at R 2 004 564; liabilities valued at R4 510 444, after the elimination of the intra-company loan. This results in a Net Liability balance of R2 506 080.

The investment in PSQ has been fully impaired at company level and therefore the above recognition is only applicable to the Group.

ANNEXURE A

PFMA COMPLIANCE REPORT

PFMA COMPLIANCE REPORT

IRREGULAR EXPENDITURE

	2025	2024
	R'000	R'000
Opening Balance	**34 205**	**35 593**
Irregular expenditure - Current Year	-	-
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned		-
Less: Irregular expenditure removed	(32 439)	(1 388)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Total Irregular Expenditure	**1 766**	**34 205**

a) Reconciling notes to the annual financial statement disclosure

Irregular expenditure that was under assessment in prior year	-	-
Irregular expenditure that relates to prior year and identified in the current year	-	-
Irregular expenditure for the current year	-	-
Total	**-**	**-**

There was no new irregular expenditure identified in the current or prior financial year.

b) Details of current and previous year irregular expenditure

Irregular expenditure under assessment	-	19 998
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	1 766	14 207
Total	**1 766**	**34 205**

Irregular expenditure under investigation are the items where the particulars of the irregular expenditure transactions were still being analysed to confirm facts about the transaction at financial year end.

c) Details of current and previous year irregular expenditure condoned

Irregular expenditure condoned	-	-
Total	**-**	**-**

There was no irregular expenditure condoned in the current or prior financial year.

d) Details of current and previous year irregular expenditure removed

Irregular expenditure removed	(32 439)	(1 388)
Total	**(32 439)**	**(1 388)**

	2025	2024
	R'000	R'000

The transactions approved to removed by the board related to:
- transactions where IDFC derived value for money, however were not condoned by Treasury and therefore referred to the board for removal.
- transactions that were added to the irregular expenditure register, however upon conducting determination test in accordance with the provisions of the Irregular Expenditure Framework the transaction were deemed not to be irregular expenditure.
- transactions where the impracticability judgement was applied in line with Paragraph 4.20 (b) of National Treasury Instruction No.4 of 2022/2023: PFMA Compliance and Reporting Framework

e) Details of current and previous year irregular expenditure recoverable

Irregular expenditure recovered	-	-
Total	**-**	**-**

No irregular expenditure was recovered in the current or prior financial year.

f) Details of current and previous year irregular expenditure not recoverable and written off

Irregular expenditure written off	-	-
Total	**-**	**-**

No irregular expenditure was written off in the current or prior financial year.

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement

There is no non-compliance cases where IDFC was involved in an inter-institutional arrangement for the current or prior year.

h) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary action or criminal steps in respect of confirmed irregular expenditure were taken prior to the 2021/22 financial year.

FRUITLESS & WASTEFUL EXPENDITURE

Opening Balance	**698**	**698**
Add: fruitless and wasteful expenditure-confirmed	-	-
Less: fruitless and wasteful expenditure recovered	-	-
Less: fruitless and wasteful expenditure not recovered and written off	-	-
Total fruitless and wasteful Expenditure	**698**	**698**

a) Reconciling notes to the annual financial statement disclosure

Fruitless and wasteful expenditure that was under assessment in the prior year	-	-
Fruitless and wasteful expenditure for the current year	-	-
Total	**-**	**-**

PFMA COMPLIANCE REPORT (continued)

	2025	2024
	R'000	R'000

There was no new fruitless and wasteful expenditure identified in the current year or prior financial year

b) Details of current and previous year fruitless and wasteful expenditure

Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**-**	**-**

c) Details of current and previous year fruitless and wasteful expenditure recovered or transferred to receivables for recovery

Fruitless and wasteful expenditure recovered or transferred to receivables for recovery	698	698
Total	**698**	**698**

Legal recovery steps commenced on the 2 fruitless and wasteful expenditure matters in the 2022/2023 financial year. Both matters are being defended.

d) Details of current and previous year fruitless and wasteful expenditure written off

No fruitless and wasteful expenditure was written off in the current or prior financial year as IDFC has instituted recovery steps

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken as a result of fruitless and wasteful expenditure	-	-
Total	**-**	**-**

Disciplinary action for fruitless and wasteful expenditure was taken against employees involved prior to the 2022/23 financial year.

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