KZN GROWTH FUND

Inspired Investing

INTEGRATED ANNUAL REPORT

2020/2021

Trust Information

REGISTRATION NUMBER
IT 1437/2007 (PMB)

TRUSTEES
Mr S Buthelezi (Chairman)
Mr K Thango
Ms B Zulu
Mr A Dhuki
Mr S Hlophe

ACTING CHIEF EXECUTIVE OFFICER (ACEO)
Mr LB Zondi

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AUDITORS
Auditor-General, South Africa

BANKERS
Standard Bank of South Africa Limited

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1. About this Report

The KZN Growth Fund Trust (KGFT), is pleased to present its' sixth integrated report covering the period 01 April 2020 to 31 March 2021. The report aims to give a comprehensive overview of KGFT's performance in the execution of its strategic mandate, its operational and financial performance, stakeholder management, governance matters, material issues with reference to risks and opportunities and how these elements contributed to the KGFT's prerogative to maintain continued sustainability and economic growth.

KGFT'S APPROACH TO INTEGRATED REPORTING

In preparing the report, the KGFT applied the guidelines on integrated reporting as prescribed by the International Integrated Reporting Committee (IIRC) in conjunction with the King Report on Corporate Governance for South Africa, 2016 (King IV).

As part of the KGFT's integrated reporting journey, it is constantly seeking to improve the quality of the information provided so that stakeholders have a balanced and transparent account of KGFT's business. The KGFT has sought to clearly disclose material issues in the report and consideration has been given to connecting material issues, risks, strategic objectives, and data stakeholder issues.

REPORTING PRINCIPLES AND ASSURANCE

KGFT's Annual Financial Statements (AFS) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the principles of the Public Finance Management Act, No1 of 1999 (PFMA) as applied to the AFS. There have been no restatements of financial information in respect of prior periods. KGFT receives external assurance from the Auditor-General South Africa (AGSA), on the fair representation of its AFS. The AGSA also provides assurance in respect of KGFT's achievement of annual performance targets as set out in the Annual Performance Plan. KGFT will seek to obtain assurance on other non-financial matters as a part of its integrated reporting plan going forward.

FORWARD LOOKING INFORMATION

Certain matters discussed in this report about KGFT's future performance, including, without limitation, future financial performance, strategies, prospects and all other statements that are not purely historical, constitute 'forward-looking statements'. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's best estimates as well as assumptions made by and information currently available to management.

MATERIALITY

The principle of materiality has been applied in determining the content and extent of disclosure in the Integrated Report. In identifying those matters that are material, a wide range of resources were consulted, including KGFT's corporate plan and strategy, the outcomes of engagements with stakeholders, reports submitted and produced for the Board of KGFT ('the Board') and sub-committees, the key risks identified during the risk management process taking cognisance of various policies and regulations applicable to KGFT.

APPROVAL BY THE BOARD

This report was prepared by Executive Management under the supervision of the Board. I would like to thank the Board for all the input and guidance to the Management Team during the preparation of this Report. Suffice to say that the Board is ultimately responsible for ensuring the reliability of this

Integrated Report, supported by the Audit and Risk Committee and the KGFT Management Team. The Board has applied its collective mind to the preparation and presentation of the Integrated Report and believes that it addresses all material issues and fairly presents the performance of KGFT. KGFT has taken a phased approach to integrated reporting and, therefore, believes that by 2021/2022, the report shall be fully compliant with the IIRC Framework.

Given the impact of COVID19 on KGFT's operational activities for the past 16 months, the leadership of the Board and the Executive Management KGFT have been hard at work to ensure KGFT's agility and adaptability to current economic environments, I feel bullish about the socio-economic contributions that the KGFT will make in the following year.

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Mr Siphile Buthelezi
Chairman: Board of Trustees

2. MEC's Foreword

The greatest achievement for KZN Growth Fund during this year under review was receiving a licence of being an authorised a Financial Services Provider (FSP). This licence was granted by the Financial Sector Conduct Authority (FSCA) formerly known as FSB towards the end of the financial year.

Over the past years the entity has recorded project approvals amounting to R1.1bn towards investments in the manufacturing, healthcare, transport and logistics as well as telecommunication sectors.

These projects have created a total of 9 795 job opportunities to date. The funding by the KGFT unlocked total investment of over R3bn. The KGFT continues to further spatial distribution of its funding impact with project locations are spread across the KZN province including KwaDukuza Municipality, iLembe District and eThekwini metropolitan. During the year under review, the focus was reaching out to all corners of the province.

One of the key mandate imperatives of the KGFT is reducing inequalities and the promotion of broad-based Black Economic Empowerment. It is therefore important to see progress by the entity towards the creation of Black Industrialists.

During the year under review, KGFT added more money totaling R400m towards Black Industrialist led projects. This co-funding has unlocked Black Industrialist project value of approximately R790m, mainly in the manufacturing sector.

This funding support has massive socio-economic benefits and helps to unlock industrial potential whilst radically changing the pattern of ownership and control.

I wish to pay tribute to the board, CEO, executive management and all categories of staff.

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MR RAVI PILLAY, MPL

MEC: KwaZulu Natal Department of Economic Development, Tourism and Environmental Affairs

3. Chairman's Report

I am pleased to present this report on the KGFT for the 2020/21 financial year on behalf of the Board. The KGFT has strived to continue to be able to achieve its mandate in a year characterised by uncertainty and slowing economic development following the impact of COVID19 and lock-down regulations which resulted in majority of the KGFT funded clients to struggle to honour their obligations to KGTY

South Africa remains in the longest business cycle downswing on record, since the fourth quarter of 2013, with annual growth below the estimated potential growth rate of the country. Growth momentum remains very weak. The country's slow growth is not only affected by domestic problems, but by impact of COVID19(i.e. 16% contraction on SA economy) which also resulted to KGFT offering reliefs oh payment holidays for a period of 6 months to its clients.

The country therefore needs to be innovative in order to turn the current economic situation around, improve basic education, and align training with business needs. The general low economic activity facing the country and the province adversely affects tax collection for the current financial year and this has a direct impact on the sustainability of public finances and South Africa's development. Lower tax collections reduce fiscal spend and will further constrain economic growth.

Looking ahead the prospects are positive as we expect a slight lift in economic performance boosted by improved business confidence following the closure of the most sector of the economy. The moderate inflation and stable interest rates environment following previous SARB rate cuts coupled with a recovery of the agricultural sector offers positive outlook for investment opportunities. I am confident that the KGFT will continue to play its meaningful role in addressing inequalities of the past and restructure the economic landscape of our Province and country.

GOVERNANCE

The KGFT continues with upholding high standards of governance in the execution of its mandate and responsibilities. This has been evidenced by receiving its 8th consecutive Clean Audit opinion attained in the past financial year.

The KGFT monitors and reports on compliance as set out in the King IV report and PFMA and continues to remain fully committed to transparent and disciplined corporate governance processes. In addition, our risk management processes remain robust throughout the Trust and integrate the functions of risk, internal audit and legal and compliance. Furthermore, the KGFT leverages its position as a lender or investor to ensure that it's investee companies also adhere to good corporate governance.

TRANSFORMATION AND SPATIAL DEVELOPMENT

During the past financial year, the Board of Trustees reaffirmed the mandate of transformation and addressing the previous economic exclusions by revising the minimum BEE shareholding requirement in projects that are supported by the Fund. In the year under review, the Board of Trustees approved a project that is 100% black African woman owned.

LOOKING FORWARD

Unemployment, especially among the youth, remains a pressing challenge requiring immediate policy priority in the country. Its effects extend beyond financial depravation to include high social costs emanating from problems associated with crime and lack of social cohesion which may ultimately hinder economic growth in the long term.

The coming year will be another year of transition as the KGFT balances its growth and remaining aligned with provincial and national priorities. The KGFT aspires to be world class in all that it does and differentiates itself by being adaptable and innovative in its approach. It is because of these attributes that the KZN Growth Fund brand is gaining strength and positive recognition in the market, which is evidenced by the quality of the deal flow pipeline and referrals being attracted by the KGFT.

In the coming year, the KGFT will increase its efforts of targeting projects that are led by women, youth,the disabled and rural projects to realise impactful investing..

GRATITUDE

On behalf of the Board of Trustees and the organisation, I would like to thank our shareholder representative, MEC: EDTEA Mr Ravi Pillay for leadership and support given in the execution of the mandate and strategy. I would also like to extend my appreciation to the Acting Chief Executive Officer(Mr Lwazi Zondi), his Executive Management and all staff members for their hard work and commitment to the achievement of the Fund's mandate. A special word of thanks to my fellow Trustees for their dedication and diligence and providing oversight to the organisation and ensuring that the lives of our people in KZN are improved.

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Mr Siphile Buthelezi
Chairman: Board of Trustees

4. Acting Chief Executive Officer Report

The 2020/21 financial year was a challenging one considering the impact of COVID19 has lasted for the whole yeat. The organisation came through a challenging period characterised with uncertainty related to the vacancies at the senior management level and unfavourable general economic conditions due to COVID19 resulting to high default rates from funded clients however still continued to aligning itself with the provincial development goals as agreed with the Shareholder, EDTEA.

OPERATING ENVIRONMENT

The economic environment has been struggling in the last 12 months due to lock-down regualtions where most econmies were shut down to contain the spread of COVID19 virus. Disappointing global growth developments, indeed also contributed to some of the domestic slump.

The current macroeconomic challenges combined with the trade restrictions brought on by COVID-19 have had a negative impact on the KGFT’s existing book. Continuous efforts are in place to turnaround the non-performing projects by putting in place strategies to assist these businesses. Some clients were granted payment holidays to cushion the impact brought on by the COVID-19 pandemic.

DELIVERING ON OUR MANDATE

The Fund is tasked with a responsibility to deliver on three (3) key mandates, viz. job creation, transformation and economic development. It executes these mandates through originating, assessing and financing appropriate impactful projects that are also commercially viable. In the past financial year, the Fund has been able to successfully execute on its mandate by approving funding to projects equating to R 96 million in total value leading to the creation of more than 216 job opportunities being created. In addition, the KGFT was appointed to facilitate the Youth Fund programme which resulted to disbursing amount equating R18m into the economy. In addition, the KGFT was appointed as disbursing agent for Operational Vula Fund programme which resulted to disbursing amount equating to R14,9m into the economy.

FUND MANAGEMENT RESPONSIBILITIES

Based on the track record of good governance, prudent fund management and excellent delivery on our mandate, the KZN Growth Fund has made its name in the investment space and among other government entities as a fund manager of reference. The Fund has been requested to assist the Province with fund management expertise on two strategic projects, viz. KZN Youth Fund and Operation Vula Fund.

FINANCIAL PERFORMANCE

The Fund continues to be self-sustainable in that it generates enough returns to be able to finance its operational expenses without using the capital that is earmarked for financing projects. The impairment charge however increased from R261m to R303 million in the current year, owing to the introduction of the IFRS 9 reporting standard as well the tough trading conditions facing the sectors that some of our investee companies are facing. Whilst the impairment ratio is within the appetite range set by the Board, the Fund remains concerned with the total amount of impairments. The Fund has taken strategic actions to contain further impairments on affected investee companies, which among others, entail appointment of turnaround specialists and finding strategic partners, with capital and extensive experience in these industries. We have also refocused our organisation and have now capacitated our dedicated post investment unit within the Fund that will focus on the strategic management of our key clients and investments.

Our balance sheet continued to grow with Assets Under Management growing by 3.46% to R1.43 billion from R1.38 billion in the previous year, on the back of growth in investments, new fund management mandates, appropriation from Provincial Fiscus and the impact of COVID19.

OUTLOOK

On the 1st of March 2021, The Government moved the country's lockdown restrictions to an adjusted Level 1 which resulted to some economic activities resuming with precautions, adhering to health guidelines and an adjusted curfew.

Statistic South Africa's Gross Domestic Product (GDP) release for the fourth quarter of 2020 (October–December) concluded the series for the year, providing a sobering overview of 2020. The economy grew by 1,5% in the fourth quarter, giving an annualised1 growth rate of 6,3%. This follows the revised 13,7% (annualized: 67,3%) rise in economic activity recorded in the third quarter.

Despite the impact of the pandemic on economic growth, there was one shining star in 2020. Agriculture escaped the effects of the pandemic relatively unscathed, expanding production by 13,1% in 2020. Government also grew marginally in the year, up by 0,7%.

The current macroeconomic challenges combined with the trade restrictions brought on by COVID-19 have had a negative impact on the KGFT's existing client book. Efforts are underway to turnaround the non-performing projects by putting in place strategies to assist these businesses

We will continue searching for funding opportunities to support this mandate. We will also continue to differentiate ourselves from commercial financiers, deepen our transformative role while enhancing our partnerships to remain relevant as we deliver our mandate. This includes maintaining a cost-effective business, prudent and judicious capital allocations and an investment in our people to develop industrial development thought-leaders.

GRATITUDE

I would like to thank our Board of Trustees for its oversight responsibilities, and members of the Executive team for providing leadership during the past financial year. I commend all of our staff for their valuable contribution to our performance during the year, achieved while embracing capacity challenges.

A special word of thanks to our shareholder representative, MEC for Economic Development, Tourism and Environmental Affairs (EDTEA), Mr Ravi Pillay together with the Head of Department, Mr Nhlakanipho Nkontwana for their unwavering support and confidence given to the Fund as we continued with our efforts to transform the economic landscape of the KZN Province.

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Mr Lwazi Zondi
Acting Chief Executive Officer

5. Organisational Profile

In the previous financial year, the KFGT successfully completed the set-up of the en-commandite structure within the KGFT governance and operating structures including obtaining a FAIS licence. The KGFT currently caters for both a debt and an equity fund and is able to bring on board additional investors to participate in both funds.

In this regard, and following an extensive due diligence process, KGFT concluded a partnership agreement with a national development finance institution (DFI) for an investment of R350m into the KGFT Equity Fund. Other investors are currently being courted with an aim to close the KGF Equity Fund at R1bn by 2023.

The Debt Fund finances projects ranging from a minimum of R30m and may consider funding up to R200m in size. Projects requiring amounts over and above the upper limit are co-funded with other financial institutions. The Equity Fund invests in projects ranging from a minimum of R20m and may consider investments up to R100m. The funds focus on strategic infrastructure and economic sectors such as:

- Transport and logistics;
- Manufacturing;
- Telecommunications;
- Power and energy;
- Health and education infrastructure;
- Agro-processing;
- Mining and mineral beneficiation;
- Tourism; and
- Any other sector that may promote the objectives of the KGFT, provided it satisfies the Investment Policy of the Fund.

VISION

To be KZN's leading Development Financier and Impact Investor.

MISSION

To provide competitive and innovative financing solutions to private sector investments that propel socio-economic growth for a better future.

MANDATE

To support sustainable growth by financing private sector projects that drive economic success, stimulate job creation, promote broad-based Black economic empowerment (B-BBEE) and reduce inequality.

VALUES

The KGFT's values are **RAISE:**

- **R**espect
- **A**ccountability
- **I**ntegrity
- **S**ervice
- **E**nterprising

STRATEGIC GOALS

The KGFT's strategic goals are as follows:

- To manage the KGFT's resources efficiently and effectively so as to remain financially sustainable;
- To be an impact investor by utilising government capital to leverage off the private/institutional sector funding and to maximise the development impact in the KZN Province;
- To increase employment through inclusive economic growth by funding sustainable projects with ownership of mainly Black Africans;
- To promote environmental sustainability by ensuring that funded projects own, manage and sustain environmental assets and resources; and
- To promote organisational Integrity, Governance, Accountability and Compliance.

STRATEGIC OBJECTIVES

The strategic objectives of KGFT are:

- To maintain sound corporate governance and an unqualified audit opinion;
- To utilise government capital to leverage off institutional/private investor's capital so as to grow the assets under management;
- To identify and finance viable private sector projects that maximise the development impact of KGFT's investments;
- To remain financially sustainable by fully committing available funds under management and ensuring appropriate post investment management; and
- To fund projects that will provide inclusive and sustainable job creation.

To achieve the strategic objectives of the Fund, KGFT has adopted the following high level initiatives:

- To manage funds that can officer competitive financing products to attract private participation;
- To build long-term relationships with other Development Finance Institutions (DFIs) and lending institutions to cross-refer and co-finance projects and build on the public private partnership (PPP) model;
- To further implement the comprehensive marketing strategy;
- To adequately resource and retain the necessary human capital and skills in KGFT;
- To implement and maintain sound policies, procedures and systems of internal controls to ensure good corporate governance; and
- To implement appropriate post-investment management.

By implementing the above strategies, KGFT will be able to achieve its strategic objectives, hence establishing a successful track record and a reputation for effective delivery. The strategy of the KGFT will be driven by a single-minded goal of developmental finance and growing the assets under management.

6. Leadership

Board of TRUSTEES

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<tr>
<td>Mr Siphile Buthelezi
Deputy Chairman

Independent KGFT as from 12/12/2016

Academic qualifications
LLB – UKZN
<u>Brief Profile</u>
• Managing Director and Head of Corporate/Commercial at Buthelezi Vilakazi Inc.
• Admitted attorney of the High Court of South Africa and has a solid Commercial Litigation experience.
• Practiced at Bowman Gilfillan, Banking & Finance, Corporate/Commercial, Construction and Engineering and Private Equity. Spent time in New York City, where he worked for Davis Polk and Wardwell (Law Firm) in their Credit and Capital Markets (Banking & Finance) Department before he was seconded to Morgan Stanley (investment Bank).
• Served on various board committees including Remuneration, Human Resources.
• He specialises in a broad range of Banking and Finance Transactions, Secured Lending, Syndication, Project Finance, High Yield Bond Transactions, Private Equity, Construction and Engineering, Property Law and General Corporate/Commercial Matters.</td>
<td>Ms Bongekile Zulu
Trustee

Independent KGFT as from 12/12/2016

Academic qualifications
B Proc, MBA - UKZN
<u>Brief Profile</u>
• Ms Zulu is an attorney with over 18 years' experience in the field of Commercial and Corporate Law.
• She is also internationally accredited, with CEDR, as a Commercial Mediator.
• She possesses vast experience as a business compliance and Corporate Governance practitioner, and serves on various provincial and national boards including, amongst others, the Construction Industry Development Board (CIDB), the Community Schemes Ombud Service (CSOS), and has recently been appointed to Umgeni Water Board.
• As an ADR specialist in Corporate Law, Ms Zulu serves on the Companies Tribunal, where she provides over disputes arising between companies and the CIPC. She is also a member of EThekwini Municipality's Audit, Risk and Performance Committee.</td>
<td>Mr Ashvir Dhuki Trustee

Independent KGFT as from 12/12/2016

Academic qualifications
Chartered Accountant (UKZN)
<u>Brief Profile</u>
• Mr Dhuki is currently the managing director of Strategic Audit Techniques Inc, an audit firm operating in KZN and Gauteng
• Mr Ashvir Dhuki has gained a diverse in-depth experience in the financial services industry, both in private and public sectors.
• He served his articles at PKF Durban, and gained experience for a year as Audit Manager before moving to Morar Inc as Director.
• He has gained immense experience by serving on many Boards and committees and as a financial advisor to higher learning institutions.</td>
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Mr Khaya Thango
Trustee
Independent KGFT as from 12/12/2016

B Proc, LLB – UKZN
LLM: in pursuit candidate

Tertiary Education
Project Management (Diploma) - Varsity College
Ethics & Good Governance Certificate - University of Pretoria
Strategic Management Certificate - University of South Africa
International Insolvency Law Certificate - University of Pretoria

Lease Commercial Arbitration Certificate - University of Pretoria
Commercial & Contract Law Certificate - University of Cape Town
Board Leadership Core Program - Gordon Institute of Business Science
Practical Labour Law Certificate - University of Cape Town
Being a Director 1,2,3 & 4 - Institute of Directors of Southern Africa
African Directors Program Certificate - Stellenbosch University

Brief Profile
Khaya Thango is currently practicing as a senior-junior Advocate in the KZN Bar and in various Provinces of South Africa. He is a former member of the KZN Bar Council.
He is currently the Deputy Chairperson of the entity of National Department, Sports, Arts, and Cultures (namely PACOFS), based in the Free State Province.
He Chairs committees of various Boards and Councils, i.e. Social Ethic and Transformation Committee and Remuneration Committee and Special Project Committee.
He acts as Magistrates in the Durban jurisdictional area and holds various positions and roles within the legal fraternity.
He has worked in both private and public sectors, at Senior and Executive levels.

Adv. Khaya Serves On The Following Professional Boards
Deputy Chairperson of the Performing Arts Centre of the Free State Council
Chairperson of Emseni Community Project
Chairperson of Tax Board, KZN, South Africa
Kwazulu-Natal Gambling Board
Director of Agri-Business Development Agency
Ad Hoc Family Advocate KZN
Employer Assessor Department of Labour
Member of the Association of Arbitrators of RSA
Lease Commercial Arbitrator

Mr Silas Hlophe
Trustee
Independent Trustee as from 15/02/2018

MBL (Masters of Business Leadership) – UNISA, Bcom(Hons) -UKZN
Brief Profile

- Mr Silas Hlophe holds a Master's in Business Leadership (MBL) from UNISA, a BCOM Honours in Accounting from UKZN and National Diploma in Cost and Management Accounting from Durban University of Technology.
- He completed his articles through the office of the Auditor General. He has worked in both private and public sector as Senior Management Level mainly within KZN. His experience varies from being Chief Financial Officer of local Government Municipalities and Provincial Government Department.
- Over the years to current he has served in various Boards and Committee where he contributed significantly on improving internal controls governance and compliance.

EXECUTIVE MANAGEMENT

LWAZI ZONDI

CHIEF FINANCIAL OFFICER/ACTING

CHIEF EXECUTIVE OFFER

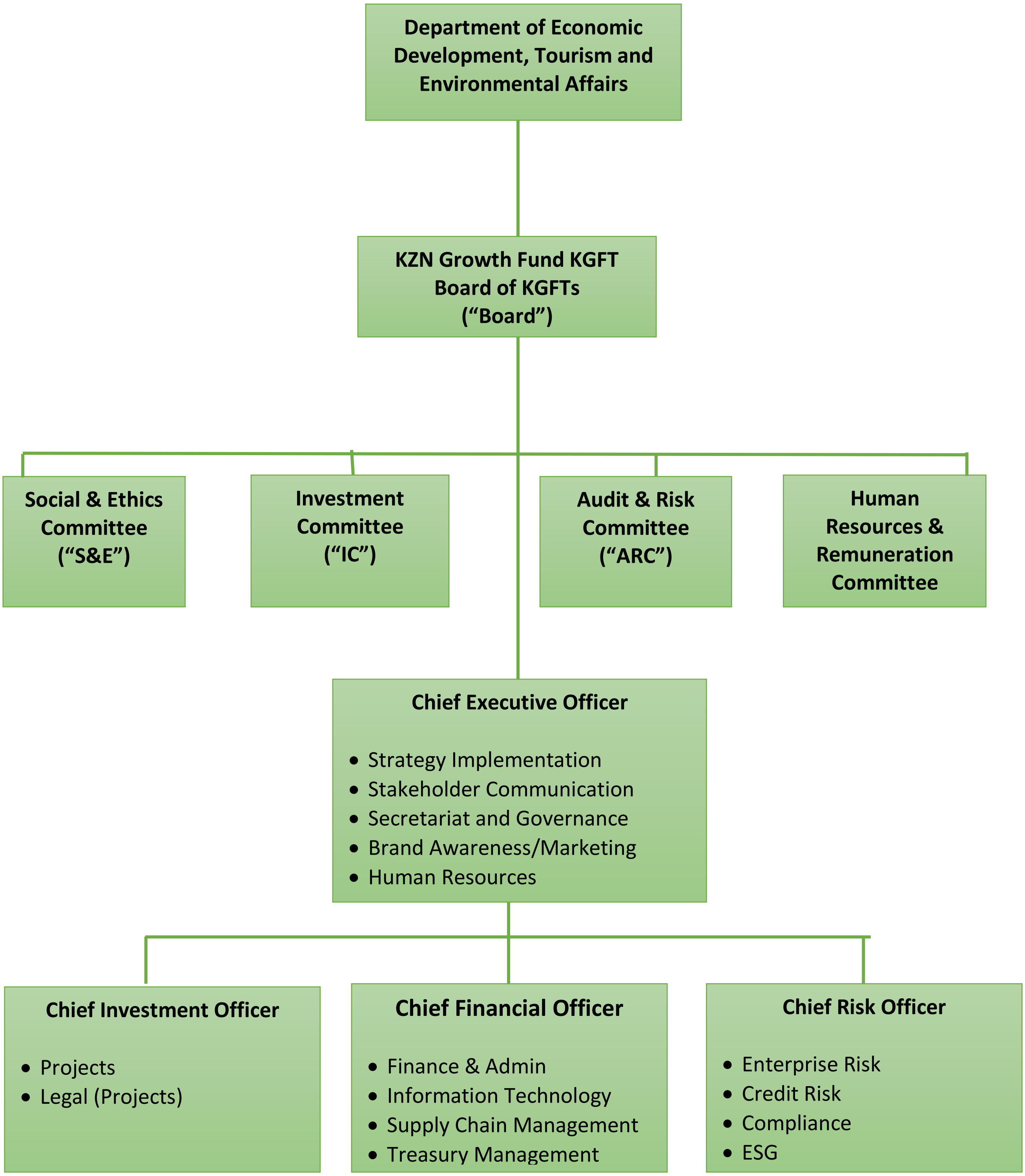
NKOSINATHI NKOSI

CHIEF RISK OFFICER

KHWEZI NHASSENGO

CHIEF INVESTMENT OFFICER

7. Governance Structure



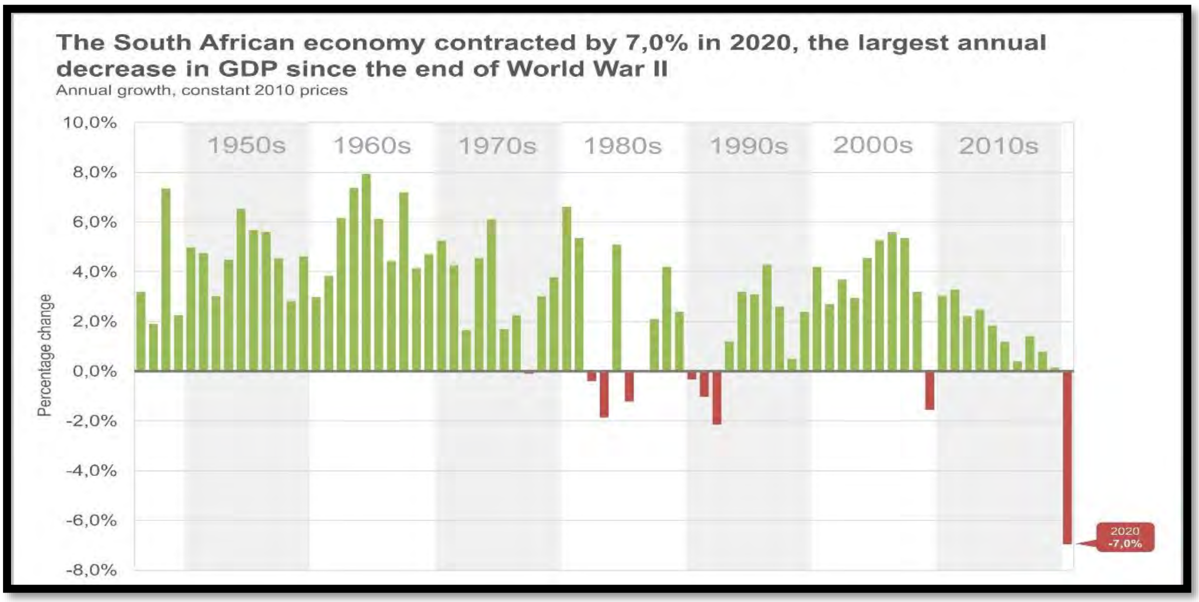
8. Investment Committee Report

ECONOMIC ENVIRONMENT

2020 will be remembered as year where the Covid-19 pandemic brought the global economy to its knees. At the height of the pandemic governments around the world implemented hard lockdowns that crippled businesses and supply chains and put millions of people out of work. The South African economy was not spurred, the global shock caused by Covid-19 led to a sharp contraction of the domestic economy with GDP decreasing by 7% year-on-year.

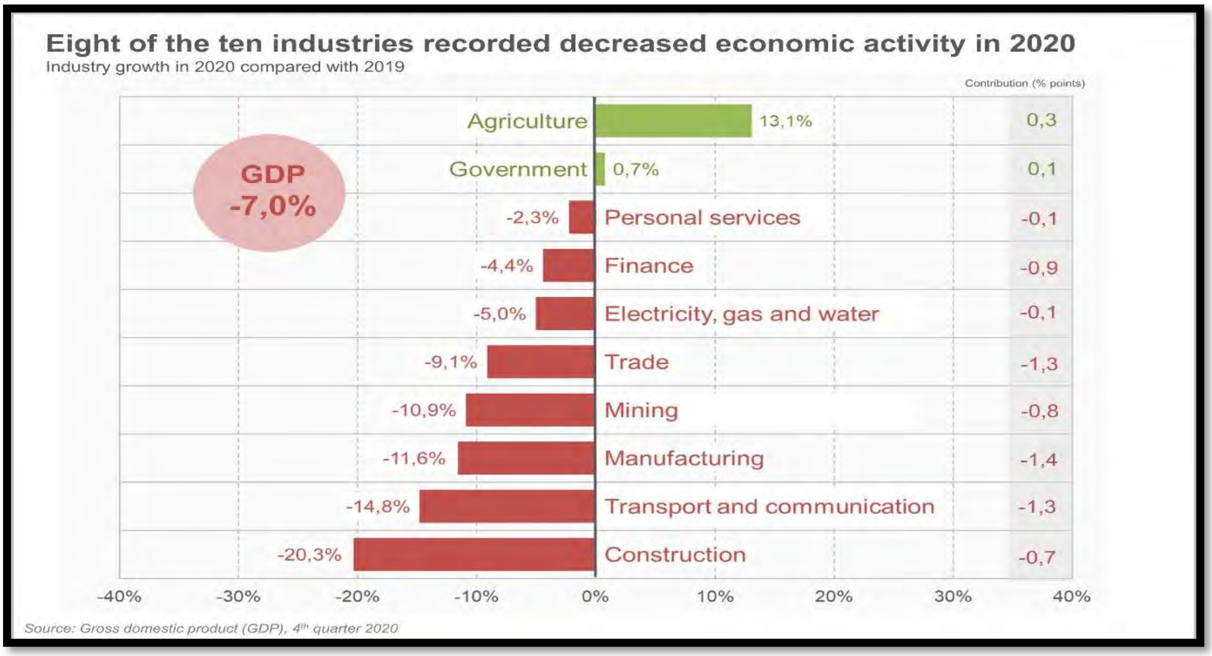
If we explore the historical data, this is the biggest annual fall in economic activity the country has seen since at least 1946. To provide some perspective, the second biggest fall was recorded in 1992 when the economy contracted by 2.1%. At that time, the country was struggling through a two-year-long recession, mainly the result of a global economic downturn. During the 2008/09 global financial crisis, the economy shrank by 1.5% in 2009. Figure 1 Illustrate a snapshot of the economic activities since the 1950s.

FIGURE: 1



Despite the impact of the pandemic on economic growth, there was one shining star in 2020. Agriculture escaped the effects of the pandemic relatively unscathed, expanding production by 13.1% in 2020. Government also grew marginally in the year, up by 0.7%. All other industries were hammered. The construction industry, already in deep trouble before the pandemic, contracted by 20,3%. This marks the industry's fourth consecutive year of economic decline. Figure 2 illustrates the performance of all industries:

FIGURE: 2



INVESTMENT COMMITTEE COMPOSITION

The Investment Committee (IC) of the KGFT is composed of members of the board of trustees as well as independent industry experts. The individuals are drawn from diverse backgrounds and have wide ranging experience in governance, finance, legal, accounting as well as private equity. The Investment Committee assists the Board of Trustees in the achievement of the KGFT mandate. The IC is responsible for the assessment of proposed investments or divestments and recommendation to the board of trustees for approval as per delegation of authority. The IC is also responsible for oversight on the performance of the portfolio post investment. Following the final close of the KGF Private Equity Fund in February 2019, a new subcommittee, the Equity Investment committee was constituted to have oversight over the equity investments in the Private Equity Fund.

The significant contribution the members provide towards impacting the lives of the people of KwaZulu Natal and promoting diversified economic participation is greatly appreciated.

REVIEW OF THE 2020/2021 FINANCIAL YEAR

The KGFT finances private sector-led projects and companies through loans with minimum term of five and maximum of 10 years. The Fund also makes equity investments that provide private black owned enterprises with long-term growth capital for expansion or greenfield operations. The private sector is an essential force for sustainable development in that it stimulates innovation and improves productivity and economic efficiency, while creating the jobs and growth needed to reduce poverty and promote shared prosperity.

For the period ended 31 March 2021, KGFT approved just over R70m in debt financing to a black-owned entity in the agro-processing sector. The approved funding is expected to create 106 jobs at final implementation. There were no new approved equity transactions for the period under review.

KGFT received 61 funding enquiries totalling R8,7 billion during the year ending 31 March 2021. On average, KGFT received approximately 5 enquires worth R725 million per month during the year. This also suggests that each enquiry required, on average, about R142 million in funding. For the period under review, 1 transaction was approved and 3 are at due diligence stage. During the 2020/21 financial period we disbursed R35.5m to projects, this is the actual amount invested in the economy of KwaZulu Natal Province.

The Covid-19 pandemic and the resultant lockdowns aimed at curbing the spread of the virus brought a further burden on the already tough economic environment prevailing in South Africa. KGFT provided Covid relief to the tune of R25m to its portfolio of investee company in the form of deferred interest payments and concessions. The majority of KGFT's portfolio remains skewed toward greenfield projects which account for 67% of the total number of funded projects in the portfolio. The portfolio is also biased towards the manufacturing sector with around 70% of the investee companies categorised as manufacturing entities. These manufacturing investee companies also account for around 1300 of the forecasted jobs versus 1800 jobs for the entire portfolio.

The non-performing loan book stood at 90% as at the end of the financial period against a 55% threshold set by the shareholder. The board and management work tirelessly to turnaround the performance of the loan book and employ hard and soft approaches as a means of improving performance. The KGFT has appointed a panel of business mentors and turnaround specialists to assist with supporting the post investment unit.

The equity investments were valued at R158m as at 31 March 2021 against a cost of R306m, showing a decrease from initial investment by 48%.

The investment activities for the year are summarised in the table below against performance for the two preceding years.

Table 1.1: Investment Activities Comparison to Previous Years

Performance Indicator	FY-20/21 Unaudited	FY-19/20 Audited	FY2018/19 Audited	FY2017/18 Audited
Total value of approved financing (R'm)	73.78	45.0	160.4	87.0
Total value of disbursements (R'm)	35.5	76.8	114.4	191.6
Total # jobs created/Saved	216	105 (246 retained)	393	704

The Investment Committee of the KGFT will continue to play its role in support of these socio-economic imperatives by leveraging private capital in the financing of commercially viable projects.

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Mr Silas Hlophe
Chairman: Investment Committee

9. Operating Environment

GLOBAL ECONOMIC DEVELOPMENTS

Global economic growth is estimated by the International Monetary Fund (IMF) to have slowed to 2.9% in 2019, from 3.6% recorded in 2018. In advanced economies, the US economy outperformed and posted a 2.3% growth in 2019 compared to 1.2% in the Eurozone. Growth in the US was spurred by robust consumer spending while weak growth in Germany was the key driver of growth easing in Europe. During the period under review, Germany's automotive sector continued to suffer from the emission scandal and the economy faced lower demand from China overall. With strong growth in the US, the dollar outperformed expectations in 2019 - averaging $1.12/€, that is more than 5% stronger compared to 2018. In the UK, continued uncertainty surrounding Brexit hampered private fixed investment and the economy grew by 1.4%. Eventually, at the beginning of 2020, the UK exited the European Union (EU), supported by a transition period to discuss trade and other arrangements with the remaining members. In emerging markets, economic growth was underpinned by China (+6.1%), while India slowed to 4.2% mainly due to a slowdown in domestic demand.

A key driver of the slowdown in global growth was a moderation in world trade growth, recorded by the IMF at 1% in 2019, down from 3.7% a year prior. To a large extent, this is attributed to the adverse impact of the trade tiff between the US and China. Subdued private sector fixed investment is another key driver of the global slowdown. Additionally, a number of geopolitical uncertainties such as the Brexit delays in 2019 and social unrest in many parts of the world (including political unrest in Hong Kong) contributed to the slowdown.

While manufacturing struggled, in advanced countries consumer spending continued to grow at a reasonable pace throughout 2019. Sustained low inflation, strong labour markets and rising equity markets supported growth in household disposable incomes. Amid these tentative signs of stabilisation entered the coronavirus, first discovered in China and started spreading through the rest of the world. Consequently, financial markets tumbled during the first quarter of 2020. This was in spite of the extraordinary monetary and fiscal policy responses from across the globe. Just like during the 2008-9 global financial crisis, most central banks introduced a raft of measures characterised by reduced policy interest rates and massive bond-buying programmes.

Through 2019, the oil price remained fairly volatile influenced by global growth concerns and increased supply. With the emergence of the coronavirus, growth outlook weighed heavily on oil prices. On top of the drop in demand, Saudi Arabia and Russia got embroiled in a price war which further put significant downward pressure on prices. At record levels not seen in recent years, brent crude oil traded below $30 per barrel, down by about 50% in less than a month.

With the exception of coal, the prices of some of South Africa's key export commodities performed well through 2019. The price of coal declined by roughly 27%. This is largely attributed to slower GDP growth in India and increased global environmental sensitivity to the use of fossil fuels. In contrast, rhodium and palladium prices rose on the back of increased demand. Building on a 100% increase in 2018, rhodium price rose by 75% in 2019 while palladium rose by 50%. Palladium now contributes more to SA's export revenue than gold. The coronavirus led to a significant drop in car sales in China at the start of the 2020 year, leading to a drop in the platinum price. At the same time, gold prices, spurred by drastic monetary policy easing together with higher safe-haven demand, firmed at the start of 2020.

Sub-Saharan African economy

The IMF estimates that economic growth slowed to 3.1% in 2019, from 3.3% the year prior. The deeper-than-expected slumps in China and Europe compounded domestic challenges, notably drought conditions in Southern Africa, the adverse impact of cyclones Idai and Kenneth in South-eastern Africa, security issues in West Africa and the Ebola outbreak in the DRC. The Bretton Woods institution estimates that South Sudan recorded the fastest growth rate (+11.3%), after years of civil war. Rwanda grew by 10.1% in 2019, slightly ahead of Ethiopia which recorded 9% growth during the same period. Pulling down the region's growth, according to IMF estimates were six countries - namely DRC, Namibia, Angola, Liberia, Equatorial Guinea and Zimbabwe. South Africa recorded a paltry 0.2%.

The region's biggest economy, Nigeria, expanded by 2.2% - the fastest growth since 2015. Inclusive of Nigeria, the oil-producing countries, however, came under significant pressure early 2020 as international oil prices plummeted to record levels. These countries include Angola, Gabon and Congo Republic. Economies lot less dependent on extractive commodities, on the East (Rwanda, Ethiopia, Kenya, and Tanzania) and West (Cote d'Ivoire, Senegal, Cameroon) of the continent continue to post the strongest growth. These economies are more capable of withstanding fluctuations in commodity prices.

South Africa

Well before the emergence of the coronavirus, South Africa (SA) was in its longest business cycle downswing. Disappointing global growth developments, indeed contributed to some of the domestic slump. To a large extent, however, are personal local factors that played out for a greater part of 2019. Notably, incessant power cuts and the prolonged strike in the gold mining sector.

The fiscal situation deteriorated significantly during the year characterised by increased bailouts to Eskom and reduced government tax revenues. On the back of deteriorating fiscal metrics coupled with a weaker growth outlook, Moody's at the end of March 2020 downgraded SA's credit rating to junk status. This meant South African government bonds would be excluded from the FTSE World Government Bond Index, sparking a forced sell-off of South African bonds.

The SA economy grew by a paltry 0.2% in 2019 – the worst growth performance for a calendar year since the 1.5% GDP decline in 2009. From the production side, the finance, real estate and business services sectors grew 2.3% compared to 2018. This was followed by general government services (1.7% y-o-y) and personal services (1.0% y-o-y). Sectors in the primary and secondary industries, all shrank on an annual basis. The biggest contraction was recorded in the agriculture, forestry and fishing sector (- 6.9% y-o-y), followed by the construction sector (-3.3% y-o-y).

On the expenditure side, GDP was driven by a 1% y-o-y growth in household consumption. Consumer spending was weakened by poor employment growth and a slowdown in private sector wage growth. Household expenditure would likely have been weaker were it not for a slowdown in consumer inflation and an increase in household credit extension. Government consumption registered a 1.5% y-o-y growth.

Gross fixed capital formation fell 0.9% y-o-y in 2019 after a 1.4% contraction in the year prior. The annual fixed investment figure masks an interesting quarterly pattern. Investment experienced robust growth in the second and third quarter of 2019, driven by green energy investments as well as IT-related outlays, but tumbled in the fourth quarter. With little government infrastructure spending through 2019, public sector fixed investment performed dismally.

The slowdown in global trade growth during 2019 weighed heavily on export volumes. Net exports were a drag on GDP growth – a consequence of exports (-2.5% y-o-y) falling faster than imports (-0.5%).

As an improvement on 2018, the rise in headline consumer inflation moderated to 4.1% y-o-y in 2019, down from 4.7%. In the process, SA recorded the lowest annual increase since 2005. Restrained food price increases and moderation in rentals helped inflation lower. Benign inflation prospects and lower economic growth resulted in the South African Reserve Bank (SARB) reducing the policy interest rate by 25 basis points (bps) in July 2019 and again in January 2020. A subsequent, deeper cut (-100bps) was administered in March 2020 following a further downward adjustment to the SARB's growth and inflation outlook.

The rand exchange rate (against major currencies) somewhat moved like a pendulum through 2019 as the currency was affected by domestic shocks (such as concerns around the independence of the SARB), but at the same time benefiting from the dovish tilt from global central banks implying increased capital flows to emerging markets. Buoyed by improved global risk sentiment that outweighed the deterioration in South African fundamentals, the rand strengthened towards the end of 2019. However, the rate weakened sharply early 2020 mainly because of apprehension about the global growth impact of the novel coronavirus.

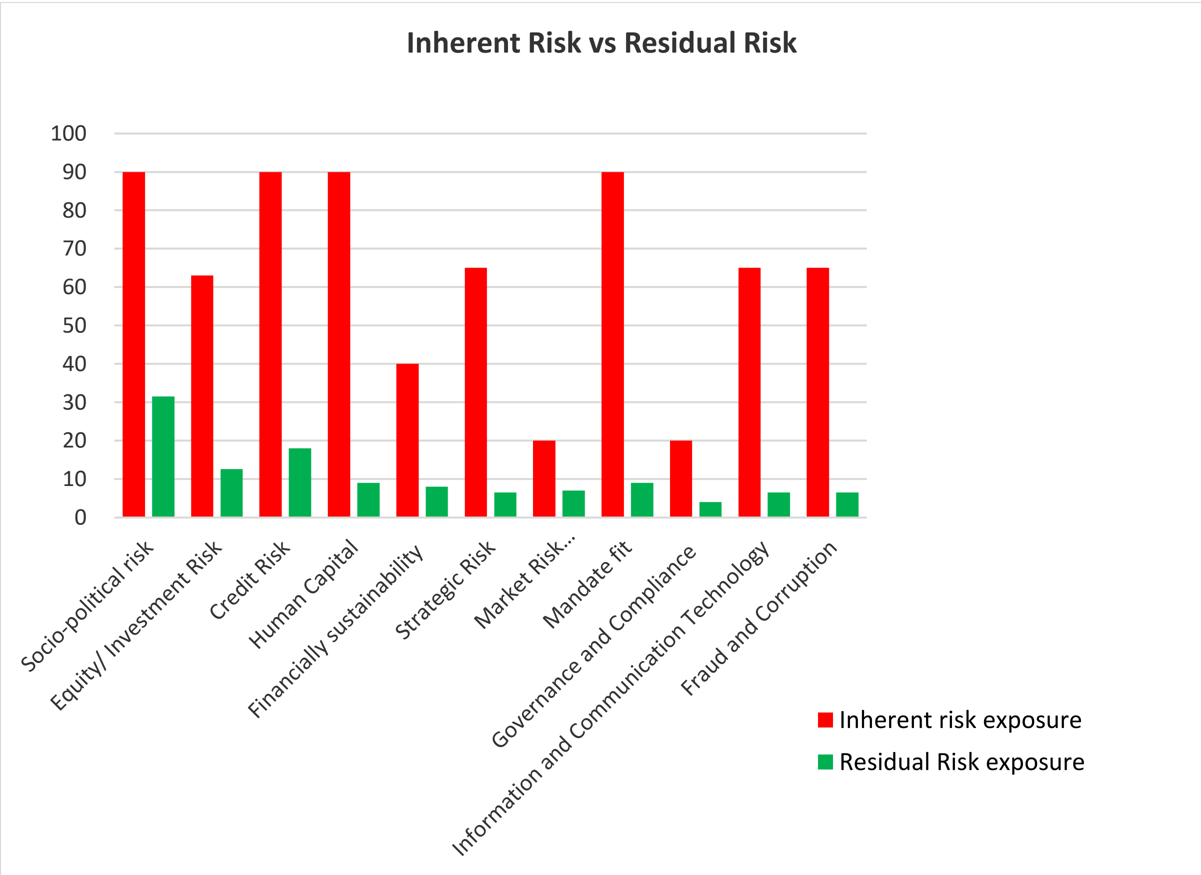
Following on a difficult 2019, the year 2020 started on shaky ground. Combined effects of power outages and the novel coronavirus further compounded the situation. The World Health Organisation (WHO) declared the coronavirus (COVID-19) a global pandemic on 11 March 2020. In response, President Cyril Ramaphosa declared a national state of disaster on Sunday 15 March. This was accompanied by a number of extraordinary measures, including a travel ban on foreign nationals from high-risk countries. The most drastic measure was the introduction of a 21-days nation-wide lockdown on 27 March. With exception of certain services and production classified as essential (mainly production and transportation of food, basic goods and medical supplies), all shops and businesses were forced to close.

Against this background, dealmaking tumbled while survival of many businesses came under serious threat.

10. Material Risks and Opportunities

The KGFT faces a number of strategic risks that could affect its business operations and ultimately its ability to create value in the long term. A strategic risk assessment workshop was facilitated in January 2021 with the objective of identifying the top strategic risks that could prevent the KGFT from achieving its strategic objectives. Changes to the KGFT's operating environment and the change in funding model were taken into account when identifying the strategic risks considering the impact of COVID19. The graph below reflects the Inherent risk of each strategic risk as well as the residual risk after taking existing controls into account.

Graph 2.1 – Inherent Risk vs Residual Risk



The table below provides an analysis of the top eleven strategic risks affecting the KGFT, the current controls in place to mitigate those risks, the opportunities presented and a link to the strategic objectives of the KGFT (which are listed at the end of the table).

Ran k	Key Risk	Risk Category	Context	Mitigating Actions	Opportunity	Link to strategic Objectives
1	**Socio-political risk**	Strategic risk	We operate in an environment where change in political leadership at various decision-making levels may have a bearing in policy objectives of government. Maintaining alignment with beneficiary objectives is important in meeting our developmental goals.	- Bi-annual meetings with the Shareholder - Monthly technical cluster meetings and resolutions impacting KZGF and active management of the shareholder agreement - Through quarterly meetings, communique - Attendance of community forums (Imbizo) - Follow up on the memo to the EDTEA on staggering of Board Terms and Board Chair and CE robust engagement with the Ministry - Policy / Framework drafted to guide the investee companies on KZGF upliftment of the local community.	Specialist skills in Asset or Fund Management for the KZN government	B,D
2	**Equity/Investment Risk**	Financial Risk	This risk relates to: - Funding of poor investments - Inability to exit equity investments - Management vs Promoter - Solvency & liquidity assessment - Risk tolerance & mandate fit within investment horizon - Sector or Individual or Location Concentration	- KGFT invests in high risk deals – ensure there are ways out of the transaction - Enhance Post Investment Monitoring on Equity investments so as to ensure performance - Enhanced due diligence on investee companies including risk levels. - Ratify senior managers appointed (equity) - Reference checks in terms of business relationships.	Trend setter as Private Equity specialised State-owned company- model for other Developmental Funding Institutes	B, C, D, E

				- Take stock of investee companies – if skill/expertise is required in equity deals - Criminal liability for directors. - Monitoring of debt deals – to access minutes of board meetings/observe. - To assess the type of transactions the organisation is involved in. - Implementation of integrated financial model (debt/equity) - Outsourcing of Equity Fund administration		
3	**Credit Risk**	Financial Risk	The risk of default on a debt from a borrower failing to make required payments. Higher levels of credit risk can be associated with deteriorating credit quality arising from inability to monitor and identify project risk; Concentration risk within particular Sector or Location	- Enhance due diligence and investment monitoring procedures to be implemented to mitigate the probability of default events. - Implementation of Management Information Systems - Review and analysis of root causes of non-performing projects - Enhance Post Investment Monitoring on Debt investments so as to ensure performance - Enforcing default remedies	Trend setter debt specialised SOC - model for other DFI's	C, D
4	**Human Capital**	Operational Risk	- The risk of loss of critical skills and shortage of skills across the private equity value chain within investment/debt teams and committees	- Maintain a competitive incentive structure - Continuous promotion of work life balance - Implementation of the Talent management and succession plan	Specialist skills in Asset/ Fund Management for the KZN government (sole provider for specialist services)	D
5	**Financially sustainability**	Financial Risk	The risk that the fund fails to remain profitable as a result of; - The fund becomes insolvent - The fund experiences liquidity risk (Balance sheet management) - Poor cash flow management by the fund	- Ongoing fund-raising activities to ensure that the Fund remains self-sustainable. - Proactive monitoring of the book and mitigate risks. - Pricing must be risk-based. - revise the pricing policy based on risk (park and refer to the IC)	- Assets under management managed efficiently - Attract further investments	D
6	**Strategic Risk**	Strategic risk	In order to meet its pipeline requirements and support its strategic objectives KGFT requires an appropriate level of capital funding	- Ongoing management of the loan portfolio - Procedures for balance sheet management of portfolio returns and movements to be implemented	- Managing additional Strategically aligned funds - Additional revenue streams	A, B, C, D,E
7	**Market Risk**	Financial Risk	The value of our investments may be affected: - deteriorating credit quality of the fund's loan portfolio - Less appetite for credit in the market resulting in reduced lending activities	- Identification of viable projects /sectors with high sustainability prospects - Proactive monitoring and balance sheet management of portfolio returns and movements to be implemented	- Proactive Strategic interventions encouraging a forward looking and proactive culture	B, C, D

			- Uncertain deal flow and lack of quality of deals due to economic environment - Volatility and variations in the asset value of the Private Equity portfolio - Legislation changes	- To expand/explore other industries, steer away from manufacturing - To empower local markets where there is reliance on imports - Deal origination - work closely with PIC to identify projects - Need to investigate current government interventions e.g. Agri H2O and sanitation	- Advantage to some of KGFT clients as a result in the drop in exchange rate - Increased funding opportunities	
8	**Mandate Fit**	Strategic Risk	This risk relates to the inability of KGFT to deliver on its mandate on advancing its contribution to empowerment targets A focused approach on high impact developmental deals and quality partnerships will support the management of performance outcomes.	- Ensure alignment of Trust objectives with the provincial government strategies - Regular interaction with stakeholders - Deal origination in line with government strategies - Sourcing through govt. - Marketing business model to be aligned to Mandate - To establish a marketing execution team (Senior Staff)	- Develop appropriate funding instruments	B, C, D
9	**Governance and Compliance**	Business Risk	Fines, penalties, reputational loss may arise due to non-compliance with governance, legal and compliance framework and polices	- Recommendation made to be reviewed for cost vs benefit and implementation derived therefrom. - Cloud IT Strategy approved for implementation of Cloud based storage. Engagement of IT Specialists ongoing	- Maintain good governance -	A
10	**Information and Communication Technology**	Business Risk	The risk that Ineffective inadequate internal controls in place will result in: - Slow turnaround times of project appraisal - heightened Fraud risk - HR Risk - IT Risk	- Policies and procedures in place and reviewed regularly - BCP and DRP approved by Board of Trustees and tested - Risk assessment undertaken to determine high risk threats to KGFT - External tip-off line for reporting and identification of fraud - In-house compliance function and internal audit	- Introduction of new technologies to streamline processes	A, B
11	**Fraud and Corruption**	Fraud Risk	The risk of fraud may due to: - Procurement fraud - Insufficient controls in place - Separation of duties / authorisation access - Conflict of interest - Gaps in implementation of procedures - Lack of integrity and unethical behaviour (Unethical and fraudulent conduct) - Inadequate oversight and poor management - Deterioration in ethical environment - Misrepresentation of facts by clients	- Establishment of the Social and Ethics committee - Ongoing Background checks of clients - Apply better professional character judgement	- Building an ethical company culture - Turn employees into brand ambassadors	A

Table 2.1 – Summary of Top Eleven Strategic Risks

Strategic Objectives
A: To maintain sound corporate governance and an unqualified audit opinion;
B: To utilise government capital to leverage off institutional / private investor's capital so as to grow the assets under management
C: To identify and finance viable private sector projects that maximise the developmental impact of KGFT's investments;
D: To remain financially sustainable by fully committing available funds under management and ensuring appropriate post investment management.
E: To fund projects that will provide inclusive and sustainable job creation

11. Managing Risks and Opportunities

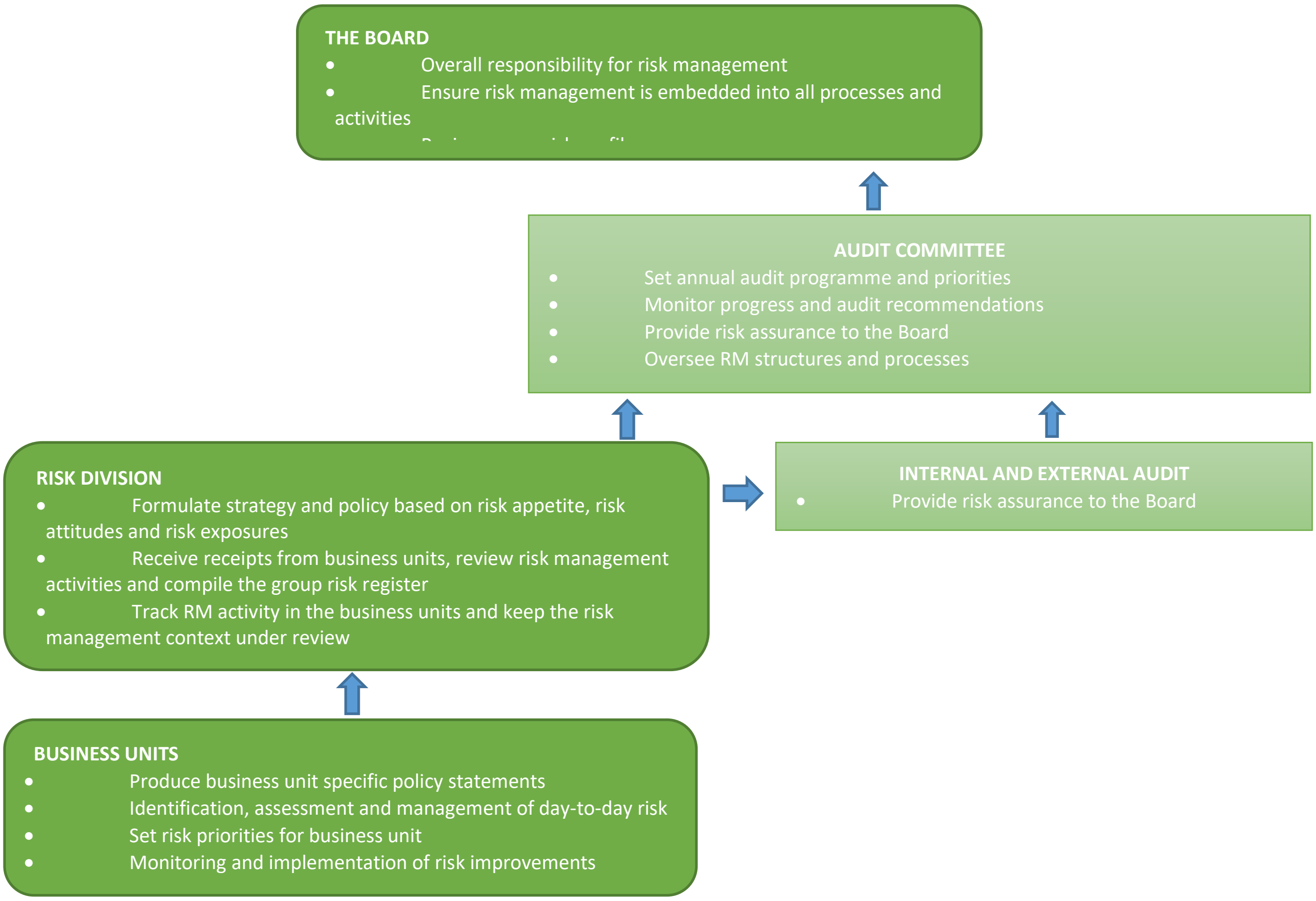
KGFT recognises that identifying and managing risks and opportunities its fundamental to the achievement of its strategic objectives.

The Board has overall responsibility for risk management, ensuring that risk management is embedded into all processes and activities of the KGFT and adopting an enterprise risk management (ERM) framework. This approach ensures that KGFT takes a holistic view of the risks inherent in its strategy, operations and business and that the management of risks is embedded into the planning, business and decision-making processes. It is also the responsibility of the Board to review the KGFT's risk profile from time to time.

The Audit and Risk Committee is mandated to oversee the implementation of the KGFT's ERM framework and assesses key risk reports on a quarterly basis. Operational issues are included in the quarterly reports and are managed by Executive Committee (Exco) and Internal Risk Committee (IRC).

Internal Audit and External Audit provide independent assurance on the effectiveness of risk management to the Board. Internal Audit is outsourced to S&B Nexia due to the size of the KGFT.

The diagram below portrays the risk architecture of the KZN Growth Fund:



KGFT Risk is managed on three levels, namely strategic, operational and projects

Strategic risks are those risks that are most consequential to KGFT's ability to execute its strategies and achieve its' developmental mandate. These risk exposures can ultimately affect KGFT's shareholder value and long-term sustainability.
Operational risk refers to risks inherent in KGFT's operations and processes. These are emerging risks introduced by internal factors (such as Human Resources, Legal and Compliance, Fraud) and external factors (such as suppliers, politics, reputation, the economic climate, etc).
Project risk refers to risks that could impact the progress, result or outcome of a specific product funded by KGFT, which would result in deviations in expected returns on a project or impact the planned outcomes of specific value-creating initiatives.

RISK MANAGEMENT

At a strategic level, risk management functions performed by the Board, Executives and management include definition of risk, determining risk appetite, formulating strategies and policies for managing risk and developing adequate strategies and policies for managing risk and developing adequate systems and controls to ensure that overall risk remains within an acceptable level.

Enterprise risk management, which encompasses operational risk, is managed by the Risk function, while regulatory risks are managed by the Compliance function. Enterprise risk management activities are performed by the relevant business units and we are entrenched through adherence to operational procedures and guidelines set by management. Operational risk management strategies and policies are used in conjunction with delegated powers of authority, which detail the authority levels for various transactions.

Project risk assessments are performed to identify key risks that could impact the progress, result or outcome of a specific project and actions that are designed to adequately mitigate the risks identified and put in place.
The implementation and effectiveness of planned actions are monitored throughout the duration of the project by the Projects and Credit functions and are reported through project governance structures. Project risks are also managed by adherence to the investment, equity and credit policies and business process procedure approved by the KGFT.

The Board has delegated the responsibility for the management of credit and investment risk to the Investment Committee (IC). The Board has also delegated the approval of Initial Screening Reports to the Internal Risk Committee (IRC) in order to facilitate speedy turnaround times and to enhance the competitiveness of the KGFT.

The IC is responsible for ensuring that extensive due diligence is done on projects requiring funding prior to recommending projects for approval to the Board. The IC is also tasked with the duty to oversee the management of project performance after disbursements to ensure that the KGFT maintains long-term sustainability portfolio. The KGFT always strives to maintain a balance between its developmental mandate and the expected returns to long-term sustainability to robust risk appetite of its' stakeholders.

KGFT RISK UNIVERSE

The nature of the business of KGFT exposes it to the following categories of risk:

FINANCIAL RISK	OPERATIONAL RISK	BUSINESS RISK
Credit (Counterparty) Risk	Information, Communication and Technology (ICT) Risk	Reputational Risk
Interest Rate Risk	Operational Risk (including People Risk)	Regulatory Risk
Liquidity Risk	Legal and Third Party Risk	Environmental Health and Safety Risk
Solvency Risk	Business Continuity Planning	Fraud, Theft and Abuse
Market Risk		

FINANCIAL RISK

Credit (Counterparty Risk) is the risk of non-payment by the KGFT funded projects and non-recoverability of the funding, which would result in impairments and write-offs. This risk is managed by robust evaluation of projects by the internal committees, entering into legality binding contractual agreements with project companies and effective post-investment monitoring of the projects.

Interest Rate Risk is the potential variability that KGFT is exposed to owing to changes in the level of interest rates.

Liquidity Risk is the risk to an entity's earnings and capital arising from its inability to timely meet obligations when they come due without incurring unacceptable losses, ie the possibility of KGFT being unable to meet obligations, repayments and withdrawals at the proper place and time.

Solvency Risk relates to the possibility of KGFT being unable to sustain its business activities and to meet commitments, repayments and withdrawals at the proper time and place as a result of it having accumulating liabilities, which in aggregate exceeds the fair value of its assets.

Market Risk is the risk that the value of an investment will decrease due to movement in market prices, interest rates, exchange rates, market volatilities and competitive mix, ie the possibility that the market price of an asset may change, resulting in a capital gain or loss to KGFT upon subsequent realisation of the asset.

OPERATIONAL RISK

Information, Communication and Technology (ICT) Risk is the risk of failures in system support, including errors in the development of programmes, inadequate or untimely management information and inadequate security and contingency planning.

Operational Risk (including People Risk) is a risk that does not have a 'direct' financial impact as compared with the pure financial risks such as liquidity risk, interest rate risk and credit risk. Operational risk is the risk resulting from inadequate or failed internal processes, people and systems (inefficient or ineffective), or from external events, resulting in financial loss. People risk is defined as possible inadequacies in human capital. This may stem from a lack of adequate skills or knowledge, a reward system that fails to motivate properly or loss of key staff due to uncertainty.

Legal Risk is the risk of loss due to business objectives not having been properly formulated in agreements or other defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the failure of the KGFT to perform its obligations or enforce its rights and by failure to address identified concerns to the appropriate authorities where changes in the law are proposed (compliance with the law and implanting changes are dealt with as part of compliance risk).

Business Continuity Planning is the process whereby an organisation ensure the maintenance or recovery of operations including services to customers when confronted with adverse events such as natural disasters, technological failures, human error and terrorism.

BUSINESS RISK

Reputational Risk is the potential that negative publicity regarding KGFT's business practices or internal controls, whether true or not, which could have an impact on the liquidity or capital of KGFT, or cause a decline in the customer base, costly litigation or revenue erosion or reductions.

Regulatory Risk is the risk associated with the potential for laws related to a given industry, country or type of security to change and impact relevant investments.

Environmental Health and Safety Risk is the risk associated with the economic or administrative consequences of slow or catastrophic environmental pollution, hazards and the safety of persons in connection with the use of plant and machinery, or the protection of persons against hazards to health and safety arising out of, or in connection with, the activities of persons at work.

Fraud, Theft and Abuse is the risk of unlawful and intentional making of a misappropriation by persons internal or external to the organisation, which causes actual prejudice or which is potentially prejudicial to others.

Compliance Risk is the risk that procedures implemented by KGFT to ensure compliance with the relevant statutory regulatory and supervisory requirements are not adhered to and/or is inefficient and/or ineffective.

MANAGING RISK

Liquidity Risk

The nature and type of business that KGFT engages in exposes it to the following liquidity risks:

- Inability to repay borrowings;
- Inability to meet lending requirements;
- Payments of excessive premiums above market rates in order to attract funds.

The KGFT's Finance Department manages liquidity on a projected cash-flow basis. The key focus areas in managing liquidity involves the continuous monitoring of actual and projected cash flows and maintenance of a liquidity buffer to fund unforeseen cash flows.

Liquidity risk management strategies and processes include:

- Preparing cash flow projections regularly to assess available cash against cash requirements;
- Maintaining a buffer or liquid assets in short-term investments; and
- Projected cash inflow and outflow estimates and, thus, the net deficit or surplus over a time horizon.

Liquidity risk is measured by conducting an analysis of net funding requirements. Net funding requirements are determined by analysing future cash flows based on the assumption of the expected behaviour of assets and liabilities. The liquidity position is continuously monitored through the Financial Fund Model (FFM) by Exco, who then reports to the Audit and Risk Committee quarterly.

Interest Rate Risk

Interest rate risk to KGFT may arise due to:

- The margin between the interest rates earned on assets and paid on liabilities;
- The repricing potential of assets and liabilities at different points in time, resulting in mismatches in various time bands between the contractual repricing of assets and liabilities; and
- The period over which these differences persist.

Interest rate risk is the responsibility of Exco at management level and Audit and risk Committee at Board level. Interest rate risk management strategy manages placement of funds and the balance between risk and return, taking into account the KGFT's view on interest rates. Medium to long-term strategy return includes initiatives to reduce exposure to interest rate risk.

Concentration Risk

Funds available for investment are split between various banking institutions, with a minimum of 90% of funds being invested with banking institutions with along a long-term rating of BBB (and/or other rating agencies with the equivalent ratings) or above or short-term rating of F3 or above as listed by Fitch ratings agency (or other rating agencies with the equivalent ratings) with the exception of Ithala Soc Ltd as approved by the Board, which is limited to a total of 10% of available funds. No more than 25% of KGFT investments can be placed with only one institution at a time.

Operational Risk

Operational risk is managed through the implementation of appropriate internal control systems, supported by staff training. Clearly defined and documented operational policies and procedures in the form of key controls and procedures are maintained and made available to all staff members. To ensure that the policies and procedures and control mandates meet KGFT's requirements, both statutory and commercial, the policies, key controls and procedures are subject to review by management and appropriate risk committees to ensure ongoing development and maintenance of sound and prudent operational risk policies and procedures.

The Executive management is responsible for the practical implementation of the principles of operational risk management and monitoring thereof at departmental level. The Executive management is also responsible for the development and maintenance of the procedures for the management of operational risk related to KGFT's products, services, functions, processes and systems.

Insurance Risk

The KGFT's assets and relevant exposures are covered by the relevant insurance policies to minimise losses. These insurance policies are reviewed annually.

Business Continuity Management

The KGFT maintains business continuity plans that are tested annually and IT backup is done on a daily basis, with weekly full backups maintained at a secure off-site location.

Technology Risk

Technology is the risk of failures in systems, errors in the development of programmes, inadequate or inaccurate management information, as well as inadequate security and contingency planning. Technology is key to KGFT's business and hence it's imperative to maintain disaster recovery policies and plans that give guidance to operations in the case of disruption. These plans are tested on an annual basis and are adjusted in line with changes in operations, services and strategy.

Compliance Risk

Compliance risk not only exposes KGFT to fines, civil claims, loss of authorisation to operate and an ability to enforce contract, but also to reputational damage.

KGFT's has a dedicated compliance function whose role is to assist management in discharging their responsibilities to comply with applicable regulatory requirements. The compliance function assists through the identification, assessment, management, monitoring and reporting of compliance risks faced by KGFT. The regulatory universe is reviewed and approved on an annual basis and identifies the core legislation applicable to KGFT.

The regulatory universe is reviewed and approved on an annual basis and identifies the core legislation applicable to KGFT.

Legal Risk

Legal risk is managed in terms of the newly devised legal risk management framework that is currently being drafted. Support activities include the monitoring of new legislation, the implementation of awareness initiatives and the identification of significant legal risks, together with managing and monitoring the impact of such risks through appropriate processes and procedures.

Credit Risk Exposure

The primary focus of risk management is to identify and assess all risks directly associated with the project with a view to determine how well the project can sustain ongoing commercial operations and service its obligations on time and in full.

As a Development Finance Institution (DFI), the KGFT is exposed to credit risk in its portfolio. Credit risk constitutes the entity's primary source of risk and therefore, it is required to robustly and effectively manage this risk. The risk is managed through the various stages of the credit life cycle and value chain to ensure that the KGFT delivers on its mandate while remaining financially sustainable in its project finance investments and interventions.

KGFT's approach to risk management is based on well-established governance processes and includes the full involvement of the Board, IC and IRC, supported by policies, procedures and systems.

Credit risk management activities are performed at four distinct stages in KGFT, namely initial acceptance of the credit application, ISR, FAR and post investment, guided mainly by the KGFT's investment, credit and loan pricing policies and relevant South African legislative and regulatory requirements.

Investment Risk

The investment policy sets out the basis on which investments to be made by the Fund are approved as well as the procedure to be followed for the IC to make investment recommendations to the Board of the Fund for their final approval. The aim of the Investment policy is to establish primarily whether a proposed investment meets the credit criteria set out in the credit policy and satisfies the Fund's development mandate.

The credit policy provides a framework for the evaluation of all new and existing credit exposures, as well as the management, control and monitoring of such exposures with the goal of appropriately providing a risk-reward profile by maintaining credit risk exposures within acceptable and agreed parameters.

The loan pricing policy provides the basis for calculating the pricing of the loans and sets in place an internal methodology and business process for determining the loan pricing strategy in relation to best practice, regulation and legislation relevant to the business.

Initial acceptance stage of the Credit Application

The Projects Department, headed by Executive Management, conducts risk assessment in terms of the relevant and initial credit risk criteria to determine whether the application can be considered for further appraisal at the next phase is conducted by the projects department headed by the Executive Management. At this stage KGFT does searches using Windeed, Dow Jones and other available risk and compliance search tools to identify further risks and if satisfied, the project is advanced to the next stage for further assessment.

Initial screening report (ISR) stage

In terms of the Fund's Credit Policy, credit applications that are deemed fundable by the projects team are subjected to an approval process and entails identification and assessment of potential risks that could be unique to the project under screening. Also to ensure consistency with the investment and credit policies. The Board has delegated the approval of initial screening reports to the IRC in order to facilitate quick turnaround times and to enhance the competitiveness of the fund.

Final appraisal report (FAR) stage

Once the ISR has been approved by the IRC, due diligence reviews are performed in order to assess the commerciality and sustainability of the project. The IC is responsible for ensuring that extensive due diligence has been done on projects requiring funding, and recommending projects for approval to the Board for final approval.

The project promoter is required to submit additional relevant project support information to facilitate robust appraisal in preparing the FAR. The FAR is submitted to the IC for assessment and a recommendation for approval is made by the IC to the Board.

Post investment stage

Portfolio management is a critical element in ensuring the recovery of all disbursed funds. KGFT has an effective system in place to identify, measure, monitor and control risk as part of an overall approach to risk management.

The IC is also tasked with the duty to oversee the management of projects and performance after disbursements to ensure that the fund has a performing portfolio.

The established credit policy provides the foundation and guidelines for sound portfolio management and includes among other controls the following:

- Monitoring the compliance with facility agreements;
- Internal review of portfolio risk rating;
- Monitoring disbursed funds by means of periodic reports from the project's management accounts and related information to assess the project performance;
- Annual review of credit portfolio and valuation of securities held;
- Monitoring events that may lead to payment default;
- Risk classification and provisioning of loans;
- Periodic review of every stage of the credit processes and credit policy, audit reviews as well as loan recovery strategies.
- Frequent customer visits to obtain a clear picture of management and operations of the business as well as to spot and assess the overall exposure to risk.

Reports on portfolio performance are submitted to the KGFT executives, IRC, IC and the Board for review.

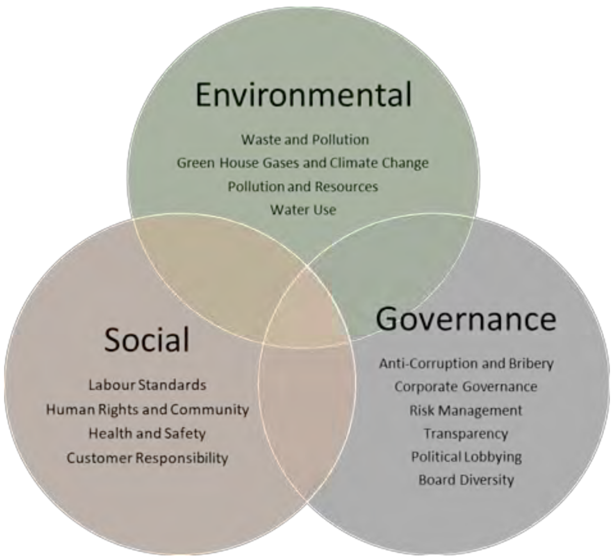
Environmental, Social and Governance (ESG) Management

ESG is growing in significance amongst investors. The disclosure of ESG performance is becoming a new normal, with companies working on improving their ESG performances to attract and retain investments. Accordingly, the KGFT has embedded the ESG factors in all its operating activities.

The *environmental* factor is primarily concerned with the company's influence on the environment and its ability to mitigate various risks that could harm the environment and enhance opportunities. Generally, a company is assessed by its use of energy, waste generation, level of the pollution produced, and utilisation of the resources.

The *social* component consists of people-related elements like company culture and issues that impact employees, customers, consumers, and suppliers; both within the company and in greater society. The social factor may affect the company's operational success by attracting new customers and retaining their loyalty and maintaining relationships with business partners and communities affected by the company's operations.

Corporate *governance* is concerned with the internal company's affairs and the relationships with the main company's stakeholders, including its employees and the shareholders. Proper and transparent corporate governance can help avoid conflicts of interest between the company's stakeholders. In addition, corporate governance is directly linked to the company's long-term success as proper governance policies can help to attract and retain talented employees.



The KGFT's framework for managing operational risk comprise a list of legislation, policies and guidelines applicable to the management of an ESG framework, as indicated below:

National Regulation	• National Environmental Management Act (NEMA) (Act No. 107 of 1998); • Occupational Health and Safety Act (OHS) (Act No. 85 of 1993); • Employment Equity Act (EEA) (Act No. 55 of 1998); • The Companies Act (Act no. 71 of 2008); and • Public Finance Management Act (Act No. 1 of 1999).
Guidelines, Principles, and Standards	• KGFT ESG Policy; • Codes for Responsible Investing in South Africa (CRISA); • IFC Performance Standards (IFC PS); • Equator Principles (EP); and • United Nation Principles for Responsible Investment (UNPRI).

Since the appointment of a dedicated ESG Officer, the KGFT has made progress on the key areas of ESG management such as the development of ESG policy, assessment, ESG Reporting, Corporate Social Initiatives (CSI) and ESG due diligence on projects. The ESG analyst works with the deal team on project appraisals, and also assesses the KGFT's internal ESG performance. ESG and ethics awareness training has also been provided to the clients of the KGFT.

1.5 Compliance Risk Management and Operational Risk Management

Compliance risk. The process of 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 process of compliance management encompasses:

- identifying and prioritising all Acts and regulations applicable to the KGFT as detailed in the Trust regulatory universe;
- incorporating regulatory requirements into control measures such as standard operating procedures, processes, manuals and policies;
- recommending corrective measures or steps to ensure compliance; and
- monitoring compliance through the adequacy and effectiveness of control measures through the compilation of compliance risk management plans for high risk legislation
- the continuous monitoring of the regulatory environment.

The KGFT has adopted the guidelines set out in the Generally Accepted Compliance Practice Framework – Principles, Standards and Guidelines including guidelines in International compliance practices which were adhered too in setting out KGFT's Compliance Framework, programme, processes and policies.

The Compliance activities undertaken by KGFT

Over the past financial year, the Legal, Risk and compliance team focused on the following regulatory key matters:

- Amendments to the Broad-Based Black Economic Empowerment
- Financial sector changes affecting the organisation
- Monitoring proposed amendments to the Protection of personal information or data.
- Anti-corruption, money-laundering and criminal finances legislation.
- Basic conditions of Employment Act
- Occupational Health and Safety Act

The consequences of non-compliance with key legislative requirements can be costly and damaging to KGFT ranging from penalties and fines, to imprisonment, lawsuits and reputational risk.

Operational risk. The Legal, Risk and Compliance unit manages a Departmental risk register for the organisation that identifies key risks in the areas of finance, clients, human resources, environmental and the investment community. Within each of these areas the risks are rated on the likelihood and impact, who is responsible for managing the risk and identifies the controls and mitigations in respect of each risk. The register is reviewed and updated quarterly taking into consideration the nature of risks and the sufficiency of controls in respect of them.

12. Business Model

The KGFT has taken the view that in order to leverage Government's capital to maximise the developmental reach of its funds, it is essential to manage third party capital. The KGFT has set up a new equity fund under an en-commandite partnership model. The new model and governance structure enables the implementation of separate funds and the introduction of new funding instruments as and when deemed necessary by the beneficiary.

The KGFT currently manages its own capital in two internally separated funds, namely a debt and an equity fund. The management of the two funds are segregated by separate policies and procedures and where practically possible, staff a well. The asset allocation of the KGFT determines the size of the respective funds, which is depicted in the table below.

Asset Allocation of the KGFT's Capital

SOURCES OF FUNDS	R'm	ASSET ALLOCATION	R'm
Initial capitalisation (EDTEA)	362.5	Equity Fund	350.0
Accumulated allocations (EDTEA)	409.0	Debt Fund	1083.4
EDTEA allocation*	393		
Capitalised returns	268.9		
Total	**1 433.4**	**Total**	**1 433.4**

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

The Breakdown of the funds into the asset classes (R350m Equity Fund and R1,08bn Debt Fund) was determined by various factors *inter alia* considerations around minimum requirements for the establishment of a private equity fund with strategic institutional patterns.

13. Strategy

KGFT is a project financier located in KZN and mandated to invest in projects mainly in KZN which can positively impact economic development, increase job creation, promote B-BBEE and reduce inequality.

The KGFT seeks to fill the capital gap on bankable business plans in respect of commercially viable projects. The KGFT fulfils its developmental mandate by investing in such projects through its debt and equity fund.

ALIGNMENT TO PROVINCIAL STRATEGIES

The KGFT is part of a Steering Committee set up by the EDTEA to facilitate strong participation of KZN Black Industrialists in the dti Black Industrialists Scheme. The KGFT has a key role to play in terms of ensuring access to funding of KZN Black Industrialists in the dti Black Industrialists Scheme and in leveraging the national funding scheme and incentives. The KGFT is pivotal in implementing fund management for the KZN Youth Fund.

ALIGNMENT TO PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY (PGDS)

The KGFT has aligned itself with the KZN 2016-2035 PGDS through its mandate, mission and investment policy. The KGFT seeks to align itself to four of the seven strategic goals identified in the KZN PGDS, namely job creation, strategic infrastructure development, environmental sustainability, governance and policy.

The KGFT provides project finance, debt funding and equity finance to projects within specific target sectors where gaps or backlogs in economic develo9pment and job creation have not been adequately addressed by traditional financial institutions.

The table below shows the alignment between the PGDS goals and the Fund's activities.

Table 3.2: Alignment of the KGFT to PGDP

Provincial Strategic Goal	Objective	KGFT Alignment
Goal 1 – Inclusive Economic Growth	- Develop and promote the agro-processing potential of KZN, enhance sectoral development through trade investment and business retention, enhance spatial economic development, improve the efficiency, innovation government-led job creation programmes, promote SMME and entrepreneurial development, youth development	KGFT invests in projects with a high potential of creating sustainable jobs, improving rural economy and in this manner seek to eradicate poverty and inequality.
Goal 2 – Human Resource Development	Improve early childhood development, primary and secondary education, Support skills development to economic growth, Enhance youth and adult skills development and life-long learning.	- KGFT enhances youth and adult skills development by providing internships to learners that give them practical experience and education thereby enhancing their skills level for future employment opportunities. - KGFT is in the process of forming an Educational Foundation KGFT to assist with scholarships and bursaries.

Goal 5 - Environmental Sustainability	- Enhance resilience of ecosystem services, expand the application of green technologies, adapt and respond to climate change.	- KGFT aligns itself by ensuring that projects being funded adhere to Equator Principles (the principles, adopted by the financial industry as a benchmark for determining, assessing and managing social and environmental risk in project financing). - KGFT ensures that all projects funded are in compliance with environmental, social governance principles. - The KGFT seek to fund more alternative energy generation projects.
Goal 6 - Governance and Policy	- Strengthen policy strategy co-ordination and IGR, build government capacity, eradicate fraud and corruption, promote participative, facilitative and accountable governance.	- KGFT adheres to good corporate governance, PFMA and King IV in its investments and as an organisation . - KGFT strives to maintain a Clean Audit record.

ALIGNMENT TO EDTEA STRATEGIC GOALS

KGFT has aligned itself to EDTEA 2020-2025 strategic goals through its mandate, mission and investment policy as follows:

Table 3.3: Alignment of the KGFT to EDTEA

Strategic Goals	Strategic Objectives	KGFT Alignment
Goal 2 - Inclusive and sustainable economic growth that supports decent employment	- Increased economic growth that supports job creations, HDI's, SMME's and social enterprises.	- KGFT invests in projects with a high potential of creating sustainable jobs, improving rural & town-ship economy and eradicating poverty and inequality.
Goal 3 – Preferred tourism destination in the country	Accelerate global competiveness of KZN as a preferred tourism destination for domestic and global tourism through: - Improved KZN Tourism product and service offering in the sector - Improved KZN Tourism marketing and packaging - Improved KZN Tourism compliance with tourism legislation	- KGFT seeks to transform the tourism sector to achieve the provinces developmental objective of inclusive growth and employment by funding future projects in the tourism sector.

	- A transformed KZN Tourism sector towards inclusive growth and employment.	
Goal 4 - Sustainable environmental management	Promote conservation of environmental assets and natural resources to yield sustainable development through: - Enhanced governance systems and capacity - Sustained ecosystems and efficient natural resource use - An environmentally sustainable, low-carbon economy resulting from a well-managed just transition - An effective climate change mitigation and adaptation response -	- KGFT subscribes to sustainable environmental management by ensuring that all funded comply with environmental regulations throughout the term of the funding. This is achieved by conducting EIA at the initial stage of the project and annual ongoing compliance reporting by the borrower.
Goal 5- Achieve institutional excellence responsive to the needs of the Province	- Improved efficient, effective and accountable public-sector institution, improved co-operation governance for robust business processes and system. - Improved sound financial management practise	- KGFT adheres to good corporate governance, PFMA and KING IV - KGFT strives to maintain a clean audit record

14. Our Stakeholders

KGFT recognises that managing relationships with its various stakeholders is key for the effective execution of its mandate and to ensure the long-term sustainability of the Fund. KGFT interacts regularly with its stakeholder groups in order to understand and respond to legitimate stakeholder concerns.

Table 4.1: KGFT Stakeholder engagement

Provincial Government	- To facilitate the alignment of KGFT's objectives with government priorities - To monitor performance and report on activities	- Regular meetings with the MEC: EDTEA - Quarterly performance reporting - EDTEA representatives attend KGFT Board meetings - Presentations to EDTEA and KZN Finance Portfolio Committee - KGFT's Corporate Plan and Annual Performance Plan	- KGFT's developmental role - Strategy and long-term sustainability - Financial performance - Carrying out of the mandate	A, B, D
Clients (Existing and prospective)	- To understand client needs - Enhance Developmental impact - Attract funding opportunities - Inform clients of how to apply for funding	- Client meetings - Marketing Campaigns - Roadshows - Website - Business Networking - KGFT's Audio Visual - Brochures - Social Media - Transaction tombstones	- Client needs (funding and non-funding support) - Job creation - Perceptions and expectations - Environmental impact	C, D
Employees	- To understand and respond to staff needs and concerns - To align employees' work with the corporate strategy and performance targets - To create an inclusive environment where employees feel valued and committed	- Regular staff meetings - Identification of training and development needs - Performance Reviews - Presentations and workshops - Employee wellness initiatives - Employee Climate surveys	- KGFT's strategy - Internal developments - Financial performance - Development and Training - Internal policies and procedures and any changes thereto - Performance Management - Employee Code of Conduct	A, D
Suppliers	- To ensure timeous, cost effective procurement of goods and services from quality suppliers	- Meetings with suppliers - Advertisement of Bids/Tenders - KGF's website	- Supplier performance - KGF's procurement practises (including the prioritisation of B-BBEE suppliers) - Service Level Agreements/Contracts/Engagement letters	A, D
Strategic Partners, Industry Bodies and other government business enterprises	- To increase the exposure and market presence of the Fund through strategic interaction.	- Roadshows - Business Breakfasts - Participation/involvement in industry bodies and business associations - Memorandum of Understanding with - Advertising - Brochures	- Understanding KGFT's mandate and developmental role in KZN - KGF's offering - Financial performance - Future partnership opportunities	B, C, D

Media	- To enhance KGF's reputation as the Financier of choice in the KZN Province	- Direct engagement with Media (interviews/media briefings) - Print Media	- Changes and updates to KGF's business offering - Success	A, B, C, D

Strategic Objectives

A: To maintain sound corporate governance and an unqualified audit opinion.

B: To utilise government capital to leverage off institutional/private investor's capital so as to grow the assets under management.

C: To identify and finance viable private sector projects that maximise the development impact of KGF's investments.

D: To remain financially sustainable by fully committing available funds under management and ensuring appropriate post investment Management.

15. Annual Performance Report

Programme / Sub programme / Perfo		Objectives	Reporting Period Quarterly, Bi-Annual or Annual	Annual Target for 2020/21 as per the APP	Annual Actual for 2020/21
Programme 1 : Finance and Administration					
1.1	**Sub-Programme Name : Office of the CEO**				
1.1.1	To obtain and maintain an unqualified audit opinion with no matters of emphasis	Maintain external unqualified audit opinion with no matters of emphasis	Annually	Achieve a clean audit report for the 2019/20 financial year end	Achieved a clean audit report for the 2019/20 financial year end
1.1.2	Grow the assets under management by the Trust	% Growth in the Fund size (current Fund size R1.4bn)	Annually	Equal to or more than CPI as at 31 March 2021(3.1%)	3.47% increase in AUM achieved as at 31 March 2021.
1.2	**Sub-Programme Name : Financial Administration**				
1.2.1	Achieve % procurement spend on targeted B-BBEE suppliers (procurement spend on targeted suppliers /total procurement spend)	To provide effective and transparent financial management systems.	Annual	75% of total procurement from suppliers with a BEE level of 3 and above and/or 20% of total spend on targeted suppliers as at 31 March 2021.	75.9% of total procurement from suppliers with a BEE level of 3 and above and/or 41% of total spend on targeted suppliers as at 31 March 2021.
1.2.2	Achieve Operational cost effectiveness (total operational costs/total assets under management)		Annual	4.5% as at 31 March 2021.	Operational cost effectiveness achieved is 3.02% as at 31 March 2021.
Programme 2 : Project Investments					
2.1	**Sub-Programme Name : Project origination and appraisal**				
2.1.1	Estimated (direct/ indirect) job opportunities to be supported or created	Contribution to socio-economic development	Annual	150 jobs opportunities as at 31 March 2021	216 job opportunities created as at 31 March 2021
2.1.2.	% of disbursed projects meeting B-BBEE investment policy criteria (no of projects meeting the B-BBEE criteria / total no of projects disbursed)		Annual	70% of disbursed projects meeting the new B-BBEE Investment policy criteria as at 31 March 2021	100% of disbursed funds to projects meeting the new B-BBEE Investment policy criteria as at 31 March 2021.
2.2	**Sub-Programme Name : Project Disbursements**				
2.2.1	Rand Value of Projects disbursed	Fully commit all available funds to viable projects	Annual	Disburse R100m capital approved by 31 March 2021.	As at 31 March 2021, a total of R66.5 million has been disbursed. R35,7m has been disbursed to projects R15.8
2.3	**Sub-Programme Name : Aftercare**				
2.3.1	To maintain at least 70% of performing loans in the portfolio (Value of loans performing / total value of loans).(Debt)	To ensure appropriate portfolio management and aftercare is being performed so as to strive toward good asset quality and long term sustaintable growth of the Trust	Annual	At least 45% performance loans within the total loan portfolio as at 31 March 2021	11% performance loans within the total loan portfolio as at 31 March 2021
2.3.2	At the time of valuation of the investment portfolio, the valuation reductions should be less than or equal to 35% of the cost of the portfolio.(Equity)		Annual	At least 70% of the total cost of the invest-ment portfolio to be maintained based on annual valuations and provisions as at 31 March 2021	53% of the total cost of the invest-ment portfolio to be maintained as at 31 March 2021

Performance

While we had set-out to achieve a net loss of R23m this year, we recorded a net profit of R32m. This was largely attributable to upside performance of equity investments resulting to a fair value gains of R62m. The Trust has developed a revised funding model which will assist in managing the projects effectively to improve the performance of capital invested in the economy.

Key Performance Measures			
Rands	**2021**	**2020**	**% Change**
Profitability			
Interest Income	94 852 353	97,214,196	-47%
Raising fee	888,240	300,000	196%
Dividend Income	1,301,548	-	100%
Interest paid	(52 655)	(494 456)	-89%
Other Income	639 977	1,263,355	-49%
Fair value gains or (losses)	64 235 400	(40 115 066)	159%
Provision for doubtful debts	(42 365 262)	(63 135 866)	33%
Operating expenses	(43 465 858)	(38 137 909)	-14%
Assets			
Cash and cash equivalents	158,784,180	119 377 721	33%
Loans and advances			
New loans and advanced	35,040,461	18 400 000	90%
Repayments	(17 572 527)	(402 157 024)	-96%
Gross loans and advances	453,149,708	431 536 962	5%
Provision for impairments	(303 784 631)	(261 419 369)	16%
Net loans and advances	149,365,077	170 117 593	-12%
Provision for impairments as a % of gross loans & advances	67%	61%	
Non-performing loans and advances	445,021,127	163 720 881	172%
Total Assets	**1 304 901 830**	**1 295 521 617**	1%
Liabilities			
Provisions, accruals and other liabilities	43 773 208	114 730 568	-47%
Total Liabilities	**43 773 208**	**114 730 568**	-47%
Ratios			
Total Liabilities to Total Assets	29.81	11.29	
Current Assets to Current liabilities	22.92	8.99	
Equity			
Capital and reserves attributable to equity holders	1,261,128,622	1 180 791 048	7%
Operations			
No of employees	23	30	
Previously disadvantaged South Africans	19	26	
No of females	14	17	

16. Contributing Value to the Economy

ECONOMIC VALUE ADD STATEMENT

KGFT contributed value to the local economy and created wealth for its stakeholders for the current and previous reporting periods as follows:

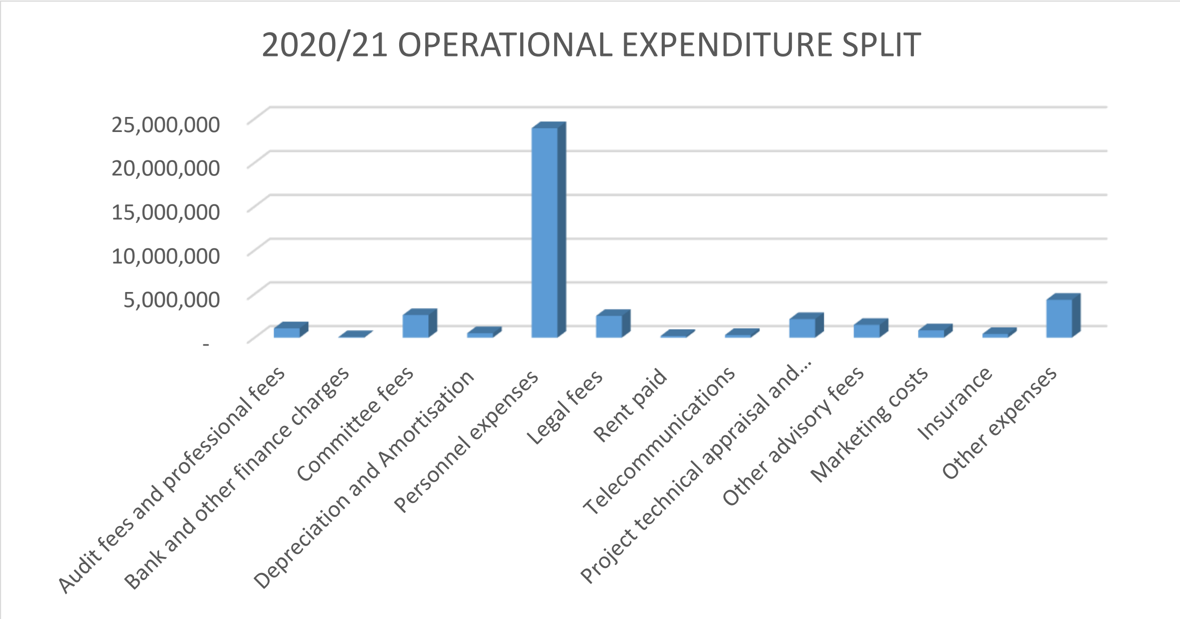
Rands	2021	2020
Interest income	51,060,183	94 852 353
Raising fee	888,240	434 783
other income	639,977	15 896 112
Dividend Income	1,301,548	-
Direct economic Value generated	**53 889 948**	**111 183 247**
To suppliers in payment of operating expenses	12,770,404	22 241 034
To employees	27,534,888	26 549 519
To providers of Funds	-	-
Other interest paid	52,655	357 490
Unemployment insurance Fund	87,054	93 892
Skills development levies	140,460	217 520
Property rates and taxes	137,685	139 896
Economic value distributed	**40 723 145**	**49 779 351**
Accumulated profit	**13 166 803**	**61 403 896**
Provision for doubtful debts	21 870 138	(182 547 488)
Depreciation and amortisation	(2 795 368)	(1 789 877)
Economic value retained for expansion growth	**32 241 573**	**(122 933 469)**

Economic value added during the year is represented by payments made to employees and service providers, amounting to R27.5m (2020: R26.5m) and R12.7m (2020: 22.2m) respectively.

KGFT is committed to promoting economic growth through applying the Preferential Procurement Policy Framework Act, 5 of 2000 (PPPFA) regulations when appointing service providers. This includes the need for bidding service providers to be B-BBEE compliant as part of the selection criteria.

The KGFT procures goods and services from consultants, contractors and other suppliers mainly through open tenders. The figure below reflects expenditure during the year under review by service category

2020/21 Operation Expenditure Split



The KGFT also promotes the procurement of goods and services from KZN based service providers. About 90% of the procurement spend in the year under review was to KZN based suppliers.

17. Socio-Economic Development

As both a development financier and impact investor, KGFT plays multiple and critical roles when serving its clients and stakeholders – as an advisor, asset manager, a facilitator, implementer, enabler and an investor. Similar to all financial institutions, our sustainability benefits from a growing and stable economy. Consequently, we strive to do our part to contribute to a healthy, expanding economy and to manage our firm in a responsible way. At the core of this drive, is the desire for shared growth and structural transformation of the local economic landscape. Our contribution is to stimulate economic growth, in the process facilitating job creation, reducing inequality and promoting environmental sustainability. In other words, our intention is to generate positive, measurable social and environmental impact alongside a financial return.

At KGFT, we believe that our ability to succeed in the years to come will depend on identifying today's challenges to sustainable growth and addressing them. For that reason, we take impact investing as a critical element of our financing activities.

(i) KGFT Core Business

R94.9 MILLION	**R66.5 MILLION**
Financing approvals during the year	The value of disbursements during the year
R15.8 MILLION	**R72.8 MILLION**
Disbursed to Youth Fund Beneficiaries	Approved for businesses with women ownership
216	**1**
Job opportunities created	The number of black industrialist projects supported during the year

Case Study I: Brace Able Manufacturing – Brace Able

Investment partners	Founding shareholder New shareholder Employee trust
Industry	Manufacturing
Location	Pinetown, KwaZulu-Natal
Job creation potential / Existing employees	105 / 246
BBBEE ownership	60%

Brace Able is a first-tier supplier to the Automotive Industry for over 30 year. The company designs, manufactures and assemble automotive tools and equipment for the motor industry. Brace Able specialises in these areas: Welding, Pressing, Rails, E-Coating, Wire and Tubing. The business is the first majority black owned supplier and manufacturer in the province. Brace Able is co-owned by the founding Family Trust, Arabic Moon Investment, a 100% black and female owned business and an Employee Trust.

Case Study II: Operation Vula

The KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA); KZN Treasury and the KZN Growth Fund Trust (KGFT) introduced the Operation Vula Programme ("OVF Fund"). The R22 million grant funding was administered by KGFT as the disbursing agent and targeted at black Africa youth female, people with disabilities and youth owned businesses as beneficiaries. As at 31 March 2021 the KGFT has disbursed just over R14 million to deserving entrepreneurs of the province.

Our Approach To Impact Investing

We take a hands-on approach to managing environmental, social and governance (ESG)-related risks and resolving environmental and social challenges. We harness specialist skills and deploy capital to build thriving and sustainable economies, and we emphasize the importance of effective corporate governance at our portfolio companies.

The Snapshot

R100 thousand

- Was committed by KGFT to spend towards Corporate Social Initiatives (CSI) in 2019/20.
- A total of 3 projects were selected to partner with KGFT CSI program.
- R25 000 has been spent on one project as of 31 March 2020 (see CSI page section for initiative).
- The remaining 2 approved projects (totalling R75 000 committed spend) grant payments were affected by national restrictions due to COVID-19. Grant awarding will be done once the restriction has been lifted.

1 interns

- Were employed by KGFT on a 24-month fixed term contract as at 2020/21 financial year.
- 1 Black female Law Intern.

76 percent

76 percent

R301 thousand

Natural Capital - Resource Efficiency

Natural Capital (NC) is a metaphor to indicate the importance of elements of nature (e.g. minerals, ecosystems and ecosystem processes) to human society. It is a way of thinking about nature as a stock that provides a flow of benefits to people and the economy.

KGFT's Natural Capital is derived from:

- Use of natural resources such as water and power/energy.
  - **129 589** kilowatt-hour (kWh) of electricity consumed at KGFT, an increase from the previous year (97 640).
  - **890** litres (L) of water consumed at KGFT, a decrease from the previous year (904).

	Annual 2019/20	**Annual 2020/21**
	1 April 2019 – 31 March 2020	**1 April 2020 – 31 March 2021**
Electricity Spend	R 270,170.97	R 293,559,94
Electricity Consumption (kWh)	97 640,40	129,589.99
Water Spend	R 32,650.72	R 32,145.06
Water Consumption (L)	904	890

- The management of waste.
  - KGFT has a recycling program through partnership with Evergreen Recycling CC, a detailed recycling program will be developed in the coming financial year.

Human Capital – Skills Development and Training

Human capital (HC) is defined as people's skills and experience, and their capacity and motivations to innovate. Training and skills development of employees is a priority at KGFT. This is part of the Social and Ethics Committee (SEC) focus areas in terms of sustainable development practices. The actual spend during the course of 2020/21 in comparison to the 2019/20 financial year is seen below.

2019/20	**2020/21**
R 861 THOUSAND	**R 301 THOUSAND**
Provincial Skills Development Initiative Irregular Expenditure Treasury update King IV (IODSA) FICA Training Fraud and Ethics BBBEE 4th Annual Leadership Development for Women in Govt & SOE IoDSA Director Series 1-5 SHE Representative	Treasury update SCM Training King IV (IODSA) Role of Social & Ethics Commitee IoDSA Director Series 1-5 Corporate Governance, Private Equity Training POPI Act South African Venture Capitalist and Private Equity Conference

Regulatory Exam Corporate Governance, IFRS 9, Private Equity Training Private Debt Masterclass Essential Leadership Skills for Women Ethics and Sexual Harassment Ethics and ESG compliance	

The Risk and Compliance Division undertook a roadshow to KGFT's portfolio companies in order to raise awareness and workshop Ethics and Environmental, Social, and Governance (ESG) .

Ethics Awareness was aimed at promoting a "speak-up drive" on ethics at the workplace and various ways to implement ethical awareness, this was facilitated by KGFT's Compliance officer. Tools such as the Whistle Blower hotline were workshopped for staff to enable them to report any unethical behaviour.

ESG Awareness focused on various ESG risks and opportunities that are relevant to each portfolio company and, also provided guidance on how to benchmark their maturity and improve on their ESG performance.

Social and Relationship Capital

For KGFT Social and Relationship Capital encapsulates our relationships within and between the communities, groups of stakeholders, our shareholder and other networks, and the ability to share information to improve individual and collective well-being.

KGFT recognises that managing relationships with its various stakeholders is key for the effective execution of its mandate and to ensure the long-term sustainability of the Fund. KGFT interacts regularly with its stakeholder groups in order to understand and respond to legitimate stakeholder concerns.

Governance

In each entity, the tone at the top is set by the board of directors and embodied by senior management. To complement that, employees ought to be trained on a company's business standards and culture, underscoring the importance each employee has to play in serving clients and managing the firm responsibly for all stakeholders. Therefore, appropriate oversight at management and board level, as well as effective policies and practices, are key contributors to every company's ability to effectively manage a wide variety of risk factors. Not only is this a practice at KGFT, but emphasized at all portfolio companies.

18. Human Resources and Remuneration Committee Report

Mr Ashvir Dhuki
Chairman: Human Resources & Remuneration Committee

This report is presented by the Human Resources and Remuneration Committee (the HR&REMCO) and describes how the committee has discharged its duties in respect of the 2020/21 financial year.

Mandate of the committee

The HR&REMCO has an independent oversight and advisory role. The HR Committee operates in accordance with a Board-approved mandate and is governed by a formal terms of reference, which have been approved by the Board of Trustees and is regularly reviewed. The HR&REMCO can utilise the services of independent advisors on specialist matters as required.

Composition of the committee

The HR&REMCO currently comprises three independent non-executive members, and is chaired by an independent member. The remaining two members are Trustees on the Board. The composition of the HR&REMCO consist of members with the qualifications and experience necessary to fulfil the responsibilities of the committee. The Executive Management of the KGFT are invited to attend committee meetings. A quorum for meetings is the majority of members being present.

Attendance at meetings

The HR&REMCO met five times during the period under review. Details of attendance at meetings are included in section 21 (Corporate Governance) of the integrated report.

Key responsibilities of the committee

The HR&REMCO is responsible for all matters relating to the Human resources functions within the KGFT environment. A detailed work plan was formally adopted to ensure the effective functioning of the HR&REMCO. These responsibilities include:

- Ensuring that Executive management are adequately informed of best practice in human resource management;
- Assisting the Board in ensuring that the KGFT remunerates its employees fairly and responsibly and that the disclosure of remuneration is accurate, complete and transparent and in accordance with the laws and regulations applicable to the KGFT;
- Overseeing the establishment of a remuneration strategy which promotes the achievement of the KGFT's strategic objectives and encourage individual performance;
- Evaluating the performance of the CEO together with the Chairman of the Board in determining his remuneration / performance bonus;
- Performing a review of the employee engagement evaluation;
- Overseeing employment equity and other human capital statutory reports; and
- Exercising oversight of matters related to human resource management and succession planning.

KEY ACHIEVEMENTS OF THE HR COMMITTEE DURING THE YEAR

During the year under review the HR&REMCO:

- reviewed the HR strategy of the KGFT;
- advised on the HR implementation model;
- approved the grading and salary benchmarking for all positions within the entity;

- exercised oversight over salary increases, performance & retention bonuses (refer to note 17.2 for disclosure of Executive remuneration);
- reviewed various KGFT policies;
- set, in conjunction with the CEO and the Chairman of the Board, the CEO's key performance indicators (KPIs) and carried out the necessary review of performance against the set KPIs;
- performed a review the KGFT organogram;
- had oversight of the KGFT's employment equity reporting;
- reviewed the KGFT's reward and recognition strategy, and
- exercise oversight of matters related to human resource management and succession planning.

The HR&REMCO is satisfied that it has, during the past financial year met its responsibilities as stipulated in its terms of reference and that it has complied with all its legal, regulatory and other responsibilities.

Remuneration strategy and policy

The Board has ultimate responsibility for the remuneration policy. The KGFT's remuneration strategy is aimed at attracting, motivating and retaining competent and talented leaders and staff in order to ensure that its business remains sustainable. Remuneration levels are influenced by the scarcity of skills and work performance.

A performance based incentive scheme is in place and has been rolled out to all levels of the KGFT to acknowledge the contribution of individual employees by rewarding them for exceptional performance. KPIs are identified and agreed between each staff member and his/her immediate superior and his/her performance is measured against these agreed indicators. Individuals' KPIs are linked to the KGFT's KPIs as a means of ensuring that the KGFT achieves its objectives. A reward and recognition programme has also been implemented.

Remuneration packages are benchmarked to similar positions in the industry to ensure that they are fair and competitive.

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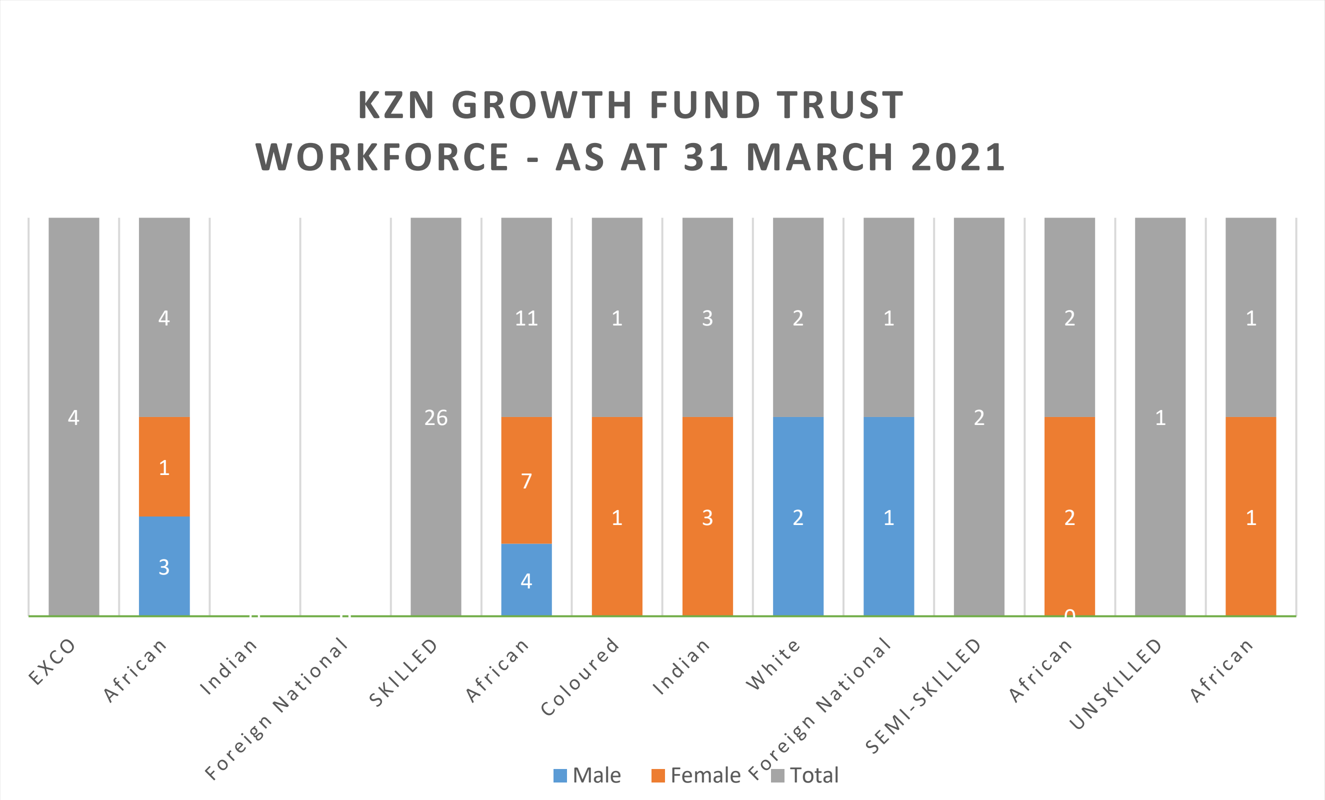
Mr A Dhuki
Chairman: Human Resources and Remuneration Committee

19. Operational Excellence

HUMAN CAPITAL INVESTMENT AND DEVELOPMENT

As at the end of the financial year, the KGFT employed 30 employees with 23 permanent employees and 7 contract employees. During the 2020/21 financial year, the KGFT appointed 7 new employees, and 4 employees left employment. The representation of the KGFT's workforce is demonstrated in the graph below.

Graph 6.1: KGFT Workforce as at 31 March 2021



Remuneration Report

For KGFT to achieve its mandate, the organisation is committed to a remuneration philosophy that:

- Supports the execution of the mandate and business strategy.
- Base salary increases on an updated market salary benchmark report which is conducted by PE Corporate Services
- Promotes good governance and risk management.
- Aligns its policies, procedures and practices with best practice, and legislation (the PFMA, and King IV, in particular).
- Motivates and reinforces performance at all levels (organisational, functional and individual).

KGFT's application of its remuneration philosophy aims to meet the strategic objectives of:

- Aiming to be competitive in specific labour markets in order to attract, retain and motivate key and talented people.
- Determining the value proposition of the various job levels required by KGFT.
- Ensuring that the hybrid of performance and competency management forms an integral part of remuneration, thereby influencing the remuneration components of base pay and incentives.
- Payment being fair, appropriately structured and competitively remunerated.
- Applying good governance to remuneration practices within approved structures.

- Supporting KGFT's culture as embedded in its values.

Employee remuneration

The Board is committed to attracting, motivating, managing and retaining employees of the highest calibre for KGFT through the payment of fair, appropriately structured and competitive remuneration packages. KGFT recognises a mix of both competitiveness and performance in its remuneration structure.

The remuneration packages for the employees are divided into fixed and variable components, including short-term performance incentives. KGFT has implemented a long-term incentive scheme which will seek to ensure that KGFT's ultimate long-term delivery outcomes are achieved.

Guaranteed packages

All employees, including executives, receive a cost to company package (CTC) based on their roles and responsibilities. Contribution to retirement are included in the CTC

The HR&REMCO reviews the CEO's remuneration and makes recommendations to the Board for consideration.

KGFT provides a range of benefits to employees over and above their cost to company package . This includesrisk benefits, study assistance for employees, annual leave, sick leave, as well as maternity and paternity leave.

The increases in CTC for employees are based on a review of market data, viz. the consideration of individual performance and potential, and the business priorities of KGFT.

Short-term incentives

All employees, including executives, participate in a yearly short-term incentive plan. Bonus payments are discretionary and depend on business performance and individual contribution.

The performance of the employees is measured against pre-determined goals, as approved by the Board.

Retention payments

In 2018/19 financial year the board approved the implementation of a retention incentive policy which is now in place.

This is aimed at ensuring that critical skills are maintained within KGFT, providing stability in the organisation.

Details of the remuneration of Executive Management are reflected in the notes to the AFS.

Talent Management Drive

KGFT has developed a strategic framework for the management of talent within the organisation, in order to ensure that the right people with the right skills are in the right roles at the right time to deliver on KGFT's Three Year Corporate Plan.

This aspect is governed by an approved Talent Management Framework, which identifies mission-critical positions and a succession plan to be followed to adequately manage the risks associated with staff movement and development in the organisation. Each employee has a Personal Development Plan that considers short and long term career aspirations of the employee.

Organisational Culture

A move towards a "transparent" culture has been adopted by KGFT, by way of keeping all staff members abreast of all developments within the organisation in the form of quarterly newsletters, regular staff feedback meetings and fortnightly EXCO meetings. Invitations are extended to all skilled professional staff to the annual Strategic Planning sessions to create awareness of KGFT's strategic plan on all levels.

Furthermore, employees are also directly involved in the creation of the Corporate Plan as well as the Annual Performance Plan to enable understanding and follow-through of the organisations objectives, as outlined in these documents. Further organisational transparency is enforced by KGFT's subscription to "Whistleblowers" in an effort to ensure the availability of anonymous reporting methods for instances of suspected occupational fraud.

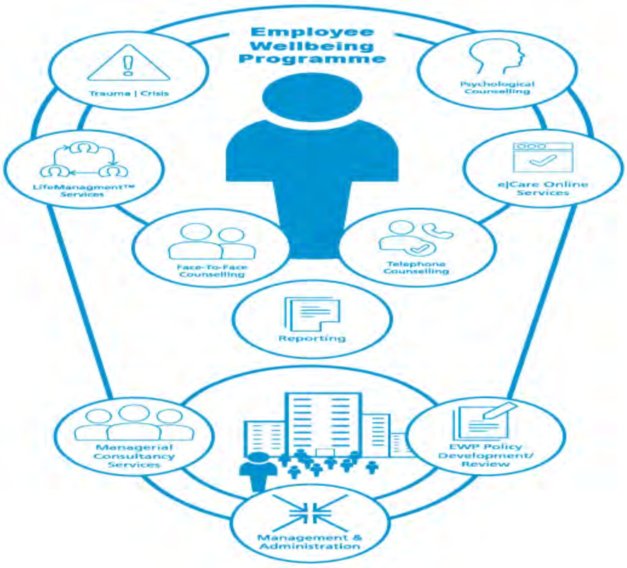
Performance Monitoring

The Performance Management Policy has been reinforced to enable recognition and rewarding of excellent achievements within the organisation. Training and development measures, as well as on-the-job coaching is provided to employees to enable and encourage greater performance standards on an employee level, and inevitably, thereby impacting on overall performance of the organisation.

Our culture of open and honest dialogue promotes immediate and direct performance feedback between the manager, employee and team to help individuals identify performance gaps and address development needs more accurately and effectively.

Employee Wellness

During the reporting period, various interventions were implemented which were aimed at working towards employee wellbeing in the categories of financial, emotional, physical and psychological wellbeing. The KGFT has outsourced the function to an independent leading professional firm in the area of expertise. The services include various interventions that promote the well-being of employees, and has been successfully implemented during the year. During this financial year, additional benefits were included in the suite of services available to employees, such as musculoskeletal health management.



KGFT Wellness Programme

Training and Development

Actual training spent for the year amounted to R0.3m has been allocated to empower KGFT female employees with critical Executive and Management competencies. Some of the training interventions include the following:

- Treasury update
- SCM Training
- King IV (IODSA)
- Role of Social & Ethics Commitee
- IoDSA Director Series 1-5
- Corporate Governance,
- Private Equity Training
- POPI Act
- South African Venture Capitalist and Private Equity Conference

Internship Programme

One intern was in employment on a 24 month fixed term contract during the 2020/21 financial year.

Information Technology Report

Information Technology (IT) remains a critical enabler of the KGFT's strategy and overall organisational performance. In this regard, the KGFT has placed emphasis and focus on the governance of IT in line with good corporate governance and King IV principles. The KGFT's Board is ultimately responsible for ensuring that there is effective IT governance in place, including the alignment of the IT strategy to the KGFT's strategic objectives. Responsibilities of the Board are executed through the Audit and Risk Committee (ARC), through which have been delegated the authority to oversee the successful implementation of the KGFT's IT governance framework. IT forms an integral part of the KGFT's risk management and ARC considers the impact of IT on financial controls as part of the organisation's audit plan.

The KGFT's EXCO provides regular updates to the ARC on the status of significant IT initiatives, in addition to other governance-related issues. Amongst the IT governance imperatives, the KGFT has ensured that periodic Disaster Recovery (DR) tests are conducted timeously. The KGFT will continue to review and improve the overall DR solution in the future. The overall IT security posture of the KGFT has also received due focus, with continuous improvement initiatives being rolled out during the year, together with the provision of IT security awareness training to the business.

During the past year, the KGFT has made significant investments in refreshing and upgrading its hardware infrastructure, together with critical business systems. The procurement of a Financial Fund Model is currently underway. The implementation of the model is expected to be completed by August 2021.

With the planned IT development and rollout of a new enterprise architecture as envisaged in the IT Strategy, IT is well placed to enable the KGFT to both exceed stakeholders' expectations and to ultimately contribute towards the realisation of strategies of the KGFT in achieving its mandate.

MARKETING Report

During the 2020/21 financial year, KGFT continued with the implementation of its marketing strategy that was developed in the previous financial year. The strategy included the KGFT's short, medium and long term marketing requirements, ultimately aimed at re-profiling the organization and repositioning the KGFT corporate Brand.

The brand mobilisation comprised active participation in events that show cased entities within EDTEA, attendance of high profile local and global networking events, which was complemented by advertising which included advertorials and advertising at the airport.

The synergies identified between EDTEA entities were postponed during the current financial year following the impact of COVID19 where physical attendance at events was prohibited. Thus all roadshows planned for the year under review were cancelled.

The momentum in terms of the Marketing activities was affected by lock-down regulation will continue into the next financial year, with the focus being on entrenching our product and position in the market, thereby driving our vision "To be KZN's leading development financier and impact investor".

20. Corporate Governance

Application of Governance Principles

KGFT strives for the overarching governance principles of accountability, fairness, transparency and responsibility. The KGFT is established in terms of a Trust Deed which is legally governed by the Trust Property Control Act, 57 of 1998. The Trust Deed determines the mandate of the KGFT. Historically, the entity was neither a Company nor a listed Public Entity in terms of the Public Finance Management Act, 1 of 1999 (PFMA). When the Debt Fund was set up in 2008, it was deemed not to be a PFMA entity by virtue of private sector lenders' facilities being more than 50 per cent of the size of the Fund as well as the fact that some of the decisions at a governance level needed to be made through consultation between the lenders and government.

However, the Board elected to comply with the PFMA as a schedule 3D Public Entity (government business enterprise). In terms of the new funding model, the KGFT will be deemed to be a PFMA entity and has therefore begun the process of listing as a public entity with National Treasury. KGFT endorses King IV and has endeavoured to adhere to the recommendations thereof as far as possible. KGFT is also aligned with and supports all the relevant legislation in South Africa that applies to its activities.

Strategic Objectives and Performance Management

In line with section 52 of the PFMA, KGFT submitted a Shareholder Compact and Corporate Plan to the EDTEA for the 2020/21 financial year. This serves as an agreement between KGFT and the beneficiary and documents the key performance measures and targets against which organisational performance is assessed. The Board reports on performance and related matters to the beneficiary by way of quarterly reports and regular meetings are held between the Board Chairman, the CEO and the MEC.

Based on the Corporate Plan, the Board sets KGFT's strategic objectives and determines its performance criteria. Management is then charged with the detailed planning and implementation of those objectives, within appropriate risk parameters.

Board of TRUSTEES

The Board takes overall responsibility for directing KGFT towards achievement of its strategic objectives, vision and mission, as well as the KGFT's overall performance.

The Board is governed by the Trust Deed which records its objective to provide responsible business leadership and details duties of individual Trustees in the course of discharging their duties. In addition to the Trust Deed, the Board operates in terms of an approved Board Charter which sets out the Board's role and responsibilities as well as the requirements for its composition and meeting procedures. The Board considers the charter as a living document, updated periodically to align with changes required by relevant legislation and regulation.

The Board has a diverse mix of skills, expertise and experience which is required to meet KGFT's strategic objectives. This includes but is not limited to appropriate legal, banking, project finance, private equity,

Governance, human resources, quantity surveying, infrastructure and development project finance, and governance experience and expertise.

The Board is responsible for setting and formulating economic, social and environmental direction through strategic objectives and key policies, major plans of action, its risk policy, annual budgets and business plans. It ensures that the EDTEA's performance objectives are achieved through the implementation of structured reporting systems which are used to monitor performance.

Board Structure and Composition

The Board comprises of seven Trustees, comprising of six independent Trustees appointed by the MEC: EDTEA and the CEO who is a Trustee by virtue of his position. In making the appointments of the Independent Trustees, the MEC takes into consideration gender and demographic representation, KZN representation, as well as the appropriate collective skills required by the Board. The roles of the Chairperson and CEO are separately held to ensure a clear division of duties. The Board are expected to keep themselves abreast of changes and trends in the business environment and markets, which shall include changes and trends in the economic, political, social, technology and legal climate generally. The Board holds at least 4 meetings per year as well as a strategic planning session. Special meetings are convened as required.

The table below details the Board of KGFT, the number of years' service and attendance at the 2020/21 Board meetings.

Name	Position	Number of years' service	Board Meetings Held	Attendance at Board Meetings
Board Members:				
Mr Siphile Buthelezi	Chairperson	4 year 3 months	8	8
Mr Aubrey Shabane	Trustee/CEO (Ex Officio Member)	3 years (as a Trustee)	6*	6
Mr Ashvir Dhuki	Trustee	4 year 3 months	8	7
Ms Bongekile Zulu	Trustee	4 year 3 months	8	8
Mr Khaya Thango	Trustee	4 year 3 months	8	8
Mr Silas Hlophe	Trustee	3 year 1 month	8	8

*** Resigned in September 2020.**

The table below details the Board of Trustees, the number of years' service and attendance at the 2020/21 Board Special meetings.

Name	Position	Number of years' service	Board Meetings Held	Attendance at Board Meetings
Board Members:				
Mr Siphile Buthelezi	Chairperson	4 year 3 months	31*	31
Mr Aubrey Shabane	Trustee/CEO (Ex Officio Member)	3 years (as a Trustee)	21*	21
Mr Ashvir Dhuki	Trustee	4 year 3 months	21	21
Mr Silas Hlophe	Trustee	3 year 1 month	21	19
Ms Bongekile Zulu	Trustee	4 year 3 months	21	20
Mr Khaya Thango	Trustee	4 year 3 months	21	21

***Includes attendance at MEC quarterly meetings, Strategic session and Risk workshops**
****Resigned in September 2020**

Committee	Key Responsibilities	Membership	Meetings Held	Attendance
Audit and Risk Committee	- Monitor adequacy of financial controls and reporting - Reviews audit plans and adherence to these by external and internal auditors; - Ascertains the reliability of the audit; - Ensures that financial reporting complies with IFRS and the PFMA; - Ensures that there are effective measures in place on Information Technology risks as they relate to financial reporting; - Makes recommendations on all financial matters; - Oversees the compliance and risk reporting; - Assesses the effectiveness of the finance function and internal audit; - Appoints the internal auditor and recommends the external auditor to the Board	***Audit Committee members:***		
		Mr Wilfred Ngubane (Chairperson)	9**	5
		Mr Lwazi Zondi (ACEO – Ex Officio Member)	2	2
		Ms Bongekile Zulu (Member)	4	4
		Mr Silas Hlophe (Member)	4	3
		Mr Ashvir Dhuki (Member)	4	4
Human Resources & Remuneration Committee	- The HR&REMCO exercises oversight of matters related to human resource management and succession planning; develops and implements the human resource strategy; assists the Board in the development of remuneration policies, incentive policies and performance targets as well as specific remuneration levels for KGFT.	***HR & REMCO Committee members:***		
		Ms Ashvir Dhuki (Acting Chairman – Independent Representative)	11**	11
		Mr Lwazi Zondi (ACEO – Ex Officio Member)	6	6
		Mr Khaya Thango (Member)	11**	11
Investment Committee	- **Devising the Investment, Equity, Guarantee, Credit, Equity Pricing and Valuation, and Loan Pricing Policies which shall consist of processes and procedures to be applied to the Investments;** - **Evaluating, assessing and approving the creditworthiness of any investment identified by the Executive Management and;** - **Monitoring of investment mandates**	***Investment Committee members:***		
		Mr Silas Hlophe (Chairperson)	7	7
		Mr Siphile Buthelezi	7	7
		Mr Aubrey Shabane (CEO – Ex Officio Member)	5***	5
		Mr Lwazi Zondi (ACEO – Ex Officio Member)	2	2
		Ms Gasenna Kungwane (Independent Representative)	8**	8
		Ms Bongi Zulu	7	7
Social and Ethics Committee	- Monitor Social and Economic Development and goals towards the 10 (ten) principles set out in the United Nations Global Compact Principles - the Organisation of Economic Co-Operation and Development ("OECD") recommendations regarding corruption - Monitoring of Trusts ethics programme - Implementation and execution of effective stakeholder relationship management	Mr Khaya Thango (Chairperson)	4	4
		Mr Ashvir Dhuki	4	3
		Ms Bongi Zulu	4	4
		Mr Aubrey Shabane (CEO – Ex Officio Member)	2**	2
	-	Mr Lwazi Zondi (ACEO – Ex Officio Member)	2	2

* Includes attendance of Investment Committee (Equity) Meetings
**Includes attendance at Board meetings, Strategic & Risk workshops and interviews for Executives
***Resigned in September 2020.

Board Effectiveness Assessment

King IV requires that the performance of the Board, its sub-committees and individual members be evaluated on an annual basis. A formal internal Board evaluation was performed in the 2019/20 financial year. A report was presented to the sub committees of the Board which concluded that there is consensus that the Board conducts its business professionally in an atmosphere of good governance with the business of the Board being conducted openly and transparently.

The Board evaluations for the 2020/21 financial year will be conducted externally using the services of Institute of Directors programme.

Delegated Power of Authority

The Board is authorised to form standing and ad hoc committees to assist it in the execution of its duties, powers and authorities. The Delegation of Authority Framework document is reviewed annually and approved by the Board. The terms of reference of each committee clearly differentiates, where appropriate, between powers that are delegated to committees for decision by the committee concerned and those in respect of which the Board retains decision making powers but requires a recommendation from the committee concerned. Delegation of authority to Board committees or management does not mitigate or discharge the Board and its Trustees of their duties and responsibilities, or ultimately their accountability.

Remuneration of the Board Of KGFT

The Trustees are remunerated for the meetings they attend at rates approved by the EDTEA. No performance-based remuneration is paid to Trustees.

Board Committees

The Board has established four standing committees to assist it in exercising its authority. In line with the principles of King IV, all committees of the Board have formally approved terms of reference to ensure effective decision-making, monitoring and reporting. The terms of reference are reviewed at least annually, along with the overall effectiveness and performance of the committees.

The Board committees are the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Investment Committee and Social and Ethics Committee.

The Investment Committee, Social and Ethics Committee and the Audit and Risk Committee are chaired by independent non-executive Trustees and Human Resource and Remuneration Committee is each chaired by an independent, non-executive who is not Trustee.

Internal Control Environment

Responsibility for the systems of internal financial and operational control has been delegated to the Audit and Risk Committee. KGFT's governance principles on ethical behaviour, legislative compliance and sound accounting practice lay the foundation for its internal control processes, while enterprise-wide risk management approach and risk strategy adopted by the Board form the framework for internal control. Executive management is accountable for determining the adequacy, extent and operation of control systems.

The Internal Audit function is responsible for providing independent, objective assurance on KGFT's system of governance, risk management and internal control. KGFT has outsourced its internal audit function to

Deloitte who have produced a rolling three-year strategic internal audit plan based on its assessment of KGFT's key risk areas, having regard to its current operations, those proposed in its corporate plan and KGFT's risk management strategy. Internal audit provides independent assurance to the Board and management on the effectiveness of the internal control system. Members of the Audit and Risk Committee review the work of Internal Audit and the internal auditors have unfettered access to the Chairman of the committee and the Board to ensure the escalation of any significant audit matters requiring immediate Board attention. A review of the performance of the internal audit function is undertaken on an annual basis.

Combined Assurance

Principle 15 of the King IV Report recommend combined assurance as a recommended governance practice. The recommendation was made following a general understanding that more can be done to improve assurance coverage and quality through better co-ordination of the assurance providers. While combined assurance offers numerous benefits, it is considered one of the biggest challenges facing businesses and organisations in adopting King IV.

Management has implemented a Combined Assurance Model Framework which sets out the combined assurance objectives as well as identifying KGFT's assurance providers and setting out the roles and responsibilities of each. The framework also details the seven steps for combined assurance implementation which include: identifying assurance drivers; assessing potential for combined assurance; identifying assurance providers; risk mapping; developing a combined assurance plan; application of the combined assurance plan; and reporting on combined assurance. A combined assurance plan was developed by KGFT and approved by the Audit and Risk Committee in the 2020/21 financial year.

Anti-Fraud and Corruption

KGFT is committed to eradicating all forms of fraud and corruption. The PFMA requires that KGFT has in place a Fraud Prevention Plan which is approved by the Board and submitted to EDTEA with KGFT's Corporate Plan on an annual basis.

Measures in place to ensure that the risk of fraud is minimised include:

- The provision of fraud awareness training;
- Adherence to a culture of zero tolerance with regards to fraud and theft
- Effective management and implementation of policies aimed at governing staff behaviour including the Business Code of Conduct and Ethics and KGFT's Fraud Prevention Plan;
- Conducting fraud risk assessments to highlight KGFT's fraud risks, identify the controls in place to mitigate those risks and formulate action plans in terms of identified gaps or weaknesses; and
- An independent "whistle-blowing" service, enabling staff and other stakeholders to report fraud via a tip off line.

KGFT's management and employees have signed and committed to an anti-fraud declaration as a pledge to zero tolerance against fraud and corruption. Fraud risk is reported upon at each meeting of the Audit and Risk Committee.

There have been no incidents of fraud and corruption reported in the period either directly to management or via the whistle blower's hotline.

Ethics and Managing Conflicts of Interest

KGFT has a Business Code of Conduct and Ethics in place which is intended to promote and enforce ethical behaviour and enhance professionalism in dealing with suppliers, customers, business partners, stakeholders, government and society at large.

The Board conforms to KGFT's Declaration of Interest Policy Framework which re-enforces the KGFT's commitment to ensure that the organisation is managed ethically and transparently in a manner that benefits all of its stakeholders. Declarations of Interest are made on an annual basis and the Board, sub-committee members and the executive management are required to disclose any potential conflicts at meetings of the Board and its committees. KGFT also has a gifts and inducement policy which requires that any gifts, given or received, over R500 are approved by the executive management and declared to the compliance function.

Promotion of Access to Information

KGFT is committed to complying with the Promotion of Access to Information Act (PAIA) which supports important principles of good governance, transparency and accountability. The PAIA of 2000 gives effect to the constitutional right of access to any information held by the State and any information that is held by another person and that is required for the exercise or protection of any rights. KGFT has a PAIA Manual available on its website which details the process to be followed to request information. KGFT reports to the South African Human Rights Commission on an annual basis in terms of section 32 of the PAIA stating how many requests for information have been received from the public. There were no requests for information received in the 2020/21 financial year.

21. Social and Ethics Committee Report

The report is presented by the Social and Ethics Committee (SEC) and covers the activities of the SEC in respect of the 2020/21 financial year. The SEC assists the Board in monitoring KGFT's performance as a good and responsible corporate citizen. This report describes how the SEC discharges its duties as mandated by the Board of the KGFT.

The Social and Ethics Committee has adopted an appropriate formal term of reference through the Social and Ethics Committee Charter. The SEC regulates its conduct in compliance with this Charter and has discharged all its responsibilities in accordance therewith. The terms of reference make provision for guidance from SEC on transactions and policies that could pose a high risk to the KGFT. The terms of reference are a working document, as experience has shown that creating good terms of reference for a social and ethics committee is not a once off exercise but an evolutionary process. The terms of reference are reviewed annually.

SOCIAL AND ETHICS COMMITTEE RESPONSIBILITY

The role of the SEC is to assist the Board with the governance of social and ethical matters relating to the KGFT. The SEC's role is articulated by the Board through the committee's work plan. The Board reviews the SEC's work plan and alignment to the KGFT's mandate on an annual basis to ensure that the KGFT conducts its business in an ethical and socially responsible manner. As part of King IV compliance and upholding the principles of good governance, the KGFT formed its first Social & Ethics committee in 2018.

COMPOSITION OF THE COMMITTEE

The SEC currently comprises three independent non-executive members and is chaired by an independent member who is a Trustee. The remaining two members are a Trustee and independent member. The Executive Management of the KGFT are invited to attend committee meetings. A quorum for meetings is many members being present.

POLICY REVIEW

The SEC is responsible for developing and reviewing the KGFT's policies taking into consideration the KGFT's commitment in respect of good corporate governance, ethical conduct and its sustainable development performance impact for purposes of making recommendations to the Board for improvement and compliance reporting. The annual work plan for the upcoming year will require the SEC to review the KGFT's Code of Conduct and Ethics, Gifts Policy, Politically Exposed Persons Policy, Conflict of Interest Policy, B-BBEE Policy and Transformation plan, Ethics Policy, and Fraud Prevention Plan.

BUSINESS CODE OF CONDUCT & ETHICS

KGFT has a zero-tolerance approach to unethical behaviour and is committed to ensuring that its employees, Board and Management implement and enforce the KGFT's values and reputation. The Business Code of Conduct governs the conduct of all KGFT employees, and the Board Charter regulates the Boards conformance with its code of conduct.
The KGFT also practices adherence to the code with its service providers, through the terms and conditions as contained in its legal agreements with service providers.

TIPS OFF ANONYMOUS

KGFT continuously promotes a culture of openness and transparency within the organisation. Employees and other stakeholders are encouraged to report any unethical or suspicious behaviour they may encounter. An independently monitored and anonymous whistle-blowing hotline (Whistle Blowers), is available to all employees to report any suspected fraud and/or activities which are in contrast with the Code of Conduct. The tip-offs service is made available to stakeholders through the KGFT's website. The details in respect of this hotline are available online.

PROMOTING BBBEE

One of the responsibilities of SEC is to assist the Board in ensuring that it discharges its duties and obligations in respect of the country's transformation. The Board, in terms of the KGFT's mandate must ensure the development and empowerment of historically disadvantaged individuals through the projects in which the KGFT invests in. The SEC contributes to upholding the implementation of B-BBEE principles within the KGFT by entrenching this within the KGFT's transformation strategy and policy.

MONITORING OF SUSTAINABLE DEVELOPMENT PRACTICES

As part of the SEC's responsibilities, the following focus areas are closely monitored:

- Corporate social investment.
- Compliance and ethics.
- Stakeholder relations.
- Corruption and fraud.
- Broad based black economic empowerment.
- Labour relations, employment equity and best working conditions.
- Training and skills development for KGFT employees.
- Adherence to the King IV principles.

The SEC's monitoring role also includes the monitoring of any relevant legislation, other legal requirements, or prevailing codes of best practice, specifically with regards to matters relating to social and economic development and good corporate citizenship.

The SEC shall endeavour to ensure that the KGFT continues to meet its environment, social and governance responsibilities and that the KGFT is guided through appropriate policies and frameworks to sustain its commitment to social and economic development, fair labour practices, sustainable environmental responsibility and good corporate citizenship.

On behalf of the Social and Ethics Committee,

Adv. Khayelihle. P. Thango
Chairperson: Social & Ethics Committee

22. Audit and Risk Committee Report

The Audit and Risk Committee is a committee of the Board of Trustees and it assists the Board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the KGFT.

The Audit and Risk Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The Audit and Risk Committee members and their attendance at meetings are as follows:

Name of Audit and Risk Committee Member	Type of Appointment	Date of Appointment	Number of Meetings held	Number of Meetings attended
In-Coming Committee:				
Mr W Ngubane (Chairman)*	Trustee	2020-04-01	4	4
Mr A Dhuki (Chairman)	Trustee	2017-1-17	4	4
Mr S Hlophe	Trustee	2018-2-15	4	3
Ms B Zulu	Trustee	2017-1-17	4	4
Mr L Zondi	CEO – Ex Officio Member	2020-10-02	2	2

***A new independent non-executive Chair was appointed to align to KINGIV recommendations starting April 2020**

Executive Management of the Trust and representatives from the external and internal auditors attend the committee meetings by invitation only. The internal and external auditors have unrestricted access to the Audit and Risk Committee Chairman.

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulations section 21.1.10(b) and (c) and section 27.1.7.

Section 51(1)(a) of the PFMA states the following:
The Accounting Authority must ensure that the public entity has and maintains –
(i) Effective, efficient and transparent systems of financial and risk management and internal control;
(ii) A system of internal audit under the control and direction of an Audit and Risk Committee complying with and operating in accordance with regulations and instructions prescribed in terms of section 76 and 77; and
(iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

Statutory Duties

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

- Believes that the appointment of Auditor General – South Africa (AGSA) as auditor complies with the relevant provisions of the Trust Property Control Act and the Public Finance Management Act;
- Determined the fees to be paid to the AG as disclosed in note 15 of the financial statements;
- Determined in terms of engagement of the external auditor;
- Reviewed the quality of financial information;
- Reviewed the Integrated Report and Financial Statements;

- Received no complaints relating to the accounting practices and internal/external audit of KGFT, the content or auditing of its financial statements, the internal financial controls of the KGFT, and any other related matters;
- Made the submission to the Board matters concerning the KGFT's accounting policies, financial control, records and reporting; and
- Concurs that the adoption of the going concern basis of preparation in the financial statements is appropriate.

Oversight of Risk Management

The Audit and Risk Committee has satisfied itself that the following areas have been appropriately addressed:

- Financial reporting risks;
- Internal financial controls;
- Fraud risk as it relates to financial reporting; and
- IT risk as it related to financial reporting.

Internal Financial Controls

The Audit and Risk Committee has:

- Reviewed the effectiveness of the KGFT's system of internal financial controls including receiving assurance from management, internal audit and external;
- Reviewed significant issues raised by the internal and external audit process; and
- Reviewed policies and procedures for preventing and detecting fraud.

No significant cases of misconduct or fraud or any other unethical activity by employees of the KGFT has been brought to the attention of the Audit and Risk Committee.

Based on the processes and assurances obtained, KGFT believes that significant internal financial controls are effective.

Regulatory Compliance

The Audit and Risk Committee has:

- Reviewed the effectiveness of the system for monitoring compliance with laws and regulations.

External Audit

The Audit and Risk Committee has:

- Reviewed the external audit scope to ensure that the critical areas of the business are being addressed; and
- Reviewed the external auditors report including issues arising out of the external audit.

The external auditors have furthermore provided written assurance to the Audit and Risk Committee that they have remained independent of KGFT.

Internal Audit

The Audit and Risk Committee has reviewed the activities of the internal audit function to determine its effectiveness and to ensure that no unjustified restrictions or limitations were made.

The Committee has also reviewed the internal audit reports, including the responses of management to issues raised therein.

Based on the scope and results of their work, and subject to the limitations of sampling and audit risk, internal audit is of the opinion that key controls implemented by management appear to indicate that an adequate control framework is in place, however; implementation requires continuous attention in certain key control activities to provide reasonable assurance that residual risk areas reported are properly mitigated and controlled.

The Quality of In-Year Management and Monthly and Quarterly Reports Submitted in Terms of the PFMA
The Audit and Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued to the Board of Trustees by management of the KGFT during the year under review.

Finance Function
The Audit and Risk Committee has considered and satisfied itself of the appropriateness of the expertise, resources and experience of the Finance function.
Based on the processes and assurances obtained, the Audit and Risk Committee believes that the accounting practices are effective.

The Audit and Risk Committee has discussed the conclusions of the External Auditors on the annual financial statements, read together with the report of the External Auditors and recommend these to the Board of Trustees for acceptance.

On behalf of the Audit and Risk Committee

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Mr W Ngubane
Chairman: Audit and Risk Committee

23. Trustees’ Responsibility and Approval of the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the annual financial statements of KGFT, comprising the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Trustee’s Report, in accordance with International Financial Reporting Standards (IFRS) and the financial provisions of the Trust Deed. In addition, the Trustees are responsible for preparing the Trustees Report.

To enable the Trustees to meet these responsibilities:

- The Board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Audit and Risk Committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.
- The Audit and Risk Committee, together with the Internal Audit department, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the Trustees are satisfied that no material breakdown in the operation of the system of internal control and procedure has occurred during the year under review.

The KGFT consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in accordance with IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the KGFT’s financial position and financial performance.

The KGFT’s responsibility also includes maintaining adequate accounting records and an effective system of risk management. All employees are required to maintain the highest ethical standards in ensuring that the KGFT’s practices are concluded in a manner, which in all reasonable circumstances is above reproach.

The Trustees have made an assessment of the KGFT’s ability to continue as a going concern and have included appropriate disclosure in the Trustee’s report.

The basis of accounting has been adopted by the Board of Trustees after having made enquiries of management and given due consideration to information presented to the Board, including budgets and cash flow projections for the year ahead and key assumptions and accounting policies relating thereto. Accordingly, the Trustees have no reason to believe that KGFT will not continue as a going concern in the year ahead.

Approval of audited annual financial statements

The annual financial statements of KGFT, as identified in the first paragraph, were approved by the Board of Trustees on 28 July 2021 and are signed on its behalf by:

Mr S Buthelezi
Chairman of KGFT

24. Annual Financial Statements

CONTENTS

Preparer

The Annual Financial Statements were internally compiled under the supervision of:

Mr Lwazi Zondi

Acting Chief Executive Officer

TRUSTEES REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Trustees have pleasure in presenting this report as part of the annual financial statements of KGFT for the year ended 31 March 2021

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 2021

The financial results of the KGFT are fully disclosed on pages 81 to 147.

The key financial indicators for the year under review are:

- Net operating profit amounts to R10.8m (2020: R47.5m) and the total comprehensive income in the current year amounts to R32.2m (2020: R122.9m). The variance is attributable to the non-performance of loans where provision for impairment were raised and unrealised fair value adjustment loss on equity investments.
- Assets under management increased from R1,385bn in 2020 to R1,433bn as at 31 March 2021.

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 R95.9m in financing during the 2020/21 financial year to support almost R3bn worth of projects in telecommunications, manufacturing and healthcare sectors.

Disbursements, amounted to R35,6m during the 2020/21 financial year. None amount disbursed during the period under review relates to funding committed during the 2019/20 financial year.

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 (R48m during the 2020/21 financial year) from EDTEA, and this resulted in an increase in assets under management to R1 433bn.

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:

Name of Member	Date of Appointment	Date of Resignation	Board of Trustees	Investment Committee	Audit & Risk Committee	Human Resource & Remuneration Committee	Social& Ethics Committee
TOTAL NUMBER OF MEETINGS			**21**	**7**	**4**	**11**	**4**
Mr S Buthelezi (Chairman)	2016-12-12	n/a	31*	7***	n/a	n/a	n/a
Mr A Dhuki(Chairman of HRREMCO)	2016-12-12	n/a	17	n/a	4	11	3
Ms B Zulu	2016-12-12	n/a	20	7	4	n/a	4
Mr K Thango(Chairman of SEC)	2016-12-12	n/a	21	n/a	n/a	11	4
Mr S Hlophe(Chairman of IC)	2018-02-15	n/a	19	8	4	n/a	n/a
Mr L Zondi (Acting Chief Executive Officer)	2020-10-02	n/a	6	3	2	6	2
Ms G Kungwane	2018-06-01	n/a	n/a	8**	n/a	n/a	n/a
Ms N Ngubane (Independent Chairman of ARC)	2020-04-15	n/a	n/a	n/a	9**	n/a	n/a

* includes attendance at MEC quarterly meetings, meetings with Executives and CEO
** Includes attendance at Board meetings, Strategic & Risk workshops and interviews for Executives
*** Includes attendance at IC Equity Committee

The Trustees' and other committee members' emoluments are determined by EDTEA and are set out in note 17.1 of the annual financial statements.

7. Going concern

The KGFTs have no reason to believe that the KGFT will not be a going concern in the future, based on the KGFT's funding forecasts and projected strategic 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.

REPORT ON THE AUDITOR-GENERAL TO THE BOARD OF TRUSTEES

ON THE KZN GROWTH FUND TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	NOTES	2021	2020
		R	R
ASSETS			
Non-current Assets		**303 861 159**	**242 254 182**
Property, plant and equipment	**2**	1 032 859	1 241 126
Intangible assets	**3**	4 252 706	5 206 171
Right of Use Asset	**4**	-	1 283 416
Investments	**5**	227 645 400	162 240 000
Loans and advances	**6**	50 832 539	52 148 292
Cash and Investment Deposits	**7**	20 097 655	20 135 177
Current Assets		**1 001 040 671**	**1 053 267 435**
Cash and Cash equivalents	**7**	158 784 180	119 377 721
Investment Deposits	**7**	739 005 406	808 949 851
Trade and other receivables	**8**	4 718 547	6 970 562
Short term portion of loans and advances	**6**	98 532 538	117 969 301
Total Assets		**1 304 901 830**	**1 295 521 617**
EQUITY AND LIABILITIES			
Equity			
Capital and Reserves Attributable to Equity Holders		**1 261 128 622**	**1 180 791 048**
Capital contribution	**9**	1 433 496 010	1 385 400 010
Accumulated deficit		(172 367 388)	(204 608 962)
Liabilities			
Non-current Liabilities		**90 100**	**45 723**
Long term portion of provisions	**10**	90 100	45 723
Current Liabilities		**43 683 108**	**114 684 845**
Trade and other payables	**11**	43 682 958	113 231 951
Lease Liability	**12**	150	1 445 394
Short term portion of provisions	**10**	-	7 500
Total Equity and Liabilities		**1 304 901 830**	**1 295 521 617**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	NOTES	2021	2020
		R	R
Interest income net of suspended interest	13	51 060 183	94 852 353
Interest expense	14	(52 655)	(357 490)
Net margin		**51 007 528**	**94 494 863**
Raising fee		888 240	434 783
Impairment loss – loans and advances	6	(42 365 262)	(142 432 422)
Dividend Income		1 301 548	-
Net operating income/(loss)		**10 832 054**	**(47 502 776)**
Other income	15	639 977	15 896 112
Fair value gain / (loss) on derivative financial instrument	25	-	508 171
Fair value adjustment (loss)/gain	5	64 235 400	(40 623 237)
Operating expenses	16	(43 465 858)	(51 211 738)
Operating Profit for the Year		**32 241 573**	**(122 933 469)**
Other comprehensive income for the year		**-**	**-**
Total Comprehensive income		**32 241 573**	**(122 933 469)**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Capital contributions R	Accumulated Surplus R	Total R
2020				
Balance at 1 April 2019		**1 293 200 010**	**(46 675 493)**	**1 246 524 517**
Capital contribution - EDTEA		57 200 000	-	**57 200 000**
Capitalisation of accumulated surplus		35 000 000	(35 000 000)	-
Total comprehensive loss		-	(122 933 469)	**(122 933 469)**
Restated Balance at 31 March 2020	**9**	**1 385 400 010**	**(204 608 962)**	**1 180 791 048**
Adjusted balance at 1 April 2020		**1 385 400 010**	**(204 608 962)**	**1 180 791 048**
Capital contribution - EDTEA		48 096 000	-	**48 096 000**
Total comprehensive income		-	32 241 573	**(31 993 827)**
Balance at 31 March 2021	**9**	**1 433 496 010**	**(172 367 388)**	**1 196 893 222**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	NOTES	2021	2020
		R	R
Cash Utilised in Operating Activities		**(54 098 652)**	**98 999 587**
Cash inflow/(outflows) from operating activities	**18**	(106 407 728)	4 504 724
Interest received	**13**	51 060 183	94 852 353
Dividend received		1 301 548	-
Interest paid	**14**	(52 655)	(357 490)
Cash Utilised in Investing Activities		**46 854 355**	**(179 996 946)**
Purchase of fixed assets	**2**	(235 590)	(1 062 496)
Sale of fixed assets		14 800	-
Purchase of intangible assets	**3**	(124 075)	(1 910 217)
(Increase) in Equity Investments	**5**	(1 170 000)	(46 640 000)
(Increase)/Decrease in Investment Deposits	**7**	69 981 966	(469 646 381)
Decrease/(Increase) in loans and advances	**6**	(21 612 746)	339 262 148
Cash Utilised in Financing Activities		**46 650 755**	**56 090 177**
Increase in capital contribution	**9**	48 096 000	57 200 000
Decrease in lease liability	**12**	(1 445 245)	(1 109 823)
Net Decrease in Cash and Cash Equivalents		**39 406 458**	**(24 907 182)**
Cash and cash equivalents at beginning of the year	**7**	119 377 722	144 284 905
Cash and Cash Equivalents at end of the year	**7**	**158 784 180**	**119 377 722**

1 Accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.1 Reporting entity

KwaZulu-Natal Growth Fund KGFT (KGFT) is a KGFT 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 July 2021.

1.2 Basis of Preparation

1.2.1 Basis of Preparation

The financial statements have been prepared on a going concern basis utilising the 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.

1.2.2 Functional and presentation currency

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

1.2.3 Basis of Accounting

The financial statements of the KGFT as at and for the year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards.

1.2.4 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.

1.2.5 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 1.3.4) 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 1.3.4 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 1.3.4.1 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 1.3.4.1 For the carrying amount of the derivative refer to note 10.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 1.3.4.1

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1.2.6 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.

1.2.7 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).

1.3 Significant accounting policies

1.3.1 Property Plant & 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:

- Leasehold improvements 3 years
- Computer equipment 3 – 5 years
- Office equipment 5 - 7 years
- Furniture and fittings 6 – 8 years
- Portable communication devices 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.

1.3.2 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.

(a) 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 calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software 2 years
- Loan Management System 5 years

(b) 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.

1.3.3 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

1.3.4 Financial instruments

Recognition and initial measurement

Financial instruments are initially recognised when the KGFT becomes party to the contractual provisions of the relevant instrument. A financial asset or financial liability measured at fair value plus for an item not at FVTPL transaction costs that are directly attributable to its acquisition or issue. 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.

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; and

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 and 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.

Financial assets

1.3.4.1 Financial assets

(a) **Trade and other receivables**

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.

(b) **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.

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 ie 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 to 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 Directors who will then make a decision as to whether the amount should be written off. Only the Board of Directors can approve a "write off".

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

1.3.4.3 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

1.3.5 Provisions Contingent Liabilities and Contingent Assets

A provision is recognised if 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.3.6 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:

(a) Interest income and expense

Effective interest rate

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 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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(c) 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 realisation of insurance claims and any income received from Serv SETA in relation training spent on staff.

(d) Dividend income

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

1.3.7 Employee benefits

(a) 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 performance and retention bonuses.

(b) 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.

1.3.9 Leases

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 trust 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.

KGFT as lessee
Lease liability

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date for all lease agreements for which the trust 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 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).

Details of leasing arrangements where the KGFT is a lessee are presented in note 12 and note 18 Leases (KGFT as lessee).

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 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 finance costs in note 14

The KGFT 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 surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets (ROU)

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.
The items listed are what are required to be included in the cost of the ROU asset:

- 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 trust 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 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 trust 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 surplus or deficit unless it is included in the carrying amount of another asset.

1.3.10 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

1.3.10 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.

1.3.11 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.

1.3.11.1 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:

(a) 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.

(b) 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.

(c) Level 3 – Valuation techniques as described in (b) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

1.3.12 Taxation

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).

1.3.12.1 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.

1.3.13.2 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.3.13.3 Commitments

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

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

1.3.14 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 2021 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.

The amendments to IFRS1 IFRS3 IFRS17 IAS 8 IAS12 IAS19 IAS23 IAS28 IAS41 and IFRIC 23 are not applicable to the business of the KGFT and will therefore have no impact on future financial statements.

2 Property plant and Equipment

	2021	2020
	R	R
Cost		
Computer Equipment	1 024 378	1 136 745
Office Equipment	715 894	668 819
Furniture & fittings	1 280 615	1 254 460
Leasehold improvements	1 638 844	1 609 422
Potable communication devices	174 871	160 887
Total	**4 834 602**	**4 830 333**
Accumulated depreciation		
Computer Equipment	(787 100)	(817 462)
Office Equipment	(626 617)	(542 338)
Furniture & fittings	(880 991)	(815 182)
Leasehold improvements	(1 363 896)	(1 297 940)
Potable communication devices	(143 138)	(116 285)
Total	**(3 801 743)**	**(3 589 207)**
Net book value		
Computer Equipment	237 278	319 282
Office Equipment	89 277	126 481
Furniture & fittings	399 624	439 278
Leasehold improvements	274 948	311 482
Potable communication devices	31 733	44 602
	1 032 859	**1 241 126**

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Portable Communication Devices	Total
2021	**R**	**R**	**R**	**R**		**R**
Cost						
Balance as at 1 April 2020	1 136 745	668 819	1 254 460	1 609 422	160 887	4 830 333
Additions	107 052	50 175	26 155	29 422	22 786	235 590
Disposals	(219 419)	(3 100)	-	-	(8 803)	(231 321)
Transfer			-	-	-	-
Balance as at 31 March 2021	1 024 378	715 894	1 280 615	1 638 844	174 871	4 834 602
Accumulated Depreciation						
Balance as at 1 April 2020	(817 462)	(542 338)	(815 182)	(1 297 940)	(116 285)	(3 589 207)
Disposals	210 280	2 794	-	-	8 803	221 877
Transfer	-	-	-	-	-	-
Depreciation for the year	(179 917)	(87 074)	(65 809)	(65 956)	(35 656)	(434 412)
Balance as at 31 March 2021	(787 100)	(626 617)	(880 991)	(1 363 896)	(143 138)	(3 801 743)
Net book value as at 31 March 2021	**237 278**	**89 277**	**399 624**	**274 948**	**31 733**	**1 032 859**

The KGFT had fully depreciated Office equipment, furniture and Computer equipment with a historic cost amounting to R1,066,344 in the fixed asset register and these fully depreciated assets are still in use.

	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Portable Communication Devices	Total
2020	**R**	**R**	**R**	**R**		**R**
Cost						
Balance as at 1 April 2019	915 515	668 819	863 661	1 288 126	135 962	3 872 083
Additions	298 917		390 799	321 296	51 484	1 062 496
Disposals	(77 688)	-	-	-	(26 558)	(104 246)
Balance as at 31 March 2020	1 136 745	668 819	1 254 460	1 609 422	160 887	4 830 333
Accumulated Depreciation						
Balance as at 1 April 2019	(748 099)	(448 173)	(759 853)	(1 281 039)	(99 718)	(3 336 881)
Disposals	72 849	-	-	-	16 985	89 835
Depreciation for the year	(142 213)	(94 165)	(55 329)	(16 901)	(33 552)	(342 161)
Balance as at 31 March 2020	(817 462)	(542 338)	(815 182)	(1 297 940)	(116 285)	(3 589 207)
Net book value as at 31 March 2020	**319 282**	**126 481**	**439 278**	**311 482**	**44 602**	**1 241 126**

The KGFT had fully depreciated equipment software and cellphone instruments with a historic cost amounting to R599 424 in the fixed asset register and these fully depreciated assets are still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Intangible assets

	Computer Software	KGFT Logo Fund Model and IFRS 9 model Work In Progress	Total
	R	**R**	**R**
2021			
Cost			
Balance as at 1 April 2020	639 255	5 022 191	5 661 446
Additions	-	124 075	124 075
Disposal/Transfer	4 808 463	(4 808 463)	-
Balance as at 31 March 2021	5 447 717	337 803	5 785 520
Accumulated depreciation			
Balance as at 1 April 2020	(455 275)	-	(455 275)
Disposal/Transfer	-	-	-

Amortisation for the year	(1 077 540)	-	(1 077 540)
Balance as at 31 March 2021	(1 532 815)	-	(1 532 814)
Net book value as at 31 March 2021	**3 914 902**	**337 803**	**4 252 706**

As at 31 March 2021 the registration has been completed and the costs amounting to R13 450.00 have been classified as work in progress due to outstanding process to insert symbol R as a final step of trademark proces . In addition, the KGFT has finalised the process development of the revised Fund Model which has been transferred to Computer software as it available for use.

	Computer Software	KGFT Logo Fund Model and IFRS 9 model Work In Progress	Total
	R	**R**	**R**
2020			
Cost			
Balance as at 1 April 2019	461 704	3 289 524	3 751 228
Additions	177 551	1 732 667	1 910 218
Disposal/Transfer	-	-	-
Balance as at 31 March 2020	639 255	5 022 191	5 661 446
Accumulated depreciation			
Balance as at 1 April 2019	(279 361)	-	(279 361)
Disposal/Transfer	-	-	-
Amortisation for the year	(175 914)	-	(175 914)
Balance as at 31 March 2020	(455 275)	-	(455 275)
Net book value as at 31 March 2020	**183 980**	**5 022 191**	**5 206 171**

As at 31 March 2020 the registration has been completed and the costs amounting to R13 450.00 have been classified as work in progress due to outstanding process to insert symbol R as a final step of trademark process . In addition the KGFT is finalising the process development of the revised Fund Model which will complement KGFT's revised funding model. The development is still in progress and costs amount to R2 663 609 have been classified as work in progress. The KGFT started developing and implementing IFRS 9 model during the 2019 financial year the development was still in progress to be finalised in April2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Right of Use Asset

	Office Floor space	Parking Floor Space	Total
	R	**R**	**R**
2021			
Cost			
Balance as at 1 April 2020	2 015 290	539 929	2 555 219
Additions			
Balance as at 31 March 2021	2 015 290	539 929	2 555 219
Accumulated depreciation			
Balance as at 1 April 2020	(1 007 645)	(264 158)	(1 271 803)
Charge for the year	(1 007 645)	(275 711)	(1 283 416)
Balance as at 31 March 2021	(1 007 645)	(539 929)	(2 555 219)
Net book value as at 31 March 2021	-	-	-

The KGFT leases an office space from Delta Properties using the whole 28th floor space. The average lease term is 3 years and had 2 years remaining on intial application of the IFRS 16. The lease is renewable every 3 years(8% annual increase) with upcoming renewal period on 1 April 2021

	Office Floor space	Parking Floor Space	Total
	R	**R**	**R**
2020			
Cost			
Balance as at 1 April 2019	-	-	-
Additions – initial application of IFRS 16	2 015 290	539 929	2 555 219
Balance as at 31 March 2020	2 015 290	539 929	2 555 219
Accumulated depreciation			
Balance as at 1 April 2019	-	-	-
Charge for the year	(1 007 645)	(264 158)	(1 271 803)
Balance as at 31 March 2020	(1 007 645)	(264 158)	(1 271 803)
Net book value as at 31 March 2020	**1 007 645**	**275 711**	**1 283 416**

The KGFT leases an office space from Delta Properties using the whole 28th floor space. The average lease term is 3 years and had 2 years remaining on intial application of the IFRS 16. The lease is renewable every 3 years(8% annual increase) with upcoming renewal period on 1 April 2021

5 Investments

Investments			2021	2020
		Note	**R**	**R**
KZN Growth Fund KGFT's investments consist of the following:				
Equity Investments (Designated at FVTPL)			116 039 400	59 600 000
Shareholder loans (Mandatorily measured at FVTPL previously held to maturity)			39 740 000	39 740 000
Preference shares (Mandatorily measured at FVTPL previously held to maturity)			71 866 000	62 900 000
			227 645 400	**162 240 000**
Equity investments designated at FVTPL				
	Holding %			
KwaDukuza Private Hospital (Pty) Ltd	26%		1 170 000	-
Ross Healthcare (Pty) Ltd	25%		114 869 400	59 600 000
Inoxa Industries (Pty) Ltd	35%		-	-
Movement in equity investment designated at FVTPL				
Balance at the beginning of the year			59 600 000	107 692 000
Acquisitions/Capital Call			1 170 000	-
Fair value adjustment-gain/(loss)			55 269 400	(48 092 000)
Balance as at the end of the year			**116 039 400**	**59 600 000**

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) Inoxa Industries and Ross Healthcare (Pty) Ltd. All three equity investments fair values have been performed by an independent equity valuation service provider as at 31 March 2021. The total portfolio has decreased by 27% from initial investment cost.				
Equity Investments – Shareholder Loans				
KwaDukuza Private Hospital (Pty) Ltd			39 000 000	39 000 000
KGF Capital (Pty)			740 000	740 000
Inoxa Industries (Pty) Ltd			-	-
			39 740 000	**39 740 000**
Movement in equity investment held - Shareholder loans:				
Balance as at 01 April			**39 740 000**	**43 531 237**
Add: Shareholder loan granted			-	740 000
Add/less: FV gain/(loss)			-	(4 531 237)
Balance as at 31 March			**39 740 000**	**39 740 000**
The shareholder loan bears interest at rates ranging from 15% to 20% based on the structuring of the investment risk assessed for equity investment. The repayment terms is expected at exit stage of the transaction supported by cash flows. These instrument contain potential voting rights and they are accounted for in terms of IFRS 9 at Fair Value through profit or loss.				

Investments continued				
Movement in preference shares held at FVTPL (previously measured at amortised cost:				
Balance as at 01 April			62 900 000	5 000 000
Add: Additions current year			-	45 900 000
Add: Accrued preference dividend			-	-
Add/Less: Fair Value Gain/(loss)			8 966 000	12 000 000
Less: Payments received			-	-
Balance as at 31 March			**71 866 000**	**62 900 000**
The KGFT has invested in 1000 cumulative redeemable preference shares with Microfinish at an issue price of R15m. These shares contain potential voting rights and they are accounted for in terms of IFRS 9 at Fair Value through profit or loss. The KGFT has invested in 1000 non-cumulative potentially convertible preference shares with Afrozonke at an issue price of R5m. The KGFT has invested in 1000 non-cumulative potentially convertible preference shares with Arabicmoon Investments at an issue price of R45.9m				

6 Loans and Advances

		2021	2020
	Note	**R**	**R**
Loans and advances net of provision for suspended interest		453 149 708	431 536 962
Impairment allowance		(303 784 631)	(261 419 369)
		149 365 077	170 117 593
Less: Short term portion of loans and advances		(98 532 538)	(117 969 301)
Non-current loans and advances		**50 832 539**	**52 148 292**

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 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.

During the 2015 financial year the Trust entered into a fixed term loan project agreement on one of its projects within the portfolio. The Trust does not speculate in interest rates. In order to manage the interest fluctuations the Trust entered into hedge agreement with Rand Merchant Bank to eliminate the interest rate fluctuations as a result of the changes in the JIBAR rate. The hedge instrument was cancelled in 2020.

Movement in loans and advances:			
		2021	2020
	Note	R	R
Balance as at 1 April		170 117 593	651 812 163
Add: draw downs		35 040 461	18 400 000
Add: net interest earned	13	4 144 813	44 494 876
Less: Impairment allowance		(42 365 262)	(142 432 422)
Less: Payments received		(17 572 257)	(402 157 024)
Balance as at 31 March		**149 365 077**	**170 117 593**
Movement in impairment allowance:			
Balance as at 1 April		(261 419 369)	(118 986 947)
Charge to statement of comprehensive income		(42 365 262)	(142 432 422)
Balance as at 31 March		**(303 784 631)**	**(261 419 369)**

An impairment allowance 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 except for Goodlife which is currently at commissioning stage. These project have not been able to meet its loan repayments due to adverse marketing conditions mainly closure of economies as a result of COVID19. Refer to note 20 for details on the calculation of impairment allowances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Cash and Investment Deposits

Cash and Investment Deposits		
Current Accounts	2 649 556	1 550 009
Call Accounts	9 827 215	85 405 253
Investment Accounts – Opex	117 530 078	97 898 903
Investment Accounts – Swap security*	20 097 655	20 135 177
Investment Accounts – Capital available Fund I-Debt Fund**	691 868 569	671 472 522
Investment Accounts –Capital available Fund II-Equity Fund***	45 936 678	34 557 713
Investment Accounts –Capital available SheepCor Funds****	-	37 443 172
Investment Accounts –Capital available COVID19 Funds******	24 946 668	-
Investment Accounts –Capital available Operation Vula Funds*****	5 030 822	-
	917 887 241	**948 462 749**

* Included in the above amounts is a R20m deposit previously held with Rand Merchant Bank as collateral on the interest rate swap agreement maturing on 2 March 2023 and accordingly classified as Non-Current.
** Capital totalling R52 7m is further committed to approved projects at 31 March 2021 amounts to R734m.
***Capital to be utilised and committed as Government contribution in en-commandite partnership within private equity structure.
**** Capital to be utilised only for the SheepCor project KGFT is managing the usage of funds on behalf of EDTEA
***** Capital to be utilised only for the Operation Vula project KGFT is disbursing the funds on behalf of EDTEA
The call account includes funds ring-fenced for Youth Fund received in March 2019 from EDTEA and Premier's Office(R3m)

Cash and Investment Deposits Continued				

The Trust invests surplus funds with financial institutions that are rated 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 4.21% (2020: 7.42%) during the year.

			2021	2020
		Note	R	R
Short-term deposit and maturity analysis				
Current Accounts			2 649 556	1 550 009
Call Accounts			9 827 215	85 405 253
1-30 Days			146 307 409	151 068 067
1-3 Months			739 005 406	386 380 206
3 – 12 Months			-	303 924 037
1 – 5 years			20 097 655	20 135 177
			917 887 241	**948 462 749**

Disclosure in the Statement of Cash Flows				
Cash and cash equivalents			158 784 180	119 377 721
Investment Deposits			759 103 061	829 085 028
			917 887 241	**948 462 749**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Trade and Other Receivables

Trade and Other Receivables			
Trade receivables		1 508 540	177 355
Retention Incentive Receivable		1 577 795	1 719 462
Sundry debtors		(57 680)	187 516
Prepayments		1 238 915	840 382
SheepCor Funds receivable		900	3 587 463
Deposit		450 077	450 077
VAT receivable		-	8 308
		4 718 547	**6 970 562**

Trade and other receivables are non-interest bearing and are normally settled on 30 to 60 days 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. The KGFT received an amount of R49m from EDTEA in 2019 and these funds have been ring-fenced to be utilised for the implementation of the SheepCor Projects. KGFT is managing the usage of funds on behalf of EDTEA and an amount of R12m has already been disbursed. The receivables noted above are funds not yet used in the project in Sheepcor Bank account as at 31 March 2021. Sundry debtors balance includes receipt from Momentum for SAS policies(previous client) paid to KGFT which resulted to credit balance.

Short-term Deposit and Maturity Analysis				
Demand			1 451 761	3 960 641
1-30 Days			-	-
1-6 Months			-	-
6-12 Months			3 266 786	3 009 921
			4 718 547	**6 970 562**

9 Capital Contribution and Reserves

Capital Contribution and Reserves		Notes	2021	2020
			R	R
Initial capital			10	10
Capital contribution – Debt capital			1 083 496 000	1 035 400 000
Capital contribution – Equity capital			350 000 000	350 000 000
Total capital contribution			**1 433 496 010**	**1 385 400 010**

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 R48m from Government in the current financial year.

10 Provisions

Provisions comprise of the following:			
Long service awards	10.1	90 100	53 223
Total provisions		**90 100**	**53 223**
Long term portion of provisions		90 100	45 723
Short term portion of provisions		-	7 500
Total provisions		**90 100**	**53 223**

Provisions comprise of employee benefits that relate to long service awards. The details relating to the long service award is detailed in note 10.1 and comprises short and long-term portions.

10.1 Long Service Awards

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 March 2021 by Mr Chanan Weiss Fellow of the Faculty of Actuaries and the Actuarial Consulting. 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.

		2021	2020
		R	R
Long term portion of Long Service award provision		90 100	45 723
Short term portion of Long Service award provision		-	7 500
Total Long Service Award Provision		**90 100**	**53 223**

The principal assumptions used for the purposes of the actuarial valuations were as follows:			
Discount rate		9.53%	9.21%
Benefit salary inflation(long-term)		5.11%	3.46%
Net effective discount rate		*4.21%*	*5.56%*
Average retirement age		63	63

Amounts recognised in profit and loss in respect of the long service award:			
Current service cost		16 189	7 718
Interest		4 564	5 385
Benefits Vesting		(15 000)	
Actuarial loss/(gain)		31 124	(42 470)
		36 877	**(29 367)**
The expense is included in the personnel expense which is classified as administrative expenses as per note 18			

Movements in the present value of the defined benefit obligation in the year were as follows:			
The amount included in the statement of financial position arising from KGFT's obligation in respect of its long service award is as follows:			
Present value of unfunded defined benefit obligation		90 100	53 223
Net liability arising from defined benefit obligation		**90 100**	**53 223**
Opening defined benefit obligation		53 223	68 257
Current service cost		16 189	7 718
Interest		4 564	5 385
New Benefit Policy		-	34 333
Employer vesting benefits		(15 000)	(20 000)
Actuarial loss (gain)		31 124	(42 470)
Closing defined benefit obligation		**90 100**	**53 223**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sensitivity Analysis Assumptions

The assumptions which tend to have the greatest impact on the results are:

(i) The CPI inflation rate assumption;
(ii) The discount rate assumptions;
(iii) The average retirement age of employees; and
(iv) Assumed rates of withdrawals of employees from service.

The liability at the valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed CPI inflation rate;
(ii) A 1% increase and decrease in the discount rate;
(iii) A two year decrease and increase in the assumed average retirement age of employees.
(iv) A two fold increase and a 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	2021		2020	
		Liability	**% change**	**Liability**	**% change**
Central assumptions		**90 100**		**68 257**	
General salary inflation	+1%	94 700	+5%	55 884	+5%
	-1%	85 800	-5%	50 562	-5%
Discount rate	+1%	85 600	-5%	50 562	-5%
	-1%	95 000	-6%	56 416	+6%
Average retirement age	-2yrs	99 500	+10%	51 626	-3%
Average retirement age	+2yrs	84 800	-7%	56 949	+7%
Withdrawal rates	X200%	70 000	-22%	62 271	+17%
Withdrawal rates	x50%	103 700	+15%		

Sensitivity Analysis on the Current-service and Interest Costs for the Year Ending 31 March 2021

Assumption	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		**16 200**	**4 600**	**20 800**	
General salary inflation	+1%	17 300	4 800	22 100	6%
	-1	15 200	4 300	19 500	-6%
Discount rate	+1%	15 300	4 800	20 100	-3%
	-1	17 200	4 300	21 500	3%
Average retirement age	+2 years	16 500	4 900	21 400	3%
	- 2 years	15 500	4 400	19 900	-4%
Withdrawal rates	x50%	20 400	5 400	25 800	24%

Sensitivity Analysis on the Current-service and Interest Costs for the Year Ending 31 March 2020

Assumption	Change	Current-service cost	Interest cost	Total	% change
Central assumptions		**7 700**	**5 400**	**13 100**	
General salary inflation	+1%	7 800	5 500	13 300	+2%
	-1%	7 600	5 300	12 900	-2%
General salary inflation	+1%	7 700	6 000	13 700	5%
	-1%	7 800	4 800	12 600	-4%
Withdrawal rates	-50%	8 400	5 900	14 300	+9%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Trade and Other payables

Trade and Other Payables		2021	2020
		R	R
Trade payables		(440 371)	1 111 554
Trade accruals		1 327 772	2 178 443
Accrued leave pay		1 364 361	1 688 933
Committee fees payable		927 321	-
VAT Payable		44 581	-
Other Payables		40 459 295	108 253 022
		43 682 959	**113 231 951**

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(R22m) COVID19 Funds (R24, 9m) SheepCor(R3,8m) and Youth Fund(R6,5m). The trade and other payables includes payments made to Trustees and Committee fees and provision raised where invoice are still to be received using attendance register.

12 Lease Liability

Lease Liability		2021	2020
		R	R
Total Lease liability		150	1 445 394
Less: Non-current portion of lease liability		-	-
Current portion of lease liability		**150**	**1 445 394**

The KGFT leases an office space from Delta Properties using the whole 28th floor space. The average lease term is 3 years and had 2 years remaining on intial application of the IFRS 16. The lease is renewable every 3 years(8% annual increase) with upcoming renewal period on 1 April 2021.

			2021	2020
		Note	R	R
Lease liability maturity analysis				
Year 1			150	1 445 394
Year 2			-	-
Year 3			-	-
			150	**1 445 394**

13 Interest Income

Interest Income		2021	2020
Current account		2 857	63 658
Call account		1 194 299	3 763 807
Investment accounts		45 718 215	46 530 012
Loans and advances		4 144 813	44 494 876
		51 060 183	**94 852 353**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Interest Expense

Interest Expense		2021	2020
Interest paid on interest rate swap		-	198 987
Interest expense on lease liability		52 655	158 503
		52 655	**357 490**

The amounts reported above include interest income and expense calculated using the effective interest method that relate to the following financial assets and financial liabilities including leases.

15 Other Income

		2021	2020
	Notes	**R**	**R**
Commitment fee income		215 458	151 290
Profit on foreign exchange differences		-	572
Closing and Penalty Fees		-	899 546
Youth Fund Fees		366 600	7 202 906
VAT refund		-	111 479
Sundry income		57 919	63 017
Deferred Income – SheepCor		-	7 467 302
		639 977	**15 896 112**
Sundry Income mainly includes recoveries from SETA for training costs incurred and tender document fees. During the year KGFT received lessor's contribution to office refurbishments as per lease agreement. In addition the KGFT was managing SheepCor project on behalf of EDTEA and a grant of R49m was issued to KGFT. The deferred income above is as a result of funds already used from the R12m disbursed to SheepCor as at 31 March 2021. The KGFT earned closing fee in relation to the implementation of the Youth Fund			

16 Operating Expenses

Operating Expenses		2021	2020
		R	R
The operational expenses include the following:			
Audit fees and professional fees:		1 699 407	2 349 161
External audit fees		**1 354 665**	**2 023 966**
Current year accrual		1 354 665	1 348 740
Prior year under/(over) provision		-	675 226
Other services		-	-
Internal audit fees		344 742	325 195
Bank charges		46 457	63 921
Committee fees	**17.1**	2 555 598	2 589 728
Depreciation of Equipment	**2**	434 412	342 160
Amortisation of Intangible assets	**3**	1 077 540	175 914
Depreciation of Right of Use Asset	**4**	1 283 416	1 271 803
Personnel expenses		**24 979 290**	**23 959 791**
Staff salaries and benefits		17 109 632	16 317 283
Executive Management Remuneration	**17.2**	7 817 781	7 637 542
Long service – current cost	**10.1**	16 189	7 718
Long service – interest cost	**10.1**	4 564	5 385
Long service – New benefit	**10.1**	-	34 333
Long service – actuarial (gain)/loss	**10.1**	31 124	(42 470)
Legal fees		1 059 509	2 494 526
Travel and accommodation		44 876	997 817
Rent paid		112 136	140 375
Recruitment		619 964	680 043
Telecommunications		253 140	309 454
Project technical appraisal and background checks		2 997 586	2 130 505
Other advisory fees		3 096 395	2 243 834
Marketing costs		372 810	842 324
Insurance		1 253 787	446 791
SheepCor Project Expenses		-	7 467 474
Secretariat Services		-	58 516
Other expenses		1 579 535	2 657 775
		43 465 858	**51 211 738**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 KGFT and other committee members' remuneration and executive remuneration
17.1 Trustee's fees

Name of the Member	Board of KGFT	Investment Committee	Audit & Risk Committee	Human Resource and Remuneration Committee	Social and Ethics Committee	Total
2021						
Mr S Buthelezi (Chairman of Trust)	703 402	88 642	-	-	-	**792 044**
Ms B Zulu	209 367	88 642	50 653		31 172	**379 834**
Mr K Thango (Chairman of Social & Ethics Committee)	202 927	-	-	89 983	54 272	**347 183**
Mr A. Dhuki (Chairman of Human & Remunerations Committee)	185 907	-	50 653	142 784	22 266	**401 610**
Mr S Hlophe (Chairman of Investment Committee)	195 337	159 198	37 990			**392 525**
Mr WB Ngubane (Chairman of Audit & Risk Committee)	-	-	126 132			**126 132**
Ms G Kungwane	-	116 269	-		-	**116 269**
	1 496 941	**452 751**	**265 428**	**232 767**	**107 710**	**2 555 597**

Name of the Member	Board of KGFT	Investment Committee	Audit & Risk Committee	Human Resource and Remuneration Committee	Social and Ethics Committee	Total
2020						
Mr S Buthelezi (Chairman of Trust)	577 084	169 533	-	-	-	**746 617**
Ms B Zulu	153 268	63 316	37 990	11 666	28 866	**295 106**
Mr K Thango (Chairman of Social & Ethics Committee)	151 428	-	14 043	44 532	47 672	**257 675**
Mr A. Dhuki (Chairman of Audit & Risk Committee)	166 107	37 770	92 350	40 078	31 172	**367 477**
Mr S Hlophe (Chairman of Investment Committee)	168 867	181 941	52 033	-	-	**402 841**
Ms T Ngcobo (Chairman of HR Committee)	-	-	-	236 273	17 813	**254 086**
Ms Z Mlangeni	-	75 979	-	-	-	**75 979**
Ms G Kungwane	-	126 632	-	-	-	**126 632**
Mr M Mohau	-	63 316	-	-	-	**63 316**
	1 216 754	**718 487**	**196 416**	**332 549**	**125 523**	**2 589 729**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.2 Executive management remuneration

	2021	2020
Mr. AL Shabane - Chief Executive Officer (Resigned in September 2020)	1,942,345	2,912,149
Ms K Nhassengo - Chief Investment Officer(Appointed in May 2019)	1,962,984	1,499,007
Mr N Nhlapo - Acting Chief Investment Officer (January 2021)	65 138	-
Mr L Zondi - Chief Financial Officer/Acting CEO	2,261,723	-
Mr B Ndidi - Acting Chief Investment Officer (Appointed Jan 2019 to April 2019)	-	13,194
Mr N Nkosi - Chief Risk Officer	1,585,500	1,657,581
Mr D Dlamini - Chief Financial Officer (Resigned in December 2019)	-	1,482,337
Mr M Zulu -Interim Chief Financial Officer (Appointed 24 February 2020 to March 2020)	-	42,498
Ms U Ojageer - Acting Chief Risk Officer (Appointed February 2019 to April 2019)	-	30,777
	7,817,780	7,637,542

18 Cash Flows from Operating Activities

Cash flows from Operating Activities		2021	2020
	Notes	**R**	**R**
Total comprehensive income		32 241 573	(122 933 469)
Adjustment for non-cash items:			
Add: depreciation	**2 & 4**	1 717 829	1 613 963
Add: amortisation	**3**	1 077 540	175 914
Less: interest income net of suspense interest	**13**	(51 060 183)	(94 852 353)
Add: interest expense	**14**	52 655	357 490
Add: long service award	**10.1**	36 877	(15 034)
Add/Less: Loss/(profit) on sale of assets		(5 355)	14 411
Less: Dividend Income	**24**	(1 301 548)	
Add/Less: Fair value (gains)/losses on adjustment to derivatives	**25**	-	(508 171)
Add/Less: (Reversal)/Provision for loans impairment	**6**	42 365 262	142 432 422
Add/Less: Fair value loss/(gain) adjustments	**5**	(64 235 400)	40 623 237
Movements in Current Assets and Liabilities			
Decrease/(Increase) in trade and other receivables		2 252 015	6 163 387
Increase/(Decrease) in trade and other payables		(69 548 992)	31 432 927
Cash (Outflow) from Operating Activities		**(106 407 728)**	**4 504 724**

19 Lease Commitments
19.1 Operating Lease Commitments

The future minimum lease payments under the non-cancellable operating lease are as follows:

Operating Lease Commitments		2021	2020
Due within next 12 months		150	1 445 394
Due from 1 year to 5 years		-	-
Total future Cash Flows		**150**	**1 445 394**

Operating lease payments represent rentals payable by the KGFT for its office space and parking. The lease term is 3 years and rentals increase with the agreed upon escalations as per the lease agreements. The lease payments are subject to escalation of 8%. No contingent rent is payable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 Financial Risk Management

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 KGFTs 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.

20.1 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:

	2021	2020
ECL on loans and advances	42 365 262	142 432 422
ECL on cash and investment deposits	-	-
ECL on trade and other receivables	-	-
	42 365 262	142 432 422

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 semi-annual basis by the Board of KGFT.

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. The KGFT's maximum exposure to credit risk is shown under note number 4 5 and 6. Holding of collateral against advances made limits the KGFT's exposure to credit risk.

Because of the KGFT's focus on counterpartys' 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 COVID19 outbreak on its operations mainly its debt instrument portfolio. The strong financial position as at 31 March 2021 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 opening up to properly assess how long the impact of COVID19 will have on investee clients.

At 31 March 2021 the net carrying amount of credit-impaired loans and advances amounted to R141,6 million (2020: R140,8 million) and the value of identifiable collateral held against those loans and advances amounted to R 126,5 million(2020: R115 3 million).

The KGFT classifies their loans as follows:

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 2021 the exposure to credit risk for loans and advances by industry was as follows:

	Carrying amount	
	2021	**2020**
Transport and Logistics	65 342 230	65 342 230
Telecommunications	-	-
Health care	75 093 549	75 093 549
Manufacturing	288 222 475	264 569 884
Property – Shopping Mall	16 781 095	26 531 298

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

	2021		2020
	Not credit-impaired	Credit-impaired	
AAA to AA-	-	-	-
A+ to A-	-	-	-
BBB+ to BBB-	-	-	-
BB+ to B-	40 208 890	405 230 459	431 536 962
Unrated			-
Gross carrying amount	**40 208 890**	**405 230 459**	**431 536 962**
Loss allowance	(15 585 645)	(288 198 987)	(261 419 369)
Carrying amount	24 623 245	117 031 472	170 117 593

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.

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 (ie 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 (ie 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.

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 2021 would have affected the expected credit losses of financial assets by the amounts shown below.

31 March 2021	**Expected credit losses**	
	Upgrade	Downgrade
Loans and advances	-	42 365 262
Cash and investment deposits	-	-

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 (ie 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.

2021				
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
BB+ to B-	-	40 208 890	405 230 459	445 439 349
Unrated	-			-
Gross carrying amount		**40 208 890**	**405 230 459**	**445 439 349**
Loss allowance	-	(15 585 645)	(288 198 987)	(303 784 631)
Carrying amount	-	24 623 245	117 031 472	141 654 718

2020				
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
BB+ to B-	-	46 200 603	385 336 359	431 536 962
Unrated	-			-
Gross carrying amount		**46 200 603**	**385 336 359**	**431 536 962**
Loss allowance	-	(16 959 092)	(244 460 277)	(261 419 369)
Carrying amount	-	29 241 511	140 876 082	170 117 593

The KGFT did not have any loans that were past due but not impaired at 31 March 2021.

The movement in the allowance for impairment for loans and advances during the year was as follows.

	2021	**2020**
Balance at 1 April 2020	**261 419 369**	**118 986 947**
Net remeasurement of loss allowance		
Transfer to lifetime ECL – not credit-impaired	(3 534 615)	2 331 710
Transfer to lifetime ECL – credit-impaired	30 844 606	132 759 669
Financial assets repaid		
New financial assets acquired	15 055 271	7 341 043

Balance at 31 March	303 784 631	261 419 369

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.

	2021		
	Impact: Increase/(decrease)		
	Stage 1	Stage 2	Stage 3
Loans and advances	(decrease)	(decrease)	Increase
Eg Increase/(decrease) in loans advanced for the year		3 543 615	45 899 878

	2020		
	Impact: Increase/(decrease)		
	Stage 1	Stage 2	Stage 3
Loans and advances	(decrease)	Increase	Increase
Eg Increase/(decrease) in loans advanced for the year		9 672 753	132 759 669

Cash & cash equivalents and investment deposits

The KGFT held cash and cash equivalents and investment deposits of R917 887 241 thousand at 31 March 2021 (2020: R948 462 749). 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 20 as these funds were invested 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.

	2021	**2020**
	Stage 1	Stage 1
Cash & cash equivalents and investment deposits		
Balance at 1 April	917 887 241	948 462 749
Net remeasurement of loss allowance	-	-
Net increase/(decrease) in cash and cash equivalents	-	-
Balance at 31 March	917 887 241	984 462 749

Trade and other receivables

The KGFT held trade and other receivables of R4 718 547 at 31 March 2021 (2020: R6 970 562). 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 20.

The movement in the allowance for impairment for trade and other receivables during the year was as follows.

	2021	2020
	Stage 1	Stage 1
Trade and other receivables	4 718 547	6 970 562
Balance at 1 April	-	-
Net remeasurement of loss allowance	-	-
Net increase/(decrease) in trade and other receivables	-	-

20.1.1 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.

20.1.2 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.

20.1.3 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.

20.1.4 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	15%
Health care	17%
Manufacturing	65%
Property – Shopping Mall	4%

20.1.5 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.

20.1.6 Trade and other receivables

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

20.1.7 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.

20.2 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.2.1 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.

A summary of the KGFT's liquidity profile as at 31 March 2021 is as follows:

	Notes	On demand	1 to 30 days	1month to 1 year	After 1 year	Total
Financial Assets						
Investments	**5**	-	-	-	227 645 400	**227 645 400**
Loans and advances	**6**	11 348 258	144 078	117 385 964	327 413 813	**456 292 113**
Trade receivable	**8**	1 451 760	-	3 226 786	-	**4 718 547**
Cash and cash equivalents and investment deposit	**7**	12 476 772	146 307 409	739 005 406	20 097 655	**917 887 241**
Financial Liabilities						
Trade and other payables	**11**	(43 682 959)	-	-	-	**(43 682 959)**
Net Liquidity (shortfall)/ Excess		**(18 406 169)**	**146 451 487**	**859 658 157**	**575 156 868**	**1 562 860 342**
Cumulative Liquidity (shortfall)/excess		**(18 406 169)**	**128 045 318**	**987 703 475**	**1 562 860 342**	**1 562 860 342**

A summary of the KGFT's liquidity profile as at 31 March 2020 is as follows:

	Notes	On demand	1 to 30 days	1month to 1 year	After 1 year	Total
Financial Assets						
Investments	**5**	-	-	-	410 122 102	**410 122 102**
Loans and advances	**6**	11 348 258	998 122	95 397 843	323 792 739	**431 536 961**
Trade receivable	**8**	3 960 641	-	3 009 921	-	**6 970 562**
Cash and cash equivalents and investment deposit	**7**	86 955 261	151 068 067	690 304 243	20 135 177	**948 462 749**
Financial Liabilities						
Trade and other payables	**11**	(113 231 951)	-	-	-	**(113 231 951)**
Net Liquidity (shortfall)/ Excess		**(10 967 790)**	**152 066 189**	**788 712 007**	**754 050 018**	**1 683 860 424**
Cumulative Liquidity (shortfall)/excess		**(10 967 790)**	**141 098 399**	**929 810 406**	**1 683 860 424**	**1 683 860 424**

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.

20.3 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.

20.3.1 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 6 and 28.

20.3.2 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2021			2020		
	Carrying Amount	**Interest Earned**	**Sensitivity of 1% effective interest adjustment**	**Carrying Amount**	**Interest Earned**	**Sensitivity of 1% effective interest adjustment**
Loans and Advances	453 149 708	4 144 813	4 531 497	431 536 962	44 494 876	4 315 370
Cash & Cash equivalents and Investment Deposit	917 887 241	45 718 215	9 178 872	948 462 749	46 530 012	9 484 627
Total Effect on Profit/Loss		49 863 027	13 710 369		91 024 888	13 799 997

20.3.3 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.

At the reporting date the profile of the KGFT's margin was:

		Less than	**From 1 to**	**Greater than**	
2021					
Rands	**Notes**	**1 year**	**5 years**	**5 years**	**Total**
Assets					
Cash & cash equivalents and investment deposits	7	897 789 587	20 097 655	-	917 887 241
Preference Shares	5	-	-	116 039 400	116 039 400
Equity Investments	5			71 866 000	71 866 000
Shareholder loans	5	-	39 740 000	-	39 740 000
Loans and advances	6	128 878 300	288 656 235	38 757 578	456 292 113
Total assets		**1 026 667 886**	**348 493 890**	**226 662 978**	**1 601 824 754**
Liabilities					
Derivative financial instrument	24	-	-	-	-
Total liabilities		-	-	-	-
Total margin exposure gap		**1 026 667 886**	**348 493 890**	**226 662 978**	**1 601 824 754**
2020					
Rands	**Notes**	**1 year**	**5 years**	**5 years**	**Total**
Assets					
Cash & cash equivalents and investment deposits	7	928 327 572	20 135 177	-	948 462 749
Preference Shares	5	-	19 308 594	62 900 000	82 208 594
Equity Investments	5			131 460 324	131 460 324
Shareholder loans	5	-	210 390 870	-	210 390 870
Loans and advances	6	107 744 223	306 254 714	17 538 024	431 536 961
Total assets		**1 036 071 795**	**556 089 355**	**211 898 348**	**1 804 059 498**

Liabilities					
Derivative financial instrument	**24**	-	-	-	-
Total liabilities		-	-	-	-
Total margin exposure gap		**1 036 071 795**	**556 089 355**	**211 898 348**	**1 804 059 498**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.4 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.

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.

20.5 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 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.

Carrying amounts and fair values

		Carrying amount		
	Note	Mandatorily at fair value	Amortised cost	Total
Financial assets measured at fair value				
Investments				
- Equity investments		116 039 400	-	**116 039 400**
- Shareholder loans		39 740 000	-	**39 740 000**
- Preference shares		71 866 000	-	**71 866 000**
		227 645 400		**227 645 400**
Financial assets not measured at fair value				
Loans and advances		-	149 365 077	**149 365 077**
Cash and investment deposits		-	917 887 241	**917 887 241**
Trade and other receivables		-	4 718 547	**4 718 547**
		-	1 071 970 865	**1 071 970 865**
Financial liabilities measured at fair value				
Derivative financial instruments		-	-	**-**
		-	-	**-**
Financial liabilities not measured at fair value				
Trade and other payables		-	43 682 959	**43 682 959**
Finance lease liability		-	-	**-**
		-	43 682 959	**43 682 959**

Levels in fair value hierarchy

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments				
- Equity investments	-	-	116 039 400	116 039 400
- Shareholder loans	-	-	39 740 000	39 740 000
- Preference shares	-	-	71 866 000	71 866 000
		-	**227 645 400**	**227 645 400**
Financial liabilities measured at fair value				
Derivative financial instruments	-	-	-	-
	-	**-**	**-**	**-**

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	Eg - Expected cash flows Eg – Market-adjusted discount rate	Eg The estimated fair value would increase (decrease) if:

	discounted using a market-adjusted discount rate.	- the expected cash flows were higher (lower); or - the risk-adjusted discount rate were lower (higher).

Level 3 fair values

Reconciliation of Level 3 fair values

	Note	Equity investments	Shareholder loans	Preference shares
Balance at 1 April 2019	**5**	**107 692 000**	**43 531 237**	**5 000 000**
Acquisitions/Capital Call		-	740 000	45 900 000
Net change in fair value		(48 092 000)	(4 531 237)	12 000 000
Balance at 31 March 2020		**59 600 000**	**39 740 000**	**62 900 000**
Acquisitions/Capital Call		1 170 000	-	-
Net change in fair value		55 269 400	-	8 966 000
Balance at 31 March 2021		**116 039 400**	**39 740 000**	**71 866 000**

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.

	Profit or loss	
	Increase	**Decrease**
Equity investments		
Eg Adjusted market multiple (5% movement)	95%	
Shareholder loans		
Eg Expected cash flow movement (10% movement)		
Eg Market-adjusted discount rate (1% movement)		
Preference shares		
Eg Expected cash flow movement (10% movement)		
Eg Market-adjusted discount rate (1% movement)	14%	

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.

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

Accounting Classifications and Fair Values

2021 Rands	Notes	Financial Assets	Other financial liabilities	Total carrying amount
Equity Investments	**5**	227 645 400		227 645 400
Loans and advances	**6**	149 365 077		149 365 077
Cash and investment deposits	**7**	917 887 241		917 887 241
Trade and other receivables	**8**	4 718 547		4 718 547
Trade and other payables	**11**		(43 682 959)	(43 682 959)
		1 299 616 265	**(43 682 959)**	**1 255 933 306**
2020 Rands	**Notes**	**Financial Assets**	**Other financial liabilities**	**Total carrying amount**
Equity Investments	**5**	162 240 000		162 240 000
Loans and advances	**6**	170 117 593		170 117 593
Cash and investment deposits	**7**	948 462 749		948 462 749
Trade and other receivables	**8**	6 970 562		6 970 562
Trade and other payables	**11**		(113 231 951)	(113 231 951)
		1 287 790 904	**(113 231 951)**	**1 174 558 953**

Financial assets and liabilities carrying amounts approximates their fair values.
The following table gives information about how fair value of financial assets and financial liabilities are determined for those measured at fair value.

The following table gives information about how fair value of financial assets and financial liabilities are determined for those measured at fair value.

Financial Assets/Liabilities	Fair Value as at 31/03/2021	Fair Value Hierarchy
1)Equity Investments at fair value through profit or loss(refer to note 4)	Asset – R227 645 400	Level 3 - refer to note 1.3.11.1

22 Commitments

	2021	2020
	R	R
Capital expenditure		
• Contract for and authorised		
Other		
• Contribution to en-commadite partnership	300 000 000	300 000 000

During the past year the KGFT has made significant investments in refreshing and upgrading its hardware infrastructure together with critical business systems. The procurement of a Financial Fund Model is currently underway which will complement KGFT's revised funding model. The implementation of the model was affected by the impact of COVID and the new target date for take-off is June 2021

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 24.8). 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 and the new target date for PIC draw down is September 2021.

23 Income tax

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').

24 Related parties

The KGFT is one of twelve (12) 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:

24.1 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 2021 financial year a total amount of R48m was provided by the KwaZulu-Natal Provincial Government and this budget allocation received in second and third quarters of 2021 financial year. The amounts received related to the annual fund allocation refer to note 9.

During the 2020 financial year a total amount of R57.2m was provided by the KwaZulu-Natal Provincial Government and this was 2018/19 budget allocation received in second and third quarters of 2020 financial year. The amounts received related to the annual fund allocation. In addition the KGFT received funds from EDTEA and they related specifically to COVID19 funds(R24.9m) and Operation Vula(R22m) refer to note 9.

24.2 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 twelve entities within EDTEA. Funds held on fixed deposit as at 31 March 2021 amounted to R77 065 261 (2020: R77 065 261) including accrued interest. Total interest earned during the year totalled R5 456 238 (2020: R5 656 125). Ithala SOC Limited further provided intermediary insurance advisory services for which insurance payments totalling R2 064 755 (2020:R320 852) were paid during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24.3 Key management personnel

The total committee fees for the year was R2 555 598 (2020: R2 589 728). This comprised:

The Trustee's fees incurred for the year was R1 496 914 (2020: R1 216 753). The listing of the Trustee's is shown under note number 17.1.

The total Investment Committee's fees incurred for the year was R452 751 (2020: R718 486). The listing of the Investment committee fees is shown under note number 17.1.

The total Audit and Risk Committee's fees incurred for the year was R265 428 (2020: R196 415). The listing of the Audit and Risk Committee fees is shown under note number 17.1.

The total Human Resource &Remuneration Committee fees incurred for the year was R232 766 (2020: R332 549). The listing of the Human Resource & Remuneration Committee fees is shown under note number 17.1.

The total Social & Ethics Committee's fees incurred for the year was R107 710 (2019: R125 523). The listing of the Social & Ethics Committee fees is shown under note number 17.1.

The Executive Management remuneration for the year was R7 817 781 (2020: R7 637 542). The listing of the executive management remuneration is shown under note number 17.2.

24.4 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	2021	2020
Transactions (Interest)	4 622 716	7 083 040
Loans and advances	75 093 549	75 093 549
Impairment	**(16 997 869)**	**(11 295 984)**
Shareholder loans	39 000 000	39 000 000
Share Capital	-	-

24.5 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.

INSA	2021	2020
Transactions (Interest)	-	10 893 181.34
Suspended Interest	**-**	**(10 893 181.34)**
Loans and advances	78 270 762.00	78 270 762.00
Impairment	**(78 270 762.00)**	**(78 270 762.00)**
Shareholder loans	-	-
Share Capital	-	-

24.6 Ross Healthcare (Pty) Ltd

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

24.7 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. Transactions with this entity is disclosed in note 8 and 16 to the financial statements.

SheepCor	2021	2020
Transactions (Opex)	-	7 467 474
Receivable balance	-	3 587 463

24.8 KGF Capital (Pty) Ltd

The KGFT holds 49% of the shareholding in KGF Capital (Pty) Ltd. Aubrey Shabane (KGFT CEO)and Sandile Magubane (KGFT Investment Officer) were 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. During the financial year the KGFT issued a loan of R740 000 to KGF Capital required for solvency to obtains FAIS license. Transactions with this entity is disclosed in note 5 to the financial statements.

KGF Capital (Pty) Ltd	2021	2020
Receivable balance	740 000	740 000

25 Derivative Financial Instrument

In March 2015 the KGFT entered into an interest swap agreement with RMB on a portion of a loan issued to one of the projects. The KGFT took a fixed rate of 7.45% and the maturity date for the instrument is March 2023. During the financial year Mpact repaid early the loan instrument resulting to de-recognition of financial instrument

Movement in derivative financial instruments:	2021	2020
Balance as at 1 April	-	(508 172)
Net gains / (losses)	-	508 172
Balance as at 31 March Asset/(liability)	**-**	**-**

26 Events after reporting period

Matter with co-shareholder at INSA

The KGFT together with the co-shareholder ("Brand Investment Pty Ltd") owns equity shareholder at INSA which is one of the projects approved was approved including disbursements for funding. The company(INSA) has not managed to fully commission the plant to ensure efficient operation. The KGFT has invested R82m and Brand has invested R73m on the project. This has resulted to the following legal matters:

- Brand has instituted action against the Growth Fund Trust the individual Trustees and the Honourable MEC for an amount of R 73.2 million as a result of damages it has incurred due to the liquidation of INSA (Pty) Ltd ("INSA").
- It is alleged that the Growth Fund Trust and the individual Trustees (collectively "the Trust") induced Brand to invest in INSA on the basis of material representations that were false alternatively that the representations were made negligently and without the requisite due care and diligence.
- A letter of demand was addressed to the KwaZulu-Natal Growth Fund Trust the individual Trustees Webber Wentzel Attorneys on behalf of Brand Investments (Pty) Ltd ("Brand"). The matter is before court and summons/application has been issued.

Matter with investee company (Micro-finish)

The KGFT funded a project called Micro-finish in 2016. The company(Micro-finish) has not managed to honour its obligations to KGFT in terms of loan repayment since it was funded. The KGFT has invested R31m(debt) and R15m(preference shares) on the project. This has resulted to the following legal matters:

- KGFT has instituted action against Micro-finish following forensic report commissioned by KGFT on allegations raised against Micro-finish for all funds owed to it

The matter is before court and summons/application has been issued.

Impact of COVID19

In March last year the World health organisation officially declared the novel coronavirus COVID19 which triggered government interventions in order to stem the spread.

Most of the industries which have been financed by KGFT were closed down on lock-down regulations set by government resulting to increase in credit risk for projects finance using debt instruments. The KGFT has assessed the impact of COVID including the related risk will have on its performance and liquidity in the short to medium term. The KGFT will continue to monitor its position as more data becomes available and circumstances changes.

In order to assist all clients financed using debt instrument payment holidays for a period of 6 months were offered in order to provide much needed relief during these uncertain times. It must be further noted that the default rate increased as the economic recovery stimulus package is being implemented which has not resulted to any improvement in the expected credit losses.