KZN GROWTH FUND • AGENCY •

Inspired Investing

INTEGRATED REPORT 2024|25

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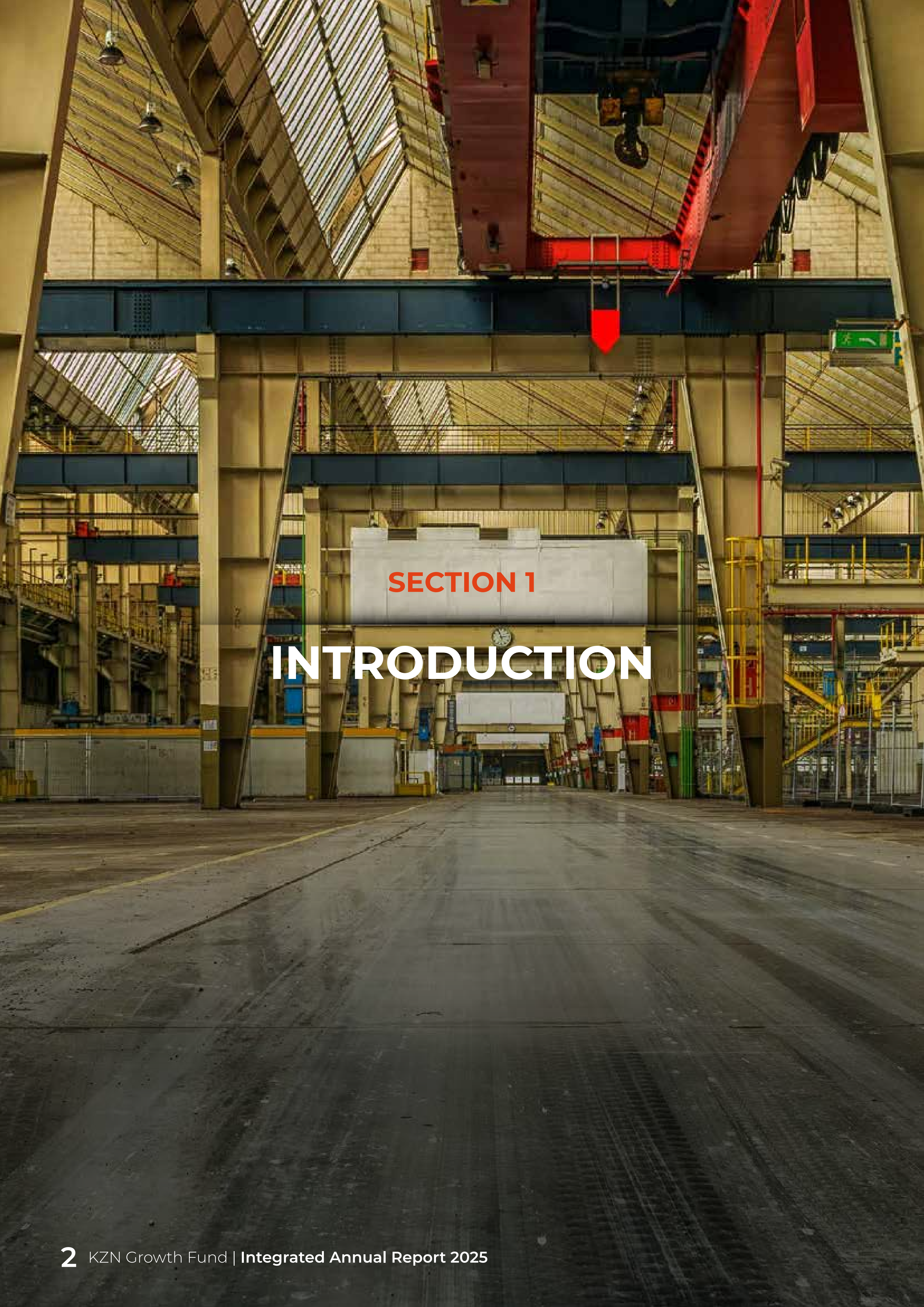


SECTION 1

INTRODUCTION

> As we embark on this journey forward, let us remember that our collective success depends on our ability to work together, innovate, and adapt to the changing needs of our society. Let us seize this moment to build a brighter future for all residents of our province, leaving no one behind.
>
> **- MEC EDTEA, Rev. Musa Zondi**

ABOUT THIS REPORT

This Integrated Annual Report (IAR) provides a comprehensive overview of our organisation's performance, strategy, and governance practices over the past year. Through transparent disclosure, we strive to offer stakeholders a clear understanding of how we create and sustain value across economic, environmental and social dimensions. By embracing integrated thinking and reporting, we aim to provide an impartial view of our business activities and their impact on the broader ecosystem, fostering trust, accountability, and informed decision-making.

Our IAR showcases how our mandate — to identify and finance viable private sector projects that maximise developmental impact in KwaZulu-Natal (KZN) — drives our strategy, impacts our value creation, and shapes our stakeholder engagements within our operating context. The report also provides insights into the KwaZulu-Natal Growth Fund Trust's (KGFT's) outlook and articulates how we believe the KGFT supports KZN's provincial strategic objectives.

The KGFT is a development finance institution (DFI), governed by a Trust Deed, and is wholly owned by the government of the KZN province. The Trust Deed outlines our mandate and governs the structure and conduct of our Board of Trustees.

Our leadership adheres to the principles outlined in the King IV™ Report on Corporate Governance for South Africa (King IV) and the Protocol on Corporate Governance in the Public Sector. Furthermore, our operations are regulated by the Public Finance Management Act No. 1 of 1999 (PFMA).

This IAR provides an overview of the Trust's performance for the financial year ended 31 March 2025. It delves into our operational environment, highlighting risks and opportunities, key stakeholders, our corporate strategy, and internal operations and governance practices.

The principle of materiality was applied to determine the content of this report. Material matters are defined as those that have the potential to substantively affect the KGFT 's ability to create and sustain value over the short, medium, and long term. In defining these, we consider stakeholder feedback. These material matters are outlined on page 48 and addressed throughout this report.

Financial performance information included in the IAR is drawn from the Trust's Annual Financial Statements (AFS), which are included herein on pages 68 to 135.

KGFT will transition to a schedule 3D PMFA entity in the 2025/2026 financial period. The KZN Growth Fund Agency Bill was gazetted on 24 May 2024. The assets and liabilities of the Trust will be transferred to the KZN Growth Fund Agency (KZNGFA). Since the IAR includes a strategic focus and future orientation, it is presented using the KZNGFA branding, however no transactions occurred in the KZNGFA in the financial period ended at 31 March 2025.

ASSURANCE

The KGFT employs a combined assurance model to ensure effective oversight and management of assurance functions, fostering credibility in reporting while enhancing internal processes for information gathering. This approach emphasises shared accountability across risk management, compliance, internal audit, external audit, and other assurance providers.

As a state-owned entity, the KGFT is subject to the Public Audit Act, which requires external assurance on its financial statements, performance against predetermined objectives, and compliance with laws and regulations. During the year under review, the Auditor-General of South Africa (AGSA) reaffirmed the KGFT's clean audit outcome, providing external assurance on the fair presentation of our AFS.

APPROVAL BY THE BOARD

The Board of Directors (Board) is committed to ensuring the integrity of this integrated report and, accordingly, interrogated its content to ensure it materially complies with the Integrated Reporting Framework.

This report was prepared under the supervision of executive management, on behalf of the Board, and we conducted a thorough internal and external review process to ensure its accuracy and reliability.

The Board believes that this report addresses all material matters and presents a balanced and fair account of the KGFT's performance in the 2024/25 financial year. It also includes material events that occurred between the year-end and the report approval date.

We are confident that the report is a reasonable reflection of the KGFT's strategic commitments for the short term (less than one year), medium term (one to three years) and long term (beyond three years).

Guided by the Audit and Risk Committee (ARC), approval of the FY2025 Integrated Report was granted by the Board on 26 August 2025.

Dr Cassius Lubisi
Board Chairman

Mr Simphiwe Thobela
Chairman of the Audit & Risk Committee

Ms Tshidi Ikaneng
Acting Chief Executive Officer

MEC'S FOREWORD

REV. MUSA ZONDI, MPL

KwaZulu-Natal is a province of rich diversity, immense potential, and vibrant communities. Yet, we are acutely aware of the challenges we face: a high unemployment rate, deepening poverty, rising costs of living, service delivery gaps, and the lingering impacts of global crises such as the COVID-19 pandemic, climate change, and economic volatility.

But amid these challenges, there is hope. Hope rooted in the resilience of our people, the strength of our institutions, and the untapped potential that exists within our province. The role of the KZN Economic Development, Tourism and Environmental Affairs (EDTEA) is to leverage our hope, strength, and potential through concrete strategies, bold leadership, and decisive implementation.

As one of EDTEA's ten entities, the KGFT plays a strategic role in boosting the KZN economy and promoting sustainable and inclusive industrial capacity by providing support to industrialisation, transformation, job creation, and the building of a capable and developmental state. In particular, the entity plays a critical part in building the capacity of emerging entrepreneurs involved in the production of local products and services.

The KGFT's mandate of enabling economic growth and job creation through impactful development finance is achieved through economic empowerment initiatives such as black industrialisation, localisation of economic value chains, entrepreneurship development, and programmes to stabilise the energy supply. It also aims to empower under-represented groups, including people living with disabilities, women, and youth, to fully participate in the mainstream economy.

In positioning itself as KZN's leading development financier and socially responsible impact investor, driving the imperatives of socio-economic transformation, KGFT has the potential to accelerate the KZN Economic Reconstruction and Recovery Plan, playing a crucial role in building the capacity of black industrialists with an intention to build value chains that will assist our emerging entrepreneurs to grow.

KZN GROWTH FUND TRUST ASSET BOOK

KGFT's investments have focused on job creation and poverty eradication in KZN, having recorded approvals in excess of R1,2 billion in core sectors including manufacturing, healthcare, transport, and logistics. This has created over 10,000 job opportunities to date and unlocked total investments of over R3 billion. With project locations in the eThekwini, KwaDukuza, iLembe, uMgungundlovu, and King Cetshwayo districts, the KGFT aims to ensure spatial distribution of its funding impact across the entire province.

As one of EDTEA's ten entities, the KGFT plays a strategic role in boosting the KZN economy and promoting sustainable and inclusive industrial capacity by providing support to industrialisation, transformation, job creation, and the building of a capable and developmental state.

PRIORITIES TO ENHANCE IMPACT

During the year ahead, the KGFT should achieve progress by focusing on the following key areas:

- Unlocking new industrial investments;
- Continuing to fund black industrialists, black-owned businesses, women and youth entrepreneurs, and expanding work opportunities;
- Supporting balanced growth across KZN, especially in rural and township areas;
- Realising its potential as a major contributor to creating thriving and resilient communities through the promotion of sustainable practices;
- Supporting and funding projects to address provincial infrastructure challenges, particularly the energy shortages and transportation recovery plans; and
- Optimising business efficiency and client experience by improving internal processes.

APPRECIATION

I extend my gratitude to the interim Board of Directors, Acting CEO, executives, and the entire team of KGFT for their hard work and dedication. The KGFT's commitment to advancing the KZN provincial government's priorities and maintaining a robust governance culture that supports its mandate will anchor our work together.

Rev. Musa Zondi, MPL
MEC for Economic Development,
Tourism and Environmental Affairs

26 August 2025

CHAIRMAN'S STATEMENT

R. CASSIUS LUBISI, PhD

It is with pleasure that I present this annual report of the KGFT for the 2024/25 financial year on behalf of the Accounting Authority, the Board of Directors. South Africa's (SA) economic performance in 2024 was weaker, as reflected by GDP growth of 0.6%, compared with the 0.7% GDP growth in 2023. This arose from a combination of domestic constraints as well as global drivers. In the wake of these challenging economic conditions, the majority of funded clients struggled to honour their obligations to the KGFT. However, given the challenging financial pressures on our clients, we acknowledge and appreciate their economic perseverance.

The 2024 national elections were a defining moment for SA, resulting in the formation of a government of national unity (GNU). The GNU adopted the Medium-Term Development Plan (MTDP) 2024-2029 which embraced the following three priorities for the Seventh Administration: inclusive growth and job creation; poverty reduction and tackling the high cost of living; and building a capable, ethical and developmental state. In this context, the KGFT has a critical role to play in supporting inclusive economic growth and job creation.

CONTINUING KGFT'S PURPOSE-DRIVEN JOURNEY

The activities of the KGFT are driven by our mandate, namely to support economic growth and transformation in KZN. As a Board, we remain confident in the long-term value creation potential of the entity and appreciate the support of our shareholder in this regard.

During the 2024/25 financial year, our Board oversaw the reaffirmation of our strategy towards empowering people and promoting economic transformation, driven by maintaining and enhancing the trust of our stakeholders. The impact the KGFT has on communities is critical to influencing our operating context positively. Our mandate covers key aspects of community upliftment, focusing on job creation and economic transformation, promoting financial inclusion, supporting rural and township small and medium enterprises (SMEs) and black industrialists to thrive, and prioritising assistance of women and persons living with disabilities.

Development finance institutions (DFIs) unlock opportunities intended to create value for clients and ultimately drive economic growth and inclusion. Through the spread of development funding across our province, the KGFT is able to support KZN in changing lives. We continue to collaborate, building partnerships with other DFIs and economic development entities to maximise our impact.

ENHANCING STAKEHOLDER VALUE

We remain committed to strengthening our collaboration with other DFIs and private sector stakeholders to promote a financial ecosystem that encourages investment, fosters innovation and accelerates inclusive economic growth in support of national and provincial development priorities.

The KGFT's business model and purpose-led approach is focused on developing clients and is commitment to delivering funding solutions that support affordable development finance offerings. During the year, the Board provided oversight focusing on the following key areas underpinning the execution of our mandate:

- Continued strategic development required to deliver the mandated deliverables;
- Regulatory compliance;
- Proactive stakeholder engagement;
- Embedding Environment, Social and Governance (ESG) into business processes; and
- Scaling the digitalisation of our services.

GOVERNANCE

Throughout the year, the Board endeavoured to ensure that the entity continues to strive for the highest standards of ethics and governance. It is resolute in its determination to protect the integrity and sustainability of the KGFT and to reinforce its socio-economic relevance. Acting ethically, lawfully and with integrity is critical to our long-term success. To deliver on this success, we monitor compliance with legal and regulatory standards to ensure our employees, business partners, and suppliers conduct themselves appropriately while also ensuring a responsible and inclusive supply chain compliant with the PFMA.

We are committed to reducing our environmental impact, assisting with decarbonising society as part of our purpose. Digital technology is instrumental to energy management and efficient use of natural resources and is a key lever in climate change mitigation and adaptation. We also recognise that cyber threats remain a risk given the potential to disrupt our operations and compromise data confidentiality.

OUTLOOK

As we near the completion of the process of filling all positions in our executive team, we look forward to the next stage in the evolution of the entity's growth. In the medium term, we are focused on four imperatives: amplifying KGFT's commitment to efficiency and effectiveness through business process re-engineering (BPR), increasing simplicity through the implementation of enterprise resource planning (ERP), improving our portfolio performance, and completing the transition from a Trust to an Agency. While strategic refinement is continually underway, we trust the entity's transition will support the continued leverage of the various capitals as well as co-funding opportunities to ensure that we meet our mandate.

APPRECIATION

The Board would like to thank our Executive Authority, MEC Rev KM Zondi, for his guidance and his steady hand in leading the economic development portfolio in our Province. We express our gratitude to the Head of Department, Mr Nhlakanipho Nkontwana, and his top management for their consistent guidance and support. On behalf of the Board, I extend our gratitude to the Acting CEO, Ms Tshidi Ikaneng, the executive team and the entire staff of the KGFT for their efforts in ensuring the operationalisation of the entity's mandate and strategy. We also appreciate the ongoing support of the KGFT's broader stakeholder group who continue to support and work with the KGFT.

Our success depends on collectively advancing our objectives and mandate by providing development finance that appropriately supports KZN's economic transformation. Together, we will continue to build a future where development finance serves as a catalyst for economic growth and sustainable progress.

R. Cassius Lubisi, PhD
Board Chairman
26 August 2025

CEO'S PERFORMANCE REPORT

MS TSHIDI IKANENG

Promoting inclusive and sustainable economic development that creates employment in KZN continues to form the core of KGFT's mandate and remains its strategic imperative. Despite continued vacancies during the financial year, as the year drew to a close, the leadership team reached a turning point, with only one key position remaining to be filled. Nonetheless, we have continued to focus on delivering on our mandate as a catalytic investor, development financier, and partner to business enterprises.

Consequently, over the year, our ability to execute the mandate, anchored on key strategic priorities, was once again put to the test, further exacerbated by the continuing impact of a subdued domestic economy and several global crises. Weakening domestic and international demand conditions, relatively lower commodity prices and infrastructure-related constraints not only negatively affected the performance of the economy, but also had an impact on South African businesses, particularly those in the manufacturing and mining sectors, including major segments of KGFT's client base.

As a key implementing agency of economic development, KGFT's primary role is to provide development finance to facilitate the development and strengthening of sustainable economic capacity in an inclusive manner. As a DFI, we measure our support of meaningful participation in the economy by tracking the funding we make available and facilitate for previously excluded groups and measuring job opportunities created and/or preserved.

Acknowledging that development finance is not the ultimate driver of economic development, KGFT activities extend beyond customised finance and investment. We also partner with other DFIs and private sector banks to extend our reach, capital and impact, providing non-financial support to entrepreneurs and selected state programmes.

FINANCIAL SUSTAINABILITY

KGFT's performance during the year was mixed. Given critical vacancies impacting operational effectiveness, the entity reported somewhat higher revenues of R125m compared to R92m in the prior year, despite limited disbursements of R26m (2024: R0m) while the investments and loan asset base increased modestly to R205m compared to R203m in the previous financial year. At a net profit level, the KGFT reported revenues of R60m (2023/24: R3m). This marked improvement was driven by positive fair value adjustments and the recovery of interest on a loan settlement that had previously been impaired.

We are concerned about non-performing loans and the impairment ratio, which remains high despite marginal improvement during the year. The impairment ratio improved to 62%, from 65% in the prior year. Reducing the impairment ratio is not easy as some of our struggling legacy project development activities will only create value over time.

As a key implementing agency of economic development, KGFT's primary role is to provide development finance to facilitate the development and strengthening of sustainable economic capacity in an inclusive manner.

OUTLOOK

South Africa's growth prospects are expected to improve gradually over the medium-term, as household spending and private sector fixed investment respond to the anticipated lower inflation and interest rate environment, and as gains from increased electricity availability and easing of logistics constraints materialise. However, subdued growth below 2% is still forecast for the 2025 calendar year. As South Africa addresses binding constraints such as energy and logistics, it must continue to support economic development as a driver of sustained growth.

Greater rural and township diversification, and jobs-rich business enterprises, will remain a key focus in efforts to capture greater value addition within the KZN economy, targeting labour-absorbing agro-processing, manufacturing, transport and logistics, power and energy, telecommunications, health and education, water and sanitation, mining and mineral beneficiation. In addition to promoting economic enablers of sustainable economic development, we will continue to target industrial infrastructure development initiatives that will enable economic growth, particularly in transport and logistics. Recognising the need to effectively manage scarce water resources, we seek to support this sector for potential collaborations.

We are applying ourselves to meeting the increasing ESG compliance requirements, guided by the principle that the KGFT needs to go beyond mitigating climate change and its impacts, and focus on long-run inclusive growth and sustainable employment opportunities through low-carbon transitions.

Acknowledging that human capital is our greatest asset, we will continue to create a high-performance and solutions-oriented culture that is fit to operate in an increasingly complex working environment. Our priorities for the 2026 financial year include filling senior management vacancies.

To ensure KGFT's agility, we continually review our internal processes to drive efficiency and effectiveness. We are committed to leveraging advancements in digitalisation to provide world-class services to our stakeholders.

ACKNOWLEDGEMENTS

My gratitude goes to KGFT's management and staff for their support and commitment as we execute our mandate. A special thanks goes to the executive team that has supported me since I was honoured with the opportunity to serve as Acting CEO. I am also grateful for the strategic guidance and support of the KGFT Board. We appreciate our productive relationship with our shareholder, EDTEA, and its representatives. We remain committed to driving inclusive industrial development alongside positive socio-economic transformation.

TIkaneng

Ms T Ikaneng
Acting Chief Executive Officer

26 August 2025

SECTION 2

WHO WE ARE

As we navigate through the ebbs and flows of economic realities, we resolve to remain steadfast in our commitment to crafting a future that is anchored in inclusivity, innovation, and sustainable growth. Together, let us seize the opportunities that lie ahead, leveraging our collective wisdom to forge a path towards economic prosperity for all.

- MEC EDTEA, Rev. Musa Zondi

COMPANY OVERVIEW

OUR PURPOSE

To provide innovative development finance solutions that empower marginalized communities, drive sustainable socio-economic growth, enhance job creation, and promote B-BBEE.

WHY WE EXIST

OUR VISION

To be KZN's lead development financier and impact investor.

WHAT WE ASPIRE TO

OUR VALUES

- Professionalism
- Respect
- Accountability
- Integrity
- Service
- Empowerment

PRINCIPLES THAT GUIDE US

OUR MANDATE

5 key development outcomes focus on ensuring that we deliver a meaningful impact through our core business of sustainable development finance to support our stakeholders.

FULFILLING OUR PURPOSE

OUR CORE FUNCTION TARGETS (APP - PROGRAMME 2)

Employment opportunities created from approved project funding	Increased access to funding for black industrialists, women, youth, people living with disabilities	Improved performance of loans within the loan portfolio	Increased brand awareness and relevance	Growth in funding applications through brand awareness ad relevance

FY 2025	250 new jobs in target sectors + R200m disbursed	Five approved deals for designated groups	New loans performance 50% + Quarterly collections <30 days	* 100% of disbursed projects meeting the new B-BBEE investment policy criteria as at 31 March 2025	* At least 70% of the total cost of the investment portfolio to be maintained based on annual valuations and provisions as at 31 March 2025.
FY 2026	532 new jobs in target sectors + R187m disbursed	Six approved deals for designated groups	New loans performance 60% + Quarterly collections <30 days	Three co-funded deals + One new private partnership	Four brand awareness initiatives
FY 2027	632 new jobs in target sectors + R218m disbursed	Seven approved deals for designated groups	New loans performance 60% + Quarterly collections <30 days	Three co-funded deals + One new private partnership	Four brand awareness initiatives

* The FY2025 APP Programme 2 targets comprised alternate criteria compared to FY2026 and FY2027

COMPANY OVERVIEW

INPUTS

FC

FINANCIAL CAPITAL

We have an asset base in excess of R1 billion that allows for equity growth and funding support of clients whose businesses align with our developmental outcomes.

- Equity: R1.4b (2024: R1.3bm)
- Borrowings: R15m (2024: R93m)
- R1.5b in assets (2025: R1.3b)

HC

HUMAN CAPITAL

Our diverse group of employees enables us to serve our clients, manage an effective organisation and build sustainability to fulfil our mandate.

- 42 permanent employees (2024: 40)
- R335k spent on training and development (2024: R931k)

NC

NATURAL CAPITAL

Our impact on natural resources through energy and water use of clients and our business activities.

- Investment in energy-efficiency technology
- Remote Working Policy

MC

MANUFACTURED CAPITAL

Our business structure, regional footprint, processes and IT systems enable deal development and implementation activities.

- Presence in six districts of the KZN province
- Information technology infrastructure

IC

INTELLECTUAL CAPITAL

Our brand, reputation, knowledge and experience.

- 13 years of DFI experience funding inclusive participation in the economy

SC

SOCIAL CAPITAL

Our relationships with key stakeholders, including employees, clients, co-funders, development partners and government.

- R0.3m CSI (2024: R1.6m)
- Operation Vula programme
- EDTEA community engagements

CORE BUSINESS

KZN provincial priorities guide the KGFT's role in the expansion of target sectors

SECTOR PRIORITISATION

Managing funds and building partnerships to achieve development outcomes

PARTNERSHIP PROGRAMMES

PROJECT FUNDING

- Deal development
- Assessing viability of business plans
- Providing funding to potentially viable businesses
- Providing non-financial support to entrepreneurs to improve their business' viability
- ESG and sustainability impact principles integrated into project preparation and finance

KEY BUSINESS SUPPORT FUNCTIONS

- Human capital support and development
- Marketing support
- Contract management support
- Post-investment management
- Financial management

OUTPUTS

LENDING & INVESTMENT

- R49m funding approved (2024: R126m)
- R26m funds disbursed (2024: R0m)

LENDING & INVESTMENT

Operation Vula Youth Fund

OUTCOMES

FC

FINANCIAL CAPITAL

Assets: R1.4b (2024: R1.3b)

Net profit: R60m (2024: R3m)

Impairments (total portfolio at cost): 62% (2024: 65%)

HC

HUMAN CAPITAL

10% staff turnover (2024: 33%)

39 employees trained (2024: 40)

Provided 7 new employment opportunities through internships (2024: 6)

NC

NATURAL CAPITAL

ESG Model developed to drive sustainable development in the context of climate change

MC

MANUFACTURED CAPITAL

KGFT funding supports industrialisation and deepening regional value chains

Ongoing improvement of processes to ensure improved agility

HC

INTELLECTUAL CAPITAL

Building brand recognition

Digital transformation journey: Web Portal, ERP implementation

SC

SOCIAL CAPITAL

70 jobs are expected to be created through committed transactions (2024: R0m)

Black-empowered & black-owned R26m (2024: R0m)

Black industrialists: R26m (2024: R0m)

B-BBEE non-compliant (2024: Level 8)

TOP RISKS

- Socio-political risk
- Funding and liquidity risk
- People and organisational culture risk
- Financial sustainability risk
- Mandate fit
- Regulatory and compliance risk
- Information communication and technology risk
- Fraud and corruption
- Reputation risk

See pages 48 and 49 for more information

MATERIAL MATTERS

- Financial sustainability
- Socio-economic development
- Transformation
- Governance, risk and compliance
- Human capital
- Partners

GOVERNANCE

- Good corporate governance is integral to a sustainable business. We always strive for sound governance practices aligned with best-practice principles.

See pages 38 and 39 for more information

FUNDING MODEL

The KGFT manages both a debt fund and an equity fund, with the capacity to bring additional investors on board to participate therein. To enhance its ability to form strategic partnerships, the KGFT established KGF Capital, an FSP-licensed entity in the 2020 financial year, allowing it to act as a fund manager, following a structure commonly employed in the private equity industry.

Asset allocation of the KGFT's Capital

Sources of Funds	R'000	Assets Allocated	R'000
Initial capitalisation (EDTEA)	362	Equity Fund	426
Accumulated allocations (EDTEA)	409	Debt Fund	1 042
EDTEA allocation*	444		
Capitalised returns	253		
Total	**1 468**	**Total**	**1 468**

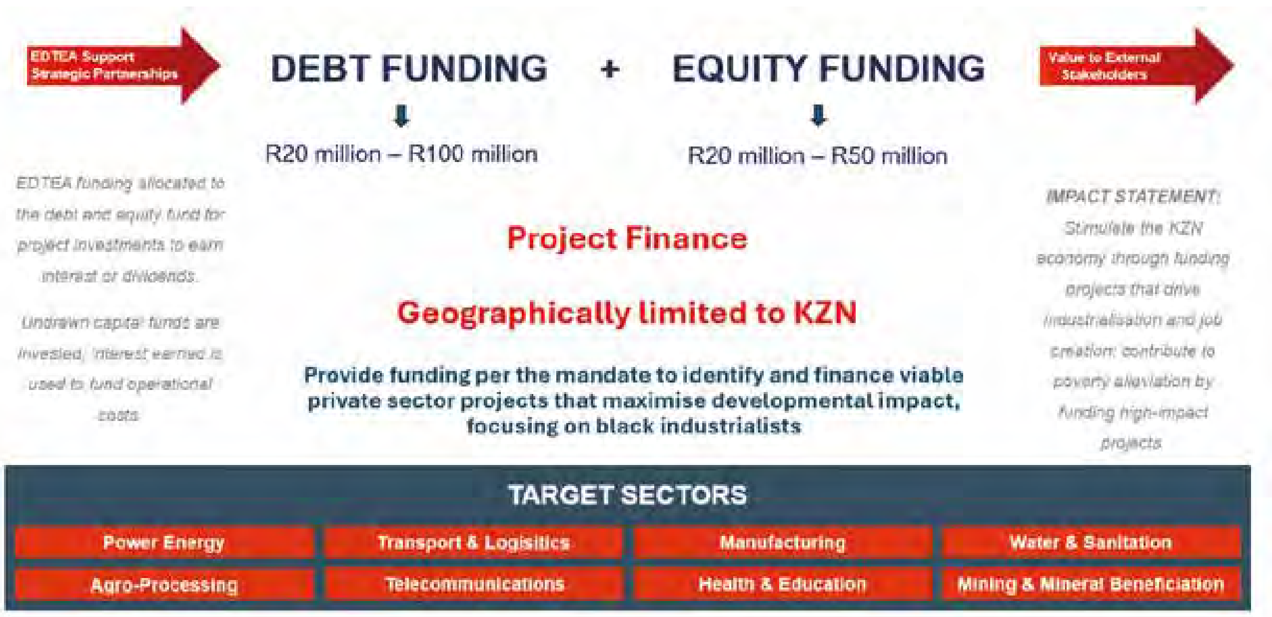
The annual allocation from EDTEA is earmarked for project disbursements only and not operational costs.

DEBT FUND

The KGFT's debt fund finances projects with a minimum threshold of R20m and can provide funding of up to R100m. Projects requiring amounts exceeding this limit may be co-funded in partnership with other financial institutions.

EQUITY FUND

KGFT equity fund invests in projects with a minimum investment of R20m and may consider investments up to R50m.



INVESTMENT CRITERIA

- Mandate fit: KZN, sector, job creation B-BBEE
- Commercially viable
- Experience and commitment of the entrepreneurs and operators
- Suppliers and off-takers availability
- Technology partners and reputation

Provide funding per the mandate to identify and finance viable private sector projects that maximise developmental impact, focusing on black industrialists

- Suitable job creation
- Advanced stage projects: Pre-development stage not funded
- Equity contribution of entrepreneur: Minimum of 10% (concessions for youth and women-owned projects)
- Interest rates: aligned to cashflow risk profile
- Loan period: 5–10 years
- Equity exit: within 7 years

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BOARD OF TRUSTEES

DR C LUBISI
Independent Trustee
as from 1 August 2023

MS B MZOBE
Independent Trustee
as from 15 July 2022

MR T HLONGWA CA(SA)
Independent Trustee
as from 1 August 2023

MS S MAMVURA
Independent Trustee
as from 1 August 2023

MR S THOBELA
Independent Trustee
as from 1 August 2023

MS B DLAMINI
Independent Trustee
as from 1 August 2023

EXECUTIVE MANAGEMENT

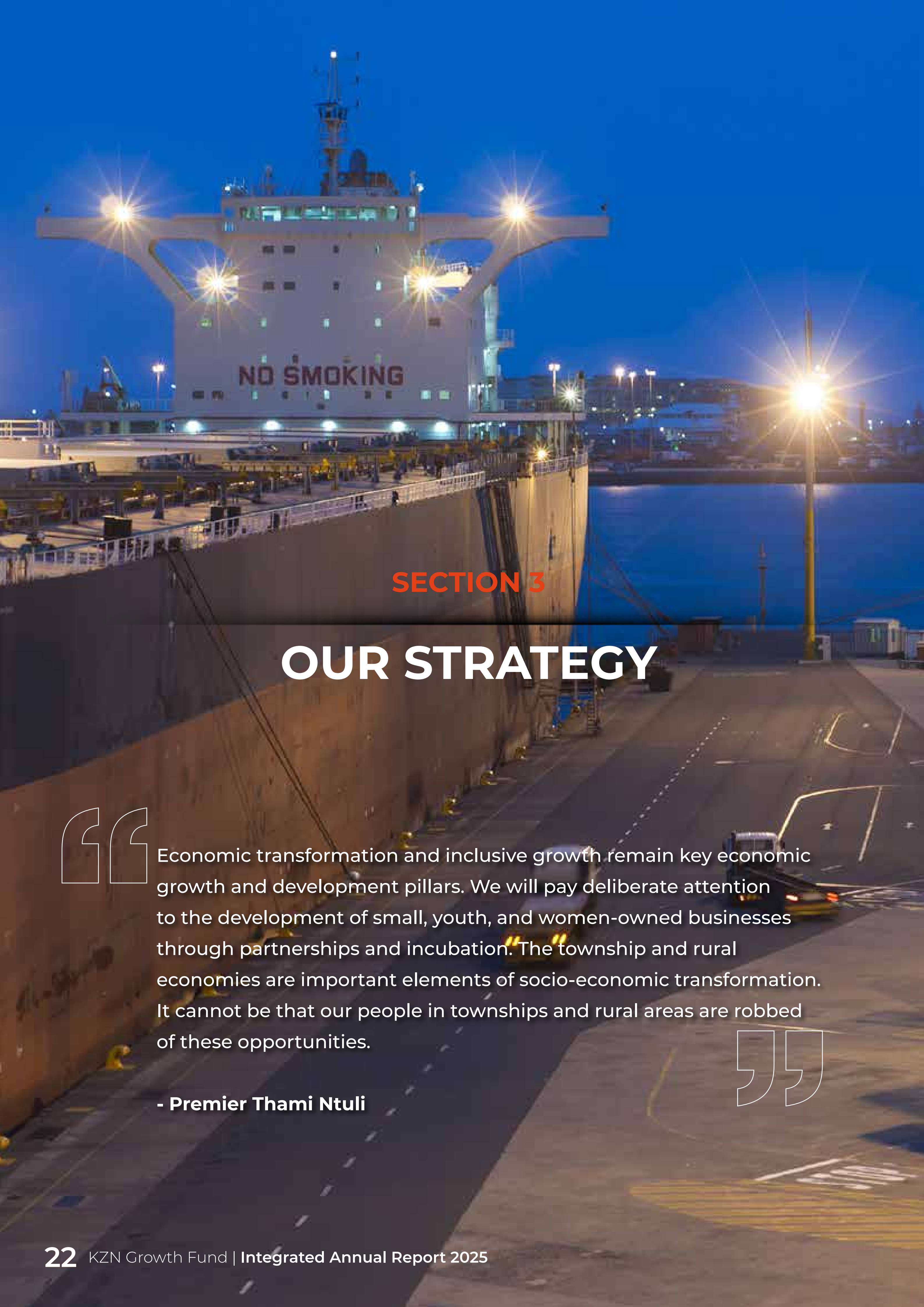
MS T IKANENG
Acting Chief Executive Officer
as from 1 April 2024

MRS L MEYER CA(SA)
Chief Financial Officer
as from 19 March 2025

MR X NHLAPO
Chief Investment Officer
as from 1 April 2025

MR S MAGUBANE
Acting Chief Risk Officer
as from 7 July 2025

MS T NXUMALO
Company Secretary
as from 7 April 2022



SECTION 3

OUR STRATEGY

"Economic transformation and inclusive growth remain key economic growth and development pillars. We will pay deliberate attention to the development of small, youth, and women-owned businesses through partnerships and incubation. The township and rural economies are important elements of socio-economic transformation. It cannot be that our people in townships and rural areas are robbed of these opportunities."

- Premier Thami Ntuli

STRATEGIC FOCUS

The KGFT is strategically positioned to drive economic transformation in KZN by investing in initiatives that enhance job creation, promote B-BBEE, and reduce social inequalities. Established in 2008, the KGFT focuses on financing medium to large-scale sustainable private sector projects, with the aim of unlocking over R3 billion in investments through partnerships with commercial banks for debt financing. Key features of the KGFT's portfolio include addressing the industrialisation challenges, supporting infrastructure and skills development, and fostering entrepreneurship. By focusing on these strategic areas, the KGFT aims to create significant employment opportunities and stimulate economic activity across the province.

The KZN provincial government has adopted a comprehensive economic plan to revitalise the provincial economy following challenges posed by the COVID-19 pandemic, social unrest, and natural disasters. In line with the three strategic priorities articulated in the Medium-Term Development Plan, key economic initiatives include:

- Major investment projects
- Financial and technical recovery support for businesses impacted by recent unrest and natural disasters
- Initiatives aimed at fostering innovation in the technology and e-commerce sectors
- Digital economy initiatives

The economic plan requires collaboration among public entities, including the KGFT, to transform the provincial economy and address unemployment — particularly among youth and women. The KGFT will play an integral role in these efforts, serving as an enabler for business confidence and collaboration.

VISION

KZN's lead development financier and impact investor.

This vision reflects the KGFT's mandate to provide impactful, inclusive development finance in KZN, as well as aligning with the province's ESG priorities, demonstrating a commitment to sustainable development and responsible investment practices. The emphasis on inclusive economic growth targeting youth and women aims to address inequalities and foster broader participation in economic activities, which can lead to enhanced social stability and community development. The vision also underscores the significance of collaboration with other public entities and private sector stakeholders to leverage resources, expertise, and networks to maximise impact across various sectors of the economy.

MISSION

To provide innovative development finance solutions that effectively manage public and private equity funds, impact socio-economic growth and foster a sustainable and inclusive future.

The mission articulates the purpose of the KGFT to support KZN's economic transformation, guiding its strategies and operations. Emphasis on innovative development finance solutions highlights the entity's role in addressing economic challenges. The focus on managing both public and private equity funds reiterates a collaborative approach to development finance that encourages partnerships with various stakeholders, including government entities, private investors and community organisations, to enhance resource mobilisation. The mission also highlights a commitment to fostering a sustainable and inclusive future, crucial to addressing inequalities in KZN by focusing on inclusivity of marginalised communities, particularly youth, women and people living with disabilities.

STRATEGIC OBJECTIVES

Enablers for achieving the mandate to provide developmental finance and assets under management include:

- Maintaining sound corporate governance and an unqualified audit opinion
- Utilising government capital to leverage institutional/private investor capital to grow the assets under management
- Identifying and financing viable private sector projects that maximise the developmental impact of investments
- Remaining financially sustainable by committing available funds under management and ensuring appropriate post-investment monitoring and management
- Funding projects that provide inclusive and sustainable job creation

To achieve this, KGFT has adopted several high-level initiatives:

- Managing funds that offer competitive financing products to attract private participation
- Partnering with other DFIs and lending institutions to cross-reference and co-finance projects, building on the PPP model
- Implementing a comprehensive marketing strategy
- Resourcing and retaining the high-calibre human capital and skills
- Implementing and maintaining sound policies, procedures and internal control systems for good corporate governance
- Implementing effective post-investment monitoring and management.

VALUES

Six values - **Professionalism, Respect, Accountability, Integrity, Service, and Empowerment - guide the KGFT's operations and culture.**

Professionalism emphasises technical competence and expertise within the organisation, essential for building credibility and trust with stakeholders and ensuring that the entity operates effectively in meeting its objectives.

Respecting and treating all stakeholders fairly and valuing their contributions fosters a collaborative environment, critical in establishing strong relationships with and enhanced support for communities, businesses, and public entities.

Accountability involves taking ownership of actions and outcomes, ensuring that the entity is responsible for its decisions and transparent in its operations, which will build public trust and confidence in the entity's ability to manage funds responsibly and deliver on its mandate.

Acting with **integrity**, ethically and transparently is fundamental to maintaining the entity's reputation, ensuring that all dealings are conducted honestly, preventing corruption and mismanagement.

Serving and prioritising the needs of stakeholders emphasises the entity's role as a facilitator of growth and support for marginalised groups, thereby ensuring initiatives are relevant and impactful, particularly in addressing issues of inequality and empowerment.

Empowerment is essential for addressing historical disparities in access to resources and opportunities. By prioritising empowerment, the KGFT can drive sustainable development that benefits all segments of society, particularly youth and women, thereby contributing to long-term economic stability.

Collectively, these values create a strong foundation for the KGFT operations, guiding decision-making processes, shaping organisational culture and influencing stakeholder interactions.

MEASURING PERFORMANCE

The programmes of the KGFT are structured into two programmes, namely Finance & Administration and Project Investments, with underlying sub-programmes as summarised below:

Programme	Sub-Programmes
Finance & Administration	1.1 Office of the CEO
	1.2 Financial Administration
	1.3 Human Resources
	1.4 Information Communication Technology
Project Investments	2.1 Project Administration and Marketing
	2.2 Project origination and appraisal
	2.3 Legal, Risk and Compliance
	2.4 Investment Monitoring and Aftercare

PROGRAMME 1 - FINANCE & ADMINISTRATION

Provides transversal support, including:

SUB-PROGRAMME 1.1: OFFICE OF THE CEO

Provides strategic direction and leadership, ensuring alignment across all programmes, and is responsible for effective management of the KGFT, implementation of strategy, policies, Board directives, performance monitoring, promoting sound corporate governance, and managing stakeholder communication.

SUB-PROGRAMME 1.2: FINANCIAL ADMINISTRATION

Encompasses supply chain management, treasury, and financial management, providing effective, efficient, and transparent financial management systems and internal control, which ensure, inter alia, valid, accurate, and complete financial reports, as well as fair, equitable, transparent, competitive, and cost-effective procurement and provisioning systems.

SUB-PROGRAMME 1.3: HUMAN RESOURCES

The strategic objective is to attract, retain, and develop talented individuals to reach their full potential by creating an innovative working environment.

SUB-PROGRAMME 1.4 INFORMATION COMMUNICATION TECHNOLOGY

Provides effective IT systems to support business, aligning ICT initiatives with organisational goals, enhancing operational efficiency, and strengthening technological infrastructure security.

PROGRAMME 2 - PROJECT INVESTMENTS

The core function of the KGFT includes:

SUB-PROGRAMME 2.1: PROJECT ADMINISTRATION & MARKETING

Provides the Projects function with administrative support, while Marketing promotes the KGFT's brand and product offering.

SUB-PROGRAMME 2.2: PROJECT ORIGINATION & APPRAISAL

Responsible for sourcing viable investments by performing preliminary reviews of proposals, conducting project due diligence, compiling and presenting investment recommendations for approval, and overseeing financial close and disbursement.

SUB-PROGRAMME 2.3: LEGAL, RISK & COMPLIANCE

Encompasses risk and compliance, which coordinates risk management, legal and compliance activities to comply with applicable legislative and regulatory requirements and identify, assess, manage, monitor, and report risks.

Ensures project risks are identified and mitigated, negotiates legal terms with the promoter, and facilitates financial close, ensuring that borrowers meet conditions precedent and disbursements are made in line with the signed legal agreements.

IMPACT STATEMENT

Transform KZN's economy by providing innovative financing solutions that empower marginalised communities, drive sustainable socio-economic growth, enhance job creation, and promote B-BBEE.

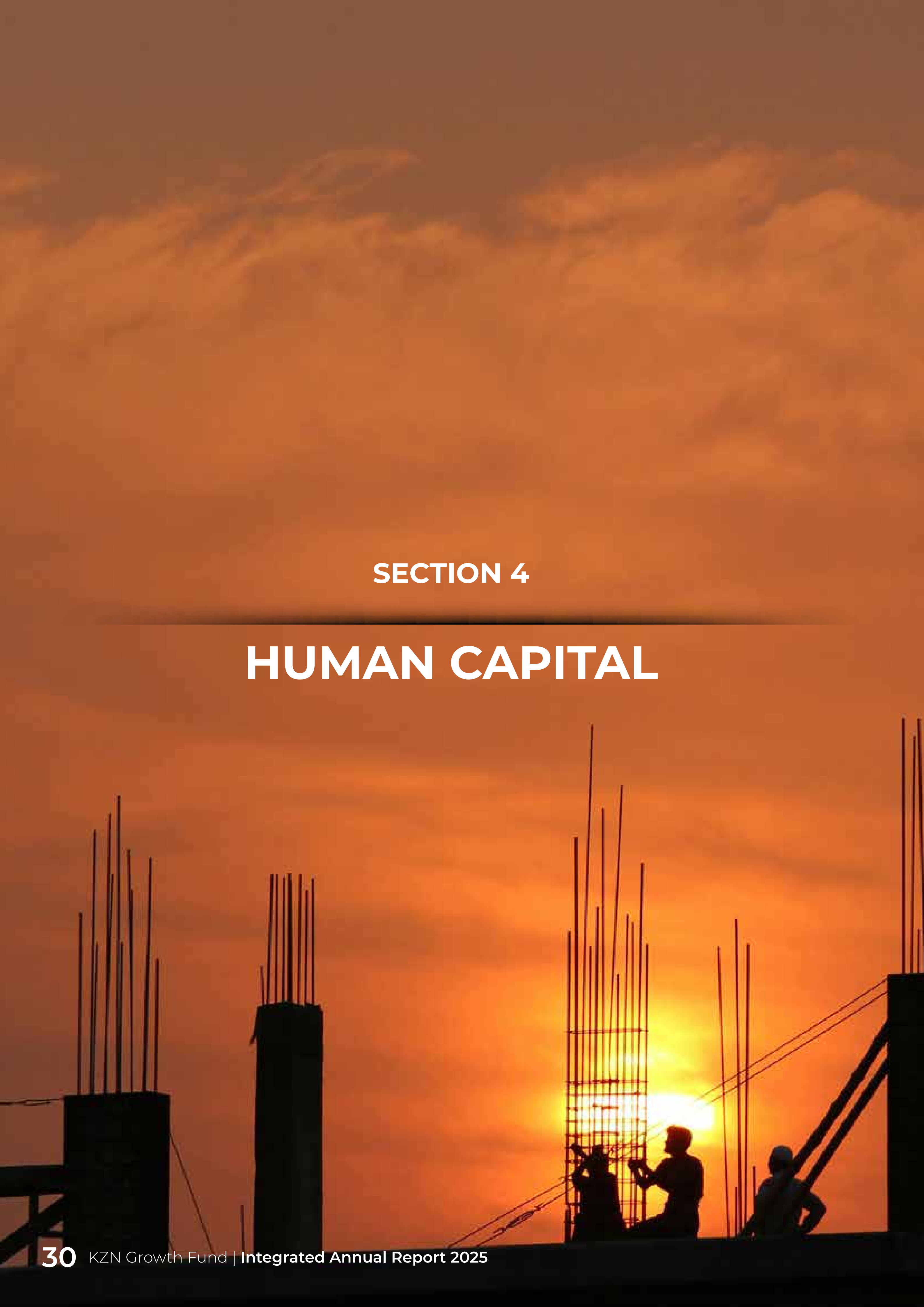
MEASURING OUTCOMES

PROGRAMME 1 - FINANCE & ADMINISTRATION

No.	Outcome	Outputs	Output Indicators	2025/26 Targets
1.	**Improve KGFT's long-term sustainability**	Improved financial sustainability through operations' cost efficiency ratio.	Cost-to-Revenue Ration	Maintain targeted operational costs efficient ratio of 70%
			Growth in Assets Under Management	Approval and implementation of funding raising strategy
			Return on Asset Ratio	Maintain a Return on Asset Ratio of 5%
2.	**Operational efficiencies through streamlined business processes and technology**	The time taken to complete specific processes before and after implementation of the digitised processes (Business Process Re-Engineering)	Reduced processing time and digitisation of operational procedures	· 80% implementation of the Web Portal · 60% implementation of the Enterprise Resource Planning System · 60% implementation of the Credit Risk Rating and Governance Risk & Compliance System.
3.	**Maturing and improving Risk Management**	Maturity risk score	Improvement in maturity risk score	Achieve a maturity risk score of 2.5
4.	**Highly ethical and compliant organisation**	Positive ethics score	No fraud and corruption event	Maintain 0% fraud and corruption report
			Unqualified audit outcome	Achive unqualified audit outcome
			Improvement on compliance to B-BBEE	Achieve a Level 6 B-BBEE score
5.	**Competent and high-performing workforce**	High employee engagement score	An employee engagement survey	70% of employee engagement
		Highly skilled employees	Percentage of eligible professional staff registered with professional bodies	70% of professional employees eligible for professional membership registration
		Effective Performance Management system	Percentage of staff achieving annual performance targets	70% of employee achieve a score of 3 out of 4

PROGRAMME 1 - FINANCE & ADMINISTRATION

No.	Outcome	Outputs	Output Indicators	2025/26 Targets
1.	**Employment opportunities to be created from approved project funding**	Number of jobs created as a result of financed projects	Number of jobs created as a result of financed projects	532 new jobs in target sectors
		Number of deals approved	Percentage of investment funding disbursed for industrial and infrastructure projects	R187m of disbursed capital to approved projects
2.	**Increased access to funding for black industrialists, women, youth and people living with disabilities**	Budgeted capital disbursed to approved projects	Number of projects approved to black industrialists, women, youth and people living with disabilities	Approved deals for designated groups: · 1 x women-owned project · 1 x youth-owned / people living with disabilities project · 1 x rural project · 1 x township project · 2x black industrialist projects
3.	**Improved performance of loans within the loan portfolio**	Improved performing loan ratio	Number of projects approved to black industrialists, women, youth and people living with disabilities	At least 60% performing new loans within the total loan portfolio as at 31 March 2026
				Achieve average instalment collections within 30 days of new quarter
4.	**Increased brand awareness and relevance**	Number of effective partnerships	Number of co-funding deals through partnerships with DFIs, banks and provincial agencies.	Strenthening existing partnerships with DFIs through 3 co-funding deals
				Establish 1 new partnership with private sector funding opportunities
5.	**Increased brand awareness and relevance which will lead to a growth in funding applications**	Increased funding applications	Number of funding applications generated from brand awareness leads	Undertake 4 brand awareness interventions, including targeted campaigns, conferences, exhibitions. roadshows and activations



SECTION 4

HUMAN CAPITAL

> In the face of challenges, let us remain resolute. In the pursuit of opportunities, let us be bold. And in the realisation of our shared aspirations, let us be united. Together, we can overcome any obstacle, achieve any goal, and create a legacy of prosperity that will endure for generations to come.

- MEC EDTEA, Rev. Musa Zondi

Our human capital includes our people, their development, and the culture we foster. It is our employees who drive the overall performance and sustainability of the KGFT's business. Consequently, the achievement of the KGFT's strategic objectives and delivery on its mandate are dependent on the implementation of robust human capital strategies, solutions and practices, and the calibre of people the KGFT attracts, grows and retains.

We strengthened our enabling culture, embedding performance management practices, managing employee relations proactively, and building a solutions-led learning and development environment.

The hybrid work policy put in place during Covid-19 remained effective during the year under review, aligned with KGFT's ESG principles and talent management policy, providing employees with flexibility.

Although critical vacancies persisted through the year, significant progress was achieved following the year-end, providing stability and critical leadership capability into the future.

HUMAN CAPITAL INPUTS

- 42 permanent and long-term contract employees as at 31 March 2025
- R0.3 million spent on learning and development of employees

VALUE CREATED FOR STAKEHOLDERS

- Job creation
- Training and development
- Knowledge exchange

GOVERNANCE OVERSIGHT

The Board's oversight function on the management of our human capital is delegated to the Human Resources and Ethics Committee (HREC). The HREC supports the Board in executing its duties in relation to the implementation of the human capital strategy, people management, employment equity, social principles, governance, and culture management. The HREC also provides oversight of performance management and employee remuneration.

Our Talent Management Policy aims to establish KGFT as a preferred employer, attracting, retaining, and developing employees possessing the necessary skills and talent to drive and deliver on our strategic objectives. Accordingly, we promote a culture that prioritises purpose and people, supporting our mission and core values, investing in employee learning and development, providing market-competitive remuneration and benefits, and actively promoting diversity, equity, and inclusion.

CAPACITATING OUR BUSINESS

Employees are the KGFT's ambassadors. Having employees who are committed and connected to the entity's purpose requires a dynamic, compelling, and competitive employee value proposition that attracts, grows, nurtures and retains talent.

As at 31 March 2025, the KGFT employed 42 people (2024: 40). 54% of employees are directly engaged in delivering operational objectives (Projects, Risk, and Marketing) while 46% provide support services. Increased capacity and recruitment will continue to be informed by business and financial performance, as measured by the number of projects successfully concluded and the performance of the investments and loan book.

KEY FACTORS IMPACTING THE KGFT'S HUMAN CAPITAL

Associated key risks	Outputs	Output Indicators
• Reputation risk • Business environment and operations • People and culture risk	• Governance • People and culture • Institutional knowledge	• Internal stakeholders • Employees • Board of Trustees • Management

EMPLOYEE ENGAGEMENT

The KGFT actively promotes employee engagement and evaluates it through annual employee engagement surveys.

In 2024, the KGFT conducted a comprehensive employee satisfaction survey to assess employee engagement. Following the engagement survey, the organisation received the survey results, which were then communicated to all employees. Specific change management solutions and interventions have been devised to enhance employee engagement at the KGFT.

LEARNING AND DEVELOPMENT

The KGFT is dedicated to investment in learning and development for its employees, including a focus on nurturing young talent.

Youth development programmes improve the feeder pipeline of important skills required by the business. These initiatives also create job opportunities for graduates who require practical skills and experience to enter the job market. During the year, 7 young people, including those living with disabilities, benefitted from internships.

Within our learning and development management system, skills development plays a crucial role. In addition to various training programmes provided, we provide a diverse range of internal professional and leadership development programmes for employees, intended to empower them to enhance their abilities and acquire the skills necessary to achieve the KGFT's strategic goals and advance their careers. For example, employees have the opportunity to access continuing education. Furthermore, we actively support our employees' educational aspirations by providing programmes that fully cover tuition costs at various tertiary institutions.

TALENT AND SUCCESSION PLANNING

Talent and succession planning are crucial enablers for business continuity. The KGFT's strategic plan, operating model, and organisational structure inform the requirements regarding essential future roles. The newly revised Talent Management Policy aims to:

- Ensure that the KGFT has appropriate future talent readily available and developed capability for its leadership and key roles
- Develop strategies to attract, develop, and retain identified talent
- Facilitate the development of identified talent for business growth and continuity.

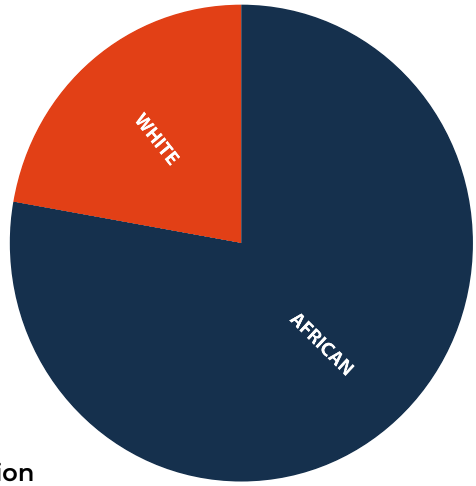
EMPLOYMENT EQUITY

The KGFT's equity profile is in line with the economically active population.

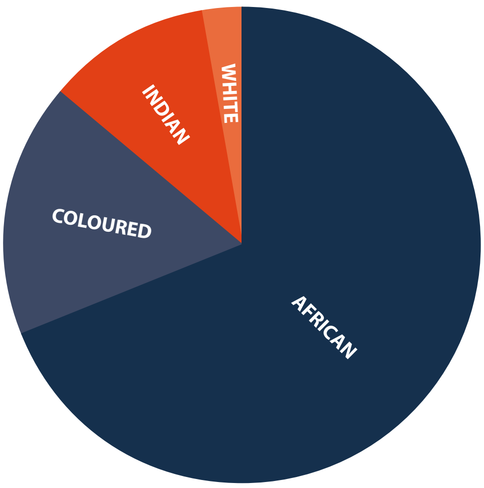
Representation of females remained consistent with that of the previous year, at 54%, with female executives at 75%. Female representation at the senior management level regressed slightly to 32% (2024: 34%) and is a priority for improvement in our employment equity plan.

The staff profile for 2025 was as follows:

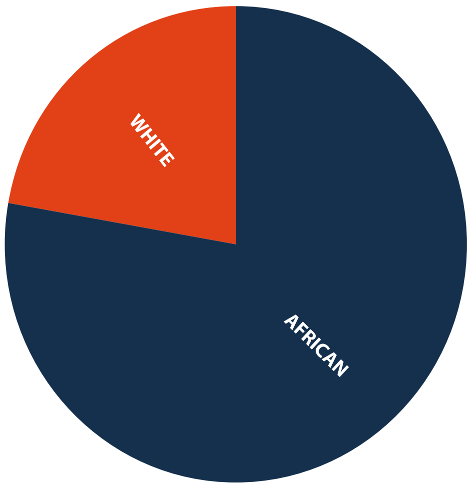
EXECUTIVE
4 People - 10% of staff population

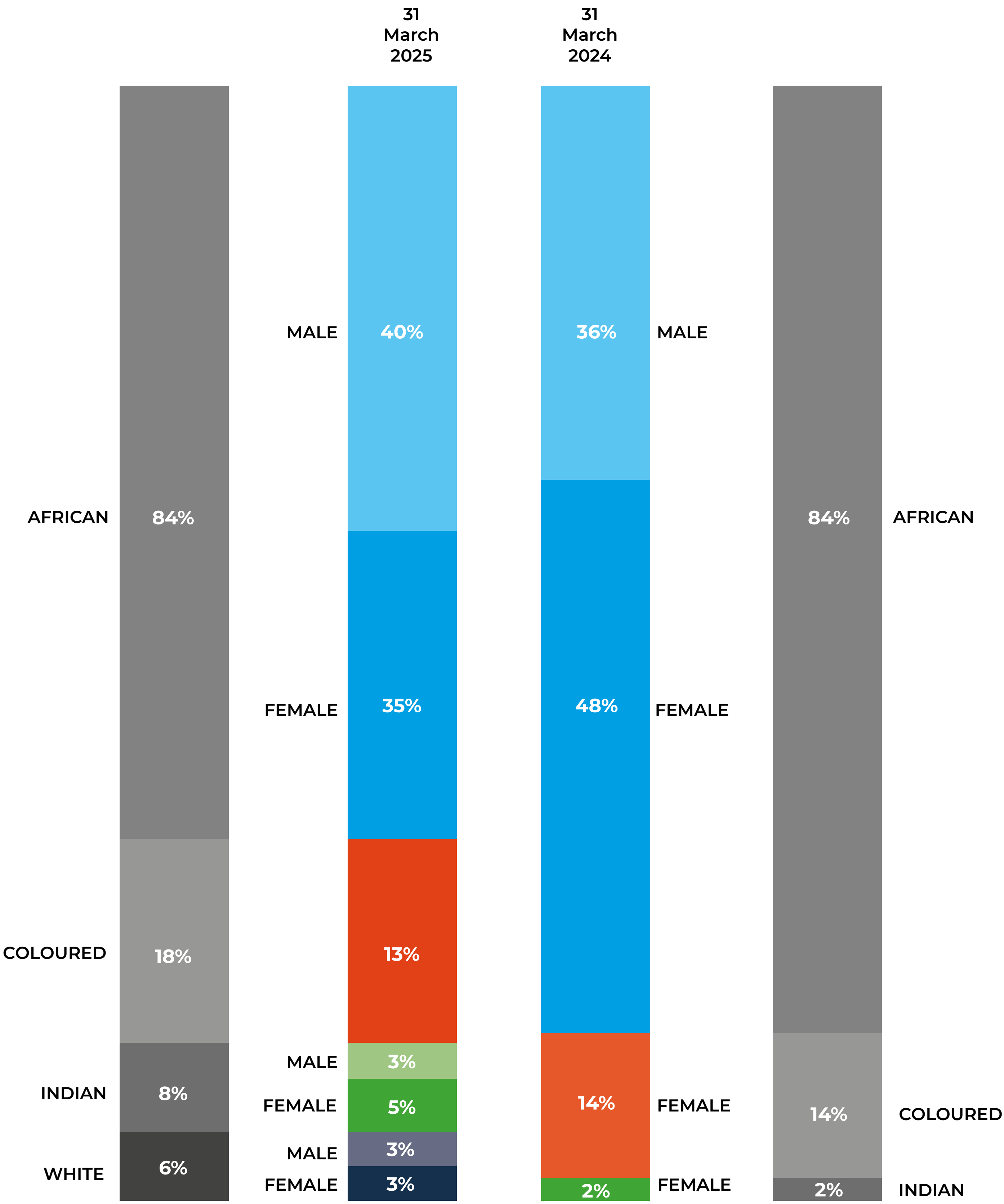


MANAGEMENT
29 People - 73% of staff population



ADMINISTRATION
7 People - 18% of staff population





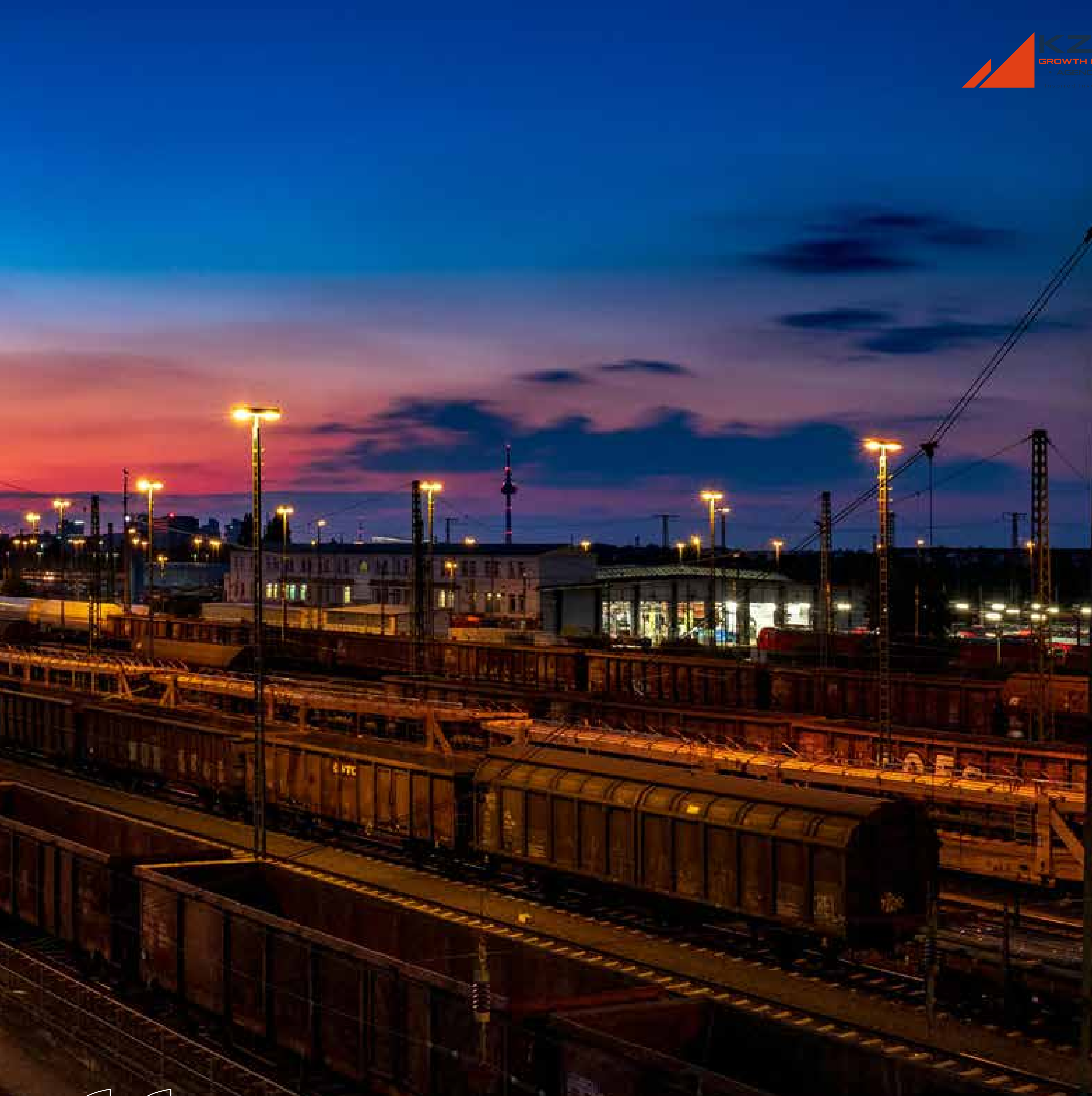
MALE : FEMALE RATIO

46%:54%

(FY24 - 36:64%)

SECTION 5

GOVERNANCE IMPACT



"We can no longer use the tools of decision making, such as the primacy of the shareholder and the single bottom line. We have to look at decision making in the triple context of finance, society and the environment taking into account the critical interdependent aspects of finance, human, natural, societal, manufactured and intellectual capital."

- Sir Mervyn A. King

GOVERNANCE PHILOSOPHY

KGFT is committed to the highest standards of governance, ethics, and integrity, which are essential for sustained value and protecting the interests of all stakeholders. We believe that good governance is essential to promoting our values through accountability, effective risk and performance management, transparency, and ethical leadership.

The Board is committed to ensuring that principles, processes, and practices enable the KGFT to conduct its business with sound corporate governance principles, an ethical culture, good performance, effective control, and integrity. This underpins the creation of stakeholder value whilst ensuring accountability, transparency, ethical behaviour, fairness, responsibility and social development.

The Board's governance oversight is driven by a commitment to fulfilling its responsibilities and governance objectives through the application of the principles and practices outlined in King IV.

The KGFT is resolute in its determination to continuously enhance and strengthen its governance framework, ensuring established standards are consistently met and exceeded. This commitment is realised through a robust governance framework with corporate governance policies intended to ensure that every decision made adheres to the most stringent ethical and legal standards. These governance practices and processes underpin the sound and ethical management of the KGFT, which includes the establishment of a strong and qualified Board of Trustees, appointment of a competent and experienced executive leadership team, development of a clear strategy aligned with the Trust's mandate and values, and unwavering compliance with all applicable laws and regulations.

GOVERNANCE ECOSYSTEM

Governance of the KGFT is guided primarily by a Trust Deed, which is governed by the Trust Property Control Act, 57 of 1998, which determines the mandate of the KGFT. The entity is not listed as a public entity under the PFMA. This is a historical legacy emanating from 2008, when the Debt Fund was established with private sector lender facilities greater than 50% of the KGFT's total facilities and the requirement for consultation of both government and lenders relative to decision-making. Nonetheless, the Board elects to comply with the PFMA prescripts.

In terms of its funding model, the KGFT will operate as a PFMA entity. The process of listing as a Schedule 3D entity via the National Treasury was completed in March 2025. The finalisation of relevant administrative and legal processes is underway to complete the transition to a Schedule 3D entity.

EXECUTIVE AUTHORITY AND PROVINCIAL OVERSIGHT

The MEC of EDTEA is the executive authority and shareholder representative of the Trust. The shareholder's relationship with the KGFT Board is formalised by the shareholder compact, which confirms the mandate as well as an annual corporate plan setting out the strategic priorities of the Trust. As the executive authority, EDTEA is required to ensure that the corporate plan remains consistent with the mandate outlined in the Trust Deed and with the provincial government's priorities. The Board reports on performance and related matters to the shareholder by way of quarterly reports and regular meetings held between the Board Chairman, the CEO and the MEC of EDTEA.

As the Accounting Authority, the Board provides strategic direction and leadership to enhance shareholder value and ensure KGFT's long-term sustainable development and growth. In fulfilling its responsibilities, the Board is supported by the CEO and the executive team in implementing the approved corporate strategy, corporate plans, and policies. Strategic direction is provided by the Corporate Plan that includes the Annual Performance Plan (APP), which management is responsible for implementing.

GOVERNANCE FRAMEWORK

At the heart of the KGFT's governance framework is the Board, which serves as the custodian of corporate governance. The Board members, the majority of whom are independent non-executive Trustees, uphold the highest corporate governance standards by ensuring the tone is set at the top. In this regard, the Board works proactively with the executive team to foster a corporate culture of effective governance across the Trust.

The Board oversees the sustainability of the KGFT, setting strategic direction, approving strategies, and monitoring performance. Risks, opportunities, performance, operating models, and sustainability matters are evaluated in alignment with the KGFT's mandate and values, with final approval from the Board. Key performance measures and targets for short-, medium- and long-term strategic objectives are also endorsed and monitored by the Board, ensuring strategies account for risks and the impact of the KGFT's activities on the economy, society, and the natural environment.

The Board owes a fiduciary duty to the KGFT and manages all its activities with due care, skill, diligence, good faith, impartiality, and independence. It also strives to avoid conflicts of interest and manages unavoidable conflicts effectively.

The Board's focus on the value of a supportive corporate governance environment encourages effective, efficient, fair, and transparent operations through clearly delineated roles and duties. While policies, laws, and regulations govern operations, shareholder and Board supervision ensure that practices are in line with good governance principles.

The Board delegates certain functions to well-structured committees without abdicating its responsibilities. Delegation is formal and in writing. The performance of all delegated responsibilities is constantly reviewed through effective reporting and disclosure to ensure accountability and stakeholder confidence.

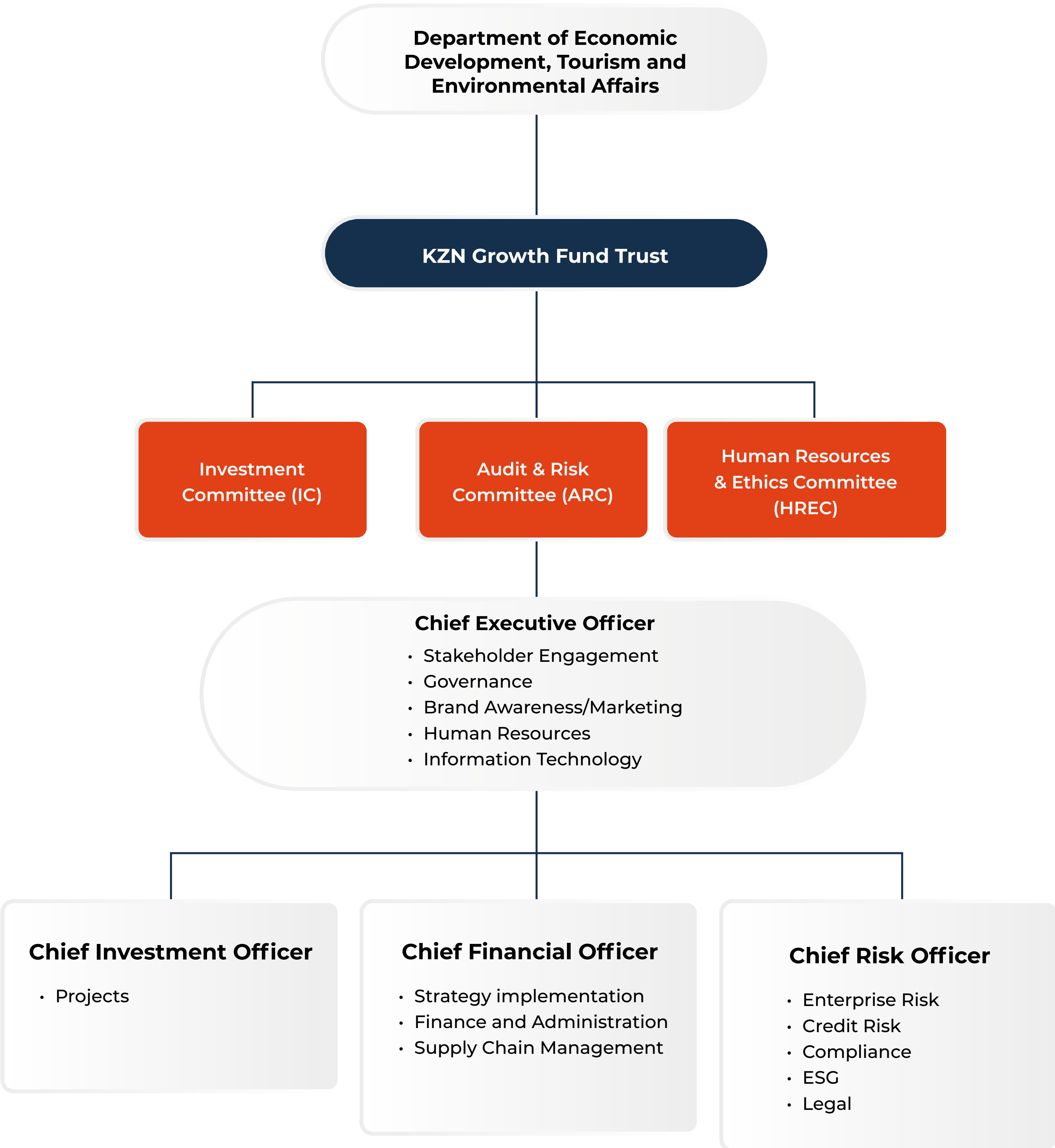
GOVERNANCE STRUCTURE

Governance is entrusted to the Board, which directs, controls and oversees operations according to laws and regulations. The Board takes overall responsibility for directing KGFT towards the achievement of its mandate, strategic objectives, and overall performance. The Board is governed by the Trust Deed, which provides for responsible business leadership, governance structures, and duties of Trustees. In addition to the Trust Deed, the Board operates in terms of an approved Board and Committee Charter, which sets out the Board and Committees' composition, roles and responsibilities, as well as the requirements for meeting procedures.

The Board has diverse skills, expertise, and experience required to meet KGFT's socio-economic development strategic objectives. This includes, but is not limited to, appropriate legal, banking, finance, private equity, governance, human resources, quantity surveying, infrastructure, and development skills.

The Board is responsible for setting and formulating economic, social, and environmental direction through strategic objectives and key policies, implementation plans, a risk framework, annual budgets, and business plans. It measures and monitors performance against the APP using structured reporting systems.

During the review year, the KGFT's governance structure was as follows:



ROLE OF THE BOARD

The roles and responsibilities of the Board, as set out in the Board charter, include:

- Acting as the focal point for and custodian of corporate governance.
- Providing strategic direction, identifying key risks, and monitoring the annual performance plan outcomes.
- Ensuring that a comprehensive system of policies and procedures is operative and effective.
- Ensuring ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Trust's own governing documents and codes of conduct.
- Reviewing the strategic direction of the Trust and providing strategic input into the corporate plan.

The Board is satisfied that it fulfilled its responsibilities in accordance with legislation and the Board charter for the period under review. It believes that its delegation of authority contributes to role clarity and effective exercise of authority. It identified and agreed on actions for implementation in 2025/26.

COMPOSITION OF THE BOARD

In accordance with the Trust Deed, the Board of Trustees comprises six independent non-executive trustees, nominated and appointed by the government through EDTEA, and the CEO serving as an Ex Officio through appointment as CEO.

The Chairman and CEO positions are separate, ensuring segregation of duties.

The Board's gender representation is balanced, with seven members: four females and three males. Given the KGFT Board's odd maximum capacity, balanced representation will always be three to four.

TERMS IN OFFICE

NON-EXECUTIVE BOARD DIRECTOR TENURES:

Member of the Board	Designation	Number of Years
Dr C Lubisi	Chairman	1 year, 8 months
Ms B Mzobe	Deputy Chairperson	2 years, 10 months
Mr T Hlongwa CA(SA)	Trustee	1 year, 8 months
Mr S Thobela	Trustee	1 year, 8 months
Ms S Mamvura	Trustee	1 year, 8 months
Ms B Dlamini	Trustee	1 year, 8 months

BOARD MEETINGS AND ATTENDANCE

An annual work plan enables the Board to attend to its responsibilities in a structured and orderly manner. During the review period, the Board held 5 scheduled meetings, 6 special meetings and 2 strategy sessions and 1 risk-focused session.

	NUMBER OF MEETINGS				
	BOARD & COMMITTEE RECORD OF ATTENDANCE				
	BOARD	ARC	IC	HREC	S&E
Scheduled	5	7	6	5	1
Strategy	2	-	-	-	-
Risk focused	1	-	-	-	-
Investment Evaluations					
Other/Special	6	0	1	3	0
Total	**14**	**7**	**7**	**8**	**1**
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Dr C Lubisi	14	-	-	8	1
Ms B Mzobe	14	-	6	5	1
Mr T Hlongwa CA(SA)	14	7	7	-	0
Mr S Thobela	14	7	6	-	0
Ms S Mamvura	14	7	-	8	0
Ms B Dlamini	14	-	-	8	1
EXECUTIVE DIRECTORS					
Ms T Ikaneng	14	7	6	8	1
ADVISOR TO THE BOARD					
Mr N Jansen	2	-	-	7	-

The Social and Ethics Committee (S&E) was absorbed into the Human Resources and Remuneration Commitee. The newly combined committee was restyled as the Human Resources and Ethics Committee.

BOARD COMMITTEES

To enhance its efficiency, independence, and the comprehensive application of good judgment in discharging governance responsibilities, the Board is supported by subcommittees. The responsibilities of these committees are delegated with clear terms of reference, and where applicable, Board resolutions. During the year under review, the Board was supported by three Board committees to assist in exercising its authority:

- Audit & Risk Committee (ARC)
- Human Resources and Ethics Committee (HREC)
- Investment Committee (IC)

The deliberations and recommendations of committees do not replace the fiduciary responsibilities of Board members, who are bound to exercise due care and judgment in line with their legal obligations.

The Human Resources and Ethics Committee became effective on 5 June 2024, following the consolidation of the Human Resources and Remuneration Committee and the Social and Ethics Committee.

In accordance with the provisions of the Trust Deed and the principles of King IV, the Board committees operate under formally approved terms of reference to ensure effective decision-making, monitoring, and reporting. These terms of reference are reviewed at least annually, alongside an assessment of the overall effectiveness and performance of the committees to maintain alignment with legislation and governance prescripts.

Each committee is chaired by an independent non-executive trustee who reports to the Board on committee activities and makes recommendations to the Board for approval. Committee terms of reference are reviewed annually, or more regularly if needed.

CONFLICTS OF INTEREST

In leading ethically and effectively, the Board operates within the parameters of an approved and well-entrenched conflict of interest policy that precludes trustees from doing business with the Trust. The policy is reviewed every three years. Trustees must declare their interests annually and disclose any conflicts of interest and determine the extent to which the conflict may affect the performance and independence of their duties at the Trust. Once a conflict has been disclosed, it is managed appropriately by the Board through an established process. A declaration of interest form is maintained by the Company Secretariat.

Trustees have a fiduciary duty to disclose any new interest or potential interest to the Company Secretariat. Each trustee's personal interests are updated at each Board meeting. Every effort is made to prevent conflicts of interest from undermining the Trust's governance protocols and diminishing stakeholder confidence.

BOARD REMUNERATION

Trustees are remunerated for meeting attendance, with rates approved by the MEC of EDTEA. No performance-based remuneration is provided to trustees.

CHIEF EXECUTIVE OFFICER

The CEO manages the day-to-day activities of the Trust, supported by a team of executives. On 31 March 2024, the former acting CEO, Mr Kaya Ngqaka, resigned. The Board, with concurrence of the MEC of EDTEA, appointed Ms Tshidi Ikaneng as the Trust's interim CEO with effect from 1 April 2024. The Board and the MEC of EDTEA are finalising the appointment of a replacement CEO.

GROUP COMPANY SECRETARY

The Board appoints the Company Secretary, who provides the Board and committees with professional corporate governance services, including advice and guidance on their duties and responsibilities, compliance with governance principles, and adherence to laws and regulations. The Board members have unfettered access to the services of the Company Secretary, who is not a director of the Trust. Ms Thulisile Nxumalo was appointed Company Secretary on 7 April 2022. The Board is satisfied that this function has been effectively discharged in the reporting period.

RISK MANAGEMENT

MANAGING RISKS AND OPPORTUNITIES

To fulfil its mandate as a development financier and impact investor, KGFT manages risks through an ongoing risk assessment process that spans the entire organisation, aiming to foster a risk-aware culture. This process includes managing investment-related risks and support functions such as human resources, finance, and supply chain.

The Board is responsible for overall risk management, including ensuring that risk management is integrated into all operations and activities and implementing an enterprise risk management (ERM) framework, which ensures that KGFT has a comprehensive understanding of the risks inherent in its strategy and operations and that risk management is integrated into planning, business, and decision-making processes.

By adopting a unified approach to governance and risk management aligned with the Trust's strategy, the Board and its committees work to establish a combined assurance model that aims to incorporate and optimise all assurance functions to create an effective and comprehensive control environment. This supports the accuracy of information used for decision-making by management, the Board, and its committees.

COMBINED ASSURANCE

King IV requires the governing body committee to ensure implementation of a combined assurance model to optimise all assurance services and functions so that, holistically, these provide an effective control environment and support the integrity of information used for internal decision-making by management, the governing body, and its committees. KGFT's combined assurance model includes three lines of defence:

FIRST LINE OF DEFENCE:

This involves functions such as line management, which owns and manages risks daily. It includes operational management processes covering the development and implementation of systems and procedures, management reviews, risk ownership, and control self-assessments. Each department has developed an operational risk register to ensure that operational risks are detailed on the strategic risk register. Although this line of defence lacks independence and objectivity, its value lies in its close understanding of day-to-day operations and risks.

SECOND LINE OF DEFENCE:

This involves the risk management and compliance functions that oversee risk, providing guidance and challenging management teams. These functions monitor management activities and ensure adherence to policies and performance targets. The second line is separate from those responsible for delivery but is not independent of the organisation's management chain.

THIRD LINE OF DEFENCE:

This is independent and objective assurance of the adequacy of the design and effectiveness of systems and controls, governance, and risk management. It focuses on the internal audit function and external assurance providers such as the external auditors, as well as regulatory and supervisory bodies.

The ARC oversees and evaluates the effectiveness of the combined assurance model and activities against key risks. The committee reviews and challenges processes, risks, issues, and actions. The committee also reviews the results presented annually to ensure that appropriate assurance activities, including operating controls over key risks, are implemented and are adequate and effective.

The following graphic illustrates the high-level approach to risk management:

THE BOARD

- Overall responsibility for risk management
- Ensure risk management is embedded into all processes and activities
- Review group risk profile

AUDIT & RISK COMMITTEE

- Set annual audit programme and priorities
- Monitor progress and audit recommendations
- Provide risk assurance to the Board
- Oversee risk management structures and processes

INTERNAL & EXTERNAL AUDIT

- Set annual audit programme and priorities
- Monitor progress and audit recommendations
- Provide risk assurance to the Board
- Oversee risk management structures and processes

RISK DIVISION

- Formulate strategy and policy based on risk appetite, risk attitudes and risk exposures
- Receive receipts from business unbits, review risk management activities and compile the group risk register.
- Track risk management activity in the business units and keep the risk management context under review.

BUSINESS UNITS

- Produce business unit spesific policy statements
- Identification, assessment and management of day-to-day risk
- Set risk priorities for business unit
- Monitoring and implementation of risk improvement

ENTERPRISE RISK MANAGEMENT

The KGFT ERM framework provides a structured approach to managing the wide range of risks it faces. The framework incorporates a universe of key risk types categorised into strategic, operational and project risk. This approach ensures that ERM is integrated into the overall management process, enabling the KGFT to achieve its objectives, create long-term sustainability, and maintain resilience.

Risks are reviewed annually in alignment with the strategic objectives and direction of the organisation. KGFT has formally appointed risk champions in all departments, which enables the organisation to improve its risk maturity level. Risk management is executed through a risk lifecycle, which includes risk identification, risk assessment and measurement, risk treatment, and monitoring through key indicators and combined assurance.

Management is responsible for identifying and assessing risks that KGFT may face in the execution of its strategy, including strategic risks, operational risks, and project risks across all business areas.

The ARC is responsible for overseeing the implementation of the KGFT's ERM framework and reviewing critical risk reports on a quarterly basis. The ARC reviews the risk framework periodically and oversees the control and enhancement of systems, policies, practices, and procedures. The intent is to ensure that all risks, including key risk indicators, risk appetite, tolerance, and avoidance levels, are identified, measured, controlled, monitored, and reported on.

Internal and external audits provide the Board with independent assurance about the effectiveness of risk management. Due to the KGFT's scale, internal auditing is outsourced.

RISK MANAGEMENT

KGFT risk is addressed at three levels: Strategic, Operational, and Project.

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It includes processes and systems, regulatory compliance, legal risk, and business continuity. Strategic risks are those that have the most impact on KGFT's capacity to implement its objectives and meet its developmental mandate. These risk exposures can have an impact on KGFT's shareholder value and long-term viability.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, including issues that impact KGFT's day-to-day operations. Operational risks refer to the hazards inherent in KGFT's operations and processes. These are developing hazards caused by both internal (human resources, legal and compliance, fraud) and external causes (suppliers, politics, reputation, economic climate, etc.).

Project risks refer to risks that may have an impact on the progress, result, or outcome of a specific KGFT-funded project, resulting in deviations from predicted project returns. The Board has tasked the IC with managing credit and investment risk. The Board has also delegated approval of initial screening reports to the Internal Risk Committee (IRC) to speed up turnaround times and increase the KGFT's competitiveness. The IC ensures that extensive due diligence is conducted on initiatives that require funding before submitting them to the Board for approval. The risk department is responsible for overseeing project performance monitoring after disbursement to ensure the KGFT portfolio's long-term sustainability.

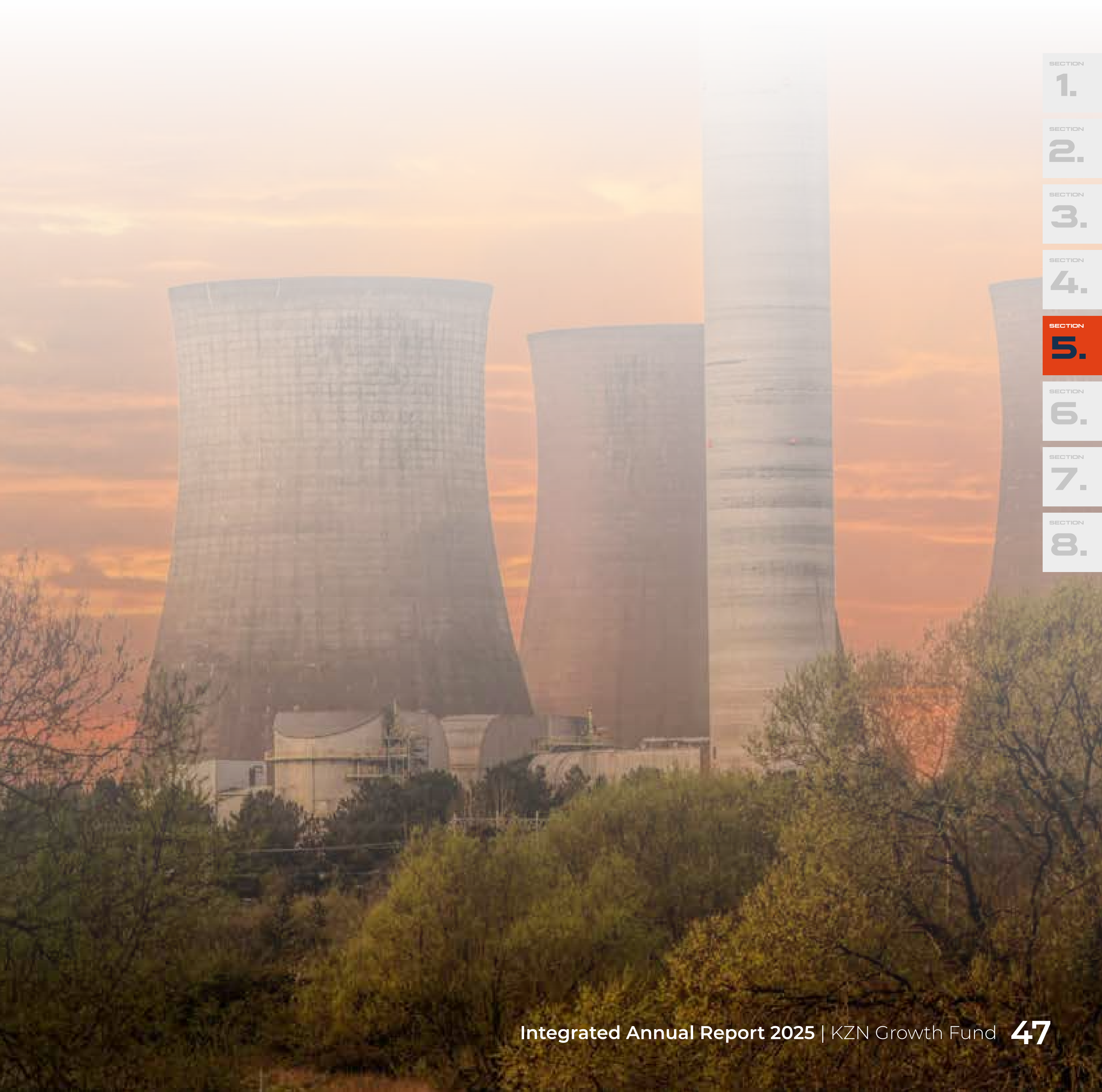
STRATEGIC RISK MANAGEMENT

KGFT strategic risks are integrated into the strategic planning process to ensure the alignment of the risk profile to the organisation's strategic objectives and corporate plans. Assurance is provided through a coordinated combined assurance plan prepared and executed by KGFT second and third lines of defence teams and approved annually by the ARC

The KGFT identified and monitored eight strategic risks that could affect its business operations in the financial year and ultimately its ability to create value in the long term. The annual risk identification process involved team discussions, feedback from internal and external stakeholders, examination of economic trends within KZN businesses, and a

SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. The table below shows the top eight risks identified and monitored in the financial year.

The strategic risks present an inherently high risk due to KGFT's lending environment being high risk in nature. South African DFIs operate in an environment that has financial and entrepreneurial expertise inequalities. The economic and socio-political climate also hugely contributes to the high inherent risk status despite implementation of risk mitigation measures which reflect a significant effective thus the low residual risks across all the risks. The internal environment has also faced challenges at a strategic and operational level due to a high vacancy rate in leadership and operations, a depressed organisational environment, inability to deliver on project approvals and lack of technology advancement (systems automation and digitalisation).



Risk	Description	Risk Mitigation	Outcome
Socio-Political Risk	Exposure to political and social instability	Monitor the political landscape by constant engagement/ lobbying with key stakeholders. Politically Exposed Persons (PEP) and Prominent Influential Persons (PIP) policy is in place to manage bias and favouritism.	Enhanced accountability, sustained policy relevance and strong compliance framework leading to reduced risk exposure and improved stakeholder trust.
Funding and Liquidity Risk	The inability of the KGFT to raise new funding, disburse on approved projects and loan collection.	KGFT's corporate objectives aligned with provincial strategic objectives. Due diligence processes and procedures are in place to assess new clients in terms of capacity to pay back loans advanced to them. Investment Policy and Procedures are in place to guide employees in executing transactions.	Improved investor confidence, lean and agile operations, sustained business growth and improved solvency position.
People and Organisational Culture Risk	Tolerance of poor performance and lack of accountability	A Change Management committee is in place to manage organisational change and development matters. Training and development policies and programmes are in place to advance employees' career aspirations and/or progression. A performance management policy is in place to reinforce transparency, accountability, fairness and improved overall organisational performance.	High performing organisation and a positive work environment culture.
Financial Sustainability Risk	Potential for the KGFT to encounter difficulties in maintaining its financial viability over the long term.	A Financial and ERM Policy Framework is in place to improve the systems of financial management and internal controls. Diversification of revenue sources is in place. Regular strategic and operational risk assessments are conducted to identify new and emerging risks and corresponding mitigants.	Improved planning process and decision-making, assisting the entity to achieving long-term financial sustainability.
Compliance and Regulatory Risk	Inability to comply with policies and statutory regulations	Regular monitoring and reporting of non-compliance is performed quarterly. A whistle-blowing mechanism through the whistle-blowing policy supports the reporting of unauthorised deviations and non-compliance. Consequence management is in place to correct misbehaviour and non-compliance.	Reduced legal risks. Improved risk management and sustainable business practices and internal controls. Streamlined compliance processes leading to operational efficiencies.

Risk	Description	Risk Mitigation	Outcome
Information and Communication Technology Risk	Failure of technological infrastructure	Data loss prevention measures are implemented. ICT Security policy and procedures approved and implemented. Comprehensive cybersecurity plans are in place. Monitor Backup and Disaster Recovery plans.	Proactive risk management, improved protection of organisational ICT assets, reduced costs, high system reliability and stronger internal operational collaborations.
Fraud and Corruption Risk	Bribery, theft, and misuse of assets	The gift policy and register are maintained and reviewed annually. Policies and standard operating procedures are in place to enforce the segregation of duties and unauthotised access. Whistleblowing hotline policies and procedures are in place. Disciplinary process in place for fraud, theft, and corruption.	Reduced financial loss and reputational risk due to fraudulent activities. Improved stakeholder confidence.
Reputation Risk	Potential damage to the KGFT's image may have an impact on the sustainability of the organisation.	A Marketing Policy has been implemented. Social media is optimally used to rebuild the organisational brand.	Strong organisational brand image and improved investor confidence. Reduced legal costs.

OPERATIONAL RISK MANAGEMENT

Operational risk management ensures that risks resulting from inadequate or failed processes, people, systems, and external factors are consistently and comprehensively identified, assessed, mitigated, and controlled.

Operational risk is managed through the implementation of the following tools:

- Risk self-assessments for all departments with periodic reviews. These assessments ensure a dynamic and iterative process for consistently and comprehensively identifying, assessing, mitigating, monitoring and reporting key operational risks
- Key indicators are developed and monitored for material risks and key controls
- Operational risk management ensures losses and incidents are identified, responded to, and remediated to minimise impact.

Operational resilience and business continuity are crucial components of KGFT's risk management approach, ensuring sustained operations and the ability to withstand and recover from disruptions. This is guided by a business continuity management policy, intended to safeguard the interests of the KGFT by ensuring that it continues to operate at an acceptable level following a severe disruption or incident.

PROJECT RISK MANAGEMENT

Project risk management processes include comprehensive engagement with internal departments and external stakeholders. Primary project risk processes consist of:

- Outsourced multi-disciplinary due diligence, including legal and compliance, environmental, health and safety, valuations, and project risk management
- The risk management department conducts project risk assessments
- Investment approval committees include the executive management team, senior managers, external members, and independent non-executive directors. The Investment Committee operates within Board-approved delegated limits and policies.

The risk department, under the leadership of the Chief Risk Officer (CRO), reports quarterly to EXCO and the ARC on the KGFT's portfolio performance.

ASSET QUALITY

Focused interventions and strategic plans are underway to improve asset quality while remaining committed to the KGFT's development mandate. The commitment to improving the asset quality is a key priority, as it protects the KGFT's balance sheet and ensures financial sustainability. A concerted drive to reshape the portfolio is underway to ensure its resiliency. This will enable the competitive borrowing of funds which will allow the KGFT to further entrench its developmental impact.

IMPAIRMENTS

During the year, clients dealt with challenging macroeconomic conditions, exacerbated by widespread electricity disruptions and poor infrastructure delivery. Impairment levels improved in 2024/25, declining from R157 million to R139 million, with an improved impairment ratio of 62% compared to 65% in 2023/24. The impairment reversal is due to installments collections of loans to the value of R79 million (including a loan settlement of R67 million). The projects and risk functions continue to collaborate to ensure that the deal origination, appraisal, and loan approvals do not expose KGFT to undue credit risk. Internal workshops and functional sessions are held to ensure cross-skilling and creation of a risk-aware deal team that conducts business on a risk-based approach. The legal function plays a key role in ensuring that legal agreements and conditions are legally sound, implementable, and adequately limit KGFT's exposure.

NON-PERFORMING LOANS

The value of non-performing loans decreased from R397 million in FY2024 to R305 million in FY2025, comprising seven projects. The decrease in 2025 was due to a settlement of one project. Amortising NPLs improved by 23% in FY2025. The non-performing loan ratio decreased from 100% in FY2024 to 86 % in FY2025.

SUSTAINABILITY MODEL

A sustainability model, developed in conjunction with external consultants, aims to forecast and measure liquidity stress on the KGFT. The model allows the Trust to quantify future scenarios by measuring the impact of variances in investment performance against annual targets and of non-performing loans and equity investments. This allows for:

- Optimised risk pricing,
- Enhanced financial planning
- Accurate reporting
- Proactive maximisation of developmental impact.

COMPLIANCE

Compliance management aims to assist and guide management in adhering to compliance obligations as set out in statutory, regulatory, and supervisory requirements, as well as relevant industry codes and best practice guidelines. The legal, risk, and compliance team monitors, assesses, researches, and reports on the regulatory environment in which the business operates to support the development of business while protecting investors, clients, employees, suppliers, and other relevant stakeholders.

The Board Charter requires that the Board ensure ethical behaviour and compliance with laws and regulations and audit and accounting principles, including codes of conduct. While the implementation of compliance management is delegated to management, the Board monitors and reviews compliance with key regulatory and legal requirements through regular reports submitted to the ARC, HREC, and IC.

The compliance department performs ongoing compliance and assists the Board in creating an enabling, compliance-based culture. The department also assists other departments in identifying and assessing applicable regulatory risks and developing compliance risk management plans to mitigate and control them. Regulatory risks are monitored constantly and reported to stakeholders.

Aligned with King IV principles, the compliance department adopts a risk-based approach and ensures that internal stakeholders receive timely and relevant information to support their oversight responsibility. Regulatory compliance is achieved by ensuring that the function maintains a strong, adaptable, and comprehensive internal compliance structure focused on the following deliverables:

Advisory: Provision of guidance on compliance laws, norms, and standards, providing updates on developments related to the KGFT ecosystem.

Training: Ongoing compliance training is incorporated into the annual workplace skills plan as a key priority.

Compliance risk identification, measurement, and assessment: Organisation-wide assessment.

Monitoring, testing, and reporting: Compliance monitoring and execution to provide compliance assurance.

Statutory obligations and liaison: Specific statutory deliverables, including anti-Money laundering duties.

REGULATORY UNIVERSE

The Constitution guides the KGFT as the primary law and other related acts within its sphere of operation. The top ten Acts within KGFT's regulatory universe:

- Constitution of RSA No 108 of 1996
- Companies Act No 71 of 2008
- Public Finance Management Act, 1999 (including Treasury regulations, Supply Chain Management guidelines, circulars, and practice notes)
- Trust Property Control Act, No 57 of 1988
- King IV Code on Corporate Governance for South Africa 2016
- Basic Conditions of Employment Act No 75 of 1997
- Black Economic Empowerment Act No. 53 of 2003
- Financial Intelligence Centre Act No 38 of 2001 (FICA)
- Protection of Personal Information Act No 4 of 2013.

INTERNAL AUDIT

The internal audit function is the third line of defence of the KGFT's enterprise-risk management framework. The KGFT has outsourced its internal audit function to a service provider that is required to implement an annual risk-based internal audit plan based on, inter alia, the registers compiled by the risk management department, the annual corporate plan and key emerging risks highlighted by the external auditors. Internal Audit delivers independent, objective assurance to the Board that governance processes, risk management and internal control systems are adequate and effective in mitigating the most significant risks that threaten the achievement of the KGFT's strategic objectives. Members of the ARC review the work of Internal Audit, and internal auditors have unrestricted access to the Chairperson of the committee and the Board to ensure that any significant audit matters are escalated appropriately.

The KGFT maintains internal controls to provide reliable financial and performance information and reasonable assurance that transactions are concluded according to laws, regulations and the delegation matrix approved by the Board, and that assets are protected adequately against material loss and recorded fully and correctly. Reports detailing management actions taken to address weaknesses noted by internal audit are submitted to management and the ARC quarterly. During the financial year, management continued to demonstrate its commitment to enhancing the control environment, mitigating weaknesses identified and resolving issues noted by internal audit.

ESG AND SUST AINABILITY IMPACT

The KGFT strives to ensure ESG compliance as an organisation by taking into consideration the impact of its actions on the environment and society through good governance practices. Likewise, the KGFT integrates ESG principles and sustainability impact practices into its pre-investment, due-diligence, and post-monitoring processes. This enables clients to enhance ESG compliance in the process and embed impact principles throughout the investment cycle. Incorporating ESG and sustainability impact enables the KGFT to make informed decisions about the relevance, significance and nature of ESG risks and development impacts. More specifically, an environmental and social review at project appraisal identifies potential impacts and risks of the project (including reputational risks), existing and proposed mitigations, gaps in requirements, and actions and conditions for investment.

Environmental: The KGFT is in the process of adopting ESG considerations within the organisation and project companies through improved environmental management, such as in the use of water, implementation of waste management processes, and implementation of alternative energy sources such as solar systems and generators.

Social: Despite the challenging economic times, the KGFT and investee companies did not report retrenchments or strikes. Employment statistics fluctuate due to normal staff attrition. Ongoing training and development of employees has improved, as evidenced by the increased spend and employees obtaining qualifications. The work environments have been reported as acceptable, with many investee companies and the KGFT continuing the implementation of remote working policies as a key part of its social sustainability tool. Likewise, the organisation and its investee companies participate in impactful social corporate initiatives.

Governance: The KGFT has ensured that its governance structures are in line with the Trust Deed, King IV, PFMA and other legislated governing prescripts it operates under. The same diligence has been noted in investee companies, where there has been improvement in implementing internal committees and reporting requirements. The KGFT has ensured that it is adequately represented by experienced non-executive directors in all equity investee company boards in compliance with investment conditions.

FRAUD PREVENTION

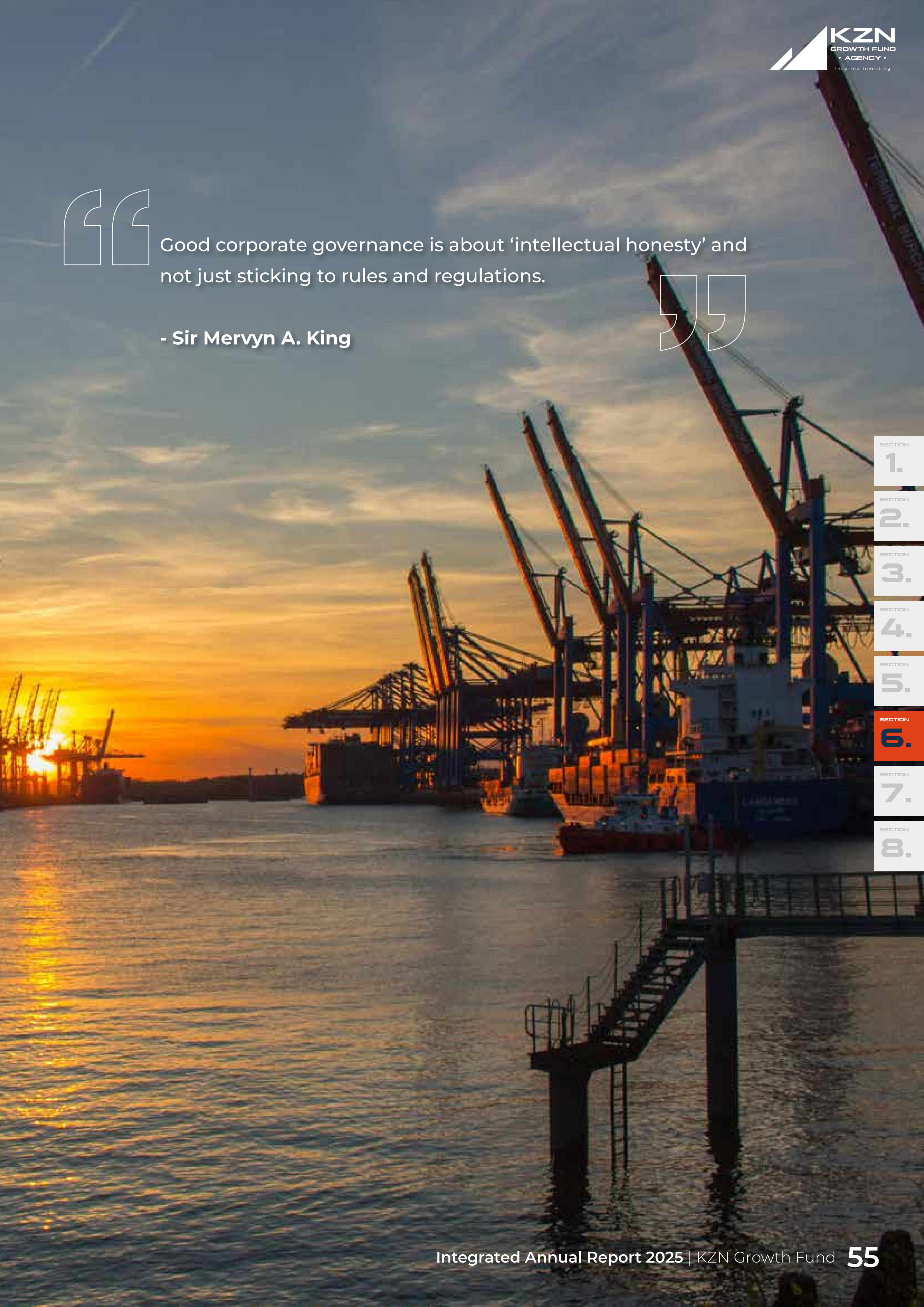
Fraud prevention and mitigation activities are aimed at safeguarding KGFT's reputation and minimising any financial loss due to fraud, financial crime, and misconduct from staff and/or external third parties. Fraud prevention includes the development of a detailed fraud risk register, ongoing monitoring of controls implemented, and reporting to management committees and the ARC on fraud risks and activities.

The KGFT 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 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
- Maintain adequate and effective internal controls
- Ensuring timely and accurate processing of transactions
- Independent internal and external audit assurance reviews of controls and reporting to the ARC.

SECTION 6

BOARD COMMITTEE REPORTS



Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations.

- Sir Mervyn A. King

AUDIT AND RISK COMMITTEE REPORT

MR SIMPHIWE THOBELA

IMPACT OF KING IV

The King IV Report recommends that the governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

ARC actively exercises oversight over the Trust's risks and opportunities, compliance, strategy, Corporate Plan, performance, and sustainability.

COMMITTEE RESPONSIBILITY

The primary role of the ARC is to assist the Board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls, financial risk management, statutory and regulatory compliance, and financial reporting. In doing so, it actively exercises oversight over the KGFT's risks and opportunities, compliance, strategy, Corporate Plan, performance, and sustainability.

The ARC remains focused on the KGFT's organisational resilience in an ever-expanding risk universe where traditional risks such as credit, market, operational, capital and liquidity risks are impacted by externally driven trends. These trends include adverse geo-political and macro-economic risks, as well as major new non-financial risks such as cyber, conduct, crime/corruption, and climate change.

COMMITTEE CHARTER COMPLIANCE

The ARC has fulfilled its responsibilities as outlined in the PFMA. Furthermore, the Committee has adopted appropriate formal terms of reference as its ARC charter, regulated its affairs in compliance with this charter, and discharged its responsibilities as contained therein, including approval its annual workplan for 2025/26.

During the year under review, the committee comprised four non-executive directors and one independent member who is not a Board Trustee. The Chairman of the Board is not a member of the committee. The CEO, CFO, internal audit and a representative from the office of the AGSA are permanent invitees to the committee meetings.

The committee is obliged to convene four scheduled committee meetings and special meetings as and when required.

King IV recommends that the governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

INTERNAL CONTROL ENVIRONMENT

Responsibility for the systems of internal financial and operational control has been delegated to the ARC. The KGFT governance principles – emphasizing ethical behaviour, legislative compliance, and sound accounting practices - establish the foundation for its internal control processes.

These are supported by the enterprise-wide risk management approach and risk strategy adopted by the Board, which form the framework for internal control. Executive management is accountable for determining the adequacy, extent, and operation of these control systems.

Internal Audit is tasked with providing independent and objective assurance regarding KGFT's system of governance, risk management, and internal control.

During the year under review, the ARC assessed the independence and effectiveness of the function, ensuring that the annual internal audit plan addressed all significant risks, approving the internal audit plan and monitoring its execution. Internal audit's quarterly reports were assessed in line with the approved internal audit plan and audit processes identifying weaknesses, and breakdowns of systems and internal controls were deliberated on. The effectiveness of management actions and implementation plans to address adverse audit findings was also assessed.

EFFECTIVENESS OF INTERNAL CONTROL

The following internal audit work was completed during the year under review:

- Review of Performance Management
- Human Resources Management Review
- Special Projects Review - Operation Vula
- Annual Financial Statement Review

The internal audit identified various areas of concern across the areas reviewed. It is the opinion of the ARC that these findings are primarily attributable to capacity constraints due to a high rate of vacancies and the resultant constraints in maintaining adequate segregation of roles. In particular the review and update of policies was identified as an area of weakness. This has been addressed by management. Moreover, management has committed to addressing internal control deficiencies identified and has made inroads to reducing the level of vacancies. This progress will continue to be closely monitored by the ARC

Fraud risk is reported at each meeting of the ARC. No incidents of fraud or corruption have been reported during the period under review, either directly to management or via the whistle-blowing hotline.

COMBINED ASSURANCE

Principle 15 of the King IV Report recommends combined assurance as a best practice in governance. This recommendation is based on the understanding that assurance coverage and quality can be significantly enhanced through improved coordination among assurance providers. The ARC reviewed reporting across all three lines of defence in the KGFT's risk governance structure: Line 1: Business, Line 2: Risk, Line 3: Independent Assurance from Internal and External Audit.

ANTI-FRAUD AND CORRUPTION

The KGFT is committed to eradicating all forms of fraud and corruption and ensuring compliance with the PFMA. To minimize the risk of fraud, KGFT has implemented the following measures:

- Provision of fraud awareness training
- Adherence to a zero-tolerance policy regarding fraud and theft
- Effective management and implementation of policies governing staff behaviour, including the Business Code of Conduct and Ethics and Declaration of Interest Policy
- Conducting fraud risk assessments to identify KGFT's fraud risks, evaluate controls in place to mitigate risks, and develop action plans to address any identified gaps or weaknesses
- An independent "whistleblowing" mechanism allowing staff and other stakeholders to report fraud anonymously

Fraud risk is reported at each meeting of the ARC. No incidents of fraud or corruption have been reported during the period, either directly to management or via the whistle-blowing hotline.

ETHICS AND MANAGING CONFLICTS OF INTEREST

The Business Code of Conduct and Ethics is designed to promote and enforce ethical behaviour and enhance professionalism in interactions with suppliers, customers, business partners, stakeholders, government entities, and society at large.

The Declaration of Interest policy reinforces the organization's commitment to ethical and transparent management that benefits all stakeholders. This policy requires annual declarations of interest by the Board and sub-committee members, and all employees.

EVALUATION OF QUARTERLY FINANCIAL REPORTING

The KGFT's financial management was closely monitored, including the appropriateness and effectiveness of the finance function and the effectiveness of internal controls. The ARC reviewed and recommended quarterly financial reports for the period under review to the Board. The ARC is satisfied that these reports accurately reflect the financial position of the KGFT.

AUDITOR'S REPORT

The ARC reports that the audit findings from both the internal and external auditors have been considered and duly reviewed. Any audit findings that could not be addressed during the current period will be included in an updated audit plan and monitored in the following financial year.

The committee agree that the going-concern assumption is appropriate for the preparation of the AFS following a review of management's documented assessment of the KGFT as a going concern.

The ARC concurs with and accepts the conclusions of the external auditor regarding the AFS. It is the committee's opinion that the audited AFS should be accepted and read in conjunction with the auditor's report.

DECLARATION

The committee is satisfied that it fulfilled the responsibilities in terms of its terms of reference for the reporting period.

KEY FOCUS AREAS FOR THE 2025/26 FINANCIAL YEAR

Further to its committee charter, the ARC will assess activities in the following areas:

Financial sustainability: The ARC will continue to monitor that the KGFT's financial sustainability is prioritised as part of its risk management process whilst evaluating performance metrics and capital raising initiative outcomes.

Credit portfolio performance: The ARC will continue to emphasise the need for increased focus on the credit portfolio optimisation strategy and policies considering IFRS9 requirements and the mandate to support socioeconomic transformation through commercially viable projects.

Organisational effectiveness: In response to the recommendations arising from the Board and the HREC, the ARC will continue to support organisational structural and process transformation.

Digital transformation: The KGFT will be making extensive investments in technology to bolster its capabilities and effectiveness.

Financial effectiveness: The ARC will continue to ensure that the KGFT's financial systems, processes and internal financial controls are operating efficiently.

Internal control effectiveness: The ARC will ensure compliance to improve audit outcomes as well as reducing compliance risk.

Mr Simphiwe Thobela
Audit & Risk Committee Chairman

26 August 2025

INVESTMENT COMMITTEE REPORT

MR THAMI HLONGWA CA(SA)

IMPACT OF KING IV

In terms of the King IV Report's 'risk and opportunity governance', integrated thinking enables the Board to avoid taking excessive risks that may lead to organisational failure. Risk and opportunity governance set the tone for organisations to realise that risk management should cover both the negative and positive potential governance outcomes. The Board is responsible for setting the risk tolerance levels relevant to the organisational strategy and objectives.

COMMITTEE AUTHORITY

The Board delegated to the Investment Committee (IC) responsibility for overseeing assessment of proposed investments and making recommendations for Board approval. The IC is also responsible for providing oversight on the performance of the equity investments and debt instruments portfolio.

COMMITTEE CHARTER

The IC adopted terms of reference/committee Charter, regulating its affairs in compliance with this charter, and discharged its responsibilities as contained therein.

COMMITTEE COMPOSITION AND GOVERNANCE

During the year under review, the IC comprised five members, three of whom are members of the Board, as well as two independent industry experts. Executives, including the CEO, are permanent invitees to committee meetings. Other persons are invited at the committee's discretion. The members and executives are drawn from diverse backgrounds and have wide-ranging experience in governance, finance, legal, accounting, investment banking, as well as private equity.

The IC is obliged to convene four scheduled quarterly committee meetings and special meetings as required.

COMMITTEE ACTIVITIES AND FOCUS AREAS IN 2024/25

Deal Approvals: R50m in debt financing to a black-owned company in the mining and mineral beneficiation sector was approved which is expected to create 70 jobs. No new equity transactions were approved during the period.

Disbursements: One disbursement of R26m was made in respect of a project in the manufacturing sector. The project resulted in the preservation of 104 jobs.

The ARC remains focused on the KGFT's organisational resilience in an ever-expanding risk universe where traditional risks such as credit, market, operational, capital and liquidity risks are impacted by externally driven trends.

Project Pipeline: The project pipeline remains healthy; at the first quarter of FY2026, 19 projects are under review, requiring R1,0 billion in funding which will give rise to over 3,000 jobs within the manufacturing, tourism, retail and shopping centre, mining and mineral beneficiation, agro-processing and agriculture, ICT, power and energy sectors.

Project Performance History: Since inception, the KGFT has approved and disbursed R1,1 billion, creating 8,966 jobs. R0,9 billion has been received in settlement of loans and equity returns.

Impairments: The impairment ratio improved to 62% from 65% in the prior year.

Non-Performing Loans: The value of non-performing loans decreased from R397 million in FY2024 to R305 million in FY2025 due to settlement of one project. The non-performing loan ratio decreased from 100% in FY2024 to 86 % in FY2025.

The IC and ARC met jointly to consider portfolio performance including non-performing loans and impairments.

DECLARATION

The committee is satisfied that it fulfilled the responsibilities in terms of its terms of reference for the reporting period.

KEY FOCUS AREAS FOR THE 2025/26 FINANCIAL YEAR

- Ensure accurate information is provided to the Board on all risks affecting the KGFT's reputation and financial sustainability.
- Continue to monitor and ensure that the KGFT objective to achieve financial sustainability through income growth as well as balance sheet growth, is achieved.

Mr Thami Hlongwa CA(SA)
Investment Committee Chairman

26 August 2025

HUMAN RESOURCES AND ETHICS COMMITTEE REPORT

MS BERNADETTE MZOBE

IMPACT OF KING IV

King IV Report recommends that the accounting authority should ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The HREC, among others, is responsible for reviewing and monitoring the implementation of the organisation's human capital strategy and plan. The KGFT has a remuneration policy and reward framework in place focused on attraction, retention and rewarding strong performance and ensuring that employees are appropriately remunerated.

Furthermore, King IV recommends that the governing body should lead ethically and effectively and should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

COMMITTEE RESPONSIBILITY

The HREC supports the Board in the execution of its duties with respect to the implementation of the human capital strategy and related matters as well as actively exercising oversight over the ethics management of the KGFT by ensuring that it executes its mandate and performance as a responsible corporate citizen both ethically and socially. The committee thus ensures that management cultivates a culture of ethical conduct and sets the values to which the KGFT adheres.

From a human resources perspective, the HREC is tasked with overseeing all matters related to the human resources functions within the KGFT including:

- Assisting the Board in ensuring that the KGFT remunerates its employees fairly and responsibly, and that remuneration disclosure is accurate, complete, and transparent, in compliance with applicable laws and regulations.
- Overseeing the establishment of a remuneration strategy that aligns with the KGFT's strategic objectives and encourages individual performance.
- Evaluating the performance of the CEO, in conjunction with the Chairman of the Board, to determine the CEO's remuneration and performance bonus.
- Overseeing employment equity and other statutory human capital reports.
- Exercising oversight over matters related to human resource management and succession planning

From a social and ethics perspective, the HREC's monitoring role encompasses oversight of relevant legislation, legal requirements, and prevailing codes of best practice, specifically concerning matters related to social and economic development and good corporate citizenship. The HREC is committed to ensuring that the KGFT

The HREC supports the Board in the execution of its duties with respect to the implementation of the human capital strategy and related matters, as well as actively exercising oversight over the ethics management of the KGFT by ensuring that it executes its mandate and performance as a responsible corporate citizen, both ethically and socially.

upholds its environmental, social, and governance responsibilities guiding the Trust through appropriate policies and frameworks to maintain its commitment to social and economic development, fair labour practices, sustainable environmental responsibility, and exemplary corporate citizenship.

COMMITTEE CHARTER COMPLIANCE

The HREC holds an independent oversight and advisory role, operating under a mandate approved by the Board and is governed by formal terms of reference, that have been sanctioned by the Board and are regularly reviewed. The HREC is also authorised to engage independent advisors on specialist matters as needed.

The HREC adopted an appropriate, formal terms of reference as its HREC Charter, regulated its affairs in compliance with this charter, and discharged its responsibilities as contained therein.

During 2024/25, the HREC comprised three independent non-executive members and an independent member who is not a Board Trustee. Executive Management of the KGFT is invited to attend committee meetings. The HREC is obliged to convene four scheduled committee meetings and special meetings as and when required.

REMUNERATION STRATEGY AND POLICY

The Board holds ultimate responsibility for the remuneration policy which is designed to attract, motivate, and retain competent and talented leaders and staff to ensure the entity's long-term sustainability. Remuneration levels are influenced by the scarcity of skills and individual work performance.

HUMAN CAPITAL MANAGEMENT

Specific activities completed during the year under review include:

- Advise on the development of a human capital management model
- Advise on the grading and salary benchmarking for all positions within the entity
- Oversight of salary increases as well as performance and retention bonuses
- Review of various human capital related policies
- Review of the KGFT organogram
- Oversight of the KGFT's employment equity reporting
- Oversight of matters related to human resource management and succession planning

BUSINESS CODE OF CONDUCT & ETHICS

The KGFT maintains a zero-tolerance approach to unethical behaviour and is committed to ensuring that the Board, management and all employees uphold and enforce the KGFT's values. This adherence is regulated by the Business Code of Conduct and Ethics which governs the conduct of all employees.

The HREC will continue to promote effective ESG oversight and its impact on the KGFT to ensure the organisation's sustainability. This includes assisting the Board in carrying out its oversight responsibility related to ESG matters, which encompasses topics such as climate change impacts, energy and natural resource conservation, environmental sustainability, human rights, diversity and inclusion, and other ESG issues that are relevant and material to the KGFT.

FRAUD PREVENTION (TIPS OFF ANONYMOUS)

The KGFT is dedicated to fostering a culture of openness and transparency within the organization. Employees and other stakeholders are encouraged to report any unethical or suspicious behaviour encountered.

A "whistle-blowers" complaint process is independently monitored through an anonymous whistle-blowing hotline, managed by an independent service provider and is available to all employees for reporting suspected fraud or activities that potentially contravene the Business Code of Conduct and Ethics. Additionally, this tip-offs service is accessible to other stakeholders through the KGFT's website, with details of the hotline available online.

PROMOTING B-BBEE

The HREC is also responsible for ensuring that the Board fulfils its duties and obligations concerning the transformation agenda. In accordance with the KGFT's mandate, the Board must ensure the development and empowerment of historically disadvantaged individuals through the funding of deserving projects. The HREC supports the implementation of B-BBEE principles within the KGFT by embedding these principles into the KGFT's transformation strategy and policy.

SUSTAINABLE DEVELOPMENT PRACTICES

As part of its responsibilities, the HREC closely monitors the following focus areas:

- Corporate social investment
- Compliance and ethics
- Stakeholder relations
- Corruption and fraud
- Broad-Based Black Economic Empowerment
- Labour relations, employment equity, and best practice working conditions
- Training and skills development of employees
- Adherence to the King IV principles

DECLARATION

The committee is satisfied that it fulfilled the responsibilities in terms of its terms of reference for the reporting period.

KEY FOCUS AREAS FOR THE 2024/25 FINANCIAL YEAR

Organisational Effectiveness: The HREC will continue to support cultural reform and a shift in thinking towards growth and innovation which necessitates not only evaluating how the Trust operates and is structured but also changing the mindsets of those who work for it.

Human Capital Development: The HREC will ensure that skills enhancement and employee empowerment programmes are effectively implemented, including skills retention, career development, nurturing a supportive work environment, and the consistent recognition and incentivisation of employees' dedication and exceptional efforts.

Succession Planning: The HREC will continue to monitor transition processes for senior management, as well as oversight and evaluation of the Trust's succession plan.

Talent Management: The HREC will ensure continuous alignment with market trends to ensure that the remuneration policy is fit for purpose.

ESG Awareness: The HREC will continue to promote effective ESG oversight and its impact on the KGFT to ensure the organisation's sustainability. This includes assisting the Board in carrying out its oversight responsibility related to ESG matters, which encompasses topics such as climate change impacts, energy and natural resource conservation, environmental sustainability, human rights, diversity and inclusion, and other ESG issues that are relevant and material to the KGFT.

B-BBEE Transformation: The HREC will continue to monitor B-BBEE transformation in the KGFT across all pillars of the B-BBEE scorecard.

BSMzobe

Ms Bernadette Mzobe
Human Resource & Ethics Committee Chairperson

26 August 2025

SECTION 7

FINANCIAL INFORMATION

That is the task that I am prepared to take and I have the Premier’s full support in being the champion of us ensuring that every single Rand that we spend goes towards our main priority, which is building a capable and ethical state, dealing with poverty, inequality and job creation.

- MEC Finance, Francois Rodgers

TRUSTEES REPORT

The trustees have pleasure in presenting this report on the annual financial statements of KZN Growth Fund Trust for the year ended 31 March 2025.

1. NATURE OF BUSINESS

The KGFT was registered with the Pietermaritzburg High Court on 22 October 2007. The main objectives of the KGFT are to provide support for creating an enabling environment for activities that create jobs and accelerate the economic development of the KZN Province whilst promoting Broad Based Black Economic Empowerment.

2. BUSINESS MODEL

The KGFT was set up in 2008 as an initiative of the KZN Government's Department of Economic Development, Tourism and Environmental Affairs (EDTEA) to administer the KZN Growth Fund ("KGF Debt Fund 1"). This initiative was a first in South Africa, aimed at creating sustainable economic development, job creation, broad based black economic empowerment (B-BBEE) and reducing inequality in KZN.

The KGF Debt Fund 1 was a closed debt fund and in order to give effect to new funds and products (restricted under KGF Debt Fund 1), the KGFT unencumbered its capital from the existing security in the KGF Debt Fund 1 by prepayment of the existing exposures and cancellation of all debt facilities on 31 March 2015. The KGFT now caters for both a debt and an equity fund and is able to bring on board additional investors to participate in either.

3. FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2025

The financial results of the KGFT are fully disclosed on pages 4 to 67. The key financial indicators for the year under review are:

The total comprehensive profit in the current year amounts to R60m (2024: R3m). The variance is attributable, fair value gains, interest recieived from the settlement of iDube Cold Storage loan and the reversal of the provision for impairment on the same loan.

Assets under management increased from R1,1bn in 2024 to R1,2bn as at 31 March 2025.

4. HIGH LEVEL OVERVIEW OF THE PERFORMANCE OF THE KGFT

Despite the global and South African economic challenges, the KGFT again leveraged its strengths, expertise, and resources to stimulate Economic growth in province, while creating job opportunities vital for poverty alleviation and shared prosperity. The KGFT approved R50m in financing during the 2024/25 financial year to support almost R3bn worth of projects in telecommunications, manufacturing and healthcare sectors.

R26m was disbursed during the 2024/25 financial year. No amount disbursed during the period under review relates to funding committed during the 2024/25 financial year. The low rate of disbursement is due to two approved project which was approved in the 2023/24 financial year that are still at contracting and fulfilment of conditions precedent as well a projects approved during the year under review.

5. CAPITAL CONTRIBUTION AND RESERVES

The KGFT's equity instruments primarily includes government funding. This funding represents capital provided by the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and remains part of the permanent capital of the KGFT.

In addition to the annual allocation (R40m during the 2024/25 financial year) and R67m settement of iDube Cold Storage loan which resulted in a increase in assets under management to R1,2bn.

6. BOARD OF TRUSTEES AND ITS SUB-COMMITTEES

In accordance with the Trust Deed there shall, at all times, be seven Trustees, comprising of six independent non-executive Trustees nominated and appointed by the Government acting through the Department of Economic Development, Tourism & Environmental Affairs and the Chief Executive Officer (CEO) by reason of appointment as CEO.

The KGFT has four Sub-Committees namely the Investment Committee, the Audit and Risk Committee, Social and Ethics Committee and the Human Resources and Remuneration Committee.

The Trustees and other committee members in the office during the year under review are as follows:

Directors	Office	Designation	Nationality	Changes
Dr C Lubisi	Chairman of Board	Trustee		Appointed, 01 June 2024
Mr T Hlongwa	Chairman of Investment and Oversight Committee	Trustee		Appointed, 01 June 2024
Mr S Thobela	Chairperson of Audit & Risk Committee	Trustee		Appointed, 01 June 2024
Ms S Mamvura		Trustee		Appointed, 01 June 2024
Ms B Dlamini		Trustee		Appointed, 01 June 2024
Ms B Mzobe	Chairperson of Human Resources & Ethics Committee	Trustee		
Ms T Ikaneng		Acting Chief Executive Officer		Appointed, 01 June 2024

7. GOING CONCERN

The KGFT trustees have no reason tobelieve that the trust will no be a going concern in the future, based on the KFGT's funding forecasts and projected plans.

8. AUDITORS

The Auditor General - South Africa serves as independent auditor as appointed by the KGFTs.

9. SUBSEQUENT EVENTS

No events were identified subsequent to year end that requires adjustment or disclosure in the annual financial statements.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

R. Cassius Lubisi, PhD
Chairman of the Board

Thursday, 31 July 2025

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Growth Fund Trust

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the KZN Growth Fund Trust set out on pages 74 to 137, which comprise the statement of financial position as at 31 March 2025, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KZN Growth Fund Trust as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

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 financial statements section of my report.

4. I am independent of the trust 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 on loans and advances

7. As disclosed on note 8 to the financial statements, a total accumulated impairment on loans and advances of R139,44 million (2023-24: R157,52 million) was reported due to projects not being able to meet loan repayments due.

Contingent liabilities

8. As disclosed in note 26 to the financial statements, the trust is a defendant in a claim from a co-shareholder in a project undertaken with the trust, in which the co-shareholder is claiming R73,15 million (including interest) for damages incurred due to the liquidation of a project. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Deposit held with Ithala SOC Limited

9. The trust has a deposit to the amount of R84,84 million held at Ithala SOC Limited whilst the bank has made an application for administration by the Prudential Authority.

Responsibilities of the board of trustees for the financial statements

10. The board of trustees is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal control as the trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the trustees are responsible for assessing the trust'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 trust or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

14. The trust is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the Public Finance Management Act, 1999, and such reporting is not required in terms of the entity's specific legislation.

15. The following targets were not achieved as at year end.

Targets for key indicators not achieved – Programme 2: Project investments

TARGETS ACHIEVED: 0%		
KEY INDICATORS NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Estimated (direct/ indirect) job opportunities to be supported or created	250 jobs opportunities created as at 31 March 2025	70 jobs opportunities created as at 31 March 2025
Number of deals approved	5 deals approved	1 deal approved as at 31 March 2025
% of disbursed projects meeting BBBEE investment policy criteria (no of projects meeting the BBBEE criteria / total no of projects disbursed)	100% of disbursed projects meeting the new BBBEE investment policy criteria as at 31 March 2025	One project was disbursed during the year under review meets the 100% criteria of the new BBBEE investment policy as at 31 March 2025
Budgeted capital disbursed to approved projects	Disburse R200 million capital approved by 31 March 2025	R26 million disbursed as at 31 March 2025
Value of loans performing/ total value of loans (Debt book)	At least 50% performance loans within the total loan portfolio as at 31 March 2025	14% performing loans within the total loan portfolio as at 31 March 2025
In the long term (7-10 years), the total value of equity investments exceeds the cost of investment (equity book)	At least 70% of the total cost of the investment portfolio to be maintained based on annual valuations and provisions as at 31 March 2025	Based on March 2025 equity valuation report, at least 67% of the total cost of the investment portfolio is maintained

Other information in the annual report

16. The board of trustees is responsible for the other information included in the annual report which includes the foreword by the responsible Executive Authority, report from the chairperson of the Board and the Acting Chief Executive Officer's report. The other information referred to does not include the financial statements and the auditor's report.

17. My opinion on the financial statements does 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.

18. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

19. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. The annual report was not received in time for us to perform this procedure.

Internal control deficiencies

20. I considered internal control relevant to my audit of the financial statements, however, my objective was not to express any form of assurance on it.

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

Material irregularities

22. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

23. I did not identify any material irregularities.

Other reports

24. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements.

25. An independent forensic investigator conducted an investigation into alleged irregularities relating to leaked information to the media, information technology security, possible collusion and possible compromised systems within the KZN Growth Fund Trust covering the period 1 April 2020 to 31 March 2023. This investigation report was tabled on 18 July 2023 and management has implemented the recommendations in the report. A case is opened with SAPS and is currently ongoing.

Auditor-General

Pietermaritzburg
30 July 2025

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

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 judgement and maintain professional scepticism throughout my audit of the financial statements.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 trust's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. 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 trust 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 financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the 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 a trust to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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.

Statement of Financial Position

AS AT 31 MARCH 2025

	Notes	2025 R	2024 R
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	989 665	1 123 143
Intangible assets	3	445 493	1 206 062
Right-of-use assets	4	15 210 317	-
Loans and advances	8	78 375 832	86 695 963
Investments	5	205 136 072	202 738 024
Investments deposits	6	20 000 000	20 138 619
		320 157 379	**311 901 811**
CURRENT ASSETS			
Cash and cash equivalents	6	88 630 427	49 625 398
Investment deposits	6	985 845 982	962 685 206
Trade and other receivables	7	71 367 837	7 272 028
Loans and advances	8	4 218 760	-
		1 150 063 006	**1 019 582 632**
Total Assets		**1 470 220 385**	**1 331 484 443**
EQUITY AND LIABILITIES			
EQUITY			
Capital contribution	9	1 507 489 010	1 467 769 010
Accumulated deficit		(151 619 211)	(211 373 096)
		1 355 869 799	**1 256 395 914**
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liability	4	13 600 281	-
Long term portion of provisions	11	131 100	93 400
		13 731 381	**93 400**
CURRENT LIABILITIES			
Trade and other payables	12	98 503 312	74 995 129
Lease liability	4	2 115 893	-
		100 619 205	**74 995 129**
Total Liabilities		**114 350 586**	**75 088 529**
Total Equity and Liabilities		**1 470 220 385**	**1 331 484 443**

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 R	2024 R
Interest income net of suspended interest	13	124 894 733	91 859 733
Interest expense	14	(473 322)	(62 605)
Net margin		**124 421 411**	**91 797 128**
Other income	15	1 292 376	2 297 345
Dividend income		4 200 000	4 131 000
Reversal of impairment - loans and advances	16	(3 237 593)	15 575 074
Operating expenses		(79 320 357)	(90 682 661)
Operating profit	16	**47 355 837**	**23 117 886**
Fair value adjustment (loss)/gain	17	12 398 048	(20 489 979)
Total comprehensive income for the year		**59 753 885**	**2 627 907**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2025

	Capital contributions R	Accumulated deficit R	Total R
Balance at 01 April 2023	**1 522 190 010**	**(214 001 003)**	**1 308 189 007**
Total comprehensive income for the year	-	2 627 907	2 627 907
Capital contribution - EDTEA	45 579 000	-	45 579 000
Funds surrendered to the Provincial Revenue Fund	(100 000 000)	-	(100 000 000)
Balance at 01 April 2024	**1 467 769 010**	**(211 373 096)**	**1 256 395 914**
Total comprehensive income for the year	-	59 753 885	59 753 885
Capital contribution - EDTEA	39 720 000	-	39 720 000
Balance at 31 March 2025	**1 507 489 010**	**(151 619 211)**	**1 355 781 971**
Note	9		

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 R	2024 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in/generated from operations	21	(136 898 350)	(160 255 808)
Interest received		130 721 190	95 307 014
Dividends received		4 200 000	4 131 000
Interest paid		(473 322)	(62 605)
Net cash from operating activities		**(2 450 482)**	**(60 880 399)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	2	(480 408)	(638 452)
Purchases of intangible assets	3	(284 788)	(137 601)
Decrease in loans and advances	8	15 661 483	16 262 515
Redemption of preference shares	5	10 000 000	-
Movement in investment deposits		(23 160 776)	106 416 515
Net cash from investing activities		**1 735 511**	**121 902 977**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in capital contribution	9	39 720 000	45 579 000
Funds surrendered to the Provincial Revenue Fund	9	-	(100 000 000)
Increase/(decrease) in lease liability	4	-	(1 746 690)
Net cash from financing activities		**39 720 000**	**(56 167 690)**
Total cash movement for the year		**39 005 029**	**4 854 888**
Cash and cash equivalents at the beginning of the year	6	49 625 398	44 770 510
Cash and cash equivalents at the end of the year		**88 630 427**	**49 625 398**

Accounting Policies

REPORTING ENTY

KwaZulu-Natal Growth Fund Trust (KGFT) is domiciled in South Africa. It was established in accordance with the KGFT Deed registered by the High Court in Pietermaritzburg on 22 October 2007 and as duly amended by the revised KGFT Deed as registered in July 2015.

The annual financial statements were approved by the Board of KGFT at their meeting held on 28 May 2025.

The annual financial statements for the year ended 31 March 2025 were authorised for issue in accordance with a resolution of the directors on Saturday, 31 May 2025.

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 BASIS OF PREPARATION

1.1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on the going concern basis and historical cost concept except for financial instruments at fair value through profit or loss which are not measured at amortised cost. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

1.1.2 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in South African Rands which is the KGFT's functional currency.

1.1.3 BASIS OF ACCOUNTING

The financial statements of the KGFT as at and for the year ended 31 March 2025 have been prepared in accordance with International Financial Reporting Standards.

1.1.4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 judgments 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' revisions affect both current and future periods.

1.1.5 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 KGFT's ability to continue as a going concern using current & liquidity ratios including cash flow forecast for the next 3 years and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore management is not aware of any material uncertainties that may cast significant doubt upon the KGFT's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

IMPAIRMENT OF LOANS AND ADVANCES

Financial assets are impaired using the approach prescribed in IFRS 9 (refer to note 1.4), unless the asset is considered to be credit impaired on initial recognition in, which case those specific requirements as contained in IFRS 9 will be applied. The estimation of impairments of financial assets is inherently uncertain and depends on many factors including general economic conditions (current and forward-looking) structural changes within industries changes in individual counterparty's circumstances and other external factors such as legal requirements regulatory specifications and governmental policy changes.

Upon origination of financial assets impairments measured at 12-month expected credit losses will be provided. Impairment measured at lifetime expected credit losses will be provided on financial assets whose credit risk that has increased significantly since initial recognition. Impairment measured at lifetime expected credit losses will also be provided on financial assets that are credit-impaired. Refer to note 1.4 for detail regarding the expected credit loss model.

VALUATION OF FINANCIAL INSTRUMENTS

Valuation of equity instruments. Equity investments are designated as held-to-maturity if they have fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. All other equity investments are designated at fair value through profit and loss which is determined from observable market data in respect of similar financial instruments. Where market observable data is not available they are estimated based on appropriate assumptions.

VALUATION OF DERIVATIVES AND HEDGING ACTIVITIES

The KGFT establishes the fair value of derivatives and hedging activities as outlined in note number 1.4 for the carrying amount of the derivative refer to note 25.

Carrying amount of other employee benefits ("Long service award")

The KGFT establishes the fair value of long service award as outlined in note number 1.4 For the carrying amount of the derivative refer to note 11.

IMPAIRMENT OF EQUITY INVESTMENTS

The KGFT determines that equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement the KGFT evaluates amongst other factors the normal volatility in earnings. In addition impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee industry and sector performance changes in technology and operational and financing cash flows. This is outlined in note number 1.4.

1.1.6 CHANGES IN ACCOUNTING ESTIMATES

PROPERTY PLANT & EQUIPMENT

Equipment is depreciated over its estimated useful lives taking into account residual values where appropriate. The remaining useful lives of assets and residual values are assessed annually.

1.1.7 CORRECTION OF PRIOR PERIOD ERRORS

The Trust shall correct a prior period error retrospectively in the first financial statements authorised for issue after its discovery by:

(a) Restating the comparative amounts for the prior period(s) presented in which the error occurred or

(b) If the error occurred before the earliest prior period presented restating the opening balances of assets liabilities and equity for the earliest prior period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented the trust shall restate the opening balances of assets liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

1.2 PROPERTY, PLANT AND EQUIPMENT

Items of Property plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. The assets are depreciated on a straight-line basis at rates that will reduce the historical costs to estimated residual values over their anticipated useful lives. The residual value of assets is the estimated amount that the KGFT would currently obtain from disposal of assets after deducting the estimated costs of disposal as if the asset was already at the age and in the condition expected at the end of its useful life.

Equipment acquired under finance lease arrangements are capitalised. Such assets are depreciated on a straight-line basis at rates considered appropriate to reduce the capitalised cost to estimated residual value over the anticipated useful lives of the assets. Lease finance charges are amortised over the duration of the finance leases using the effective interest rate method.

A review of asset values, residual values, depreciation method and impairment is performed annually by management and adjusted if appropriate. Impairment losses are determined as the excess of the carrying amount of items of property plant and equipment over the recoverable amount and are charged to profit or loss.

Depreciation has been provided on a straight-line basis based on the estimated useful lives of the assets as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 - 8 years
Office equipment	Straight line	5 - 7 years
Computer equipment	Straight line	3 - 5 years
Leasehold improvements	Straight line	3 years
Portable communication devices	Straight line	2 years

Subsequent expenditure incurred on items of property plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefits or service potential of items of property; plant and equipment are expensed as incurred. Gains and losses on disposal of property plant and equipment are determined by comparing the proceeds from disposal with the carrying amounts and are included in the profit and loss.

1.3 INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the intangible assets and the costs of the intangible assets can be reliably measured.

Intangible assets comprise computer software and work-in-progress. 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 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.

COMPUTER SOFTWARE AND LICENSES

Acquired computer software and licenses are capitalised as assets on the basis of the costs incurred to acquire and bring the specific software into use. Capitalised computer software is carried at cost less accumulated amortisation and impairment losses. Computer software is tested annually for impairment or changes in estimated future benefits.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	2 years
Loan Management System	Straight line	5 years

SYSTEM DEVELOPMENT COSTS

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 KGFT 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 project after which the asset is transferred to computer software and accounted for as per the computer software and licenses policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis irrespective of whether there is an indication of impairment.

Development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefit;
- Adequate technical financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period the KGFT reviews the carrying amount of its tangible and intangible assets in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of individual assets the KGFT estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount; the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

1.4 FINANCIAL INSTRUMENTS

RECOGNITION AND INITIAL MEASUREMENT

Financial instruments are initially recognised when the KGFT becomes party to the contractual provisions of the relevant instrument. Transaction costs on financial instruments measured at FVTPL are not included in the amount at which the instrument is initially measured; instead they are immediately recognised in profit or loss.

LOANS RECEIVABLE AT AMORTISED COST

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

FINANCIAL ASSETS

On initial recognition a financial asset is classified and measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the KGFT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

On initial recognition of an equity investment that is not held for trading the KGFT may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition the KGFT may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest the KGFT considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet the criteria. In making this assessment some of the factors that the KGFT considers are:

- conversion features that would result in a variability of cash flows that is not consistent with a basic lending arrangement;
- whether fees included in the contract is representative of reasonable compensation for a basic lending arrangement;
- terms that may adjust the contractual interest rate;
- non-market related features;
- features that modify consideration of the time value of money;
- prepayment and extension features; and
- terms that limit the KGFT's claim to cash flows in the event of liquidation or breach of contract by the borrower/issuer.

FINANCIAL ASSETS - BUSINESS MODEL ASSESSMENT

The KGFT makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income maintaining a particular interest rate profile matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the KGFT's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency volume and timing of sales of financial assets in prior periods the reasons for such sale and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis is measured at FVTPL.

The 'Investments' caption in the Statement of Financial Position includes:

- Equity investments mandatorily measured at FVTPL;
- Shareholder loans mandatorily measured at FVTPL; and
- Preference shares mandatorily measured at FVTPL.

Derivative financial instruments are mandatorily measured at FVTPL.

Loans advances, cash and investment deposits and trade and other receivables are measured at amortised cost.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The KGFT has issued no loan commitments that are measured at FVTPL. For other loan commitments the KGFT recognises a loss allowance.

FINANCIAL ASSETS - SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES:

FINANCIAL ASSETS AT AMORTISED COST

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

DEBT INVESTMENTS AT FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition gains and losses accumulated in OCI are reclassified to profit or loss.

EQUITY INVESTMENTS AT FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

FINANCIAL ASSETS AT FVTPL

These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income are recognised in profit or loss.

DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

TRADE AND OTHER RECEIVABLES

CLASSIFICATION

Trade and other receivables are stated at amortised cost; which due to their short-term nature closely approximate their fair value; less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the KGFT will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimates future cash flows discounted at the effective interest rate is recognised in the statement of comprehensive income.

INVESTMENTS IN EQUITY INSTRUMENTS

INVESTMENTS IN DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

TRADE AND OTHER PAYABLES CLASSIFICATION

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

CASH AND INVESTMENT DEPOSITS

Cash and investment deposits includes cash on hand, deposits held on call with banks, investments in money market instruments and accrued interest on investments outstanding at year end. Cash and investment deposits are stated at amortised cost which due to their short-term nature closely approximates their fair value.

FINANCIAL LIABILITIES - CLASSIFICATION SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

IMPAIRMENT

NON-DERIVATIVE FINANCIAL ASSETS

The KGFT recognises loss allowances for ECLs on financial assets measured at amortised cost.

The KGFT measures loss allowances at an amount equal to lifetime ECLs except for the following which are measured at 12-month ECLs:

- loans and advances (including loan commitments) and cash and investment deposits that are determined to have low credit risk at the reporting date; and
- Other loans (including loan commitments) and cash and investment deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

SECTION 1. SECTION 2. SECTION 3. SECTION 4. SECTION 5. SECTION 6. SECTION 7. SECTION 8.

Loss allowances for trade receivables are always measured at an amount equal to 12 - month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs the KGFT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the KGFT's historical experience and informed credit assessment and including forward-looking information.

Quantitatively the KGFT assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or if its internal credit rating is downgraded.

Qualitatively the credit risk of exposures will be considered to have increased significantly when an exposure is categorised as a 'doubtful' or a 'loss' account.

The KGFT considers a financial asset to be in default when the financial asset is 90 days or more past due.

The KGFT considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade'. The KGFT considers this to be BBB- or higher.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

MEASUREMENT OF ECLS

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the KGFT expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit losses for undrawn loan commitments are measured as the present value of the difference between the contractual cash flows that are due to the KGFT if the commitment is drawn down and the cash flows that the KGFT expects to receive.

CREDIT-IMPAIRED FINANCIAL ASSETS

At each reporting date the KGFT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the borrower;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- exposures that are in default i.e. when the financial asset is 90 days or more past due;
- exposures that have been restructured due to financial distress; or
- exposures categorised as non-performing (includes 'doubtful' and 'loss' accounts).

PRESENTATION OF ALLOWANCE FOR ECL IN THE STATEMENT OF FINANCIAL POSITION

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

WRITE-OFF

The gross carrying amount of a financial asset is reduced by KGFT when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

KGFT will classify a financial asset into its 'very high risk (loss)' category (in terms of KGFT's Credit Policy) in the following circumstance:

- it has been classified as non-performing (credit-impaired) in terms of KGFT's credit policy;
- the non-performing financial asset has been outstanding for at least 12 months;
- the financial asset is not well secured and is considered uncollectible once recovery efforts such as realisation of collateral and institution of legal proceedings have been unsuccessful.

Once the financial asset is classified into the 'very high risk (loss)' category (and the factors above have been met) these financial assets will then be reported to KGFT's Board of Trustees who will then make a decision as to whether the amount should be written off. Only the Board of Trustees can approve a "write off".

OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the statement of financial position where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are offset only to the extent that their related instruments have been offset in the statement of financial position.

DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged. Where derivatives do not meet the hedging criteria they are classified as held for trading for accounting purposes.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Derecognition is the removal of all or part of an asset or liability from the statement of financial position. KGFT derecognises a financial asset when the contractual rights to the cash flows from the financial asset have expired, or it transfers the financial asset such that it qualifies for derecognition

1.5 SPECIFIC INSTRUMENTS

CAPITAL CONTRIBUTIONS

The KGFT's equity instruments primarily includes government funding. This funding represents capital provided by the Department of Economic Development Tourism and Environmental Affairs and remains part of the permanent capital of the KGFT. Any directly attributable transaction costs are allocated to equity.

Prior to the unencumbering of government funding within the closed Debt Fund contributions received from the beneficiary were classified as a liability. Capital undrawn was recorded as deferred funds and transferred to capital to the extent of exposures within projects. This included Fund II funds which were received from the beneficiary for the purposes of equity investments however was ring-fenced due to the security structure with the previous lenders. The approval of the Evolution Strategy in April 2015 resulted in the capitalisation of all funds to be utilised for Debt and Equity products.

1.6 PROVISIONS CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised as a result of a past event the KGFT 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. A provision for an onerous contract is recognised by the KGFT when the expected benefits to be derived by the KGFT from a contract are lower than the unavoidable cost of meeting its obligation under the contract. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Contingent liabilities which include certain guarantees other than financial guarantees are 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 KGFT'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.

1.7 REVENUE RECOGNITION

Revenue comprises the fair value of consideration received or receivable in the ordinary course of the KGFT's business. Revenue is recognised when it is probable that economic benefits will flow to the KGFT and that these benefits can be reliably measured:

INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the KGFT estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit-impaired financial assets a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

CALCULATION OF INTEREST INCOME AND EXPENSE

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However for financial assets that have become credit-impaired subsequent to initial recognition interest income is calculated by applying the effective interest rate to the amortised cost(net) of the financial asset. This is done from the beginning of the quarter subsequent to the asset becoming credit-impaired. If the asset is no longer credit-impaired then the calculation of interest income reverts to the gross basis from the beginning of the quarter subsequent to the asset being cured.

For financial assets that were credit-impaired on initial recognition interest income is calculated by applying the credit- adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset improves.

RAISING FEE

KGFT charges a raising fee of up to 2% on the amount advanced to projects. KGFT is entitled to this income and recognise this income in the statement of comprehensive income on the first day that funds are disbursed to the qualifying projects.

OTHER INCOME

Other income consists of income generated from the sale of assets that are no longer in use to the entity to employees any income from the realisation of insurance claims and any income received from Serv SETA in relation to training spent on staff. Furthermore, included is the fees earned when managing government programmes like Youth Fund.

DIVIDEND INCOME

Dividend income is recognised in the statement of profit and loss when KGFT's right to receive payments is established.

1.8 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. It includes salaries accumulated leave payments, medical aid, provident fund, performance and retention bonuses.

DEFINED CONTRIBUTION PLANS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

OTHER LONG TERM EMPLOYEE BENEFITS - LONG SERVICE AWARD

The long service award liability is calculated by independent actuaries using the projected unit credit method. The long service award liability is an unfunded liability in that there are no separate plan assets out of which obligations are to be settled. The amount recognised as a long service award liability is therefore the present value of the defined benefit obligation at the end of the reported period. Current service costs and interest costs are recognised as expenses. All actuarial gains and losses and past service costs are recognised immediately as expenses.

1.9 LEASES

The KGFT assesses whether a contract is, or contains a lease, at the inception of the contract.

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.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the KGFT has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

COMPANY AS LESSEE

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the KGFT is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the KGFT recognises the lease payments as an operating expense (note 16) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the KGFT uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the trust under residual value guarantees;

- the exercise price of purchase options, if the trust is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the trust is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of- use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 4).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest paid (note).

The trust remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the trust will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

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 recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

RIGHT-OF-USE ASSETS

Right-of-use assets are presented as a separate line item on the Statement of Financial Position. Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

When the KGFT incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note 4 Provisions.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the KGFT expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

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. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset 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.

1.10 BUSINESS COMBINATIONS

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of the assets transferred by the KGFT less the liabilities incurred by the KGFT to the former owners of the acquiree and the equity interests issued by the KGFT in exchange for control of the acquirer. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Business combination involving entities or businesses under common control is defined in IFRS3: Business Combinations as a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination and that control is not transitory.

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets liabilities and contingent liabilities of the entity. If after reassessment the KGFT's interest in the net fair value of the acquiree's identification assets liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing goodwill is allocated to each of the KGFT's cash-generating unit's expected benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.11 EVENTS AFTER THE REPORTING PERIOD

An event which could be favourable or unfavourable that occurs between the end of the reporting period and the date that the financial statements are authorised for issue.

Adjusting event: An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period including an event that indicates that the going concern assumption in relation to the whole or part of the entity is not appropriate.

Non-adjusting event: An event after the reporting period that is indicative of the condition that arose after end of the reporting period.

1.12 DETERMINATION OF FAIR VALUES

A number of the KGFT's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair values is disclosed in the note specific to that asset or liability.

FINANCIAL INSTRUMENTS

Some of the KGFT's financial instruments are measured at fair value such as those that are designated by management as at fair value through profit and loss and derivative financial instruments.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than a forced or liquidation sale.

The method of determining the fair value of financial instruments can be split into the following categories:

- **Level 1** – unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.
- **Level 2** – Valuation techniques using market observable inputs. Such techniques may include: using recent arm's-length market transactions reference to the current fair value of similar instruments and discounted cash flow analysis pricing models or other techniques commonly used by market participants.
- **Level 3** – Valuation techniques as described in Level 2 above for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price which is the best indicator of fair value although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value commonly referred to as day one profit and loss is either amortised over the life of the transaction deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement.

EQUITY INVESTMENTS

After initial recognition the KGFT measures equity investments at fair value through profit or loss as follows: Unquoted equity instrument are held at cost. If the market for an equity financial instrument is not active the KGFT uses a valuation technique to establish what the transaction price would be in an arm's length transaction motivated by normal business considerations.

The KGFT uses valuation techniques in measuring equity instruments including:

- Price of recent investment if available;
- Discounted cash flow analysis based on free cash flows earnings or dividends using market-related adjusted discount rates;
- Price earnings growth (PEG); and
- Option pricing models.

The KGFT ensures that these valuation techniques:

- Make maximum use of market inputs and rely as little as possible on entity-specific inputs;
- Incorporate all factors that market participants would consider in setting a price; and
- Are consistent with accepted economic methodologies for pricing financial instruments.

1.13 TAXATION

TAX EXPENSES

The income of the KGFT is not subject to normal tax as its income is deemed to vest with its shareholder (entity of KwaZulu-Natal Government) which is exempt in terms of Section 10(1) (a) of the Income Tax Act. The KGFT is however subject to indirect taxes which comprise non-recoverable value added taxation (VAT) and skills development levies (SDL).

VALUE ADDED TAX ("VAT")

Revenues expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on an acquisition of an asset or services is not recoverable from the taxation authority the VAT is recognised as part of the asset or expenditure; and
- Receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

1.14 RELATED PARTIES

The following details are disclosed in the notes to the financial statements with regard to related parties:

- All related party names and details of the relationship.
- Transactions with related parties during the period
- All balances outstanding with related parties at year-end;
- Transactions and balances related to key management personnel
- Compensation paid to key management personnel.

The amount of contractual commitments for the acquisition of property plant and equipment or major contracts are disclosed in the notes to the annual financial statements.

Future operating and finance lease commitments are disclosed in the notes to the annual financial statements.

1.15 CONTRACTUAL COMMITMENTS

The amount of contractual commitments for the acquisition of property plant and equipment or major contracts are disclosed in the notes to the annual financial statements.

Future operating and finance lease commitments are disclosed in the notes to the annual financial statements.

1.16 NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the KGFT for the year ended 31 March 2025 the following Standards and Interpretations applicable to the KGFT were in issue but not effective:

All standards and interpretations will be adopted at their effective dates. The KGFTs are of the opinion that these amendments will not have a material impact on the KGFT's annual financial statements.

All standards and interpretations will be adopted at the effective date of 1 January 2026:

Amendments to the Classifications and Measurements of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.

Annual Improvements to IFRS Accounting Standards – Amendments to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash flows

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7.

SECTION 1.
SECTION 2.
SECTION 3.
SECTION 4.
SECTION 5.
SECTION 6.
SECTION 7.
SECTION 8.

2. PROPERTY, PLANT AND EQUIPMENT

	2025			2024		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Leasehold improvements	-	-	-	1 707 341	(1 602 970)	104 371
Furniture and fixtures	1 096 784	(895 709)	201 075	1 096 784	(849 084)	247 700
Office equipment	849 987	(776 101)	73 886	828 701	(740 454)	88 247
Computer equipment	2 246 398	(1 549 946)	696 452	1 806 672	(1 180 811)	625 861
Portable communication devices	209 823	(191 571)	18 252	217 407	(160 443)	56 964
Total	**4 402 992**	**(3 413 327)**	**989 665**	**5 656 905**	**(4 533 762)**	**1 123 143**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2025

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Leasehold improvements	104 371	-	-	(104 371)	-
Furniture and fixtures	247 700	-	-	(46 625)	201 075
Office equipment	88 247	21 286	-	(35 647)	73 886
Computer equipment	625 861	459 122	-	(388 531)	696 452
Portable communication devices	56 964	-	(1)	(38 711)	18 252
	1 123 143	**480 408**	**(1)**	**(613 885)**	**989 665**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2024

	Opening balance R	Additions R	Depreciation R	Total R
Leasehold improvements	187 482	-	(83 111)	104 371
Furniture and fixtures	284 283	16 948	(53 531)	247 700
Office equipment	103 792	18 682	(34 227)	88 247
Computer equipment	360 458	531 998	(266 595)	625 861
Portable communication devices	29 366	70 824	(43 226)	56 964
	965 381	**638 452**	**(480 690)**	**1 123 143**

The KGFT had fully depreciated Office equipment, furniture and computer equipment with a historic cost amounting to R1 510 083, (2024: R637 082) in the fixed asset register and these fully depreciated assets are still in use.

3. INTANGIBLE ASSETS

	2025			2024		
	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated amortisation R	Carrying value R
Web Loan Application Portal	284 788	(31 456)	253 332	-	-	-
Computer software	5 763 419	(5 571 258)	192 161	5 763 419	(4 557 357)	1 206 062
Total	**6 048 207**	**(5 602 714)**	**445 493**	**5 763 419**	**(4 557 357)**	**1 206 062**

RECONCILIATION OF INTANGIBLE ASSETS - 2025

	Opening balance R	Additions R	Amortisation R	Total R
Web Loan Application Portal	-	284 788	(31 456)	253 332
Computer software	1 206 062	-	(1 013 901)	192 161
	1 206 062	**284 788**	**(1 045 357)**	**445 493**

RECONCILIATION OF INTANGIBLE ASSETS - 2024

	Opening balance R	Additions R	Transfers R	Amortisation R	Total R
Computer software	2 114 761	137 601	-	(1 046 300)	1 206 062
KGFT Logo Fund Model and IFRS 9 model Work	337 803	-	(337 803)	-	-
	2 452 564	**137 601**	**(337 803)**	**(1 046 300)**	**1 206 062**

The KGFT had fully depreciated equipment software and cellphone instruments with a historic cost amounting to R427 525, (2024: R1 379 030) in the fixed asset register and these fully depreciated assets are still in use.

4. RIGHTS OF USE ASSET

Details pertaining to leasing arrangements, where the company is lessee are presented below:

	2025			2024		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Office floor space	13 648 651	(682 433)	12 966 218	5 702 513	(5 702 513)	-
Parking floor space	2 362 210	(118 111)	2 244 099	1 505 488	(1 505 488)	-
Total	**16 010 861**	**(800 544)**	**15 210 317**	**7 208 001**	**(7 208 001)**	**-**

4. RIGHTS OF USE ASSET (CONTINUED)

NET CARRYING AMOUNTS OF RIGHT-OF-USE ASSETS

The carrying amounts of right-of-use assets are included in the following line items:

	2025 R	2024 R
Office floor space	12 966 218	-
Parking floor space	2 244 099	-
	15 210 317	**-**

RECONCILIATION OF RIGHT-OF-USE ASSETS - 2025	Opening balance R	Depreciation R	Total R
Office floor space	13 648 651	(682 433)	12 966 218
Parking floor space	2 362 210	(118 110)	2 244 100
	16 010 861	**(800 543)**	**15 210 318**

RECONCILIATION OF RIGHT-OF-USE ASSETS - 2024	Opening balance R	Depreciation R	Total R
Office floor space	1 229 075	(1 229 075)	-
Parking floor space	321 856	(321 856)	-
	1 550 931	**(1 550 931)**	**-**

LEASE LIABILITY

Lease liabilities have been included in the lease liability line item on the statement of financial position. Refer to note 10 Lease liability.

The KGFT leases an office space from Kingsmead Investment (Pty) Ltd using the whole 3rd and 4th floor space of South Towers, Arundel Close, 20 Kensington Boulevard, Kingsmead Office Park, Durban. The lease term is 5 years starting from 1 January 2025 until 31 December 2029.

	2025 R	2024 R
Non-current liabilities	13 600 281	-
Current liabilities	2 115 893	-
	15 716 174	**-**

5. INVESTMENTS		2025 R	2024 R
KZN Growth Fund KGFT's investments consist of the following:			
Equity investments (Designated at FVTPL)		124 835 581	112 748 170
Shareholder loans (Mandatorily) measured at FVTPL		760 000	760 000
Preference shares (Mandatorily measured at FVTPL		79 540 491	89 229 854
		205 136 072	**202 738 024**

EQUITY INVESTMENTS DESIGNATED AT FVTPL	Holding %		
KwaDukuza Private Hospital (Pty) Ltd	26%	-	-
Busamed Healthcare (Pty) Ltd	25%	124 835 581	112 748 170
Inoxa Industries (Pty) Ltd	35%	-	-
	86	**124 835 581**	**112 748 170**

MOVEMENTS IN EQUITY INVESTMENT DESIGNATED AT FVTPL		
Balance at the beginning of the year	1 748 170	142 755 707
Fair value adjustment-gain/(loss)	12 087 411	(30 007 537)
Balance as at 31 March	**124 835 581**	**112 748 170**

Equity investments mandatorily measured at fair value through profit or loss consist of direct equity in ordinary shares in KwaDukuza Private Hospital (Pty) Ltd (KDPH) and Busamed Healthcare (Pty) Ltd. Both equity investments fair values have been performed by an independent equity valuation service provider as at 31 March 2025. The total portfolio has decreased by 48% from initial investment cost.

Equity investments mandatorily measured at fair value through profit or loss consist of direct equity in ordinary shares in Inoxa Industries (Pty) Ltd is valued at Rnil in previous financial year.

Designated at fair value through profit or loss:		
KGF Capital (Pty) Ltd	760 000	760 000
Movement in equity investment held - Shareholder loans:		
Balance as at 01 April	760 000	760 000
Mandatorily at fair value through profit or loss:		
Equity investments designated at FVTPL	124 835 581	112 748 170
Equity investments at fair value through other comprehensive income:		
Afrozone Preference share	-	7 284 351
Brace Able Preference share	79 540 491	81 945 503
	79 540 491	**89 229 853**
Movement in preference shares held at FVTPL:		
Balance as at 01 April	89 229 853	79 712 295
Add/Less: Fair value gain	310 638	9 517 558
Redemption of shares	(10 000 000)	-
Balance as at 31 March	**79 540 491**	**89 229 853**

The KGFT has invested in 1000 cumulative redeemable preference shares with Arabicmoon Investments at an issue price of R45,9m. KGFT received dividends of R4,1m in 2024 financial year and R4,2m in the current financial year. Arabicmoon paid a R10m preference share redemption during the year under review.

5. INVESTMENTS (CONTINUED)

KGFT holds preference shares in Afrozonke, classified as debt instruments measured at fair value through other comprehensive income (FVTPL) in accordance with IFRS 9. As at 31 March 2025, the fair value of the investment is Rnil (2024: R7m), following cumulative impairment losses recognised in the financial current year of R7m and fair gain of R1.6m in 2024.

KGFT holds preference shares in Microfinish, classified as debt instruments measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9. As at 31 March 2025, the fair value of the investment is Rnil (2024: Rnil), following cumulative impairment losses of R15m recognised in prior years.

The investments remain fully impaired due to the issuers' financial distress and lack of expected future cash flows. Valuation was based on a market-based approach using the EBITDA multiple method and is categorised as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs..

6. CASH AND CASH EQUIVALENTS	2025 R	2024 R
Cash and cash equivalents consist of:		
Cash on hand	2 428	1 632
Bank balances	50 907 445	14 707 661
Short-term deposits	37 720 554	34 916 105
	88 630 427	**49 625 398**

CREDIT QUALITY OF CASH AT BANK AND SHORT-TERM DEPOSITS, EXCLUDING CASH ON HAND

CASH AND INVESTMENT DEPOSITS		
Current account	50 909 873	7 079 491
Call account	37 720 554	34 916 105
Investment accounts - Opex	193 533 716	138 558 350
Investment account - Swap security*	20 000 000	20 138 619
Investment accounts - Capital available Fund1 - Debt Fund**	700 509 444	649 503 545
Investment accounts –Capital available Fund II-Equity Fund***	145 597 592	143 576 158
Investment accounts Capital available Fund 1 - Youth Fund****	20 632 716	20 263 584
Investment accounts - Capital available Operation Vula Funds*****	8 071 236	16 029 642
Investment account bank guarantee******	5 525 587	5 147 347
Expected credit loss	(2 763 618)	(2 763 618)
	1 094 476 409	**1 032 449 223**

EXPOSURE TO CURRENCY RISK

* Included in the above amounts is R20m deposit previously held with Rand Merchant Bank as collateral on the interest rate swap agreement maturing on 31 March 2026.

** Capital totalling R49m is further committed to approved project as at 31 March 2025 and R40m in 31 March 2025 with R834m available to investment.

*** Capital to be utilised and committed as Government contribution in en-commandite partnership within private equity structure.

**** The funds ring-fenced for Youth Fund received in March 2019 from EDTEA and Premier's Office (R2.7m) including the R24m for the second round of Youth Fund.

***** Capital to be utilised only for the Operation Vula project KGFT is disbursing the funds on behalf of EDTEA.

****** KGF Capital Proprietary Limited bank guarantee.

6. CASH AND CASH EQUIVALENTS (CONTINUED)

The call account includes funds ring-fenced for Operation Vula Project amount to R39m.

The Trust invests surplus funds with financial institutions that are related in accordance with Fitch rating of BBB with the exception of Ithala which is not independently rated however has been approved as an authorised institution by the KGFT. The interest earned on surplus funds approximated on average 8.59% (2024: 7,85%) during the year.

RAND AMOUNT	2025 R	2024 R
Current Accounts	50 909 873	14 709 293
Call Accounts	37 720 554	34 916 105
1-30 days	204 783 988	323 172 626
1-3 months	783 825 612	642 276 197
1-5 years	20 000 000	20 138 619
Expected Credit Loss	(2 763 618)	(2 763 618)
	1 094 476 409	**1 032 449 222**

DISCLOSURE IN THE STATEMENT OF CASH FLOWS		
Cash and cash equivalents	88 630 427	49 625 398
Investment deposits	1 005 845 982	985 587 442

MOVEMENT IN IMPAIRMENT ALLOWANCE		
Balance as at 01 April	2 736 618	2 736 618

7. TRADE AND OTHER RECEIVABLES

FINANCIAL INSTRUMENTS		
Trade receivables	86 769 230	1 508 540
Loss allowance	(22 820 691)	(1 508 540)
Trade receivables at amortised cost	63 948 539	-
Deposits	450 077	450 077
Retention incentive receivable	1 760 065	1 776 758
Prepayments	4 899 535	4 733 388
Sundry receivable	309 621	311 805
Total trade and other receivables	**71 367 837**	**7 272 028**

SPLIT BETWEEN NON-CURRENT AND CURRENT PORTIONS		
Current assets	71 367 837	7 272 028

7. TRADE AND OTHER RECEIVABLES (CONTINUED)	2025 R	2024 R

FINANCIAL INSTRUMENT AND NON-FINANCIAL INSTRUMENT COMPONENTS OF TRADE AND OTHER RECEIVABLES

At amortised cost	71 367 837	7 272 028

EXPOSURE TO CREDIT RISK

Trade and other receivables are non-interest bearing and are normally settled on 30 to 60 days terms.

The loss allowance provision is determined as follows:

SHORT-TERM DEPOSIT AND MATURITY ANALYSIS

Demand	309 621	311 805
1-12 months	71 058 216	6 960 223
	71 367 837	**7 272 028**

8. LOANS AND ADVANCES

Loans and advances are presented at amortised cost, which is net of loss allowance, as follows:

Loans and advances net of provision for suspended interest	82 594 592	86 695 963

Split between non-current and current portions

Non-current assets	78 375 832	86 695 963
Current assets	4 218 760	-
	82 594 592	**86 695 963**

EXPOSURE TO CREDIT RISK

Loans and advances inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

CREDIT LOSS ALLOWANCES

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for loans and advances by credit rating grade:

MOVEMENT IN LOANS AND ADVANCES

Balance as at 1 April	86 695 963	87 383 404
Add: Draw down	25 897 768	-
Less: Write off	(3 061 391)	-
Add: Interest received	37 660 543	-
less: Suspended interest	(3 453 055)	-
Add/(Less): Impairment allowance reversal	18 074 558	15 575 074
Less: Payment received	(79 219 794)	(16 262 515)
	82 594 592	**86 695 963**

The loans and advances bear interest at rates that are determined at JIBAR plus a margin and liquidity costs. The margins range from 1.59% to 4.47% based on the debt structuring and credit risk assessed for each loan. Repayment periods also vary from monthly quarterly and biannually as supported by the cash flows of the underlying projects.

8. LOANS AND ADVANCES (CONTINUED)	2025 R	2024 R
MOVEMENT IN IMPAIRMENT ALLOWANCE		
Balance as at 1 April	(157 520 067)	(349 083 687)
Loans and advance write off	-	175 988 546
Charge to statement of comprehensive income	18 074 558	15 575 074
	(139 445 509)	**(157 520 067)**

An impairment reversal is raised during the current financial year using the IFRS 9 forward looking model on all debt projects based on expected credit losses. During the current financial year all projects in the portfolio were unable to meet its repayment terms and are currently at stage 3 as per IFRS9. These project have not been able to meet its loan repayments due.The impairment reversal is due to instalments collections of loans to the value of R79 million (including a loan settlement of R67 million) and slow increase in projects into the portfolio, suspension of interest on existing loans thus maintaining a stable exposure per project and payments received during the year and a slight drop in collateral value. The reduction attributed by the decrease in collateral values of projects.

9. CAPITAL CONTRIBUTION

ISSUED		
Initial Capital	10	10
Capital contribution - Debt capital	1 069 242 300	1 041 438 300
Capital contribution - Equity capital	438 246 700	426 330 700
	1 507 489 010	**1 467 769 010**

The total capital contribution represents capital provided by the KwaZulu-Natal Provincial Government and remains part of the KGFT's capital for the life span of the KGFT. There are no repayment terms and this funding is interest fee. The balance has increased due to additional funding of R40m from Government in the current financial year.

10. LEASE LIABILITY

Total Lease liability	13 600 281	-
Less: Current portion of the lease	2 115 893	-
	15 716 174	**-**

LEASE LIABILITY MATURITY ANALYSIS		
Within one year	2 092 545	-
Two to five years	9 921 862	-
More than five years	3 701 767	-
	15 716 174	**-**

The KGFT leases an office space from Kingsmead Investment (Pty) Ltd using the entire 3rd and 4th floor space of South Towers, Arundel Close, 20 Kensington Boulevard, Kingsmead Office Park, Durban. The lease term is 5 years starting from 1 January 2025 until 31 December 2029.

11. PROVISIONS

	2025 R	2024 R
Provisions comprise of the following:		
Present value of the defined benefit obligation-wholly unfunded	131 100	93 400

The KGFT operates an unfunded long service award (LSA) for qualifying employees. Under the award the employees are entitled to a LSA for every five years of service completed from five years to twenty years of service completed. No other employee benefits are provided for employees.

The most recent actuarial valuations of the present value of the long service obligation were carried out in April 2025 by Jac Schreuder and Evan Bradley, Fellow of the Actuarial Society of South Africa and the Institute and Faculty of Actuaries. The present value of the long service obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

MOVEMENTS FOR THE YEAR

Net expense recognised in profit or loss	37 700	(33 000)

AMOUNTS RECOGNISED IN PROFIT AND LOSS IN RESPECT OF THE LONG SERVICE AWARD

Current service cost	33 400	32 500
Interest cost	13 000	16 700
Actuarial gains	(8 700)	(82 200)
	37 700	**(33 000)**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	9.90 %	10.70 %
Expected rate of return on assets	5.06 %	5.50 %
Expected rate of return on reimbursement rights	4.61 %	4.93 %
Average retirement age	63	63

The expense is included in the personnel expense which is classified as administrative expenses as per note 17.

The amount included in the statement of financial position arising from KGFT's obligation in respect of its long service award is as follows:

The total group contribution to such schemes	131 100	93 400
Opening define benefit obligation	93 400	126 400
Current service cost	33 400	32 500
Interest	13 000	16 700
Actuarial loss (gain)	(8 700)	(82 200)
	131 100	**93 400**

Sensitivity Analysis of the unfunded Accrued Liability	-	-

11. PROVISIONS (CONTINUED)

ASSUMPTION	% change	Liability R	% change	Liability R	% change
Central assumptions		131 100		93 400	
General salary inflation	+1%	139 405	+6.3%	98 700	5%
	-1%	123 422	-5.9%	88 600	-5%
Discount rate	+1%	124 408	-5.1%	98 500	-5%
	-1%	138 428	5.6%	88 800	5%
Average retirement age	+2 yrs	148 239	13.1%	106 900	9%
	-2 yrs	124 612	-5%	89 300	-8%
Withdrawal rates	x2	104 879	-20%	106 900	-23%
	x50%	148 627	13.4%	89 300	+15%

Sensitivity Analysis on the Current-service and Interest Costs for the Year Ending 31 March 2025.

ASSUMPTION	% change	Current-service cost R	Interest cost R	Total R	% change
Central assumptions		32 500	16 700	45 800	
Central assumptions	+1%	45 496	13 723	59 219	-6.9%
	-1%	39 702	12 142	51 844	+6.4%
Discount rate	+1%	40 373	13 475	53 848	-2.8%
	-1%	44 782	12 142	57 032	+3%
Average retirement age	+2 yrs	45 767	14 598	60 365	+9%
	-2 yrs	40 512	12 259	52 771	-4.7%
Withdrawal rates	X200%	32 798	10 312	43 110	-22.2%
	x50%	49 296	14 632	63 929	15.4%

Sensitivity Analysis on the Current-service and Interest Costs for the Year Ending 31 March 2024.

ASSUMPTION	% change	Current-service cost R	Interest cost R	Total R	% change
Central assumptions		32 500	16 700	45 800	
General salary inflation	+1%	31 300	12 500	51 100	+4%
	-1%	35 600	13 400	45 500	-4%
Discount rate	+1	35 500	13 800	46 800	6%
	-1%	31 400	12 300	49 600	-6%
Average retirement age	+2 yrs	35 300	14 700	50 600	8%
		31 800	12 400	44 900	-5%
Withdrawal rates	X200%	25 600	9 500	35 100	-27%
	x50%	37 200	14 300	57 500	11%

12. TRADE AND OTHER PAYABLES

	2025 R	2024 R
FINANCIAL INSTRUMENTS		
Trade payables	1 669 980	4 768 277
Committee fees payable	81 859	-
Accrued leave pay	2 547 149	2 124 596
Trade accruals	2 351 199	3 163 021
Other payables	91 853 125	64 939 235
	98 503 312	**74 995 129**

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 day terms. Leave pay accrual leave days due to employees and is calculated using the current remuneration packages. The timing of cash is dependent on the employees' resignation retirement or dismissal. Other payables includes funds received from EDTEA which entails Operation Vula Fund (R67 408 442), and Youth Fund (R24 444 683).

13. REVENUE

	2025 R	2024 R
REVENUE OTHER THAN FROM CONTRACTS WITH CUSTOMERS		
Interest received (trading)	124 894 733	91 859 733

	2025 R	2024 R
INTEREST INCOME		
Current account	1 048 772	1 597 040
Call account	2 799 356	2 660 437
Investment accounts	86 839 117	87 602 254
Loans and advances	37 660 543	2
Suspended interest	(3 453 055)	-
	124 894 733	**91 859 733**

14. INTEREST EXPENSE

	2025 R	2024 R
Rendering of services	473 322	62 605

The amounts reported above include interest income and expense calculated using the effective interest method that relate to the Office space and Parking Right-of-use assets and related Lease liability.

15. OTHER OPERATING INCOME

	2025 R	2024 R
Fees earned	510 146	-
Youth fund fees	782 230	2 250 137
Operation Vula fees	-	47 208
	1 292 376	**2 297 345**

The KGFT earned fund management fee in relation to the implementation of the Youth Fund including closing fee in relation to being a disbursing agent for EDTEA for all Operational Vula beneficiaries.

16. OPERATING EXPENSES

	2025 R	2024 R
Operating profit for the year is stated after charging (crediting) the following, amongst others		
AUDITOR'S REMUNERATION - EXTERNAL		
Audit fees	1 523 778	1 622 759
AUDITOR'S REMUNERATION - INTERNAL		
Auditor's remuneration - internal	426 127	367 653
REMUNERATION, OTHER THAN TO EMPLOYEES		
Consulting and professional services	12 662 273	24 196 379
EMPLOYEE COSTS		
Salaries, wages, bonuses and other benefits	37 635 759	39 382 458
Long service award - current cost	33 400	32 500
Long service award - interest cost	13 000	16 700
Long service award- actuarial (gain)/loss	(8 700)	(82 200)
Retirement benefit plans: defined benefit expense	4 254 888	4 339 326
Total employee costs	**41 928 347**	**43 688 784**
DEPRECIATION AND AMORTISATION		
Depreciation of property, plant and equipment	613 885	480 690
Depreciation of right-of-use assets	800 544	1 550 924
Amortisation of intangible assets	1 045 357	1 046 300
Total depreciation and amortisation	**2 459 786**	**3 077 914**
MOVEMENT IN CREDIT LOSS ALLOWANCES		
Loans receivables at amortised cost	3 237 593	(15 575 074)
EXPENSES BY NATURE		
Employee costs	41 928 347	43 688 784
Lease expenses	1 581 611	230 762
Depreciation, amortisation and impairment	2 459 786	3 077 914
Other expenses	19 164 562	17 866 063
Audit fees	1 523 778	1 622 759
Consulting and professional services	12 662 273	24 196 379
	79 320 357	**90 682 661**

17. GAINS (LOSSES) ON FINANCIAL ASSETS

Investment - gains	12 398 048	(20 489 979)

18. KGFT AND OTHER COMMITTEE MEMBERS' REMUNERATION AND EXECUTIVE REMUNERATION

NON-EXECUTIVE

2025

DIRECTORS' EMOLUMENTS	Board of KGFT R	Investment Committee R	Audit & Risk Committee R	Human Resource and Remuneration Committee R	Social and Ethics Committee R	Special Meetings R	Total R
Services as director or prescribed officer							
Dr RC Lubisi	340 300	-	-	35 627	8 907	237 565	**622 399**
Ms BS Mzobe	185 956	50 654	-	46 519	15 506	316 030	**614 665**
Mr TB Hlongwa	94 589	110 970	37 990	-	-	126 365	**369 914**
Mr S Thobela	94 589	37 990	80 891	-	-	155 430	**368 900**
Ms S Mamvura	94 589	-	50 654	35 627	-	163 909	**344 779**
Ms BS Dlamini	94 589	-	-	35 627	8 907	160 525	**299 648**
Mr WB Ngubane	-	-	60 733	-	-	53 854	**114 587**
Mr J Gloak	-	50 654	-	-	-	42 790	**93 444**
Mr L Magayana	-	50 654	-	-	-	86 731	**137 385**
Mr N Jansen	-	-	-	42 226	-	108 932	**151 158**
	904 612	**300 922**	**230 268**	**195 626**	**33 320**	**1 452 131**	**3 116 879**

2024

DIRECTORS' EMOLUMENTS	Board of KGFT R	Investment Committee R	Audit & Risk Committee R	Human Resource and Remuneration Committee R	Social and Ethics Committee R	Special Meetings R	Total R
Services as director or prescribed officer							
Dr RC Lubisi	170 150	-	-	17 813	17 813	278 999	**484 775**
Ms BS Mzobe	90 068	50 653	-	8 906	62 025	146 945	**358 597**
Mr TB Hlongwa	47 294	55 485	25 327	-	-	181 868	**309 974**
Mr S Thobela	37 216	25 327	25 327	-	-	138 096	**225 966**
Ms S Mamvura	47 294	25 327	17 813	-	-	162 925	**253 359**
Ms BS Dlamini	47 294	-	-	17 813	17 813	149 218	**232 138**
Mr N Jansen	-	-	-	62 025	-	207 070	**269 095**
Mr WB Ngubane	-	-	90 971	-	-	42 038	**133 009**
Mr J Gloak	-	50 653	-	-	-	49 845	**100 498**
Mr L Magayana	-	50 653	-	-	-	49 845	**100 498**
Mr S Hlophe	150 075	25 326	-	-	8 906	17 263	**201 570**
Ms B Zulu	42 772	45 485	25 326	-	17 813	30 103	**161 499**
Mr A Dhuki	42 772	-	25 326	17 813	-	4 600	**90 511**
	674 935	**328 909**	**210 090**	**124 370**	**124 370**	**1 458 815**	**2 921 489**

18. KGFT AND OTHER COMMITTEE MEMBERS' REMUNERATION AND EXECUTIVE REMUNERATION (CONTINUED)

	2025 R	2024 R
EXECUTIVE MANAGEMENT REMUNERATION		
Ms BT Ikaneng Chief Risk Officer	1 935 085	608 517
Ms TP Nxumalo - Company Secretary	1 879 449	1 764 741
Ms BT Ikaneng - Acting Chief Executive Officer	1 498 487	-
Mr MM Dlamini - Acting Chief Financial Officer	635 282	537 665
Mr SXM Nhlapo - Acting Chief investment Officer	368 705	29 605
Ms N Mabunda - Acting Chief Risk Officer	307 442	101 992
Ms LA Meyer - Chief Financial Officer	72 694	-
Mr KH Ngqaka - Acting Chief Executive Officer	-	3 559 872
Ms K Nhassengo - Chief Investment Officer	-	1 780 004
Mr LB Zondi - Chief Financial Officer	-	1 779 759
Mr N Nkosi - Chief Risk Officer	-	786 796
Ms TP Nxumalo - Acting Chief Risk Officer	-	237 828
	6 697 144	**11 186 779**

19. EMPLOYEE COSTS

Basic	35 825 223	37 404 488
Medical aid - company contributions	1 390 827	1 493 188
UIF	123 948	148 934
SDL	295 761	335 848
SLA current service cost	33 400	32 500
SLA interest	13 000	16 700
SLA actruarial loss/(gain)	(8 700)	(82 200)
Retirement benefit plans	4 254 888	4 339 326
	41 928 347	**43 688 784**

20. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

DEPRECIATION		
Property, plant and equipment	613 885	480 690
Right-of-use assets	800 544	1 550 924
	1 414 429	**2 031 614**
AMORTISATION		
Intangible assets	1 045 357	1 046 300

TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation	1 473 676	2 031 614
Amortisation	1 045 357	1 046 300
	2 459 786	**3 077 914**

21. CASH USED IN OPERATIONS

	2025 R	2024 R
Profit before taxation	59 753 885	2 627 907
Adjustments for non-cash items:		
Depreciation and amortisation	2 469 772	3 077 918
Fair value (gain)/loss adjustments	(12 398 048)	20 489 979
Long service award	37 700	(33 000)
Interest paid	473 322	62 605
Reversal of impairment	3 237 593	15 575 074
Adjust for items which are presented separately:		
Interest income	(124 894 733)	(91 859 733)
Dividends received	(4 200 000)	(4 131 000)
Changes in working capital:		
Trade and other receivables	(84 876 039)	562 277
Trade and other payables	23 508 184	(75 477 687)
	(136 898 350)	**(129 105 660)**

22. FINANCIAL RISK MANAGEMENT

SPLIT BETWEEN NON-CURRENT AND CURRENT PORTIONS

INTRODUCTION AND OVERVIEW

THE KGFT HAS EXPOSURE TO THE FOLLOWING RISKS FROM FINANCIAL INSTRUMENTS:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the KGFT's exposure to each of the above risks the KGFT's objectives policies and processes for measuring and managing risk.

RISK MANAGEMENT FRAMEWORK

The Board of Trustees has overall responsibility for the establishment and oversight of the KGFT's risk management framework. The CEO is the executive sponsor for the risk management process and is responsible for ensuring that the risk management framework is developed and approved by the Board and for monitoring the effective implementation of KGFT's risk management framework. The CEO regularly reports to the Board of Trustees on the outcome of their activities. The KGFT's risk management policies are established to identify and analyse the risks faced by the entity to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the KGFT's activities. The KGFT through its training and management standards and procedures aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The KGFT's audit and risk committee oversee how management monitors compliance with the KGFT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the KGFT.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)	2025 R	2024 R

CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the KGFT resulting in a financial loss to the KGFT. It arises principally from loans and advances, cash and investment deposits and trade and other receivables. For risk management reporting purposes, the KGFT considers and consolidates all elements of credit risk exposure such as individual's obligor default risk and sector risk.

The KGFT's maximum credit risk exposure (before collateral and other credit enhancements) at the statement of financial position date is represented by the respective carrying amounts of the financial assets in the Statement of Financial Position. The risks on some of these exposures such as loan and advances are mitigated by collateral held.

EXPECTED CREDIT LOSSES (ECLs) ON FINANCIAL ASSETS RECOGNISED IN PROFIT OR LOSS WERE AS FOLLOWS:

	2025 R	2024 R
ECL on loans and advances	(18 074 558)	(15 575 074)
ECL on trade and other receivables	21 312 151	-
	3 237 593	**(15 575 074)**

LOANS AND ADVANCES

The KGFT's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards and by obtaining collateral for advances made. The KGFT through its Investment Committee has designed comprehensive investment credit and pricing policies that regulate the processes to be conducted in the evaluation of loans and advances as well as the terms and conditions under which loans and advances are made.

The KGFT assesses the credit rating of the loans and advances when it becomes party to the transaction and this is used to determine the credit margin which is included in the price that is charged to the loan. The KGFT's credit risks are monitored on a quarterly basis by the Audit & Risk Committee and Board of KGFT.

The KGFT holds tangible and intangible securities for the loans and advances granted to approved projects. This includes but is not limited to specific notarial bonds, cession of insurance policies including project accounts shareholder agreements and other assets (i.e. Debtors accounts). The KGFT's maximum exposure to credit risk is shown under note number 8. Holding of collateral against advances made limits the KGFT's exposure to credit risk.

Because of the KGFT's focus on counterparty's creditworthiness, the KGFT does routinely update the valuation of collateral held against all loans and advances. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans the KGFT obtains appraisals of collateral because it provides input into determining the management credit risk actions.

The KGFT has considered the impact of the challanging economic conditions on its operations mainly its debt instrument portfolio. The strong financial position as at 31 March 2025 including liquidity & solvency positions will assist to address the credit risk and capital adequacy risk arising from inability of debt instrument client experiencing cash constraints. The KGFT will continue to monitor its client closely as the economy is still recovering following the impact of COVID-19 and easing of lock-down regulations on investee clients following the slow rate of vaccinations.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 March 2025 the net carrying amount of credit-impaired loans and advances amounted to R82,0m (2024: R88,9 million) and the value of identifiable collateral held against those loans and advances amounted to R56,9m million (2024: R87,3 million).

The KGFT classifies their loans as follows:

Internal credit grade	Description
Standard (very low credit risk)	Those exposures which are not more than 30 days past due and meets the qualitative criteria per KGFT's credit policy.
Special mention (low risk)	Those exposures which are more than 30 days past due but less than 90 days past due and/or meets the qualitative criteria per the Credit Policy
Sub-standard (medium risk)	Those exposures that are 90 days or more past due but less than 180 days past due and/or meets the qualitative criteria per KGFT's credit policy.
Doubtful (high risk)	Those exposures which are 180 days and/or more past due but less than 364 days past due and meets the qualitative criteria per KGFT's credit policy.
Loss (very high risk)	Those exposures which are 365 days or more past due and/or meets the qualitative criteria per KGFT's credit policy.

At 31 March 2025 the exposure to credit risk for loans and advances by industry was as follows:

Changes due to investments recognised at the beginning of the reporting period:	2025 R	2024 R
Transport and Logistics	-	58 876 122
Health Care	73 793 549	75 093 549
Manufacturing	114 123 035	98 356 785
Property - Shopping mall	8 098 924	11 889 574
Printing	26 024 593	-
Closing balance	**222 040 101**	**244 216 030**

A summary of KGFT's exposure to credit risk for loans and advances is as follows:

BB + to B-	222 040 101	244 216 030
Less allowance	(139 445 509)	(157 520 067)
Carrying amount	**82 594 592**	**86 695 963**

EXPECTED CREDIT LOSS ASSESSMENT

The KGFT estimates impairment for loans and advances using the general approach under IFRS 9. In doing so the KGFT statistically models the following:

- historical trends of the probability of default and the mapping of internal risk ratings to probabilities of default;
- timing of recoveries; and
- the amount of loss incurred.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

These factors are adjusted for management's judgement regarding whether current economic and credit conditions will result in actual losses that are likely to be greater or less than those suggested by the historical models. Loss given defaults are assessed against benchmark information as well as collateral values. Default rates loss rates and the expected timing of future recoveries are regularly benchmarked against actual results to ensure that they remain appropriate. The model is also adjusted for macro-economic and forward-looking factors.

The inputs and assumptions for estimating ECL are summarised below.

SIGNIFICANT INCREASE IN CREDIT RISK

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition the KGFT considers reasonable and supportable information that is relevant and available without undue cost and effort.

When making the assessment the KGFT uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses (i.e. collateral and security are not considered).

The KGFT considers both quantitative and qualitative indicators of significant increases in credit risk (including forward- looking information) as well as the rebuttable presumption as per IFRS 9 that credit risk is presumed to have increased significantly if it is more than 30 days past due.

Quantitative factors:

The credit risk of exposures will be considered to have increased significantly (classified as stage 2) when:

- it is more than 30 days past due; or
- it's internal credit rating is downgraded as follows:
  - AAA to BBB- : x notch downgrade;
  - BB+ to BB- : x notch downgrade;
  - B+ to B : x notch downgrade;
  - B - : x notch downgrade; and
  - CCC+ to CCC- : x notch downgrade.

For the notching downgrades described above the KGFT allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the counterparty. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade.

ABSOLUTE THRESHOLD

An absolute threshold of CCC+ has been defined whereby exposures originated better than CCC+ are automatically migrated to stage 2 when the rating is downgraded to CCC+ or worse irrespective of the number of notch downgrades. The absolute trigger threshold was determined using time to default transition and curing data obtained from market available information and default studies. The data indicated that for ratings that migrated after their original rating into the CCC/C rating categories the average time to default decreased substantially. Per our analysis the shorter time to default supports the absolute threshold of CCC+.

RELATIVE THRESHOLD

Relative trigger thresholds have been defined whereby exposures are migrated to stage 2 based on the number of notch downgrades experienced between the origination date of the financial instrument and the reporting date. The relative trigger threshold was determined using time to default transition and curing data obtained from market available information and default studies for the period 2010 to 2016. The development process involved defining relative notch downgrade criteria that resulted in triggering approximately 50% of the defaults per the default studies assessed.

QUALITATIVE FACTORS:

The credit risk of exposures will be considered to have increased significantly (i.e. items are classified as stage 2) when an exposure displays the following characteristics:

- Early signs that liquidity problems are emerging e.g. late payments;
- Financial information required to assess the loan is inadequate; for example annual audited financial statements cannot be obtained or are unavailable;
- Condition of and control over collateral is questionable;
- Fails to obtain proper documentation (e.g. security or other statutory documentation) from the customer;
- The KGFT finds the customer uncooperative or finds it difficult to maintain contact with the customer;
- Early indicators suggest the customer's business activity or financial strength is weakening but which has not yet jeopardised servicing the facility;
- Volatility in economic or market conditions that may negatively affect the customer in the future;
- Poor performance in a customer's industry;
- Key executive is in ill health;
- Customer is a party to litigation that may adversely affect his financial position;
- Customer is experiencing difficulty servicing other loans.

GENERATING THE TERM OF PD (PROBABILITY OF DEFAULT)

The PD (probability of default) is the probability that an account enters default at some point in the future where default is defined as 90 days past due. The PD term structure introduces a timing (ageing) element to the PD where the term structure (life of the loan) is broken down into the annualised periods.

The KGFT collects performance and default information about its credit risk exposures analysed by counterparty and credit risk grading. The KGFT employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. The internal risk gradings of counterparties are mapped to PDs. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. For most exposures key macro-economic indicators include GDP growth.

As a backstop the KGFT considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The KGFT monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk such as delinquency or forbearance may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the KGFT determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

DEFINITION OF DEFAULT AND CREDIT-IMPAIRED FINANCIAL ASSETS

The KGFT considers a financial asset to be credit-impaired in the following circumstances (whichever occurs earlier):

- Exposures that are in default defined as outstanding for 90 days or more past due;
- Exposures that have been restructured due to financial distress; or
- Exposures categorised as ‘Non-performing’ (includes ‘Doubtful’ and ‘Loss’) in terms of KGFT’s credit policy.

As can be noted from the above the KGFT considers both qualitative and quantitative indicators in the assessment of whether a borrower is credit impaired (in default).

STAGING CRITERIA

Stage 1	Stage 2	Stage 3
All exposures that have not had a significant increase in credit risk since initial recognition (in Stage 1 on initial recognition) or which have low credit risk at the reporting date (not meeting the criteria for Stage 2 and Stage 3). This includes: • Standard (very low risk): those exposures which are not more than 30 days past due and meets the qualitative criteria per the Credit Policy; and • Exposures that do not meet the notching criteria as discussed above.	Special mention (low risk): those exposures which are more than 30 days past due but less than 90 days past due and/or meets the qualitative criteria per the Credit Policy; and Exposures whose internal credit rating is downgraded as per the quantitative notch downward criteria as discussed above.	Sub-standard (medium risk): those exposures that are 90 days or more past due but less than 180 days past due and/or meets the qualitative criteria per the Credit Policy; and Doubtful accounts (high risk): those exposures which are 180 days and/or more past due but less than 364 days past due and meets the qualitative criteria per the Credit Policy; Loss accounts (very high risk): those exposures which are 365 days or more past due and/or meets the qualitative criteria per the Credit Policy; and Exposures that have been restructured due to financial distress.

INCORPORATION OF FORWARD-LOOKING INFORMATION

The KGFT incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The KGFT links macroeconomic information to credit parameters by producing a model and forward-looking information (FLI) that take into account the requirements and recommendations of the IFRS 9 standard and industry best practice.

The analyses of the FLI component are based on the KGFT's portfolio the correlation results pointing to shared relationships between the macroeconomic factors and credit index as well as economic theory. The findings from this analysis were captured in the form of a regression equation selected from a range of shortlisted equations. The preferred equation fulfils the relevant econometric requirements offers a good historical fit as well as provides reasonable and stable future forecasts for the credit index.

A range of macro-economic variables were selected to determine whether there was a correlation between the movement in the variable and the ECL model (determined using the KGFT's historically observed default rates) and to test for predictive relationships with the credit index. Data for the economic variables was sourced from the South African Reserve Bank (SARB) World Bank African Economic Outlook (AEO) International Monetary Fund (IMF) and National Treasury at the highest publication frequency available. In order to standardise the data to align to one common frequency a conversion of monthly data into quarterly data was required. Several variables and their lagged values were tested against the credit index for a relationship.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)	2025 R	2024 R

The following variables were identified and selected as they exhibited high correlations with the credit index and the fact that they were supportable by economic theory:

- Real gross domestic product (GDP) growth rate

The ECL calculation is based on three scenarios as follows:

- Base Case Scenario – The base case scenario is aligned to management's macro-economic view;
- Bull Case Scenario – The bull case scenario forecasts a potential upside view from the base case;
- Bear Case Scenario – the bear case scenario forecasts a potential downside view from the base case.

The equation selected fulfilled the requirements of historical goodness of fit forecast reasonability and econometric robustness.

ECL SENSITIVITY ANALYSIS

SIGNIFICANT INCREASE IN CREDIT RISK

A reasonably possible upgrade or downgrade of relative trigger notches as at 31 March 2025 would have affected the expected credit losses of financial assets by the amounts shown below.

Loans and advances	(18 074 558)	(15 575 074)
Investments deposits	-	2 763 618
Investment receivables	21 312 157	-
	3 237 593	**(12 811 456)**

MODIFIED FINANCIAL ASSETS

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions counterparty retention and other factors not related to a current or potential credit deterioration of the counterparty. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy for initial recognition of a financial asset.

The revised terms usually include extending the maturity changing the timing of interest payments changing the amount of the monthly instalment or changing the interest rate.

The KGFT renegotiates loans with counterparties in the following circumstances:

- Distressed restructure (i.e. the borrower is in a financially distressed position);
- Adverse changes in macro- and micro-economic environment; and
- In order to remain competitive in the market KGFT will offer their customers more favourable terms in the event that the customer chooses to refinance their loan with another party that offers better terms than currently offered by KGFT to the customer.

When modifications take place the KGFT will perform a quantitative and qualitative evaluation of whether the cash flows of the original loan has been substantially modified (should be derecognised). When modification results in derecognition a new loan is recognised allocated to Stage 1 (assuming it is not credit-impaired at that time).

Generally distressed restructures to financial assets are a qualitative indicator of a significant increase in credit risk and an expectation of distressed restructures may constitute evidence that an exposure is credit-impaired. A counterparty needs to demonstrate consistently good behaviour over a period of time before the exposure is no longer considered to be credit- impaired/in default or the probability of default is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses.

When the terms of a financial asset are modified such that it does not result in derecognition the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its remaining lifetime probability of default at the reporting date based on the modified terms;
- with the remaining lifetime probability of default estimated based on data at initial recognition and the original contractual terms.

MEASUREMENT OF ECL

The key inputs into the measurement of ECL are the term structure of the following:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD);
- effective interest rate (EIR);
- PD lifetime; and
- LGD lifetime.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD. These parameters have been derived by utilising internal historical data as well as industry standard loss given default data. The PD has been adjusted to reflect forward-looking information as described above.

PD parameters are estimated at a point in time using internal historical default data and industry standard statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Both performing and non-performing exposures are considered in the PD calculation where the PD model tracks the default behaviour of performing accounts over the remaining life of the loan. For Stage 1 exposures this is limited to a 12 month period.

LGD is the magnitude of the likely loss upon default. The KGFT estimates LGD parameters based on the expected future recoveries over the remaining lifetime of a defaulted account. The LGD models consider the structure collateral seniority of claim and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure at the point of default. The KGFT derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments the EADs are potential future amounts that may be drawn under the contract which are estimated based on historical observations and forward- looking forecasts.

As described above Stage 1 financial assets are measured using a 12 month ECL which considers the likelihood of default within the next 12 months the expected balance drawdown at this default point and the expected loss during default. For financial assets that have shown an increase in credit risk the KGFT measures ECL considering the risk of default over the maximum contractual period (including any counterparty's extension options representing the period the account is exposed to risk) as well as the balance outstanding at this point in time with the associated expected loss. The maximum contractual period extends to the date at which the KGFT has the right to require repayment of an advance or terminate a loan commitment.

Estimation techniques and significant assumptions used in the ECL model is assessed at each reporting date. Any changes made to the model in subsequent reporting periods will be disclosed accordingly.

The following table presents an analysis of the credit quality of loans and advances. It indicates whether assets were subject to a 12-month ECL or lifetime ECL allowance and in the latter case whether they were credit-impaired.

2025	12-month ECL R	Lifetime ECL – not credit-impaired R	Lifetime ECL – credit-impaired R	Total R
BB+ to B-	-	-	222 040 101	222 040 101
Subtotal	-	-	222 040 101	222 040 101
Loss allowance	-	-	(139 445 509)	(139 445 509)
	-	**-**	**82 594 592**	**82 594 592**

2024	12-month ECL R	Lifetime ECL – not credit-impaired R	Lifetime ECL – credit-impaired R	Total R
BB+ to B-			244 216 030	244 216 030
Subtotal			244 216 030	244 216 030
Loss allowance			(157 520 067)	(157 520 067)
			86 695 963	**86 695 963**

The KGFT did not have any loans that were past due but not impaired at 31 March 2025.

FORWARD EXCHANGE CONTRACTS

The movement in the allowance for impairment for loans and advances	2025 R	2024 R
Balance at 1 April under IFRS 9	157 520 067	349 083 687
Transfer to lifetime ECL – not credit-impaired	(18 074 558)	(15 575 074)
Loans and advances write off	-	(175 988 546)
	139 445 509	**157 520 067**

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

The loss allowance in these tables includes ECL on loan commitments because the KGFT cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

IMPACT: INCREASE/(DECREASE) 2025	Stage 1 R	Stage 2 R	Stage 3 R	Stage 4 R
Loans and advances	-	-	(18 074 558)	(18 074 558)

INCREASE/(DECREASE) 2024	Stage 1 R	Stage 2 R	Stage 3 R	Stage 4 R
Increase/(decrease) in loans advanced for the year			(15 575 074)	(15 575 074)

CASH & CASH EQUIVALENTS AND INVESTMENT DEPOSITS

The KGFT held cash and cash equivalents and investment deposits of R1 179 737 100 at 31 March 2025 (2024: R1 032 449 223). The KGFT invests surplus funds with financial institutions that are rated in accordance with Fitch rating of BBB with the exception of Ithala Limited which is not independently rated however has been approved as an authorised institution by the KGFT.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The KGFT considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The KGFT uses external credit risk ratings for the financial institutions in which it invests surplus cash and maps those credit ratings to probabilities of default. External benchmark information is used as a starting point for the loss given default calculation.

On initial application of IFRS 9 the impact of the loss allowance on cash and cash equivalents were immaterial refer to note 23 as these funds were invested with reputable financial institutions and funds can be drawn from these institutions anytime they are required.

The movement in the allowance for impairment for cash and cash equivalents and investment deposit during the year was as follows.

CASH AND CASH EQUIVALENTS AND INVESTMENT DEPOSIT - STAGE 1	2025 R	2024 R
Gross balance at 31 March	1 097 240 027	1 035 212 840
	(2 763 618)	(2 763 618)
	1 094 476 409	**1 032 449 222**

22. FINANCIAL RISK MANAGEMENT (CONTINUED)	2025 R	2024 R

TRADE AND OTHER RECEIVABLES

The KGFT held trade and other receivables of R7 419 298 at 31 March 2025 (2024: R7 272 028). The KGFT's trade and other receivables consists mainly of trade receivables (raising fees and commitment fees) deposits and staff debtors. Trade and other receivables are non-interest bearing and are normally settled on 30 to 60 day terms. The staff debtors are interest-free and the employees are subject to fringe benefits tax. The staff debtor's terms are normally between 1 and 60 months.

Impairment on trade and other receivables has been measured on a lifetime expected loss basis and reflects the short maturities of the exposures. The credit risk of the instrument is dependent on the credit risk rating of the counterparty where applicable.

The KGFT uses a similar approach for assessment of ECLs for trade and other receivables to those used for loans and advances due the counterparties being largely the same.

On initial application of IFRS 9 the impact of the loss allowance on trade and other receivables were immaterial refer to note 22.

TRADE AND OTHER RECEIVABLES

Gross balance at 31 March	94 188 528	8 780 568
Net re-measurement of loss allowance	(22 820 691)	(1 508 540)
	71 367 837	**7 272 028**

MANAGEMENT OF CREDIT RISK

The KGFT's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards and by taking collateral for advances made. The KGFT through its Investment Committee has designed comprehensive investment credit and pricing policies that regulate the processes to be conducted in the evaluation of loans and advances as well as the terms and conditions under which loans and advances are made.

The KGFT assesses the credit rating of the loans and advances when it becomes party to the transaction and this is used to determine the credit margin which is included in the price that is charged to the loan. The KGFT's credit risks are monitored on a semi-annual basis by the Board of KGFT.

Cash and investment deposits are required to be held with the financial institutions as approved by the KGFT.

EXPOSURE TO CREDIT RISK

The KGFT's maximum credit risk exposure (before collateral and other credit enhancements) at the statement of financial position date is represented by the respective carrying amounts of the financial assets in the Statement of Financial Position. The risks on some of these exposures such as loans and advances are mitigated by collateral held.

The KGFT holds tangible and intangible securities for the loans and advances. This includes but is not limited to specific notarial bonds cession of insurance policies project accounts shareholder agreements and other assets.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

CASH AND INVESTMENT DEPOSITS

The KGFT's cash and investment deposits are held mainly with South Africa financial institution with a rating of F3 (ZAR) short- term National Rating based on rating agency Fitch ratings.

CONCENTRATION OF CREDIT RISK

The Investment Committee reviews credit concentration of debt securities held based on counterparties and industries. As at the reporting date the KGFT's debt securities exposures were concentrated in the following industries:

Transport and Logistics	13%
Health care	17%
Manufacturing	67%
Property – Shopping Mall	3%

LOANS AND ADVANCES

The KGFT enters into credit agreements that may result in credit loss in the event that the counterparty to the transaction is unable to fulfil its contractual obligation to the KGFT. The KGFT minimises its credit risk by monitoring the counterpart's creditworthiness in addition to this the counterparties are required to go through an approval process and provide collateral in order to qualify for a loan.

TRADE AND OTHER RECEIVABLES

The trade and other receivables as disclosed are exposed to credit risk and no amounts are overdue.

COUNTERPARTY RISK

Credit risk also arises in the form of financial counterparty risk from the KGFT's cash and liquidity management activities. In order to mitigate this risk the KGFT only deals with the financial institutions as approved by the Board of Trustees.

LIQUIDITY RISK

Liquidity risk is the risk that the KGFT will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or that such obligations will have to be settled in a manner disadvantageous to the KGFT.

MANAGEMENT OF LIQUIDITY RISK

The KGFT's policy and the KGFT's approach to managing liquidity is to have sufficient liquidity to meet its liabilities as and when due without incurring undue losses or risking damage to the KGFT's reputation.

The KGFT's liquidity risk is managed in accordance with policies and procedures in place whereby the KGFT overall liquidity risks are monitored on a regular basis by the Board of Trustees.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

A summary of the KGFT's liquidity profile as at 31 March 2025 is as follows

FINANCIAL ASSETS	On demand R	Less than 1 year R	From 1 - 5 years R	Greater than 5 years R	Total R
Investments	-	-	124 835 581	80 300 491	205 136 072
Loans and advances	-	4 218 760	78 375 832	-	82 594 592
Trade receivable	309 621	71 058 216	-	-	71 367 837
Cash and cash equivalents and investment deposit	88 630 427	985 845 982	20 000 000	-	1 094 476 409
Financial Liabilities	88 940 048	1 061 122 959	223 211 413	80 300 491	1 453 574 911
Trade and other payables	(100 605 431)	-	-	-	(100 605 431)
	(11 665 383)	**1 061 122 959**	**223 211 413**	**80 300 491**	**1 352 969 480**
Cumulative Liquidity (shortfall)/excess	(11 665 383)	1 049 457 575	1 272 668 988	1 352 969 479	1 352 969 479

A summary of the KGFT's liquidity profile as at 31 March 2024 is as follows:

FINANCIAL ASSETS	On demand R	Less than 1 year R	From 1 - 5 years R	Greater than 5 years R	Total R
Investments	-	-	112 748 170	89 229 853	201 978 023
Loans and advances	-	74 937 448	11 758 515	-	86 695 963
Trade receivable	311 805	6 960 223	-	-	7 272 028
Cash and cash equivalents and investment deposit	49 625 398	962 685 205	20 138 619	-	1 032 449 222
Financial Liabilities	49 937 203	1 044 582 876	144 645 304	89 229 853	1 328 395 236
Trade and other payables	(74 995 128)	-	-	-	(74 995 128)
	(25 057 925)	**1 044 582 876**	**144 645 304**	**89 229 853**	**1 253 400 108**
Cumulative Liquidity (shortfall)/excess	(25 057 925)	1 019 524 951	1 164 170 225	1 253 400 108	1 253 400 108

The table shows the undiscounted cash flows of the KGFT's financial liabilities on the basis of their earliest possible contractual maturity. The gross amounts include interest payable where appropriate. The Trust's expected cash flows on these instruments do not vary significantly from this analysis.

MARKET RISKS

Market risk is the risk that changes in market prices such as interest risk that will affect the KGFT's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

MANAGEMENT OF MARKET RISKS

The KGFT's market risk is managed by the KGFT in accordance with policies and procedures in place. The KGFT's level of borrowing and consequently the debt service costs are closely monitored and controlled by the Trustees having regards to the prevailing and projected interest rates and the KGFT's capacity to service such debt from future earnings. The KGFT mitigation measures against the market risk is shown under note number 8.

INTEREST RATE RISK

Interest rate risk refers to the susceptibility of the KGFT's financial position to adverse fluctuations in market interest rates. Variations in market interest rates impact on the cash flows and income stream of the KGFT through their net effect on interest rate sensitive assets. At the same time movements in interest rates impact the KGFT's capital through their net effect on the market value of assets. Interest rate risk in the KGFT arises naturally as a result of its funding and lending operations.

This risk materialises in the KGFT's significant cash portfolio invested in various interest earning bank treasury and call accounts. The KGFT is dependent on interest income from cash on call to fund its annual operations and will become more dependent on interest income from cash balances as well as from the originated loans portfolio to fund its annual operational requirements going forward.

INTEREST RATE RISK SENSITIVITY ANALYSIS

In assessing the impact of changes in interest rates on the most impacting areas of the investment activities of the KGFT the effect of a 1% change in the interest environment around originated loans and cash and investment deposits was considered as follows:

2025	Carrying Amount R	Interest Earned R	Sensitivity of 1% effective interest adjustment R	Total R
Loans and advances	82 594 592	33 609 862	825 946	117 030 400
Cash and cash equivalents and investment deposit	1 094 476 409	90 687 245	10 944 764	1 196 108 418
	1 177 071 001	**124 297 107**	**11 770 710**	**1 313 138 818**

2024	Carrying Amount R	Interest Earned R	Sensitivity of 1% effective interest adjustment R	Total R
Loans and advances	244 216 030	(2)	2 442 160	246 658 188
Cash and cash equivalents and investment deposit	1 032 449 222	91 859 733	10 324 492	1 134 633 447
	1 276 665 252	**91 859 731**	**12 766 652**	**1 381 291 635**

EXPOSURE TO MARGIN RISK

The KGFT is exposed to the risk that the fair value or future cash flows of its financial instruments will be affected by the impairment of financial assets. The internal procedures require the KGFT to manage margin risk in accordance with policies and procedures in place. The KGFT has designed a Risk Reward profile to assist the KGFT in managing the margin risk.

2025	Less than 1 year R	From 1 - 5 years R	Greater than 5 years R	Total R
Cash & cash equivalents and investment deposits	1 094 476 409	-	-	1 094 476 409
Preference Shares	-	-	79 540 491	79 540 491
Equity Investments	-	112 748 170	-	112 748 170
Shareholder loans	-		760 000	760 000
Loans and advances	4 218 760	78 375 832	-	82 594 592
Subtotal	1 098 695 169	191 124 002	80 300 491	1 370 119 662
Total	**1 098 695 169**	**191 124 002**	**80 300 491**	**1 370 119 662**

2024	Less than 1 year R	From 1 - 5 years R	Greater than 5 years R	Total R
Cash & cash equivalents and investment deposits	1 032 449 222	-	-	1 032 449 222
Preference Shares	-	-	80 472 295	80 472 295
Equity Investments	-	112 748 170	-	112 748 170
Shareholder loans	-	760 000	-	760 000
Loans and advances	86 695 963	-	-	86 695 963
Subtotal	1 119 145 185	113 508 170	80 472 295	1 313 125 650
Total	**1 119 145 185**	**113 508 170**	**80 472 295**	**1 313 125 650**

OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes technology and infrastructure supporting the KGFT's operations either internally within the KGFT or externally at the KGFT's service providers and from external factors other than credit market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all the KGFT's activities.

The KGFT's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Trustees.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

This responsibility is supported by the development of overall standards for the management of operational risk which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers in the following areas:

- Requirements for appropriate segregation of duties between various functions roles;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Contingency plans;
- Ethical and business standards; and
- Risk mitigation including insurance where this is effective.

The KGFT's assessment over the adequacy of the controls and processes in place with respect to operational risks is carried out via regular discussions and a review of the audited annual financial statements reports on internal controls and budgets where available.

CAPITAL MANAGEMENT

The capital contribution represents capital provided from the KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs which is made in terms of the Capital Contribution Agreement. In terms of the Evolution Strategy funds previously received for equity from the beneficiary (and held in a warehousing capacity outside of capital within the Debt Fund) was approved to be utilised for the KGFT mandate and revised product offerings was transferred to capital. There are no repayment terms and this funding is interest free. The quantitative data of how KGFT manages its capital is shown under note number 9.

23. COMMITMENTS	2025 R	2024 R
CAPITAL EXPENDITURE		
Already contracted for but not provided for:		
• Property, plant and equipment	300 000 000	300 000 000

The KGFT entered into an en-commadite partnership with PIC to form an Equity Fund which will be managed by KGFT through KGF Capital (Pty) Ltd (refer to note 26). Each limited liability partner will commit R300m each resulting to R600m Asset under Management. The KGFT Equity team is currently finalising the conditions precedents in relation to side letter agreement between KGFT and PIC in order to start drawing down funds required from each partner to be able to have sufficient to run the Equity from operational and investment purposes. This agreement was entered into in 2018 and the comparative has been restated to reflect the commitment. Following the impact of COVID19 and change in KGFT management the Condition Precedent for draw down were affected.

24. TAXATION

No provision has been made for taxation for the KGFT as the entity is considered a vested entity of the Department of Economic Development & Tourism (as the ultimate beneficiary of the KGFT is the KwaZulu-Natal Government) which is exempt from income tax in terms of Section 10(1)(a) of the Income Tax Act no 58 of 1962 ('the Act').

25. RELATED PARTIES	2025 R	2024 R

RELATIONSHIPS

The KGFT is one of ten (10) entities within the Department of Economic Development Tourism & Environmental Affairs (EDTEA). As such these entities and other entities within the sphere of Government are considered to be related parties. The KGFT enters into transactions with related parties in its normal course of business.

The following are the KGFT's key related parties and the transactions entered into during the financial year:

COMPENSATION TO DIRECTORS AND OTHER KEY MANAGEMENT

Short-term employee benefits	3 154 576	2 892 172

DEPARTMENT OF ECONOMIC DEVELOPMENT TOURISM & ENVIRONMENTAL AFFAIRS

The Department of Economic Development Tourism & Environmental Affairs (EDTEA) is the ultimate beneficiary of the KGFT.

During the 2025 financial year a total amount of R40m of annual allocation was provided by the KwaZulu-Natal Provincial Government and this budget allocation received in fourth quarters of 2024 financial year. The amounts received related to the annual fund allocation refer to note 9. In addition, the KGFT received funds from Operation Vula Fund of R30m from EDTEA during the year under review. Other payables balance includes funds received from EDTEA which entails Operation Vula Fund (R67 408 442), and Youth Fund (R24 444 683)

During the 2024 financial year a total amount of R46m was provided by the KwaZulu-Natal Provincial Government and this budget allocation received in second and third quarters of 2023 financial year. The amounts received related to the annual fund allocation refer to note 9. Other payables balance includes funds received from EDTEA which entails Operation Vula Fund (R40 494 553), and Youth Fund (R24 444 683).

ITHALA SOC LTD

Ithala SOC Ltd Ithala SOC Limited is a wholly owned subsidiary of Ithala and operates as a retail bank operating under an exemption licence with the South African Reserve Bank. Both Ithala and KGFT are one of the ten entities within EDTEA. Funds held on fixed deposit as at 31 March 2025 amounted to R85 260 690 (2024: R83 734 138) including accrued interest and impairment provision of R24 075 769 (2024:nil). Total interest earned during the year totalled R6 185 295 (2024: R10 840 347). Ithala SOC Limited further provided intermediary insurance advisory services for which insurance payments totalling R3 323 592 (2024: R3 146 844) were paid during the year.

KEY MANAGEMENT PERSONNEL

The total committee fees for the year comprised of below as per note 19:

Trustee's fees	2 378 904	2 133 751
Investment Committee's	300 921	303 582
Audit and Risk Committee's	230 267	217 603
Human Resource & Remuneration Committee fees	195 626	142 185
Social & Ethics Committee fees	33 320	124 371
	3 139 038	**2 921 492**

Executive management remuneration for the year refer to note 19:

Executive management remuneration	4 817 695	9 422 038

25. RELATED PARTIES (CONTINUED)	2025 R	2024 R

KWADUKUZA PRIVATE HOSPITAL (PTY) LTD

The KGFT holds 26% of the shareholding in KwaDukuza Private Hospital (Pty) Ltd. Transactions with this entity is disclosed in note 5 to the financial statements.

KDPH		
Transactions (Interest)	17 566 740	13 619 633
Loans and advances	73 793 549	75 093 549
Impairment	(25 798 765)	(25 715 688)
	65 561 524	**62 997 494**

INOXA INDUSTRIES (PTY) LTD

The KGFT holds 35% of the shareholding in Insa Industries (Pty) Ltd. Transactions with this entity is disclosed in note 5 to the financial statements.

INOXA INDUSTRIES (PTY) LTD		
Impairment (expense)/reversal	-	77 999 871
Loan written off	-	(77 999 871)
	-	**-**

BUSMED HEALTHCARE (PTY) LTD

The KGFT holds 25% of the shareholding in Busmed Healthcare (Pty) Ltd. Transactions with this entity is disclosed in note 5 to the financial statements.

SHEEPCOR MIDLANDS (PTY) LTD

The KGFT former CEO (Aubrey Shabane) was appointed as Director of SheepCor Midlands (Pty) Ltd where KGFT is managing the project and usage of funds on behalf of EDTEA. The project has been moved to a government agency focusing on agricultural projects and unused funds of R37m have been transferred back to KZN Treasury. The balance of the funds of R3,4m were transferred to EDTEA during the previous financial year.

25. RELATED PARTIES (CONTINUED)	2025 R	2024 R

KGF CAPITAL (PTY) LTD

The KGFT holds 49% of the shareholding in KGF Capital (Pty) Ltd. Xolani Nhlapo (KGFT Acting Chief Investment Officer) is appointed as Directors of KGF Capital (Pty) Ltd where KGF Capital is a fund manager in an en-commadite partnership structure between PIC and KGFT. Transactions with this entity is disclosed in note 5 to the financial statements.

KGF CAPITAL (PTY) LTD		
Receivable balance	760 000	760 000

THE KZN GROWTH FUND EDUCATION TRUST

The Education Trust is the majority shareholder of the Fund Manager, holding 51% of shareholding KGF Capital (Pty) Limited. This is a Broad-Based Black Economic Empowerment (B-BBEE) trust which will benefit underprivileged black people (as defined in the B-BBEE Act) who qualify in terms of certain selection criteria to receive bursaries, scholarships and/or financial assistance. There was no transactions and balances with regards to KZNGF Education Trust during the year.

DUBE TRADE PORT

The Dube Trade Port Chief Operating Officer (Mr K Ngqaka) has been seconded to KGFT as Acting CEO since 14 Dec 2020 up until 31 March 2024. Transactions with this entity is disclosed in note 17 to the financial statements.

DUBE TRADE PORT		
Salaries	-	3 559 872

26. CONTINGENCIES

KWADUKUZA PRIVATE HOSPITAL (PTY) LTD (KDPH)

The KGFT holds 26% of the equity shareholding in KwaDukuza Private Hospital (Pty) Ltd. KGFT's equity is valued at R0. The project is in litigation, summons served in November 2022 and KDPH defended action. A turnaround plan submitted but rejected to lack of business viability and no prospects of turning around the hospital. Litigation is proceeding with discovery of pleadings underway. Payments are being made and client will be presenting new turnaround / restructure proposal for consideration in May 2025.

MATTER WITH CO-SHAREHOLDER AT INOXA INDUSTRIES (PTY) LTD

The KGFT together with the co-shareholder ("Brand Investment Pty Ltd") owns equity shareholder at Inoxa Industries (Pty) Ltd which is one of the projects approved including disbursements for funding. The company (Inoxa Industries (Pty) Ltd) failed to fully commission the plant to ensure efficient operation. The KGFT invested R82m and Brand invested R63m on the project. This has resulted to the following legal matters:

Brand instituted action against the KGFT, the individual Trustees and the Honourable MEC for an amount of R 63,2 million as a result of damages it incurred due to the liquidation of Inoxa Industries (Pty) Ltd ("INSA") and interest amount of R9,95 million. It is alleged that the KGFT and the individual Trustees (collectively "the Trust") induced Brand to invest in Inoxa Industries (Pty) Ltd on the basis of material representations that were false alternatively that the representations were made negligently and without the requisite due care and diligence. The discovery of pleadings closed, consultations conducted with KGFTs witnesses and pre-trial concluded. The trial is set down for 6-17 October 2025.

27. FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following tables present the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The carrying amount of loans and advances cash and investment deposits and trade and other receivables is a reasonable approximation of fair value.

CATEGORIES OF FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS 2025	Notes	Fair value through other comprehensive income - equity instruments R	Fair value through profit or loss - Mandatory R	Fair value through profit or loss - Designated R	Amortised cost R	Total R	Fair value R
Loans receivable	8	-	-	-	82 594 592	82 594 592	205 136 072
Investments	5	79 540 491	124 835 581	760 000	-	205 136 072	205 136 072
Trade and other receivables	7	-	-	-	71 367 837	71 367 837	71 367 837
Cash and investment deposits	6	-	-	-	88 630 427	88 630 427	88 630 427
		79 540 491	**124 835 581**	**760 000**	**242 592 856**	**447 728 928**	**365 134 336**

2024	Notes	Fair value through other comprehensive income - equity instruments R	Fair value through profit or loss - Mandatory R	Fair value through profit or loss - Designated R	Amortised cost R	Total R	Fair value R
Loans and advances	8	-	-	-	86 695 963	86 695 963	-
Investments	5	89 229 854	112 748 170	760 000	-	202 738 024	202 738 024
Trade and other receivables	7	-	-	-	7 272 028	7 272 028	7 272 028
Cash and investment deposits	6	-	-	-	49 625 398	49 625 398	49 625 398
		89 229 854	**112 748 170**	**760 000**	**143 593 389**	**346 331 413**	**259 635 450**

CATEGORIES OF FINANCIAL LIABILITIES

2025	Notes	Amortised cost R	Leases R	Total R	Fair value R
Trade and other payables	12	98 503 311	-	98 503 311	-
Finance lease obligations	4	-	15 716 174	15 716 174	-
		98 503 311	**15 716 174**	**114 219 485**	**-**

2024	Notes	Amortised cost R	Total R	Fair value R
Trade and other payables	12	74 995 126	74 995 126	-

27. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

LEVELS IN FAIR VALUE HIERARCHY

FINANCIAL ASSETS MEASURED AT FAIR VALUE INVESTMENTS	Level 1 R	Level 2 R	Level 3 R	Total R
Equity investments	-	-	124 835 581	124 835 581
Shareholder loans	-	-	760 000	760 000
Preference shares	-	-	79 540 491	79 540 491
	-	**-**	**205 136 072**	**205 136 072**

The following tables represent the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs and how they are developed	Inter-relationship between significant unobservable inputs and fair value measurement
Equity investments	Eg Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee adjusted for the effect of the non-marketability of the equity securities and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee.	Eg Adjusted market multiple	Eg The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).
Shareholder loans	Eg The valuation model considers the present value of the expected future payments discounted using a market- adjusted discount rate.	Eg - Expected cash flows Eg – Market-adjusted discount rate	Eg The estimated fair value would increase (decrease) if: - the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher).
Preference shares	Eg The valuation model considers the present value of the expected future payments discounted using a market- adjusted discount rate.	Eg - Expected cash flows Eg – Market-adjusted discount rate	Eg The estimated fair value would increase (decrease) if: - the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher).

27. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

LEVEL 3 FAIR VALUES

RECONCILIATION OF LEVEL 3 FAIR VALUES

PRE TAX GAINS AND LOSSES ON FINANCIAL INSTRUMENTS 2025	Equity investments R	Shareholder loans R	Preference Shares R	Total R
Balance at 31 March 2023	142 755 707	760 000	79 712 296	223 228 003
Net change in fair value	(30 007 537)	-	9 517 558	(20 489 979)
Balance at 31 March 2024	112 748 170	760 000	89 229 854	202 738 024
Net change in fair value	12 087 411	-	310 637	12 398 048
Redemption Preference shares	-	-	(10 000 000)	(10 000 000)
	124 835 581	**760 000**	**79 540 491**	**205 136 072**

2024	Equity investments R	Shareholder loans R	Preference Shares R	Total R
Balance at 31 March 2022	137 800 000	740 000	74 200 000	212 740 000
Net change in fair value	4 955 707	20 000	5 512 295	10 488 002
Balance at 31 March 2023	142 755 707	760 000	79 712 296	223 228 003
Net change in fair value	(30 007 537)	-	9 517 558	(20 489 979)
	112 748 170	**760 000**	**89 229 854**	**202 738 024**

SENSITIVITY ANALYSIS

For the fair values of equity investments, shareholder loans and preference shares reasonably possible changes at the reporting date to one of the significant unobservable inputs holding other inputs constant would have the following effects.

27. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Profit or loss		
Increase	Decrease	Equity investments
A sensitivity analysis has been performed by varying the discount rate and the terminal growth rate.The forecast prepared for the valuation reflects a steady growth path for the business and as such, the value determined is subject to the internal performance targets and management's financial assumptions being met.		Eg Adjusted market multiple (5% movement)
28%		Shareholder loans
		Eg Expected cash flow movement (10% movement)
	100%	Eg Market-adjusted discount rate (1% movement)
A sensitivity analysis has been performed by varying the discount rate and the terminal growth rate.The forecast constructed for this valuation is reflective of a steady growth trend for the business. Based off this, the resultant value is subject to the fulfillment of internal performance targets and management's financial and operational assumptions		Preference shares
		Eg Expected cash flow movement (10% movement)
4%		Eg Market-adjusted discount rate (1% movement)

27. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

COMPARATIVE INFORMATION

The table below provides reconciliation of the line items in the KGFT's statement of financial position to the categories of financial instruments.

GAINS AND LOSSES ON FINANCIAL ASSETS

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES 2025	Financial assets R	Other financial liabilities R	Total R
Equity Investments	205 136 072	-	205 136 072
Loans and advances	82 594 592	-	82 594 592
Cash and investment deposits	1 094 476 409	-	1 094 476 409
Trade and other receivables	71 367 837	-	71 367 837
Trade and other payables	-	(98 503 312)	(98 503 312)
	1 453 574 910	**(98 503 312)**	**1 355 071 598**

2024	Financial assets R	Other financial liabilities R	Total R
Equity Investments	202 738 024	-	202 738 024
Loans and advances	86 695 963	-	86 695 963
Cash and investment deposits	1 032 449 222	-	1 032 449 222
Trade and other receivables	7 272 028	-	7 272 028
Trade and other payables	-	(74 995 126)	(74 995 126)
	1 329 155 237	**(74 995 126)**	**1 254 160 111**

28. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied is that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors is not aware of any new material changes that may adversely impact the company. The directors is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

29. EVENTS AFTER THE REPORTING PERIOD

KZN Growth Fund Trust will transition to a schedule 3D PFMA entity in the 2025/26 financial year. The KZN Growth Fund Agency Bill was gazetted on 24 May 2024. The assets and liabilities of the Trust will be transferred to KZN Growth Fund Agency.

National Health Insurance Bill (NHI) was signed into law by South African President on 15 May 2024. KGFT believes that the recent promulgation of the National Health Insurance Bill into law will not significantly affect the operations of Busamed and KDPH in the short to medium term. It is expected that doctors with private practices will initially be significantly affected by NHI in the long-term:

CHANGES IN HEALTHCARE MARKET

Specialized Services: Some private hospitals may begin to specialize in areas not fully covered by the NHI or in providing higher comfort and convenience, targeting wealthier patients who could afford private care.

Elective Procedures: It is expected that there will be growth in elective and non-essential procedures in private hospitals, often with shorter waiting times compared to the NHI.

30. FRUITLESS AND WASTEFUL EXPENDITURE

	2025 R	2024 R
Closing balance	63 287	63 287

Fruitless and wasteful expenditure relate to late payement of PAYE, UIF and SDL in the 2022/23 for the month of May 2022.

SECTION 8

REFERENCE INFORMATION

APPLICATION OF KING IV PRINCIPLES

PRINCIPLE 1

The governing body should lead ethically and effectively.

The KGFT's Board is responsible for providing leadership and strategic oversight to the entity to ensure that shareholder value creation is achieved. The Board has delegated to its HREC the responsibility to monitor the company's activities from an ethical perspective, having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice. The Board of Trustees are accountable both as individuals and as a collective to provide sound judgment and ethical leadership through the ethical principles enacted in King IV and their fiduciary responsibilities as contained in the Companies Act of 2008. These principles and responsibilities are embedded in the Board Charter, the KGFT's Code of Ethics, and the Code of Conduct. Our ethics policies include the Directors' Conflict of Interest Policy, the Politically Exposed Persons Policy, and the Anti-Bribery and Corruption Policy, which ensure that the Board upholds ethical standards and leads ethically. The Board confirms that it has executed the evaluation responsibilities stipulated in the Board's terms of reference.

Furthermore, the Board ensures that the shared organisational values are enshrined in all the policies and operations of the KGFT.

Furthermore, during the period under review, the Board approved two updated ethics-related policies: the Employees' Conflict of Interest and Outside Involvement Policy and the Whistleblowing Policy.

PRINCIPLE 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board has approved shared values, namely professionalism, respect, accountability, integrity, service, and empowerment. The Board has delegated its ethics oversight role to the HREC. The EXCO develops an Ethics Strategy and reports to the HREC quarterly on the ethical performance of the entity.

During the review year, the focus was on increasing awareness of the revised Employees' Conflict of Interest Policy.

The implementation of the amended policy highlighted the necessity for a procedure manual to guide the entity's employees and leadership in the self-evaluation of the outside interests and the associated risks to the organisation.

As part of the ongoing effort to create an ethical culture, future focus will be on developing and improving the procedure manual for dealing with outside interests.

In addition, the KGFT will conduct an ethics-related risk assessment.

PRINCIPLE 3

The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.

The KGFT incorporates responsible corporate citizenship into its business practices. The Board has given the HREC and the IC authority to oversee the KGFT's performance in terms of integrated responsible corporate citizenship.

The Board actively supports implementation of ESG principles and has requested that management ensure the KGFT responds effectively to and manages evolving environmental, social, governance, and climate risks and identifies opportunities in line with the organisation's longer-term sustainability objectives.

The HREC will enhance its oversight role by continuing to deliberate on the report outlining the KGFT's social and environmental issues.

PRINCIPLE 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board is accountable for providing strategic direction, which it provides by guiding and approving strategies and plans based on the mandate and values of the KGFT, taking into consideration stakeholder interests and expectations. The KGFT strategy is implemented through four strategic objectives and considers risks and opportunities as well as stakeholder concerns. The four strategic objectives include:

1. Financial sustainability
2. Accelerating KGFT's developmental impact
3. Improved loan book performance
4. Co-funding partnerships

These objectives encapsulate the KGFT's strategic intent to create inclusive and impactful economic transformation by leveraging the dynamic capabilities of the entity in supporting sustainable projects, as well as engaging in co-funding partnerships. By reviewing and assessing projects, creating tailored funding solutions, and enhancing co-funding partnerships, the KGFT mobilises capital in support of economic development.

The KGFT ensures a continuous risk identification and assessment process to remain ahead of emerging risks. Prior to approving the Corporate Plan, the Board satisfies itself that key performance, opportunities, and risk areas are identified and that response actions are put in place. This IAR provides an assessment of performance against the strategy and plans.

PRINCIPLE 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.

The KGFT Board oversees organisational performance reporting, taking into account, among others, applicable legislation, the Integrated Reporting Framework, IFRS, and King IV. KGFT's IAR complies with the Public Finance Management Act of 1999 and Companies Act reporting requirements.

The IAR presents material information in an integrated manner and provides users with a holistic, clear, concise, and understandable presentation of the KGFT's performance in terms of sustainable value creation in the economic, social, and environmental context within which it operates. KGFT's reporting also reflects its developmental impact, demonstrating the economic and social impact of its projects. The KGFT solicits input from key users of its reports and communicates with stakeholders through reports and its website, among other channels.

The IAR also outlines our strategic priorities. The Board continually assesses the positive and negative outcomes resulting from its business model and responds to them as highlighted in the IAR.

PRINCIPLE 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The KGFT Board serves as the focal point and custodian of corporate governance in the organisation by ensuring that, at all levels, the KGFT subscribes to the highest standards of corporate governance, integrity, and ethics. The Trustees of the KGFT are committed to full compliance with the principles embodied in its corporate governance codes and strive to align the entity's corporate governance with best practices.

In carrying out its oversight responsibility, which, amongst other things, includes accountability for the strategic direction and performance of the KGFT, the Board is satisfied that it has fulfilled its responsibilities in accordance with:

- the King IV principles of good governance
- the Board and Board Committee Charters, which were reviewed during the year under review, to ensure alignment with best practices.

The board met five times and attendance was satisfactory, in addition the Board meet for nine other meetings comprising special board meetings as well as strategy and risk-focused sessions.

PRINCIPLE 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board is satisfied with its current composition and believes it reflects the appropriate mix of knowledge, skills, experience, diversity, and independence required to discharge its responsibilities effectively.

The majority of board members are independent Trustees, and the Board has a well-diversified skill base in terms of qualifications, experience and overall strong value add. In addition, the Board has satisfactory diversity in terms of skill sets, race, age, and gender.

For more details on the composition of the Board of Directors, refer to pages 20 and 41 of this report.

PRINCIPLE 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.

To enable the KGFT to optimally balance the need for timely, effective, and quality decisions with appropriate control, assurance, and oversight, and confirmation of the location of authority and decision rights within the entity, there is a clear delegation of authority from the Board to its Committees, and subsequently to the CEO, as articulated in the committee charters and the KGFT Delegation of Authority matrix. The Committee charters and Delegation of Authority matrix are reviewed annually.

In support of an effective corporate governance environment, the Board has established three committees, each with clearly defined responsibilities and terms of reference. These committees play an important role in enhancing governance standards and effectiveness within the KGFT. Each committee acts in line with its terms of reference, which are reviewed annually. The Board committees report back on their activities at each Board meeting. The delegation of responsibilities to committees does not constitute an abdication of the Board's fiduciary duties.

For information on Board Committees — i.e., responsibilities, functions, composition, etc. — refer to pages 41 to 43 and 56 to 65.

PRINCIPLE 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

During the year under review, the Board considered the outcome of the Board evaluation assessment and started with the implementation of the recommendations arising from the process.

PRINCIPLE 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board considers the delegation of authority an essential principle to confirm the location of authority and decision-making rights within the entity. The Board is satisfied that its delegation to management enables the KGFT to optimally balance the need for timely, effective and quality decisions with appropriate control and assurance.

Trustees receive regular briefings on changes in risks, laws, and the environment in which the entity operates.

The Board is satisfied with the current arrangements in place for accessing professional corporate governance services, and there are ongoing discussions to enhance the arrangements.

PRINCIPLE 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The management of risk and opportunity is a fundamental part of delivering on our mandate, ensuring that the KGFT achieves its objectives on a sustainable basis. The KGFT's risk management adheres to the principles of King IV to oversee its internal control framework and implementation of risk management processes.

The KGFT has adopted a combined assurance model that comprises three lines of defence and clearly defines the roles and responsibilities for the management of risk. It emphasises that the ownership and management of risk is everyone's responsibility within the entity, from the Board to line management and employees. As per the KGFT's governance framework, the Board has appointed the ARC, a Board subcommittee, to be accountable for the effective management of risk. Other Board subcommittees provide oversight of key risks relevant to their terms of reference. In pursuing its strategic objectives, the KGFT identifies the effects of uncertainty on such objectives. This is completed on an annual basis and published as the entity's principal risks.

The ERM function is reviewed regularly by external auditors. The outcome shows the control environment for the ERM process to be adequate in providing reasonable assurance that inherent risks are appropriately managed. Actions emanating from the findings are addressed where applicable. The Risk Department sets out its objectives in the annual ERM plan, which is approved by the ARC.

PRINCIPLE 12

The governing body should govern technology and information in a way that supports the organisation's setting and achieving its strategic objectives.

The Board recognises the importance of ICT, as it is interrelated with the strategy, performance, and sustainability of the KGFT.

The operationalisation of ICT governance and compliance has been delegated to management. Management monitors the implementation and compliance of ICT Governance, ICT Risk Management (aligned to the KGFT's ERM framework), IT infrastructure and architecture, and implementation of ICT projects aligned to the entity's priorities through the ICT Steering Committee. Priorities primarily relate to initiatives to automate business processes through the completion of a BPR project, implementation of an ERP system, ongoing strengthening of cybersecurity capabilities, and optimisation of the ICT infrastructure.

The Internal Audit function and AGSA issue annual written assessments to the ARC, providing assurance on the overall control environment, taking into account the governance of information technology. The assurance provided is informed by the outcome of the audits/reviews conducted based on an approved risk-based audit plan.

The KGFT commenced with the acceleration of digital capabilities and initiatives for both internal and external stakeholders to optimise its approach towards achieving digital transformation and driving execution.

PRINCIPLE 13

The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The KGFT Board and management are committed to ensuring the KGFT is run with integrity, complies with regulatory and best practice requirements, and is conducted in accordance with the highest ethical standards.

Regulatory and best practice requirements, as well as ongoing changes to the regulatory environment within which the KGFT operates, require a diligent focus on compliance. This includes the need to ensure compliance with not only the applicable legislation but also supervisory requirements and industry guidelines.

A compliance framework has been implemented to ensure effective compliance management that supports active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage, and monitor compliance risk. This framework sets out arrangements for governing and managing compliance, evident in the KGFT's compliance policies.

The compliance function has adopted a risk-based approach to the compliance management process, which recognises the need to prioritise regulatory requirements based on relative risks and implications.

During the year under review, the compliance function focused on ensuring familiarity with and adherence to all legislative aspects pertaining to know your client (KYC), ultimate beneficial ownership, and due diligence requirements.

PRINCIPLE 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The KGFT is committed to sound remuneration practices and complies with the requirements outlined in King IV, the Companies Act, and the PFMA. The HREC, mandated by the Board, oversees all aspects of remuneration. Operating under approved terms of reference, the HREC ensures transparency and accountability. Outcomes from HREC meetings are regularly reported to the Board, and the committee conducts periodic effectiveness evaluations. Independent advisors provide strategic input and advice based on best practices and benchmarking.

The CEO is primarily accountable for implementing HREC's decisions and agreements.

The Human Resources Manager supports the CEO and HREC by recommending changes to policies and practices for the day-to-day application of the Remuneration Policy.

Together, we uphold responsible remuneration practices and contribute to the stability and success of the KGFT. Our commitment to fair and responsible remuneration includes ensuring that remuneration practices are externally competitive and internally unbiased. We conduct annual salary benchmarking and analyse income differentials to maintain market-related and equitable remuneration. Independent salary surveys and benchmarking companies inform our competitive remuneration for employees.

PRINCIPLE 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The KGFT has an outsourced, effective Internal Audit function that reports to the ARC. It provides independent assurance on key and high-risk areas, inter alia, to senior management and the ARC quarterly in line with an approved audit plan. In addition, the KGFT has implemented a combined assurance, which the Internal Audit function reviews and assesses, ensuring that the assurance of all assurance providers is consolidated and presented to the ARC.

A combined assurance policy has been developed to ensure that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audits. In line with the combined assurance model, Internal Audit also provides to the Auditor General their approved audit plan and working papers with the view to placing reliance on their work and reducing duplication.

The Board is satisfied that the assurance provided results in an adequate and effective control environment and integrity of reports for better decision-making.

PRINCIPLE 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time.

The KGFT is committed to a stakeholder-inclusive and customer-centric approach to business and has embedded engagement with stakeholders into its value creation process. The KGFT regards stakeholder relationships as very critical to gaining an authentic social licence to operate in the market it operates in.

The KGFT's business is operated in diverse contexts where stakeholders have varied interests and levels of influence. Key stakeholders include employees, clients, suppliers, shareholders, service providers and providers of finance.

The KGFT has a complaints policy in place, which allows stakeholders to raise issues that they may have.

In the period under review, the Board sought to measure the perceptions and expectations of employees through an employee satisfaction survey. In an effort to address concerns emanating from the survey results, a change management committee was established to ensure the gaps highlighted are closed, improving employee satisfaction. The KGFT will be implementing a comprehensive change management initiative with executive oversight to ensure sustainable enhancement to the organisational culture and work practices.

ACRONYMS AND ABBREVIATIONS

AFS	Annual Financial Statements
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
b	billion
B-BBEE	Broad-based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
BPR	Business Process Re-engineering
bps	basis points
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CPI	Consumer Price Index
CRO	Chief Risk Officer
CSI	Corporate Social Investment
DD	Due Diligence
DFI	Development Finance Institution
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ESG	Environmental, social and governance
FIC	Financial Intelligence Centre
GDP	Gross Domestic Product
HREC	Human Resource and Ethics Committee
IAR	Integrated Report
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
King IV	King IV Report on Corporate Governance for South Africa
KYC	Know Your Client
KGFT	KwaZulu-Natal Growth Fund Trust
m	million
NDP	National Development Plan
PEP	Politically Exposed Person
PFMA	Public Finance Management Act, No 1 of 1999
PPP	Public-Private Partnership
R	Rand
Rm	South African Rands expressed in millions
SARB	South African Reserve Bank
SMME	Small, Medium and Micro Enterprises
ZAR	South African Rand

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