



KZN
GROWTH
FUND

Inspired Investing



INTEGRATED ANNUAL REPORT

2023/24

Trust Information

REGISTRATION NUMBER
IT 1437/2007 (PMB)

TRUSTEES

Dr C Lubisi (Chairman)
Ms B Dlamini
Mr T Hlongwa
Ms S Mamvura
Ms BS Mzobe
Mr S Thobela
Mr S Hlophe (Term ended)
Mr A Dhuki (Term ended)
Ms T Zulu (Term ended)

ACTING CHIEF EXECUTIVE OFFICER (ACEO)

Mr K Ngqaka (Contract ended 31 March 2024)
Ms B Ikaneng (Appointed 01 April 2024)

COMPANY SECRETARY

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Auditor-General, South Africa

BANKERS

Standard Bank of South Africa Limited

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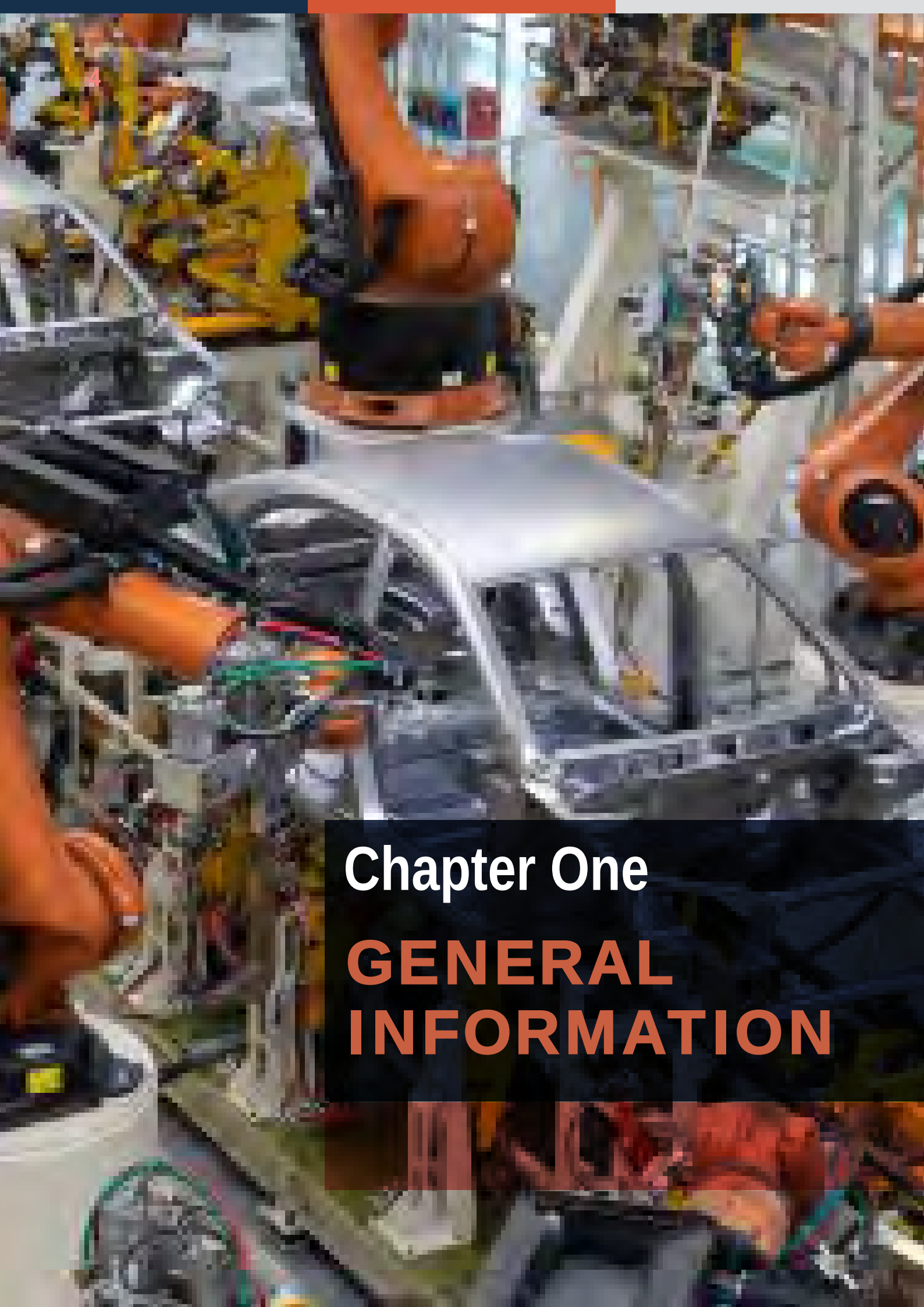
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A photograph of an industrial manufacturing environment. In the center, a silver car chassis is positioned on a conveyor belt. Several large, orange robotic arms are visible, some of which are actively working on the chassis. The background shows a complex network of pipes, cables, and industrial equipment, typical of a modern automotive factory.

Chapter One

GENERAL INFORMATION

1. INTRODUCTION



The KZN Growth Fund Trust (KZNGFT) is pleased to present its 13th integrated report covering the period 01 April 2023 to 31 March 2024. The report aims to give a comprehensive overview of KZNGFT's performance in the execution of its strategic mandate, its operational and financial performance, stakeholder management, governance matters, material issues concerning risks and opportunities, and how these elements contributed to the KZNGFT's prerogative to maintain continued sustainability and economic growth.

KZNGFT'S APPROACH TO INTEGRATED REPORTING

In preparing the report, the KZNGFT 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 KZNGFT's integrated reporting journey, it constantly seeks to improve the quality of the information provided so that stakeholders have a balanced and transparent account of KZNGFT's business. The KZNGFT 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

KZNGFT'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 with respect to prior periods. KZNGFT receives external assurance from the Auditor-General South Africa (AGSA), on the fair representation of its AFS. The AGSA also provides assurance with respect of KZNGFT's achievement of annual performance targets as set out in the Annual Performance Plan. KZNGFT 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 KZNGFT'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 and 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 KZNGFT's corporate plan and strategy, the outcomes of engagements

with stakeholders, reports submitted and produced for the Board of Trustees (BoT) and sub-committees, the key risks identified during the risk management process taking cognisance of various policies and regulations applicable to KZNGFT.



APPROVAL BY THE BOT

This report was prepared by Executive Management under the supervision of the BoT. The BoT is ultimately responsible for ensuring the reliability of this Integrated Report, supported by the Audit and Risk Committee and the KZNGFT Management Team. The BoT 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 organisation's performance. KZNGFT has taken a phased in approach to

integrated reporting and, therefore, believes that by 2025/202, the report shall be fully compliant with the IIRC Framework.

Given the impact of challenging economic conditions and load shedding, the BoT and the Executive Management KZNGFT have been hard at work to ensure KZNGFT's agility and adaptability to current economic environments and are confident about the socio-economic contributions that the KZNGFT will make in the following year.

2. MEC'S FOREWORD



Rev Musa Zondi, MPL

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

The KZNGFT is critical in ensuring the successful implementation of the KZN Economic Reconstruction and Recovery Plan. In this regard, the entity plays a leading role in building the capacity of emerging entrepreneurs involved in the production of local products and services.

This is achieved through economic empowerment initiatives such as black industrialisation, localisation of economic value chains, entrepreneurship development, and programmes to stabilise the energy supply. These programmes are also envisaged to empower vulnerable groups such as military veterans, people living with disabilities, women, and youth to fully participate in the mainstream economy.

The vision of the KZNGFT is to be the leading development financier and socially responsible impact investor, driving the imperative mandates of reducing inequalities and promoting Broad-Based Black Economic Empowerment. It is crucial to recognize the progress made by the entity in creating Black Industrialists. The KZN Growth Fund will be critical in ensuring the acceleration of the KZN Economic Reconstruction and Recovery Plan. In this regard, the entity will play a leading role in building the capacity of

Black Industrialists with an intention to build the value chains that will assist the emerging entrepreneurs to grow.

The KZNGFT received R46 million from the shareholder department to invest in Black Industrialist-led projects. This funding support has significant socio-economic benefits, unlocking industrial potential and radically changing patterns of ownership and control.

The investment is focused on the informal sector, which plays a crucial role in job creation and poverty eradication in our province. Based on a track record of good governance, prudent fund management, and excellent delivery on its mandate, the KZNGFT has recorded approvals amounting to R1.2 billion towards investments in core sectors, including manufacturing, healthcare, transport, and logistics, among others.

Projects funded by the Agency have created over 10,000 job opportunities to date and unlocked total investments of over R3 billion. The KZNGFT continues to expand its funding impact across the province.

During the year under review, the focus was on reaching all corners of the province and aligning with technological trends such as mining and solar energy.

I wish to commend the KZNGFT, the Acting Chief Executive Officer, and the entire team for a sound performance in 2023/2024. We look forward to working with industry captains through the KZNGFT to ensure that we weather this economic storm and emerge out of it wiser, stronger, and more resilient.



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



The KZNGFT has recorded approvals amounting to **R1.2 billion** towards investments in core sectors, including manufacturing, healthcare, transport, and logistics, among others

3. CHAIRPERSON'S REPORT



R. Cassius Lubisi, PhD

Chairperson: Board of Trustees

I am pleased to present this annual report of the KwaZulu-Natal Growth Fund Trust (KZNGFT) for the 2023/24 financial year on behalf of the Board. The KZNGFT strived to achieve its mandate in a year characterised by uncertainty and low economic growth following the impact of challenging economic conditions which resulted in the majority of the KZNGFT-funded clients to struggle to honour their obligations to the KZNGFT.

South Africa remains in a long business cycle downswing with annual growth below the estimated potential growth rate of the country. Growth momentum remains very weak. The country's low growth is not only affected by domestic problems, but by challenging global economic conditions which adversely affected progress on the Government's Economic Growth and Recovery Plan.

The KZNGFT needed to be innovative to address economic challenges such as poverty, high unemployment, and income inequality. The subdued economic growth led to lower business confidence, which in turn directly affected the business of the KZNGFT.

Thus, the KZNGFT and its legal successor will be reviewing its product offerings to

align with market needs and enhance its impact on the economy.

Looking ahead, the prospects are positive as the KZNGFT expects a slight positive trajectory in economic performance boosted by improved business confidence, following the recent statistics of economic growth over the medium term. The moderate inflation and stable interest rates environment following previous South African Reserve Bank (SARB) rate hikes coupled with the recovery of the agricultural sector offers a positive outlook for investment opportunities. The Board of Trustees is confident that the KZNGFT will continue to play a meaningful role in addressing the inequalities of the past and restructuring the economic landscape of our Province and our country.

The KZNGFT continues to uphold high standards of governance in the execution of its mandate and responsibilities. This has been evidenced by receiving its 19th consecutive clean audit opinion attained in the past financial year.

The KZNGFT monitors and reports on compliance as set out in the King IV Report and the PFMA and continues to remain fully committed to transparent

and disciplined corporate governance processes. In addition, our risk management processes remain robust throughout the KZNGFT and integrate the functions of risk, internal audit, and legal and regulatory compliance. Furthermore, the KZNG FT leverages its position as a lender or investor to ensure that its investee companies also adhere to good corporate governance.

During the year under review, the Board of Trustees reaffirmed its focus on transformation and addressing economic exclusion by prioritising designated groups such as women, youth, and rural/township projects.

Unemployment, especially among the youth, remains a pressing challenge requiring immediate policy prioritisation as it continues to persist. Its impact extends beyond financial deprivation, but also includes high socio-economic costs and low economic productivity.

The new financial year will be yet another year of transition as the KZNGFT reconsiders its product offering to be aligned with provincial and national priorities. The KZNGFT aspires to be world class in all that it does and differentiates itself from comparable entities 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 KZNGFT.

In the next year, the KZNGFT will increase its effort of targeting projects that are led by women, youth, and rural/township projects to realise impactful investing.

On behalf of the Board of Trustees and the entire organisation, I would like to thank our shareholder representatives, the former MEC for Economic Development, Tourism and Environmental Affairs (EDTEA), Mr. Siboniso Duma, as well as our new MEC, Rev Musa Zondi, for their leadership and support. I would also like to extend my appreciation to the former Acting Chief Executive Officer (CEO), Mr. Kaya Ngqaka, and the current Acting CEO, Ms. Tshidi Ikaneng, the Executive Management and all staff for their hard work and commitment to the achievement of the KZNGFT's mandate. A special word of gratitude to my fellow Trustees for their dedication and diligence and for providing oversight to the organisation and ensuring that the lives of the people of KZN are improved.



R. Cassius Lubisi, PhD
Chairperson: Board of Trustees



The KZNGFT continues to uphold high standards of governance in the execution of its mandate and responsibilities. This has been evidenced by receiving its 19th consecutive clean audit opinion attained in the past financial year.

4. CEO's REPORT



Ms Boitumelo "Tshidi" Ikaneng

Acting Chief Executive Officer

The 2023/24 financial year was challenging, considering the poor economic performance, loadshedding, and disrupted global supply chain due to the war between Russia and Ukraine. The KZN Growth Fund Trust (KZNGFT) went through a challenging period characterised by uncertainty related to the executive management level vacancies and non-performing loans. Despite these challenges, KZNGFT remains resolute in its mandate and in addressing its challenges.

OPERATING ENVIRONMENT

The KZNGFT's performance fell short of expectations regarding deal-making. This has been made worse by the poor performance of the loan book. In view of the challenges, the BoT of KZNGFT took a resolution to review the business model and address issues that have led to the decline in the performance of the Trust. A service provider was appointed to assist KZNGFT in its turnaround project and the work is at an advanced stage. The project is expected to develop a new business model that will improve the performance of KZNGFT in terms of deal approvals, loan book performance, a suitable organisational structure, digitisation and automation of the systems, etc.

DELIVERING ON OUR MANDATE

The KZNGFT is tasked with a responsibility to deliver on three (3) key mandates, viz. job creation, transformation and economic development. The Trust executes these mandates through originating, assessing and financing appropriate impactful projects that are commercially viable. The KZNGFT was appointed to facilitate the Youth Fund and Operational Vula Fund programme.

FUND MANAGEMENT RESPONSIBILITIES

Based on the track record of good governance, prudent fund management and excellent delivery on the mandate, the KZNGFT has made its name in the investment space and among other government entities as a fund manager of reference.

FINANCIAL PERFORMANCE

The KwaZulu-Natal Growth Fund Trust (KZNGFT) maintains its self-sustainability by generating sufficient returns to cover its operational expenses without depleting the capital allocated for project financing.

During the year under review, the impairment provision was implementation of the IFRS 9 reporting standard and the challenging trading conditions impacting some of our investee companies. In response, KZNGFT has undertaken strategic initiatives to mitigate further impairments on these affected companies. These measures include the appointment of turnaround specialists and the identification of strategic partners with both capital resources and extensive experience in the targeted priority sectors.

The KZNGFT Assets Under Management decreased by 3.33% from R1.1b to R1.b in the previous year due to the surrendering of funds to the Provincial Revenue Fund.

ECONOMIC OUTLOOK

On the economic front, the outlook remains negative, with forecasts indicating a potential recession, high inflation, and rising interest rates in major global economies, compounded by the ongoing conflict between Russia and Ukraine. These factors are expected to adversely affect South African businesses.

With a Consumer Price Index (CPI) of 7.1%, an unemployment rate of 32.9%, and a Q4 GDP contraction of -1.3% quarter-on-quarter, there are clear indications that the South African economy is on the verge of a technical recession. The electricity crisis, coupled with high inflation and interest rates, are the primary factors contributing to this economic decline, which will likely weigh heavily on growth. These challenging economic conditions pose a significant risk to the operations of the (KZNGFT), given its engagement with businesses.

In response, KZNGFT will align with the priorities of the 7th Administration under the Government of National Unity. The draft Medium-Term Development Plan (MTDP) 2024-29 outlines three strategic priorities: inclusive economic growth and job creation, maintaining and optimizing the social wage, and fostering a capable, ethical, and

developmental state. KZNGFT is transitioning to a Schedule 3D PFMA entity, with the KZN Growth Fund Agency Bill being gazetted in May 2024. The KZN Department of Economic Development, Tourism, and Environmental Affairs is actively implementing the necessary transitional measures.

KZNGFT will continue to seek funding opportunities to support its mandate, while distinguishing itself from commercial financiers by deepening its transformative role and enhancing partnerships to remain relevant in fulfilling the trust mandate. This includes maintaining a cost-effective operation, exercising prudent and judicious capital allocations, and investing in our people to develop industrial development thought-leaders.

GRATITUDE

I would like to extend my sincere gratitude to our Board of Trustees for their diligent oversight and to the members of the Executive team for their exemplary leadership throughout the past financial year. I also wish to commend all our staff for their valuable contributions to our performance during the year, despite the capacity challenges we faced.

A special word of thanks goes to our shareholder representative, the MEC for Economic Development, Tourism, and Environmental Affairs (EDTEA), Rev. Musa Zondi, along with the Acting Head of Department, Ms. Thandeka Ellenson, for their unwavering support and confidence in the Fund. Their commitment has been instrumental as KZNGFT continues its efforts to transform the economic landscape of the KwaZulu-Natal Province.



Ms. Boitumelo "Tshidi" Ikaneng
Acting Chief Executive Officer

5. STRATEGY



KZNGFT is a project financier based in KwaZulu-Natal with the mandate to invest in initiatives that have the potential to boost job creation, encourage B-BBEE, lower inequality, and improve economic growth. The KZNGFT financed medium to large scale sustainable private sector projects throughout the KwaZulu-Natal ("KZN") Province. This initiative was aimed at creating sustainable economic development, job creation, broad based black economic empowerment (B-BBEE) and reducing inequality in KZN.

With regard to projects that have a reasonable chance of success, the KZNGFT aims to close the capital gap on bankable business plans. By contributing to these initiatives through its loan and equity fund, the KZNGFT carries out its developmental purpose.

ALIGNMENT TO PROVINCIAL STRATEGIES

The KZNGFT 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 KZNGFT 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 KZNGFT is pivotal in implementing fund management for the KZN Youth Fund.

ALIGNMENT TO PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY (PGDS)

The KZNGFT has aligned itself with the KZN 2016-2035 PGDS through its mandate, mission and investment policy. The KZNGFT 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 KZNGFT provides project finance, debt funding and equity finance to projects within specific target sectors where gaps or backlogs in economic development 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 5.1: Alignment of the KZNGFT to PGDP

Provincial Strategic Goal	Objective	KZNGFT 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	KZNGFT 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.	- KZNGFT 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. - KZNGFT is in the process of forming an Educational Foundation KZNGFT 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.	- KZNGFT adheres to good corporate governance, PFMA and King IV in its investments and as an organisation. - KZNGFT strives to maintain a Clean Audit record.

Table 5.2: Alignment of the KZNGFT to EDTEA

ALIGNMENT TO EDTEA STRATEGIC GOALS

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

Strategic Goals	Strategic Objectives	KZNGFT 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.	KZNGFT 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 competitiveness 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 - A transformed KZN Tourism sector towards inclusive growth and employment.	KZNGFT seeks to transform the tourism sector to achieve the province's developmental objective of inclusive growth and employment by funding future projects in the tourism sector.
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	KZNGFT 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	KZNGFT strives to maintain a clean audit record

6. KZNGFT STAKEHOLDERS



KZNGFT acknowledges that maintaining positive connections with its diverse stakeholders is essential to carrying out its mandate and guaranteeing the Fund's long-term viability. To understand and address valid stakeholder concerns, KZNGFT constantly communicates with its stakeholder groups.

Table 6.1: KZNGFT Stakeholder engagement

Stakeholder Group	Stakeholder Opportunity	Engagement methods	What we engage on	Link to strategic objectives
Provincial Government	- To facilitate the alignment of KZNGFT's objectives with government priorities - To monitor performance and report on activities	- Regular meetings with the MEC: EDTEA - Quarterly performance reporting - EDTEA representatives attend KZNGFT BoT meetings - Presentations to EDTEA and KZN Finance Portfolio Committee - KZNGFT's Corporate Plan and Annual Performance Plan	- KZNGFT'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 - KZNGFT's Audio Visual - Brochures - Social Media - Transaction tombstones	- Client needs (funding and non-funding support) - Job creation - Perceptions and expectations - Environmental impact	C,D

7. OPERATIONAL BUSINESS MODEL



KZNGFT currently manages both a Debt Fund and an Equity Fund, with the capacity to bring additional investors on board to participate in both funds. To enhance its ability to form strategic partnerships with like-minded investors, KZNGFT established KGF Capital, an FSP-licensed entity, in the 2019/2020 financial year. Through this entity, KZNGFT will act as a Fund Manager, leveraging a structure commonly employed in the Private Equity industry.

Debt Fund

The Debt Fund finances projects with a minimum threshold of R20 million and can consider funding up to R100 million. For projects requiring amounts exceeding this

upper limit, co-funding arrangements with other financial institutions are explored.

Equity Fund

The Equity Fund invests in projects with a minimum investment of R20 million and may consider investments up to R50 million.

The management of the two funds are governed by separate policies and procedures and where practically possible, staff a well. The asset allocation of the KZNGFT determines the size of the respective funds, which is depicted in the table below.

Asset Allocation of the KZNGFT's Capital

Sources of funds	R'm	Assets Allocated	R'm
Initial capitalisation (EDTEA)	362.5	Equity Fund	426.3
Accumulated allocations (EDTEA)	409.0	Debt Fund	1 041.4
EDTEA allocation*	444.3		
Capitalised returns	252.9		
Total	1 476.7	Total	1 476.7

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

The Breakdown of the funds into the asset classes (R426m Equity Fund and R1,041bn 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.

Both funds are strategically focused on key infrastructure and economic sectors, including:

- Transport and logistics
- Manufacturing
- Telecommunications
- Power and energy
- Health and education infrastructure
- Agro processing
- Mining and mineral beneficiation
- Tourism
- Other sectors that align with the objectives of the KZNGFT, provided they meet the Investment Policy criteria of the Fund

Vision

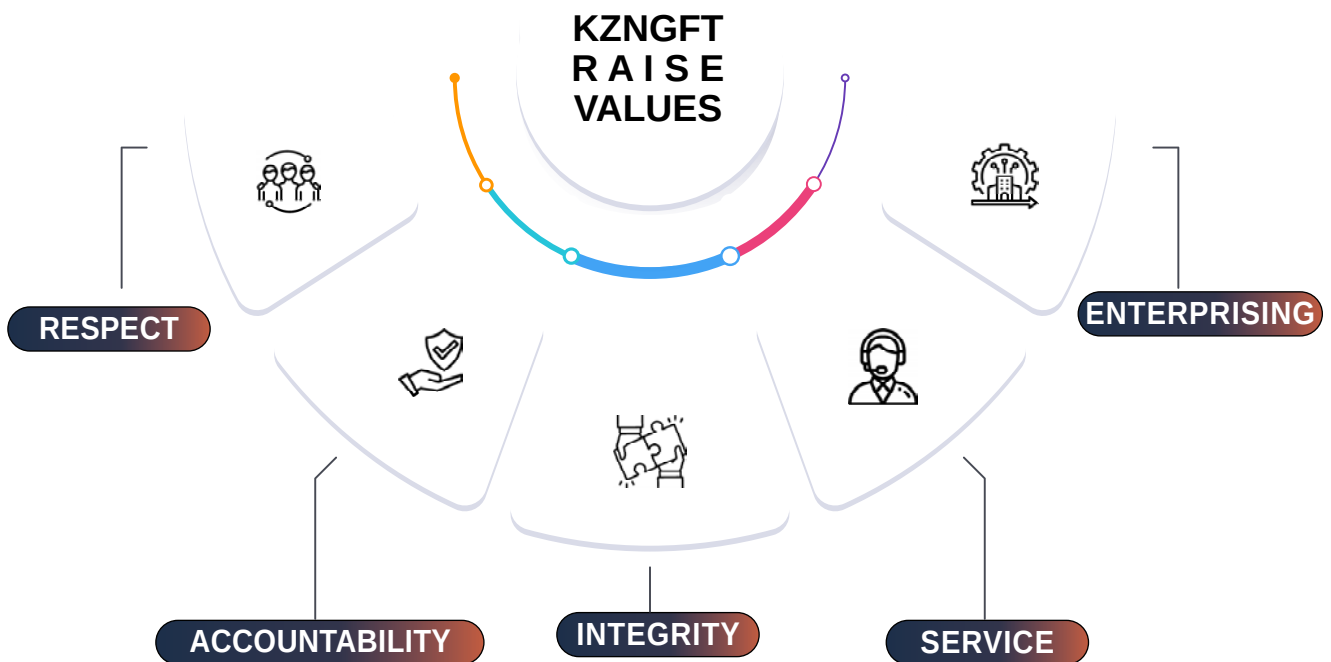
To be KZN's leading Development Financier and socially responsible Impact Investor.

Mission

To provide competitive and innovative financing solutions through the management of public, and private equity funds that propel socioeconomic 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.



STRATEGIC OBJECTIVES

The strategic objectives of KZNGFT 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 KZNGFT's investments;
- To remain financially sustainable by fully committing available funds under management and ensuring appropriate post investment
- To fund projects that will provide inclusive and sustainable job creation
- 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 KZNGFT;
- To implement and maintain sound policies, procedures and systems of internal controls to ensure good corporate governance; and
- To implement appropriate post-investment management.

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

- To manage funds that can offer competitive financing products to attract private participation;

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



8. MATERIAL RISKS AND OPPORTUNITIES



The KZNGFT identified and monitored thirteen strategic risks that could affect its business operations in the financial year and ultimately its ability to create value in the long term. The annual risk identification process involved team discussions, feedback from stakeholder internal and external stakeholders, examination of economic trends within KZN businesses, and a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. Table 8.1 shows the top thirteen risks

identified and monitored in the financial year.

Eleven of the thirteen strategic risks remained high, no major adjustments have been made to all risks as minimal improvements were observed new mitigating measures had recently been implemented. despite the existing mitigating controls and their expected effectiveness.



Table 8.1 – Summary of Top Nine Strategic Risks

Rank	Key Risk	Current Controls	Proposed Action
1	Socio-political risk: Exposure to Political and social instability	Constant engagement and lobbying with key stakeholders monitor the political landscape. A policy for Politically Exposed Persons (PEP) and Prominent Influential Persons ensures unbiased governance. Continuous reporting to EDTEA maintains relevance and mandate delivery.	The Trust conducts bi-annual shareholder meetings, monthly technical cluster meetings, and manages shareholder agreements. It also attends community forums, develops stakeholder strategies, implements PEP policies, and attends business expos and investor conferences.
2	Equity and Investment RISK: Exposure due to funding of poor equity deals and non-achievement of the expected internal rate of return.	- Independent review of projects from the quality of due diligence report to recommendation to board by Investment Committee. - Strict adherence to investment and credit policies. - Continuous training of all specialists . - Implementation of findings of due diligence reports preparing project company for exit. - Recruitment of employees with specialised skills. - Appointment of director/s to investee boards. Comprehensive legal risk management / enforcing compliance with terms & conditions.	- Development of exit plans in line with the equity exit policy. - Enhanced Post Investment Monitoring on Equity investments to improve ROI. - Outsourcing of Equity Fund Administration. - Enhanced due diligence on investee companies.
3	Credit Risk: Exposure to non-payment of loans.	- Regular review of Credit and Investment strategy, Policies and Procedures. - Comprehensive credit assessment and proposal of project related conditions and covenants to strengthen the position of KZNGFT. - Implementation of findings of due diligence reports to prepare project company for exit. - Monitor compliance with existing covenants as part of quarterly monitoring. - Assess collateral coverage relative to approved loan conditions. - Early identification of contractual payment delinquencies and classify potential problem credits. - Talent mapping and recruitment of employees with specialised skills.	The Human Resource and Remuneration Committee oversees competitive remuneration and benefits. HR enforces performance management, evaluates temporary employees, and has a communication plan in place.

Rank	Key Risk	Current Controls	Proposed Action
4	Human and Capital Risk: Inability to recruit, develop and retain the best talent and create a conducive working environment.	• Performance management policy in place. • Oversight by HR Committee. • Board and management feedback session with staff. • Staff morale and wellness sessions. • Benchmarking of remuneration. • Implement Approved HR strategy.	• Staff training conducted to understand their role in the performance management process. • EXCO members attended EQ training and assigned to coaches for leadership development. • Conducted an employee engagement survey. • Introduced recognition of staff through employee awards for high performers, positive contributors. • implemented regular staff meetings for timely communication of business requirements.
5	Market Risk Exposure to both the financial and business risk factors.	• Use of various sources of research hubs for timely information.	• Identification of viable projects /sectors with high sustainability prospects. • Diversify from the manufacturing sector. • To empower local markets to reduce imports. • Deal origination -collaboration with other DFIs to share the risk exposure. • Investigate alternative energy and power solutions and water. • Implementation of an open relationship with Business Partners.
6	Mandate fit: Inability to achieve KZNGFT mandate.	• Alignment of KZNGFT objectives with the provincial government strategies. • Developing strategic partnerships, relationships with Investors, NGO's, consultants, and stakeholders, e.g., TIKZN, IDC, PIC, commercial lenders etc	• Strategic session held with shareholder Strategist to ensure alignment of KZNGFT mandate with the provincial government strategies. • Deal origination in line with government strategy. • Marketing business model was designed to be aligned to mandate.
7	Information Technology and Cybersecurity Risk: Failure of Technological infrastructure.	• Antivirus and Access control processes. • ICT Security policy and procedures. • Patch Management. • Vulnerability and compliance scans; Mail hygiene • Intrusion Detection and Prevention tools • Firewalls installed and monitored. • Logical and Physical access implemented into server rooms. • Exception reports.	• Cloud IT Strategy approved for implementation of Cloud-based storage. • Engagement of IT Specialists to assist with the model of making IT in-house. • Information Protection, Processing, and retention in accordance with all legislation. • Upgrade of hardware to ensure efficiency for interoperability with the cloud system. • Data encryption included strengthening cyber security policies.

Rank	Key Risk	Current Controls	Proposed Action
8	Fraud and Corruption: Bribery, Theft and misuse of assets	- Implemented policies and procedures. - Regular monitoring key internal processes (Internal Audit and Compliance Reviews). - Conflict of Interest declarations and checks - Anti-fraud Policy. - External tip-offline for reporting and identification of fraud. - Gift policy and register. - Establishment of the Social and Ethics committee. - Disciplinary process in place for fraud, theft, and corruption. - Employment pre-selection checks. - Fraud Awareness campaigns.	- Background checks of clients, suppliers and employees. - conducted a fraud awareness workshop through external service provider. - Organisational change of culture dynamic. - Ongoing declarations of interest assessments.
9	Business Continuity: Any event that may cause complete interruptions/ stoppage to the business	- Business Continuity and Disaster Recovery Plan. - Periodic testing of the Business Continuity and Disaster Recovery Plan.	Periodic testing of the Business Continuity and Disaster Recovery Plan.
10	Reputation Risk: Potential damage to the KZNGFT's image that may have an impact on the sustainability of the organisation	- Marketing and communications Policy. - Marketing and PR companies available. - Media training was provided to EXCO and the Board. - Use of social media to rebuild the brand. - CSI initiatives.	- Constant engagement with staff on organisational strategic decisions. - Monthly reviews of PR reports - Actively exposing KZNGFT on social media.

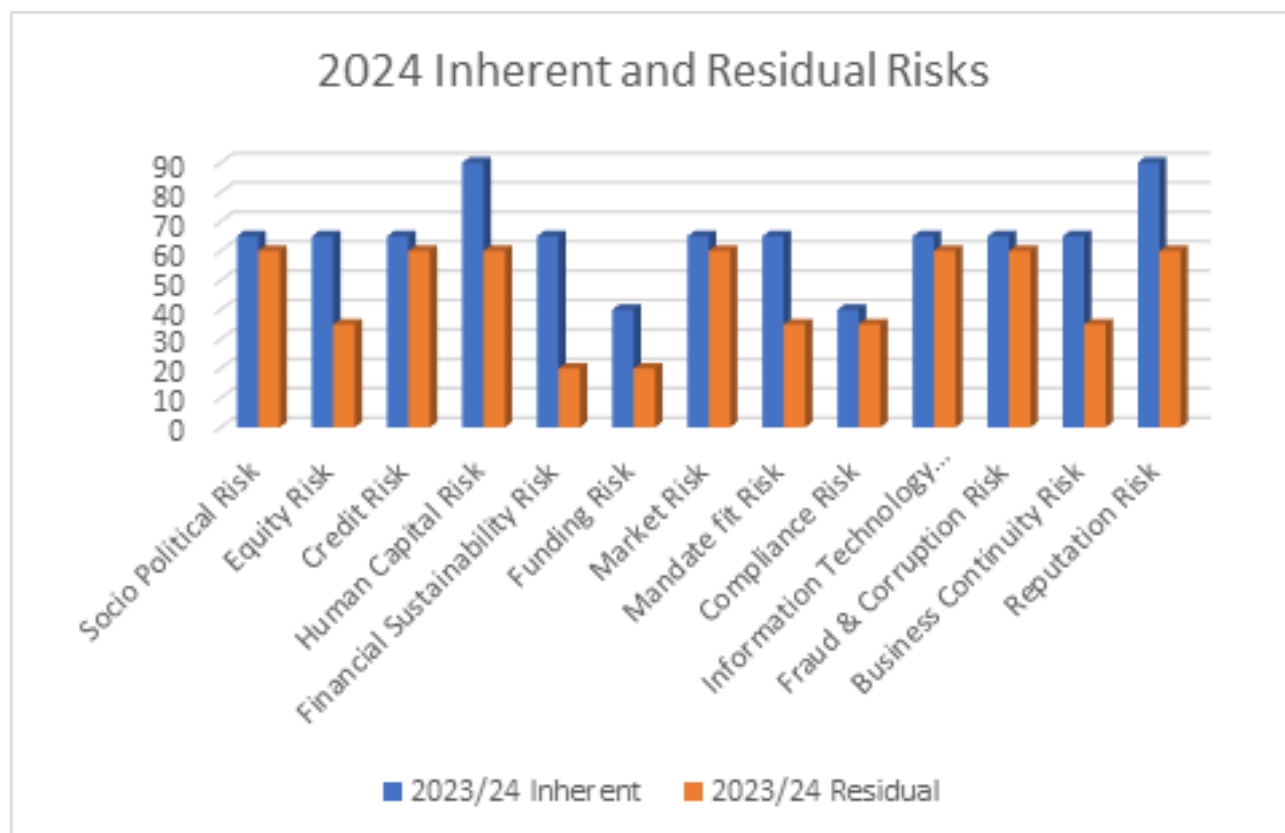
Rank	Key Risk	Current Controls	Proposed Action
11	Financial Sustainability Risk: Exposures that could impact the commercial viability and financial sustainability.	- Annual budgeting process including monthly monitoring of Actual v Budget variances. - Monthly review of budget variances including commentary by departmental executives. - Treasury cost cutting measures are implemented. - Policies, procedures, and delegation of authority in place and reviewed regularly. - Performance management in line with targets set in corporate plan - Quarterly solvency and liquidity testing. - Ongoing management of the loan portfolio	- A review of Risk appetite statement in line with the strategies and objectives of the KZNGFT. - Initiative-taking monitoring of the loan and equity book and mitigate risks. - Review of the risk pricing matrix in line with the risk appetite. - The investment and credit policy was reviewed to align with the mandate of the KZNGFT.
12	Funding Risk: Risk that the KZNGFT may not have enough funds to undertake its business activities of lending and investing.	- Restructuring of distressed loans and investments. - Improved repayment collection structures. - Monitor political landscape by constant engagement/lobbying with key stakeholders. - KZNGFT representation at key meetings. - Mechanisms in place to ensure relevance through continuous reporting to EDTEA on delivery of the mandate. - Enhanced relationships with all critical stakeholders. - Efficient diversification of investment assets and sectors.	- Ongoing management of the loan portfolio. - Procedures for balance sheet management of portfolio returns and movements to be implemented.

Rank	Key Risk	Current Controls	Proposed Action
13	Compliance And Regulatory Risk: Exposure arising from weak governance and lack of compliance with policies and legislative universe.	- Approved policies and changes to policies are managed and rolled out to staff. - Monitoring and reporting of compliance and risk via independent function to relevant committees. - In-house compliance function and internal audit. - Approved combined assurance plan - In-house legal counsel appointed and access to external legal counsel. - Risk assessment undertaken to determine high risk threats to KZNGFT. - Communication, Training and roll out of policies and procedures. - Adherence to all relevant regulations.	- Electronic Resources for regulatory processes, updates, and training. - Emphasis on the adoption of King IV's "apply and explain" concept. - Management of the regulatory universe through constant review of latest legislation and regulations.

The strategic risks present an inherently high risk due to KZNGFT's lending environment being high risk in nature. South African Developmental Finance operate in an environment that has financial and entrepreneurial expertise inequalities. The economic and socio-political climate also hugely contributes to the high inherent risk status despite implementation of risk mitigation measures which reflect a significant effective thus the low residual risks across all the

risks. The internal environment has also faced challenges at strategic, operational and business; high vacancy rate in leadership and operations, a depressed organisational environment, inability to deliver on project approvals and lack of technology advancement (systems automation) collectively caused a decrease in the overall performance of the KZNGFT. Graph 1.8.1 reflects the top thirteen inherent and residual risks for the financial year.

Graph 8.1 – Inherent Risk vs Residual Risk



Managing Risks and Opportunities

To be KZN's leading Development Financier and socially KZNGFT manages risks through an ongoing risk assessment process that spans the entire organisation, aiming to foster a risk-aware culture. This process includes managing investment-related risks and support functions such as human resources, finance, supply chain and marketing.

BoT is responsible for overall risk management, including ensuring that risk management is integrated into all KZNGFT operations and activities and implementing an enterprise risk management (ERM) framework. This method ensures that KZNGFT has a comprehensive understanding of the risks inherent in its strategy, operations, and business, and that risk

management is integrated into the planning, business, and decision-making processes. It is also BoT's responsibility to periodically examine the KZNGFT's risk profile.

The Audit and Risk Committee is responsible for overseeing the implementation of the KZNGFT's ERM framework and reviewing critical risk reports on a quarterly basis. Operational issues are addressed in quarterly reports and overseen by the Executive Committee (Exco) and Internal Risk Committee (IRC).

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

8.1 The risk architecture of the KZN Growth Fund:



8.2 KZNGFT Risk is addressed at three levels: Strategic, Operational and Project.

Strategic Risks are those that have the most impact on KZNGFT's capacity to implement its objectives and meet its developmental mandate. These risk exposures can have an impact on KZNGFT's shareholder value and long-term viability.

Operational Risks refer to the hazards inherent in KZNGFT's operations and processes. These are developing hazards caused by both internal (human resources, legal and compliance, fraud) and external causes (suppliers, politics, reputation, economic climate, etc.).

Project Risks refer to risks that may have an impact on the progress, result, or outcome of a specific KZNGFT-funded product, resulting in deviations from predicted project returns or affecting the planned results of certain value-creating activities.

The Investment Committee (IC) has been tasked by BoT with managing credit and investment risk. BoT has also delegated approval of Initial Screening Reports to the Internal Risk Committee (IRC) to speed up turnaround times and increase the KZNGFT's competitiveness.

The IC ensures that extensive due diligence is conducted on initiatives that require funding before submitting them to the Board for approval. The IC is also responsible for overseeing project performance monitoring after payments to ensure the KZNGFT's long-term sustainability portfolio. The KZNGFT tries to strike a balance between its developmental objective and the projected returns to long-term sustainability for its stakeholders with a high-risk appetite.

8.3. Post investments

The function is responsible for ensuring that the debt portfolio is monitored in line with approved conditions, conducts site visits to assess business operational and financial challenges and report and recommend workout and turnaround strategies. During the financial year, KZNGFT successfully restructured one project.

There was improvement on collections as majority on projects under distress adhered to repayment arrangements. The process of restructuring will be continuing into the ensuing year to ensure that projects are upgraded to performing stage.

8.4 Legal interventions on projects

The project portfolio comprise loans under litigation at different stages. During the financial year, three out of ten Debt loans were written-off and an aggressive recoveries strategy was implemented to ensure that all recovery avenues has been covered. There has been improvement on the progress of litigation processes as KZNGFT has an internal Legal team that works closely with external legal experts in managing the litigation book.

The Projects and Credit Risk function continue to collaborate to ensure that the deal origination, appraisal and approved loans are such that they do not significantly expose KZNGFT to credit risk. Internal functional strategy sessions and workshops are held to ensure cross skilling and creation of a risk- aware deal team that conducts business on a risk-based approach. The Legal function plays a key role in ensuring that legal agreements and conditions are legally sound, implementable and adequately secure KZNGFT's exposure.

8.5 Regulatory Compliance, Environmental, Social and Governance

KZNGFT's regulatory and compliance framework is stringent, and KZNGFT maintains confidence by regularly changing our policies and processes. Our integrated risk management and assurance solution creates a comprehensive control environment. The Operational Risk and Business Continuity offers a comprehensive policy framework. Given the importance of IT infrastructure in our operations, KZNGFT is prioritising the implementation of digital strategies.

KZNGFT is aware of the growing threat of cybercrime, which has the potential to jeopardise intellectual property, cause financial losses, and disrupt operations. Fraudulent acts can threaten the Trust's financial stability.

8.5.1 Compliance Risk Management

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, research 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.

Compliance key functions

The KZNGFT keeps up with the ever-changing regulatory landscape by ensuring that the function maintains a strong, adaptable, and comprehensive internal compliance architecture. The core functions of the function are:

Advisory: Compliance function provides guidance to senior management on compliance laws, norms, and standards, as well as keep them up to date on developments related to KZNGFT ecosystem.

Compliance related training: Senior management relies on the compliance function in training employees on compliance concerns, as well as acting as a contact point inside KZNGFT for compliance queries from employees.

Identification, measurement, and assessment of compliance risk: The compliance function identifies, documents, and assess compliance risks associated with the KZNGFT business activities at all operational and governance levels such as the deal origination, appraisal, disbursement, post investments of new and existing projects and business practices respectively.

Monitoring, testing, and reporting: The compliance function executes adequate and representative compliance testing to monitor and test compliance on an ongoing basis and reporting to the Audit and Risk committee on a quarterly basis.

Statutory obligations and liaison: The compliance function is assigned specific statutory duties such as acting as an Anti-Money Laundering Officer for the KZNGFT.

Compliance program: The responsibilities of the compliance function is responsible for carrying out a compliance program that sets out its planned activities comprising review of specific policies and procedures, compliance risk assessment, compliance testing.

Activities conducted during the financial year

During the financial year, a comprehensive compliance environment assessment was conducted through an external compliance and legal expert to ensure that the KZNGFT compliant with the regulatory universe and with special emphasis on assessing the **Protection of Personal Information Act No. 4 of 2013 (“POPIA”)**. An action plan was developed to ensure that effective pro-active steps are taken by KZNGFT to achieve compliance with the provisions of POPIA.

Anti money laundering (AML) management enhancement activities were implemented such as review of the, ESG policy, conflict of interest registers, and whistle blower hotline and monthly reporting. A review of the Politically Exposed Persons (PeP) and Prominent and Influential Persons (Pip) policy is underway in the ensuring year.

During the financial year the supply chain environment was comprehensively reviewed by the provincial treasury in support of the compliance improvement that KZNGFT is currently undertaking. The audit assisted in identifying areas of internal control weaknesses, recommended changes. The KZNGFT successfully implemented more than ninety percent of the recommendations.



The regulatory universe

The Compliance Function took great delight in ensuring that the KZNGFT adheres to its regulatory universe. In the upcoming reporting period, the function will continue to provide proficient regulatory direction to all areas of the organisation. As a Developmental institution and a state-owned entity, KZNGFT is guided by the constitution as the primary law and other related acts within its sphere of operation. Below is a list of KZNGFT's top ten acts within its regulatory universe.

- Constitution of RSA No 108 of 1996
- Companies Act No 71 of 2008
- Public Finance Management Act, 1999 (including
- Treasury regulations, Supply Chain Management guidelines, circulars and practice notes)
- Trust Property Control Act, 57 of 1988
- KING IV Code on Corporate Governance for South Africa 2016
- Financial Intelligence Centre Act 38 of 2001 (FICA)
- Black Economic Empowerment Act of No. 53 of 2003
- Basic Conditions of Employment Act No 75 of 1997
- Financial Advisory and Intermediary Services Act No. 37 of 2002
- Protection of Personal Information Act 4 of 2013

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

8.5.2 ESG Risk Management

The KZNGFT's framework for managing operational risk comprise a list of legislation, policies and guidelines applicable to the management of an ESG 3 pillar reporting framework, as indicated below.

8.5.2.1 ESG Three Pillars of Reporting



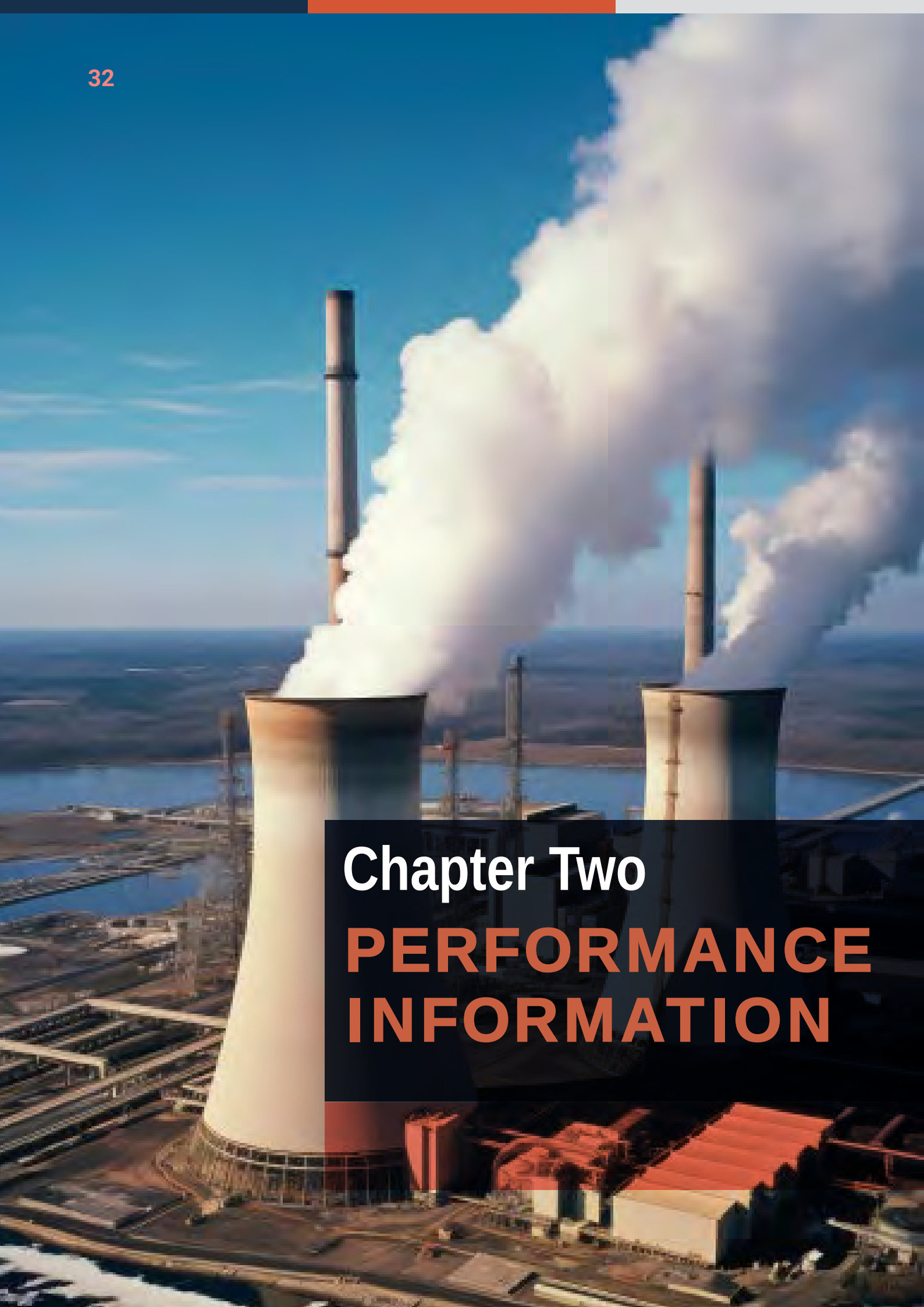
The environmental, social, and governance (ESG) demonstrates an organisation's sustainability. KZNGFT strives to ensure that good ESG credentials are obtained by itself, and projects funded by taking into consideration the impact of its actions on the environment and society through good governance practices. The increasing focus on ESG issues in recent years, is driven by heightened social, governmental, and consumer attention on the broader impact of corporations, as well as by the investors and executives who realise that a strong ESG proposition can safeguard a company's long-term success.

Environmental: KZNGFT has shown improvement in adopting and enforcing ESG considerations within the organisation and investee companies, evidenced by improved environmental management evidenced in the use of water, implementation of waste management processes, implementing alternative energy sources such as solar systems and generators.

Social: Despite the tough economic times, KZNGFT and investee companies did not report any retrenchments or strikes. Employment statistics have been fluctuating due to normal

staff attrition triggered by personal decisions. Ongoing training and development of employees has improved in investee companies and KZNGFT, evidenced by the increased spend and more employees obtaining qualifications. The work environments have been reported as acceptable as many investee companies and KZNGFT have remote working policies in place as part of social sustainability tool. There is an opportunity for the organisation and its investee companies to participate in impactful social corporate initiatives.

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



Chapter Two

PERFORMANCE INFORMATION

1. FINANCIAL PERFORMANCE

KZNGFT reported a net profit of R2.6 million for the 2023–2024 fiscal year, compared to an anticipated net profit of R949k. This was mostly caused by an R15 million impairment reversal and an R30 million fair value loss as a result of the

equity investments' positive performance. In order to better manage projects and increase the return on funds invested in the economy, KZNGF has created a redesigned funding model.



Key Performance Measures			
Rands	2024	2023	%change
Profitability			
Interest Income	91 859 733	68 740 700	34%
Loss on disposal	-	(5 542)	-100%
Dividend Income	4 131 000	4 131 000	0%
Interest paid	(62 605)	(217 317)	-71%
Other Income	2 297 345	169 891	1252%
Fair value gains or (losses)	(20 489 979)	10 460 140	-296%
Provision for doubtful debts	15 575 074	24 042 149	-35%
Operating expenses	(90 682 661)	(76 820 012)	-18%
Assets			
Cash and cash equivalents	49 625 398	44 770 510	11%
Loans and advances			
New loans and advanced	-	4 136 856	-100%
Repayments	(16 262 515)	(16 187 021)	0%
Gross loans and advances	260 478 543	448 517 254	-42%
Provision for impairments	(157 520 067)	(349 083 685)	55%
Net loans and advances	86 695 963	87 383 404	-1%
Provision for impairments as a % of gross loans & advances	65%	78%	
Non-performing loans and advances	244 216 028	436 467 089	-44%
Total Assets	1 331 484 443	1 462 029 914	-9%
Liabilities			
Provisions, accruals and other liabilities	75 088 529	152 345 905	-51%
Total Liabilities	75 088 529	152 345 905	-51%
Ratios			
Total Liabilities to Total Assets	17.73	9.60	
Current Assets to Current liabilities	14.75	8.00	
Equity			
Capital and reserves attributable to equity holders	1 256 395 914	1 308 189 006	-4%
Equity			
No of employees	35	32	
Previously disadvantaged South Africans	35	32	
No of females	24	24	

2. CONTRIBUTING VALUE TO THE ECONOMY



ECONOMIC VALUE ADD STATEMENT

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

Rands	2024	2023
Interest Income	91 859 733	68 740 700
Raising Fee	-	(5 542)
Other Income	2 297 345	169 891
Dividend Income	4 131 000	4 131 000
Direct economic value generated	98 288 078	73 036 049
To supplier in payment of operating expenses	-43 813 195	-32 266 632
To employees	-43 204 002	-40 924 572
To provider of Funds	-	-
Other interest paid	-62 605	-217 317
Unemployment Fund	-148 934	-150 503
Skills development levies	-335 848	-308 110
Property rates and taxes	-261 230	-250 743
Economic value distributed		
Accumulated profit	10 462 264	-1 261 431
Provision for doubtful debts	(4 914 905)	34 502 289
Depreciation and amortisation	(2 919 452)	(2 919 452)
Economic value retained for expansion growth	2 627 907	30 501 009

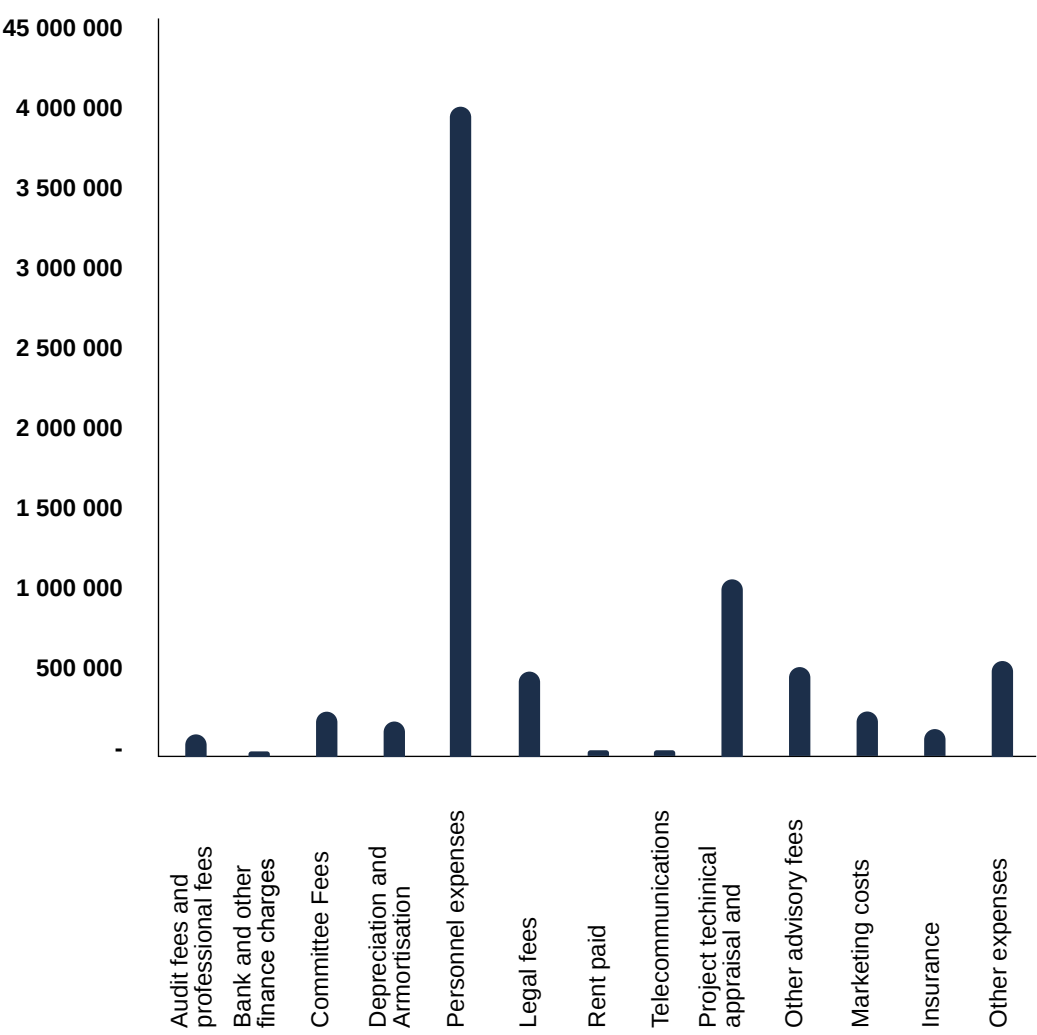
Economic value added during the year is represented by payments made to employees and service providers, amounting to R43.2m (2023: R40.9m) and R43.8m (2023: R32.3m) respectively.

KZNGFT 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 KZNGFT 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

2023/24 Operation Expenditure split



The KZNGFT 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



3. SOCIAL-ECONOMIC DEVELOPMENT



As both a development financier and impact investor, KZNGFT 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.

The KZNGFT 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) KZNGFT Core Business

In the 2023/24 financial year, the BoT of (KZNGFT) approved three significant projects with a combined value of approximately R126 million. These projects are anticipated to generate around 104 new jobs, 130 temporary jobs, and preserve 101 existing jobs. The approved initiatives span the Mining & Mineral Beneficiation, Power & Energy, and Paper & Printing sectors. KZNGFT's involvement includes providing debt financing for two of these projects and equity financing for one

Below is a brief overview of the approved projects:

Project A: Mining & Mineral Beneficiation

KZNGFT is financing the re-establishment of an aluminium rod casting plant in Richards Bay. This plant will manufacture aluminium rod coils, which are essential components in the production of overhead aluminium conductors and cables.





Project B: Power & Energy

This project involves the acquisition and operation of a fuel bulk-storage depot located in Ladysmith. Given the high barriers to entry in this sector, the project is expected to significantly contribute to transformation within the power and energy industry while also creating employment opportunities.



Project C: Paper & Printing

This project involves a 100% black-owned printing company that has been in operation for three decades. KZNGFT will provide funding to support the company's expansion by acquiring new machinery, enabling the business to improve its efficiencies and diversify its product offerings.

(ii) Strategic Projects

Operation Vula

The KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA); KZN Treasury and the KZN Growth Fund Trust (KZNGFT) introduced the Operation Vula Programme (“OVF Fund”). The R267 million grant funding was initially provided financial year to administered by KZNGFT as the disbursing agent and targeted at black Africa youth female, people with disabilities and youth owned businesses as beneficiaries. In the financial year 2024 no funds were received for OVF. As at 31 March 2024 the KZNGFT has disbursed just over R226 million to deserving entrepreneurs of the province. What is outstanding to be disbursement are projects in construction projects which will be disbursed in stages.

Youth Fund 2

The KZN Office of the Premier and KZN Department of Economic Development, Tourism and Environmental

Environmental Affairs (EDTEA); KZN Treasury and the KZN Growth Fund Trust (KZNGFT) introduced the Youth Fund Programme (“Youth Fund”). The R90 million grant funding was initially provided to be administered by KZNGFT as the disbursing agent and targeted youth owned businesses in 11 municipal districts in KZN as beneficiaries. In the financial year 2024 no funds were received for Youth Fund. As at 31 March 2024 the KZNGFT has disbursed just over R70 million to deserving entrepreneurs of the province. What is outstanding to be disburse are construction projects which will be disbursed in stages.

Our Approach to Impact Investing

KZNGFT 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

R 1.5
million

- Was spent by KZNGFT towards Corporate Social Initiatives (CSI) in 2023/24

91.4
percent

- KZNGFT's procurement spend was targeted towards BEE Level 1 to Level 3 suppliers, this is in line with South Africa's transformation agenda and is highly commendable.

2
interns

- Were employed by KZNGFT on a 24-month fixed term contract as at 2023/24 financial year.
- 1 Black male Legal Intern and
- 1 Black male Company Secretary

R 932
thousand

- Was invested by KZNGFT towards skills development and training of employees.

(iii) 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.

The table below represents comparative consumption on utilities year-on-year.

	Annual 2023/24	Annual 2022/23
	1 April 2023 – 31 March 2024	1 April 2022 – 31 March 2023
Electricity Spend	R 332 733.70	R 305 023.86
Electricity Consumption (kWh)	103 728	121 246
Water Spend	R 28 981.33	R 52 692.96
Water Consumption (L)	530	1 222

KZNGFT has a recycling program through partnership with Evergreen Recycling CC, a detailed recycling program will be developed in the coming financial year.

The Risk and Compliance Division undertook a roadshow to KZNGFT'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 KZNGFT'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 relevant to each portfolio company and also provided guidance on how to benchmark maturity and improve ESG performance.

Social and Relationship Capital

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

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

Governance

Senior management and the board of directors set the tone at the top of each organization. In addition, training on a company's business principles and culture is necessary to reinforce the role that each employee plays in meeting client needs and operating the organization in a way that benefits all parties

4. OPERATIONAL EXCELLENCE

4.1 OVERVIEW OF THE HR PRIORITIES FOR 2023/2024 AND THEIR IMPACT

The Human Resource (HR) department ensures that KZNGFT can effectively deliver on its mandate and strategic objectives. The primary purpose of the HR department is to ensure that the KZNGFT has the right people, in the right roles. The focus of the HR department has been on key strategic interventions aimed at enhancing organisational effectiveness.

Key priorities entailed the following:

- Recruitment and Placement
- Remuneration
- Performance Management
- Training and Development
- Employee Engagement
- Organisational Culture Intervention
- Internships

Recruitment and Placement

The KZNGFT organogram is comprised of 44 employees, and as of the end of March 2024, there was a headcount of 35 employees.

Remuneration

The Human Resource and Remuneration (HRREMCO) oversees KZNGFT's commitment to attracting, motivating, managing and retaining employees of the highest calibre for KZNGFT through the payment of fair, appropriately structured and competitive remuneration packages. KZNGFT 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. Guaranteed packages are cost-to-company packages (CTC) based on their roles and responsibilities. Retirement contributions are included in the CTC. This includes risk benefits.

Performance Management

The Performance Management Policy allows for recognition and reward of excellent achievements within the organisation. The performance management system allows for a comprehensive performance assessment of staff. Performance assessments are conducted bi-annually (midyear and year-end of the financial year). The system offers staff an opportunity to measure their individual contribution to the overall organisational performance. The 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.

Performance bonus are short-term performance incentives and a long-term incentive scheme. The long-term incentives seek to ensure that KZNGFT's ultimate long-term delivery outcomes are achieved but they are not guaranteed and are determined by organisational performance, individual employee performance, and budget availability. Performance bonuses are only granted if the business meets more than 85% of the targets or as determined by the BoT of its overall performance target. The total value of the annual incentive payments pool is approved by BoT.

Training and Development

Training priorities are identified when performance reviews are conducted. Each line manager and employee must address any skills gaps identified. Those gaps automatically form part of each employee's Personal Development Plans (PDP's) on the performance contracts and are addressed within agreeable timeframes. It is of utmost importance that skills gaps are addressed, as they contribute to improving efficiency and high performance. The HR department has been instrumental in ensuring that the skills gaps identified are addressed through various training initiatives, and R932 000.00 was spent on the following interventions:

- B-BBEE Management Development
- Effective Remuneration Committees Fraud
- Prevention & Anti-Corruption IoDSA
- Board Performance Evaluation
- Labour Relations & Effective Discipline
- Legal Aspects of Project Finance
- Legislative Drafting Workshop
- Project Finance & Project Financial Modelling
- Social and Ethics Committees
- The Balance Sheet unpacked
- UCT Financial Modelling & Analysis online
- Understanding Financial Crises
- Whistle-blower awareness training
- Women in Governance Series

Employee Engagement and Wellness

During the reporting period various interventions were implemented aimed at improving employee wellness in the categories of financial, emotional, physical and psychological well-being. The KZNGFT has outsourced the function to an independent professional company around expertise. The services include various interventions that promote the well-

being of employees and has been successfully implemented in the past year, the company has been visible to staff, offering monthly engagement sessions covering various topics. The employees have further benefitted greatly from these services, from individual consultations to companywide workshops during the year. Employee engagement sessions are key in defining the nature of the relationship between various departments, how they inter-depend on each other and how that relationship translates in achieving the overall business objectives. Several staff engagement sessions have taken place, to address various factors affecting staff:

- Harassment in the Workplace
- ESG Awareness
- Vuvuzela Fraud & Ethics Hotline
- Health Screening
- Women's Day Celebration

Organisational Culture Intervention:

An organisational change management plan was developed in response to the organisation's outcomes of an organisational climate survey. An organisational change management committee comprising staff from various departments and levels were appointed to implement the plan. The committee serves as a liaison between senior management and staff to ensure timely communication of implementation of milestones and progress is shared to the entire organisation at staff meetings.

Internship Programme

Six interns were in the employment of KZNGFT at financial year end.

Plans for the year ahead

The HR department will continue to drive key strategic interventions aimed at enhancing organisational effectiveness. Some key priorities for the year ahead include the following:

To continue building and sustaining an organisational culture that facilitates and accelerates change.

Develop a customised, integrated Talent Management Framework including but not limited to career pathing architecture, succession planning, performance management and incentives.

4.2 MARKETING REPORT

During the 2023/24 financial year, KZNGFT continued with the implementation of its marketing strategy that was developed in the previous financial year.

The strategy included the KZNGFTA's short-, medium- and long-term marketing requirements, ultimately aimed at re-profiling the organization and repositioning the KZNGFTA corporate Brand.

Social Media

In 2023, the marketing activities were centralised around strengthening the KZNGFTA's brand on digital platforms. Based on the social media strategies, the brand witnessed promising shifts after strategic adjustments, specifically within the focus on content strategies yielded impactful changes.

Content Strategy: KZNGFTA spent time refining content and ensuring that it resonated effectively with the audience. The kind of posts that generated the most visibility was those that profiled KZNGFTA staff as the subject-matter experts and leaders in the business. These kinds of posts reinforce the importance of spotlighting talented individuals and warrants continuation.

Engagement: Towards the end of 2023, paid media was introduced to amplify posts and expand reach to attract a broader pool of funding applications. This proved effective and yielded the results that were expected. The adjustments made to content strategy led to heightened engagement levels, validating efforts to enhance outreach and connect better with communities. KZNGFTA was able to increase follower growth, with LinkedIn recording the greatest growth, followed by Instagram and Facebook.

KZNGFTA witnessed an increase in the audience ratings, showing that the bulk of people interacting with content online were men, aged between 25 and 44 years old. Women were also engaging with the KZNGFTA content although to a lesser extent, equating to only 31% of audiences.

Advertising & Brand Building

Radio Campaigns: In continuing with the radio sponsorship of business programmes as commenced in 2022, KZNGFTA re-established a partnership with Gagasi FM, sponsoring opening and closing billboards for the current affairs talk show.

Digital Media: From July to September 2023, KZNGFTA undertook a digital media advertising campaign to celebrate 15 Years of KZNGFTA and ran advertisements in News24 and Business24. This advertising was in the form of captivating skyscraper adverts and digital banners, with links back to the website. Our focus was on the Business & Markets pages, to ensure that it attract the calibre of funding applicants who are looking for the kind of products offered by the KZNGFTA.

KZNGFTA extended this campaign into daily and weekly media titles as well, securing advertising positions in Isolezwe, The Mercury, the Daily News, and the Zululand Observer. KZNGFTA was able to negotiate with the various media houses to leverage the posts from our social media pages onto the social media handles of the media houses themselves, bringing a broader audience to our posts.

Out of Home Advertising

KZNGFT undertook some Airport TV advertising in 2023, ensuring visibility of the brand in the major ACSA properties around the country namely, O.R. Tambo International Airport and Lanseria Airport in Gauteng; Cape Town International Airport in the Western Cape; King Shaka International Airport in KwaZulu Natal, and Bram Fischer International Airport in the Free state. The roll-out to the Nelson Mandela Bay Metropolitan Airport in the Eastern Cape.

This strategy ensured that those business people traveling around the country were brought face-to-face with the KZNGFT brand, to underpin the touch-points from other media platforms.

4.3 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) REPORT

The role of ICT at the (KZNGFT) is integral to the Trust's mission of promoting economic growth through digital transformation. The approved ICT digitisation strategy is closely aligned with the overall business strategy, ensuring that ICT initiatives drive operational efficiency, enhance service delivery and support the Trust's broader goals. The Board is responsible for oversight and tracking of the strategy's implementation, with the Audit and Risk Committee ensuring that the IT governance framework, rooted in King IV principles and the Corporate Governance of ICT by the Department of Public Administration, is effectively aligned with business objectives.

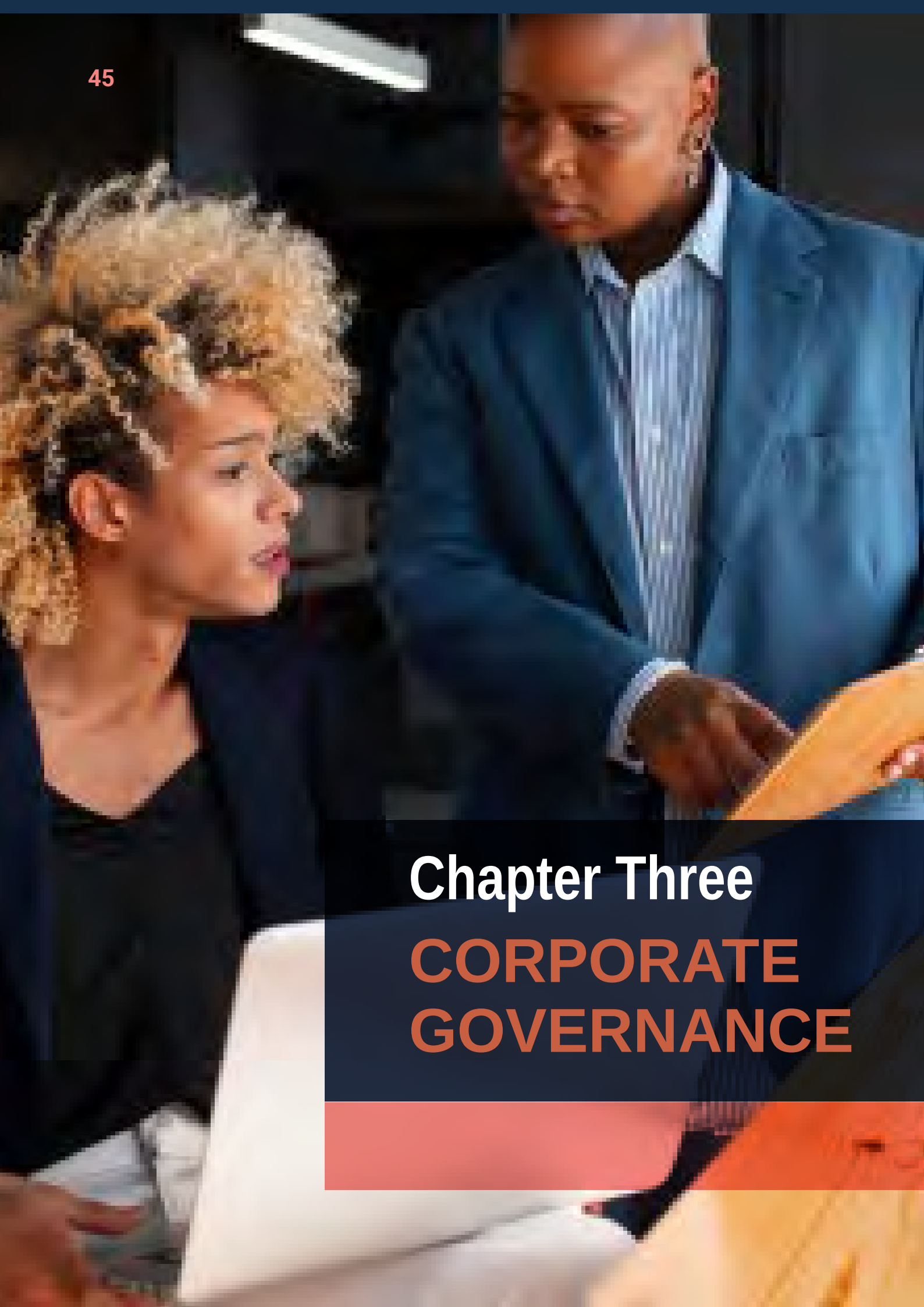
An IT security assessment of KZNGFT's ICT environment was conducted and identified several security weaknesses and provided recommendations for improvement.

Addressing these vulnerabilities was a priority to safeguard the Trust's digital assets and maintain the integrity of its operations. This focus on IT security is critical as the Trust advances its digital transformation, particularly with the ongoing development of the funding web portal, which aims to automate the funding process, improve efficiency and reduce turnaround times.

In addition, KZNGFT maintained an ICT policy universe that would provide a comprehensive framework for managing ICT-related policies across the organisation.

This policy universe would ensure that all policies are reviewed and that ICT initiatives are governed by clear, consistent guidelines that align with both internal objectives and external regulatory requirements. Through these efforts, KZNGFT is committed to leveraging technology to enhance its service delivery, secure its digital infrastructure and achieve its strategic goals.





Chapter Three

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The KZNGFT 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 KZNGFT. Historically, the entity was never listed as a 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 not 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.

In terms of the new funding model, the KZNGFT will be deemed to be a PFMA entity and has therefore begun the process of listing as a public entity. The process of listing KZNGFT as a schedule 3D public entity with the National Treasury is at an advanced stage. KZNGFT strives for the overarching governance principles of accountability, fairness, transparency and responsibility.

KZNGFT endorses King IV and has endeavoured to adhere to the recommendations thereof as far as possible.

KZNGFT is also aligned with and supports all the relevant legislation in South Africa that applies to its activities.

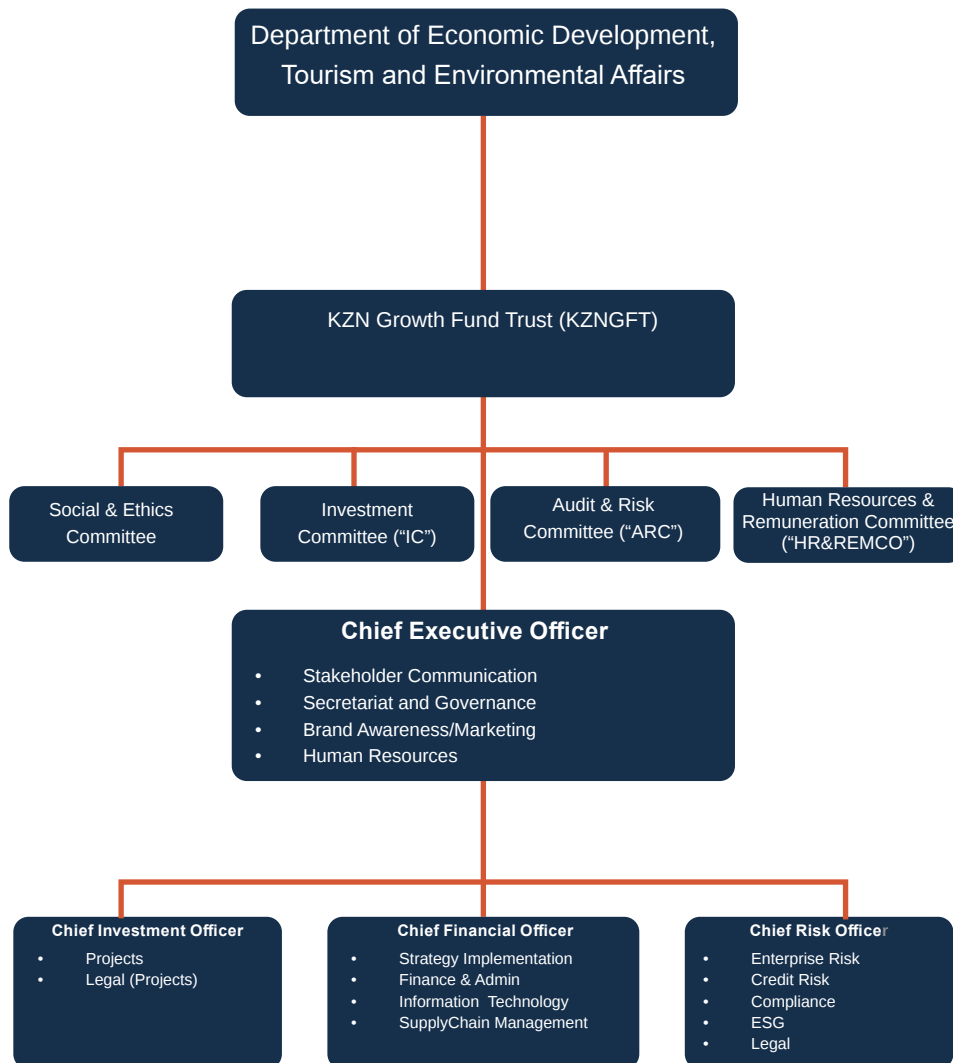
Strategic Objectives and Business Performance Management

In line with section 52 of the PFMA, the KZNGFT entered into a Shareholder Compact/Memorandum of Understanding and submitted a Corporate Plan to the EDTEA for the 2023/24 financial year. This serves as an agreement between KZNGFT and the beneficiary/shareholder, as well as documents the key performance measures and targets against which organisational performance is assessed. The Board reports on performance and related matters to the shareholder by way of quarterly reports and regular meetings are held between the Board Chairperson, the CEO and the MEC.

Based on the Corporate Plan including the Annual Performance plan, the Board sets KZNGFT'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.



2. GOVERNANCE STRUCTURE



3. THE BOARD OF TRUSTEES

The Board takes overall responsibility for directing KZNGFT towards the achievement of its strategic objectives, vision and mission, as well as KZNGFT's overall performance. The Board is governed by the Trust Deed which provides for responsible business leadership, governance structures, and duties of Trustees. In addition to the Trust Deed, the Board operates in terms of an approved Board and Committee Charters which sets out the Committees/Board's composition, roles and responsibilities as well as the requirements for meeting procedures.

The Board has diverse skills, expertise and experience required to meet KZNGFT's strategic objectives.

This includes but is not limited to appropriate legal, banking, finance, private equity, governance, human resources, quantity surveying, infrastructure and development skills.

The Board is responsible for setting and formulating economic, social and environmental direction through strategic objectives and key policies, 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.



RC Lubisi, PhD

Independent Trustee as
from 01/08/2023



Mr. Thami Hlongwa

Independent Trustee as
from 01/08/2023



Mr. Simphiwe Thobela

Independent Trustee as
from 01/08/2023



Ms. Bernedette Mzobe

Independent Trustee as
from 15/07/2022



Ms. Simphiwe Mamvura

Independent Trustee as
from 01/08/2023



Ms. Bongiwe Dlamini

Independent Trustee as
from 01/08/2023



Thulisile Nxumalo

Company Secretary

3.1 Board Structure and Composition

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) who serves as an Ex Officio by reason of appointment as CEO.

When appointing the independent Trustees, the MEC considers factors such as gender and demographic representation, KwaZulu-Natal representation, and the collective skills necessary for the effective functioning of the Board.

To ensure a clear segregation of duties, the roles of Chairperson and CEO are held separately.

The Board is expected to remain informed about changes and trends in the business environment and markets, encompassing economic, political, social, technological, and legal developments. The Board convenes at least four times per year and also conducts a strategic planning session. Special meetings are arranged as needed.

The table below details the Board of KZNGFT, the number of years' service and attendance at the

Table 3.1.1 BoT Meetings

Names	Designation	Year of Service	BoT Meetings Held	Attendance at BoT Meetings	Special Board Meetings Held	Attendance at Special Board Meetings
Mr. Silas Hlophe**	Chairperson	5 years, 4 months	5	3	13	2
Mr. Kaya Ngqaka	Trustee/CEO (Ex Officio Member)	2 years, 3 months (as a trustee)	5	5	13	13
Mr. Ashvir Dhuki **	Trustee	6 years 3 months	5	2	13	2
Ms. Bongekile Zulu**	Trustee	6 years 3 months	5	4	13	2
Ms. Bernadette Mzobe	Trustee	1 year 10 months	5	5	13	13
R. Cassius Lubisi, PhD***	Chairperson	8 months	5	3	13	11
Mr. Thami Hlongwa*	Trustee	8 months	5	3	13	11
Mr. Simphiwe Thobela*	Trustee	8 months	5	3	13	11
Ms. Simphiwe Mamvura*	Trustee	8 months	5	3	3	11

* Appointed 1 August 23

**Tenure ended on 31 July 2023

*** Appointed as Chairperson

Table 3.3.3 Sub-Committee Meetings



The table below details the BoT, the number of years' service and attendance at the 2023/24 BoT

Table 3.1.2 Bot Special Meetings

Names	BoT	IC	ARC	SEC	HRRemco
Mr. Silas Hlophe**	2	2	-	-	-
Mr. Kaya Ngqaka	2	6	1		
Mr. Ashvir Dhuki **	3	2	-	-	1
Ms. Bongekile Zulu**	2	4	1		
Ms. Bernadette Mzobe	10	6	-	1	6
R. Cassius Lubisi, PhD***	11	-	-	-	6
Mr. Thami Hlongwa*	13	2	1	-	6
Mr. Simphiwe Thobela*	9	2	1	-	6
Ms. Simphiwe Mamvura*	12	-	1	1	17
Ms Bongwiwe Dlamini*	11	-	-	1	12

Table 3.1.3 Sub-Committee Meetings

Audit and Risk Committee members	Designation	Number of years' service	Scheduled meetings held	Attendance	Special Meetings Held	Attendance
Mr. Wilfred Ngubane	Chairperson	6 years	4	4	3	3
Ms. Bongekile Zulu **	Member	6 years 3 months	4	2	3	2
Mr. Silas Hlophe**	Member	5-year 4 month	4	2	3	2
Mr. Ashvir Dhuki **	Member	6 years 3 months	4	2	3	1
Mr. Thami Hlongwa*	Member	8 months	4	2	3	1
Mr. Simphiwe Thobela *	Member	8 months	4	2	3	1

HR & REMCO Committee members	Designation	Number of years' service	Scheduled meetings held	Attendance	Special Meetings Held	Attendance
Mr. Ashvir Dhuki **	Member	6 years	4	4	3	3
Mr. Neil Jansen	Chairperson - Independent	5-year 4 month	4	2	3	2
R. Cassius Lubisi, PhD***	Member	6-years 3 months	4	2	3	2
Mr. Simphiwe Thobela *	Member	8 months	4	2	3	1
Mr. Thami Hlongwa*	Member	8 months	4	2	3	1

INVESTMENT COMMITTEE	Designation	Number of years' service	Scheduled meetings held	Attendance	Special Meetings Held	Attendance
Mr. Silas Hlophe **	Member	5-year 4 month	4	2	6	4
Ms. Bernadette Mzobe	Member	1 year 10 months	4	4	6	4
Mr. Simphiwe Thobela *	Member	8 months	4	2	6	2
Mr. Lwazi Magayana	Independent Member	18 months	4	4	6	6
Ms. Bongi Zulu **	Chairperson	6 year 3 months	4	2	6	4
Mr. Thami Hlongwa *	Chairperson	8 months	4	2	6	2
Mr. Joshua Gloak	Independent Member	18 months	4	4	6	6

SOCIAL AND ETHICS COMMITTEE	Designation	Number of years' service	Scheduled meetings held	Attendance	Special Meetings Held	Attendance
Ms. Bernadette Mzobe	Chairperson	1 year 10 months	4	4	2	2
Mr. Silas Hlophe **	Member	5-year 4 month	4	1	2	1
Ms. Bongi Zulu **	Member	6 year 3 months	4	2	2	1
R. Cassius Lubisi, PhD***	Member	8 months	5	2	2	2
Ms. Bongiwe Dlamini*	Trustee	8 months	5	2	2	2
Ms. Simphiwe Mamvura*	Trustee	8 months	5	2	2	2

3.2. The Board Effectiveness Assessment

In accordance with King IV, the performance of the Board, its sub-committees and independent committee members must be evaluated annually. However, due to the change in the Board effective from August 2024, a formal evaluation was not conducted during the current financial year for 2023/24.

The Board evaluations for the 2024/25 financial year are scheduled to commence in October 2024. These evaluations will be outsourced, utilising the services of the Institute of Directors Programme.

3.3. Delegated Power of Authority

The Board is authorised to establish standing and or any ad hoc committees to assist in executing its duties, powers, and authorities through a delegation of Authority Framework, which is reviewed and approved by the Board annually.

The terms of reference for each committee clearly distinguish, where applicable, between the powers delegated to the committees for independent decision-making and those for which the Board retains decision-making authority, requiring a recommendation from the relevant committee.

It is important to note that delegating authority to Board committees or management does not absolve or diminish the Board and its Trustees' duties, responsibilities, or ultimate accountability.

3.4. Remuneration of the KZNGFT Board of Trustees

Trustees are remunerated for meeting attendance, with rates approved by the MEC for Economic Development, Tourism, and Environmental Affairs (EDTEA). No performance-based remuneration is provided to Trustees.

4. BOARD COMMITTEES

The Board has established four standing committees to assist in exercising its authority. In accordance with the provisions of the Trust Deed and the principles of King IV, all Board committees operate under formally approved terms of reference to ensure effective decision-making, monitoring, and reporting. These terms of reference are reviewed at least annually, alongside an assessment of the overall effectiveness and performance of the committees.

The Board committees are the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Investment Committee, and the Social and Ethics Committee. The Investment Committee and the Social and Ethics Committee are chaired by Trustees. The Human Resources and Remuneration Committee and the Audit and Risk Committee are each chaired by an independent member who is not a Trustee.



5. SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (SEC) is the Committee of the Board assisting the Board to provide oversight and ensure the KZNGFT executes its mandate and performance as a responsible corporate citizen. This report details how the SEC fulfils its duties as delegated and mandated by the Board.

Mandate of the committee

The SEC operates under a formally adopted term of reference established through the Social and Ethics Committee Charter. The SEC adheres to this Charter and has fulfilled all its responsibilities in accordance with its provisions. The terms of reference provide guidance on transactions and policies that may pose a high risk to the KZNGFT. Recognising that effective terms of reference for a social and ethics committee are developed through an ongoing process, the terms of reference are reviewed annually to reflect evolving practices and experiences.

Composition and Meetings of the committee

The SEC currently consists of four Trustees, and the quorum is constituted by most members. KZNGFT executive Management is invited to attend committee meetings. The SEC is obliged to convene four scheduled Committee meetings, and special meeting as and when required. During the period under review the Committee meetings convened, and attendance thereof is reported under 3.1.3 above.

Social And Ethics Committee Responsibility

The role of SEC is to assist the Board in governing social and ethical matters related to the KZNGFT, activities of which are encapsulated by the committee's Charter and work plan. The Board approved the SEC Charter and monitors implementation as well as execution of its activities alignment with the KZNGFT's mandate on an annual basis to ensure that the KZNGFT operates in an ethical and socially responsible manner.

Business Code of Conduct & Ethics

The KZNGFT maintains a zero-tolerance approach to unethical behaviour and is committed to ensuring that the Board, Management and its employees uphold and enforce the KZNGFT's values.

KZNGFT ensures adherence to the Business Code of Conduct which governs the conduct of all KZNGFT employees.

Fraud Prevention (Tips Off Anonymous)

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

Whistle Blowers complaint process is, an independently monitored through an anonymous whistle-blowing hotline, managed by the service provider, known as Whistle Blowers, and is available to all employees for reporting suspected fraud or activities that contravene the Code of Conduct. Additionally, this tip-offs service is accessible to stakeholders through the KZNGFT's website, with details of the hotline available online.

Promoting BBBEE

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

MONITORING OF SUSTAINABLE DEVELOPMENT PRACTICES

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

- Corporate social investment,
- Compliance and ethics,
- Stakeholder relations,
- Corruption and fraud,
- Broad-Based Black Economic Empowerment (B-BBEE),
- Labour relations, employment equity, and best working conditions,
- Training and skills development for KZNGFT employees, and
- Adherence to the King IV principles.

The SEC's monitoring role also encompasses oversight of relevant legislation, legal requirements, and prevailing codes of best practice, specifically concerning matters related to social and economic development and good corporate citizenship.

The SEC is committed to ensuring that the KZNGFT upholds its environmental, social, and governance responsibilities. The Committee guide the KZNGFT through appropriate policies and frameworks to maintain its commitment to social and economic development, fair labour practices, sustainable environmental responsibility, and exemplary corporate citizenship.

Key Achievements of The Social and Ethics Committee

The SEC is responsible for developing and reviewing the KZNGFT policies, considering the KZNGFT's commitment to good corporate governance, ethical conduct, and sustainable development performance. The SEC makes recommendations to the Board for improvement and compliance reporting. During the year under review, the SEC recommended the approval of the KZNGFT's Code of Conduct and Ethics, Ethics Policy, and Fraud Prevention Plan to the Board.

6. HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

This report is presented by the Human Resources and Remuneration Committee (HRRemco) and describes how the committee discharged its duties for the 2023/24 financial year.

Mandate of the committee

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

Composition and Meetings of the committee

The HRRemco currently comprises three independent non-executive members and is chaired by an independent member who is not a Board Trustee. Executive Management of the KZNGFT is invited to attend committee meetings. A quorum for meetings is constituted by the presence of the majority of members. The HRRemco is obliged to convene four scheduled Committee meetings, and special meeting as and when required. During the period under review the Committee meetings convened, and attendance thereof is reported under 3.1.3 above.

Key responsibilities of the committee

HRRemco is tasked with overseeing all matters related to human resources functions within the KZNGFT. The Board formally approved the Committee Charter and a detailed work plan to ensure the effective functioning

of the HRRemco. The committee's responsibilities include:

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

Key Achievements of The Human Resources and Remuneration Committee

During the year under review, the HRRemco undertook the following activities:

- Advised on the development of the Human Capital Management model,
- Advised on the grading and salary benchmarking for all positions within the entity.

- Exercised oversight over salary increases, performance, and retention bonuses (refer to note 17 for disclosure of Executive remuneration),
- Reviewed various KZNGFT Human capital related policies.
- Set, in conjunction with the CEO and the Chairperson of the Board the CEO's key performance indicators (KPIs) and conducted the necessary review of performance against these KPIs,
- Reviewed the KZNGFT organogram,
- Oversaw the KZNGFT's employment equity reporting,
- Reviewed the KZNGFT's reward and recognition strategy,
- Exercised oversight of matters related to human resource management and succession planning.

The HRRemco is satisfied that, during the past financial year, it has fulfilled its responsibilities as outlined in its terms of reference and has complied with all legal, regulatory, and other obligations.

Remuneration Strategy and Policy

The Board holds ultimate responsibility for the remuneration policy. The KZNGFT remuneration strategy is designed to attract, motivate, and retain competent and talented leaders and staff to ensure the sustainability of its business. Remuneration levels are influenced by the scarcity of skills and individual work performance.



7. INVESTMENT COMMITTEE

Composition and Meetings of the committee

The Investment Committee (IC) of the KZNGF comprised of five members, of which three (3) members are members of the Board of Trustees as well as two (2) independent industry experts. The individuals are drawn from diverse backgrounds and have wide ranging experience in governance, finance, legal, accounting, investment banking as well as private equity.

The IC is obliged to convene four scheduled Committee meetings, and special meeting as and when required. During the period under review the Committee meetings convened, and attendance thereof is reported under 3.2 above.

Mandate of the committee

The Investment Committee supports the Board of Trustees in the providing oversight to deliver on the KZNGF 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 providing oversight on the performance of the debt and equity portfolio post investment. KZNGF continues to seek and assess equity investment to invest in outside of the since the upliftment of the moratorium on equity investments.

For the period ended 31 March 2024, KZNGF approved just over R126m in debt financing to black-owned entities in the manufacturing sector. The approved funding is expected to create 234 jobs at final implementation. There were no new approved equity transactions for the period under review.

For the period under review, 3 projects were taken through the due diligence process and 1 of these projects was approved for funding. The project pipeline remains healthy, as at year end there were 26 investment leads in the pipeline, requiring approximately R1.8 billion in funding from the KZNGF. These projects are at various stages of the investment appraisal processes and those that meet the investment policy criteria will be presented to the relevant Board committees for consideration.



8. AUDIT AND RISK COMMITTEE REPORT

The ARC currently consists of three Trustees and one independent member. The quorum is constituted by most members. KZNGFT executive Management is invited to attend committee meetings. The ARC is obliged to convene four scheduled Committee meetings, and special meeting as and when required. During the period under review the Committee meetings convened, and attendance thereof is reported under 3.2 above.

The Audit and Risk Committee (ARC) is pleased to present the report for the financial year ended 31 March 2024.

Audit and Risk Committee Responsibility

The ARC reports that it has fulfilled its responsibilities as outlined in Section 77 of the Public Finance Management Act and Rule 27 of the PFMA regulations.

The Committee further reports that it has adopted appropriate formal terms of reference, established through its Audit and Risk Committee Charter, and has conducted its affairs in accordance with this charter. All responsibilities specified therein have been discharged, except for the review of various accounting policies, which was not undertaken during the reporting year under review.

The Effectiveness of Internal Control

Our review of the findings from the Internal Audit work, based on the risk assessments

conducted, identified certain weaknesses that were subsequently raised with Management. The following internal audit work was completed during the year under review:

- Review of Performance Management
- Financial Discipline, including Budget Management
- Human Resources Management Review
- Procurement and Contract Management
- Annual Financial Statement Review

The following were areas of concern:

The internal audit identified weaknesses in internal controls across the audits as mentioned above. In the opinion of the ARC, these findings are attributable to various factors, including capacity constraints due to a high rate of vacancies and inadequate segregation of roles.

Management has demonstrated a commitment to addressing these internal control deficiencies, and the ARC will monitor progress in this regard. Additionally, management has pledged to address the issue of vacancies, and the ARC will continue to oversee and monitor progress in this area.

Evaluation of Quarterly Financial Reporting

The Committee reviewed the quarterly financial reports for the period under review and is satisfied that these reports accurately reflect the financial position of the KZNGFT.

Auditor's Report

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

The Committee concurs with and accepts the conclusions of the external auditor regarding the annual financial statements. It is the Committee's opinion that the audited annual financial statements should be accepted and read in conjunction with the auditor's report.



Mr S Thobela, CD(SA)
Chairman: Audit and Risk Committee
Internal Control Environment



Internal Control Environment

Responsibility for the systems of internal financial and operational control has been delegated to the ARC. The KZNGFT governance principles—emphasizing ethical behaviour, legislative compliance, and sound accounting practices—establish the foundation for its internal control processes. These are supported by the enterprise-wide risk management approach and risk strategy adopted by the Board, which form the framework for internal control. Executive management is accountable for determining the adequacy, extent, and operation of these control systems.

The Internal Audit function is tasked with providing independent and objective assurance regarding KZNGFT's system of governance, risk management, and internal control. KZNGFT has outsourced its internal audit function to a service provider, which has developed a rolling three-year strategic and annual internal audit plan based on an assessment of KZNGFT's key risk areas, considering current operations, proposed activities in the corporate plan, and the risk management strategy. Internal Audit delivers 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 internal auditors have unrestricted access to the Chairman of the Committee and the Board to ensure that any significant audit matters requiring immediate Board attention are escalated appropriately. The performance of the internal audit function is reviewed on an annual basis.

Combined Assurance

Principle 15 of the King IV Report recommends combined assurance as a best practice in governance. This recommendation is based on the understanding that assurance

coverage and quality can be significantly enhanced through improved coordination among assurance providers. While combined assurance offers numerous benefits, it is acknowledged as one of the primary challenges in adopting King IV.

Anti-Fraud and Corruption

The KZNGFT is committed to eradicating all forms of fraud and corruption. In compliance with the PFMA, KZNGFT maintains a Fraud Prevention Plan, which is approved by the Board and submitted to the EDTEA alongside KZNGFT's Corporate Plan on an annual basis.

To minimize the risk of fraud, KZNGFT has implemented the following measures:

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

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

No incidents of fraud or corruption have been reported during the period, either directly to management or via the whistle-blowing hotline.

Ethics and Managing Conflicts of Interest

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

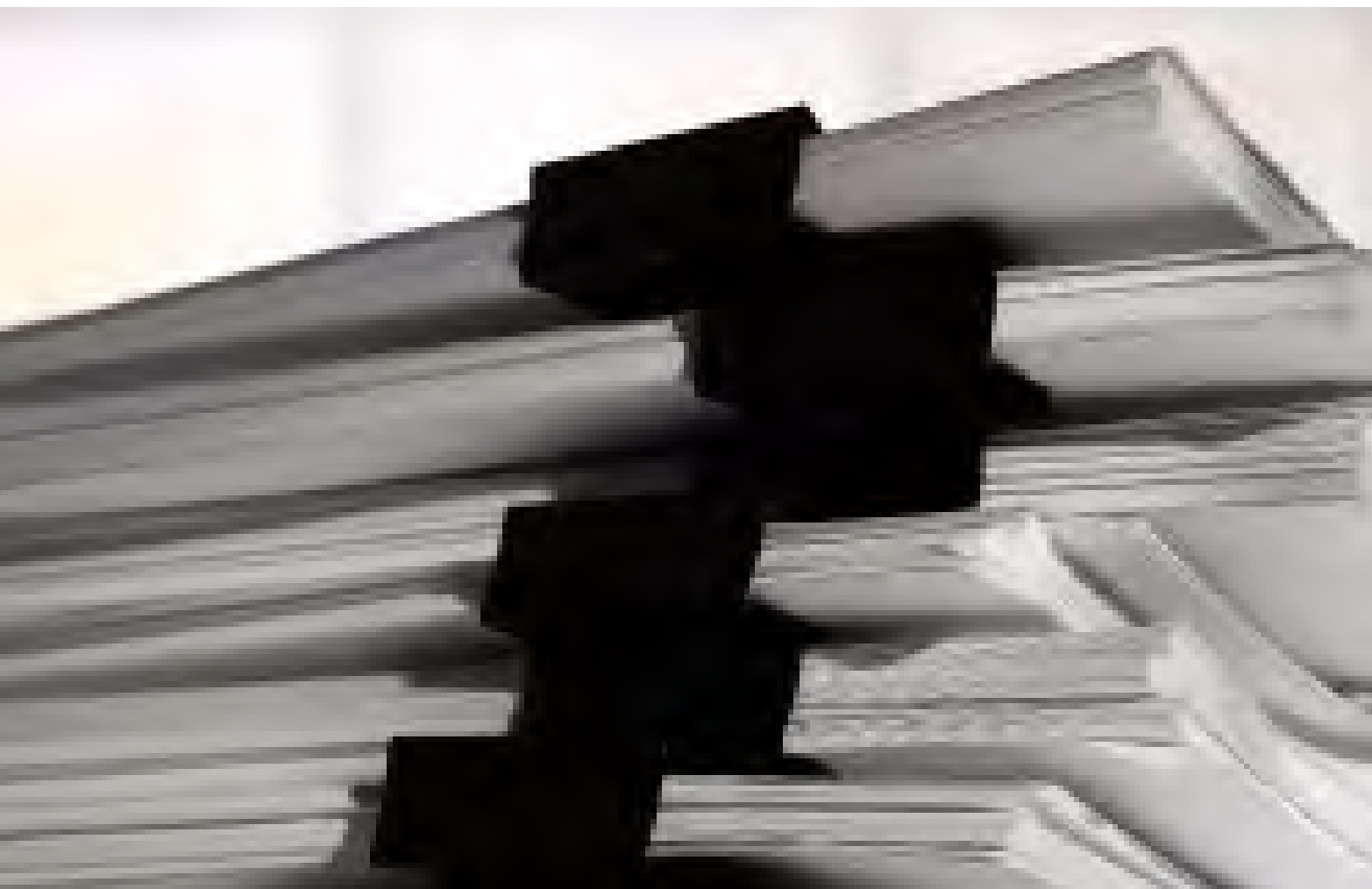
The Board adheres to KZNGFT's Declaration of Interest Policy Framework, which reinforces the organization's commitment to ethical and transparent management that benefits all stakeholders. Declarations of Interest are required annually, and

the Board and sub-committee members, as well as executive management, must disclose any potential conflicts at meetings of the Board and its committees. Additionally, KZNGFT has implemented a Gifts Policy that mandates approval by executive management and declaration to the compliance function for any gifts, whether given or received, valued over R500.

Promotion of Access to Information

KZNGFT is committed to complying with the Promotion of Access to Information Act (PAIA), which underpins the principles of good governance, transparency, and accountability. The PAIA of 2000 enshrines the constitutional right to access information held by the State and by other entities when such information is necessary for the exercise or protection of any rights.

KZNGFT maintains a PAIA Manual on its website, outlining the process for requesting information. In accordance with section 32 of the PAIA, KZNGFT reports annually to the South African Human Rights Commission on the number of information requests received from the public. For the 2023/24 financial year, no requests for information were received.



A close-up photograph of a person's hands in a dark business suit. The left hand holds a black pen with a gold tip, poised over a document. The right hand holds a black calculator. The document features several colorful pie charts and a yellow sticky note. The background is blurred, showing an office setting.

Chapter Four

FINANCIAL INFORMATION

CONTENTS

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

Preparer

M Dlamini
Acting Chief Financial Officer

Published

31 August 2024



TRUSTEES REPORT

The Trustees have the pleasure of presenting the report on the annual financial statements of the KZN Growth Fund Trust (KZNGFT) for the year ended 31 March 2024.

1. NATURE OF BUSINESS

The KZNGFT was registered with the Pietermaritzburg High Court on 22 October 2007. The main objectives of the KZNGFT 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 KZNGFT 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 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 KZNGFT 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 KZNGFT 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 2024

The financial results of the KZNGFT are fully disclosed on pages 4 to 64. The key financial indicators for the year under review are:

- The total comprehensive profit in the current year

amounts to R3m (2023: R31m). The variance is attributable to the reversal of the provision for impairment due to an increase in security in one of the investments.

- Assets under management decreased from R1.1bn in 2023 to R1bn as at 31 March 2024.

4. HIGH-LEVEL OVERVIEW OF THE PERFORMANCE OF THE KZNGFT

Despite the global and South African economic challenges, the KZNGFT leveraged its strengths, expertise, and resources to stimulate economic growth in the province, while creating job opportunities vital for poverty alleviation and shared prosperity. The KZNGFT approved R126m in financing during the 2023/24 financial year to support almost R3bn worth of projects in the telecommunications, manufacturing and healthcare sectors.

However, no disbursements were made during the 2023/24 financial year. This was due to various non-compliance with conditions precedent on the approved projects, some of which resulted in projects approved in the 2022/23 financial year being cancelled during the period under review, whilst some projects approved during the year under review are at the contracting stage.

5. CAPITAL CONTRIBUTION AND RESERVES

The KZNGFT's equity instruments primarily include 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 KZNGFT.

In addition to the annual allocation (R46m during the 2023/24 financial year) less the R100m surrendered to the Provincial Revenue Fund resulted in a decrease in assets under management to R1bn.

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) (Ex Officio) by virtue of his/her appointment as CEO.

The KZNGFT has four Sub-Committees namely the Investment Committee (IC), the Audit and Risk Committee (ARC), Social and Ethics Committee, and the Human Resources and Remuneration Committee (HRRemco). The Trustees and other committee members in the office during the year under review are as follows:

Trustees	Office	Designation	Term of Office
Mr. S Hlophe	KZNGFT Chairperson	Trustee	Term ended, 31 July 2023
Ms. B Zulu	IC Chairperson	Trustee	Term ended, 31 July 2023
Mr. A Dhuki		Trustee	Term ended, 31 July 2023
RC Lubisi, PhD	KZNGFT Chairperson	Trustee	Appointed, 01 August 2023
Mr. THlongwa	IC Chairperson	Trustee	Appointed, 01 August 2023
Mr. S Thobela		Trustee	Appointed, 01 August 2023
Ms. S Mamvura		Trustee	Appointed, 01 August 2023
Ms. B Dlamini		Trustee	Appointed, 01 August 2023
Ms. B Mzobe	S&E Chairperson	Trustee	Appointed, 01 August 2023
K Ngqaka	Acting Chief Executive Officer	Trustee, Ex Officio	Term ended, 31 March 2024

7. GOING CONCERN

The KZNGFT trustees have no reason to believe that the trust will not be a going concern in the future based on the KZNGFT's funding forecasts and projected plans.

8. AUDITORS

The Auditor-General South Africa (AGSA) serves as an independent auditor as appointed by the KZNGFT.

9. SUBSEQUENT EVENTS

No events were identified after year-end that require adjustment or disclosure in the annual financial statements.

Approval of annual financial statements



R. Cassius Lubisi, PhD

AUDIT REPORT

REPORT OF THE AUDITOR-GENERAL
TO KWAZULU-NATAL PROVINCIAL
LEGISLATURE ON KWAZULU-NATAL
GROWTH FUND TRUST

Report on the audit of the financial statements

OPINION

1. I have audited the financial statements of the KZN Growth Fund Trust set out on pages 73 to 141, which comprise the statement of financial position as at 31 March 2024, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KZN Growth Fund Trust as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the trust in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTERS

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

MATERIAL IMPAIRMENT ON LOANS AND ADVANCES

7. As disclosed on note 8 to the financial statements, a total accumulated impairment on loans and advances of R157,52 million (2022-23: R349,08 million) was reported due to projects not being able to meet its loan repayments due.

CONTINGENCIES

8. As disclosed in note 27 to the financial statements, the trust is a defendant in a claim from a co-shareholder in a project undertaken with the trust, in which the co-shareholder is claiming R73, 15 million (including interest) for damages incurred due to the liquidation of a project. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

RESPONSIBILITIES OF THE BOARD OF TRUSTEES FOR THE FINANCIAL STATEMENTS

9. The Board of Trustees is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Framework and for such internal control as the Board of Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the Board of Trustees is responsible for assessing the trust's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the annual report

13. The Board of Trustees is responsible for the other information included in the annual report. The other information referred to does not include the financial statements and the auditor's report.

14. My opinion on the financial statements does not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

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

16. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

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

Internal control deficiencies

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

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

Other reports

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

21. An independent forensic investigator conducted an investigation into alleged irregularities relating to leaked information to the media, information technology security, possible collusion and possible compromised systems within the KZN Growth Fund Trust covering the period 1 April 2020 to 31 March 2023. This investigation report was tabled on 18 July 2023 and management is in the process of implementing the recommendations in the report.

AUDITOR - GENERAL

Pietermaritzburg

31 July 2024

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements.

FINANCIAL STATEMENTS

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the trust to

continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a trust to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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

Statement of Financial Position as at 31 March 2024

Figures in Rand	Notes	2024	2023
Assets			
Non-Current Assets			
Property, plant and equipment	2	1 123 143	965 381
Intangible assets	3	1 206 062	2 114 761
Right-of-use assets	4	-	1 550 924
Investments	5	202 738 024	223 228 002
Investment deposits	6	20 138 619	20 174 380
		225 205 848	248 033 448
Current Assets			
Cash and cash equivalents	6	49 625 398	44 770 510
Investment deposits	6	962 685 206	1 072 513 244
Trade and other receivables	7	7 272 028	7 834 305
Short term portion of loans and advances	8	86 695 963	87 383 404
		1 106 278 595	1 212 501 463
Total Assets		1 331 484 443	1 460 534 911
Equity and Liabilities			
Equity			
Capital contribution	9	1 467 769 010	1 522 190 010
Accumulated deficit		(211 373 096)	(214 001 004)
		1 256 395 914	1 308 189 006
Liabilities			
Non-Current Liabilities			
Long term portion of provisions	11	93 400	126 400
Current Liabilities			
Trade and other payables	12	74 995 129	150 472 815
Lease liability	4	-	1 746 690
		74 995 129	152 219 505
Total Liabilities		75 088 529	152 345 905
Total Equity and Liabilities		1 331 484 443	1 460 534 911

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2024	2023
Interest income net of suspended interest	13	91 859 733	68 740 700
Interest expense	14	(62 605)	(217 317)
Net margin		91 797 128	68 523 383
Other income	15	2 297 345	169 891
Other operating gains (losses)	16	-	(5 542)
Reversal of impairment - loans and advances	17	15 575 074	24 042 149
Operating expenses		(90 682 661)	(76 820 012)
Operating profit	17	18 986 886	15 909 869
Dividend income		4 131 000	4 131 000
Fair value adjustment (loss)/gain	18	(20 489 979)	10 460 140
Total comprehensive income for the year		2 627 907	30 501 009

Statement of Changes in Equity

Figures in Rand	Capital contributions	Accumulated deficit	Total
Balance at 01 April 2022	1 473 075 010	(244 502 013)	1 228 572 997
Total comprehensive income for the year	-	30 501 009	30 501 009
Capital contribution - EDTEA	49 115 000	-	49 115 000
Balance at 01 April 2023	1 522 190 010	(214 001 003)	1 308 189 007
Total comprehensive income for the year	-	2 627 907	2 627 907
Capital contribution - EDTEA	45 579 000	-	45 579 000
Funds surrendered to the Provincial Revenue Fund	(100 000 000)	-	(100 000 000)
Balance at 31 March 2024	1 467 769 010	(211 373 096)	1 256 395 914
Note	9		

Statement of Cash Flows

Figures in Rand	Notes	2024	2023
Cash flows from operating activities			
Cash used in/generated from operations	22	(160 255 808)	(68 044 261)
Interest received		95 307 014	58 326 363
Dividends received		4 131 000	4 131 000
Interest paid		(62 605)	(217 317)
Net cash from operating activities		(60 880 399)	(5 804 215)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(638 452)	(534 790)
Reallocation of fixed assets	2	-	101 955
Purchases of intangible assets	3	(137 601)	-
Decrease in loans and advances	8	16 262 515	12 022 300
Movement in investment deposits		106 416 515	(161 183 939)
Net cash from investing activities		121 902 977	(149 594 474)
Cash flows from financing activities			
Increase in capital contribution	9	45 579 000	49 115 000
Funds surrendered to the Provincial Revenue Fund	9	(100 000 000)	-
Increase/(decrease) in lease liability	4	(1 746 690)	(1 550 074)
Net cash from financing activities		(56 167 690)	47 564 926
Total cash movement for the year		4 854 888	(107 833 763)
Cash and cash equivalents at the beginning of the year		44 770 510	152 604 273
Cash and cash equivalents at the end of the year	6	49 625 398	44 770 510

ACCOUNTING POLICIES

REPORTING ENTITY

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

The annual financial statements were approved by the Board of KZNGFT at their meeting held on 28 May 2024.

The annual financial statements for the year ended 31 March 2024 were authorised for issue in accordance with a resolution of the directors on Friday, 31 May 2024.

1. Accounting policies

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

1.1 Basis of preparation

1.1.1 Basis of preparation

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

1.1.2 Functional and Presentation currency

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

1.1.3 Basis of Accounting

The financial statements of the KZNGFT as at and for the year ended 31 March 2024 have been prepared in accordance with International Financial Reporting Standards.

1.1.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods' revisions affect both current and future periods.

1.1.5 Critical accounting estimates and assumptions

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

Going concern

Management has made an assessment of the KZNGFT'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

continue in business for the foreseeable future. Furthermore management is not aware of any material uncertainties that may cast significant doubt upon the KZNGFT's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

Impairment of loans and advances

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

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

Valuation of financial instruments

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

Valuation of derivatives and hedging activities

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

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

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

Impairment of equity investments

The KZNGFT 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 KZNGFT evaluates amongst other factors the normal volatility in earnings. In addition impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee industry and sector performance changes in technology and operational and financing cash flows. This is outlined in note number 1.4.

1.1.6 Changes in accounting estimates

Property Plant & Equipment

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

1.1.7 Correction of prior period errors

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

- a) Restating the comparative amounts for the prior period(s) presented in which the error occurred or
- b) If the error occurred before the earliest prior period presented restating the opening balances of assets liabilities and equity for the earliest prior period presented.

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

1.2 Property, plant and equipment

Items of Property plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes all costs directly attributable to bringing the assets

to working condition for their intended use. The assets are depreciated on a straight-line basis at rates that will reduce the historical costs to estimated residual values over their anticipated useful lives. The residual value of assets is the estimated amount that the KZNGFT would currently obtain from disposal of assets after deducting the estimated costs of disposal as if the asset was already at the age and in the condition expected at the end of its useful life.

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

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

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

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

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

1.3 Intangible assets

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the intangible assets and the costs of the intangible assets can be reliably measured. Intangible assets comprise computer software and work-in-progress. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are

amortised using the straight-line method over their useful economic life generally not exceeding 20 years. At each date of the statement of financial position intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Computer software and licenses

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

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

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

System development costs

Costs associated with maintaining computer software programmes are recognised as an expense as and when incurred. Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system which will be controlled by the KZNGFT and has a probable benefit exceeding one year are recognised as intangible assets.

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

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

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;

- It can be demonstrated how the software product will generate probable future economic benefit;
- Adequate technical financial and other resources to complete the development and to use or sell the software product are available; and

The expenditure attributable to the software product during its development can be reliably measured.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period the KZNGFT 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 KZNGFT estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

1.4 Financial instruments Recognition and initial measurement

Recognition and initial measurement

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

Loans receivable at amortised cost

Classification and subsequent measurement

Financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the KZNGFT 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 KZNGFT 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 KZNGFT 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 KZNGFT 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 KZNGFT 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 KZNGFT’s claim to cash flows in the event of liquidation or breach of contract by the borrower/issuer.

Financial assets – Business model assessment:

The KZNGFT 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 KZNGFT’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency volume and timing of sales of financial assets in prior periods the reasons for such sale and expectations about future sales activity.

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

The ‘Investments’ caption in the Statement of Financial Position includes:

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

Derivative financial instruments are mandatorily measured at FVTPL.

Loans 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 KZNGFT has issued no loan commitments that are measured at FVTPL. For other loan commitments the KZNGFT 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.

Trade and other receivables

Classification

Trade and other receivables are stated at amortised cost; which due to their short-term nature closely approximate their fair value; less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the KZNGFT 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.

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.

Impairment

Non-derivative financial assets

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

The KZNGFT 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 KZNGFT 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 KZNGFT's historical experience and informed credit assessment and including forward-looking information.

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

The KZNGFT 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 KZNGFT 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 KZNGFT 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 KZNGFT if the commitment is drawn down and the cash flows that the KZNGFT expects to receive.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

significant financial difficulty of the borrower;

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

- it has been classified as non-performing (credit-impaired) in terms of KZNGFT'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 KZNGFT's Board of Trustees who will then make a decision as to whether the amount should be written off. Only the Board of Trustees can approve a "write off".

Offsetting

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

Derivatives and hedging activities

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

Derecognition of financial instruments

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

1.5 Specific instruments

Capital contributions

The KZNGFT'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 KZNGFT. Any directly attributable transaction costs are allocated to equity.

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

1.6 Provisions Contingent Liabilities and Contingent Assets

A provision is recognised as a result of a past event the KZNGFT 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 KZNGFT when the expected benefits to be derived by the KZNGFT 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 KZNGFT's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the Notes to the financial statements unless they are remote.

1.7 Revenue recognition

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

Interest income and expense

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the KZNGFT estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit-impaired financial assets a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Calculation of interest income and expense

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

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

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

Raising fee

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

Other income

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

Dividend income

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

1.8 Employee benefits

Short-term employee benefits

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

Other long term employee benefits - Long Service Award

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

1.9 Leases

The KZNGFT 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 KZNGFT has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

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

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the KZNGFT is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the KZNGFT recognises the lease payments as an operating expense (note 17) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Lease liability

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

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

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the trust under residual value guarantees;
- the exercise price of purchase options, if the trust is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the trust is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

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

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

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

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs

an obligation to do so, unless these costs are incurred to produce inventories; and

- less any lease incentives received.

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

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

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

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.10 Business combinations

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of the assets transferred by the KZNGFT less the liabilities incurred by the KZNGFT to the former owners of the acquiree and the equity interests issued by the KZNGFT 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 KZNGFT's interest in the net fair value of the acquiree's identification assets liabilities and contingent liabilities exceeds the cost of the business combination the excess is recognised immediately in profit or loss.

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

For the purpose of impairment testing goodwill is allocated to each of the KZNGFT's cash-generating unit's expected benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are

tested for impairment annually or more frequently when there is an indication that the unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.11 Events after the reporting period

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

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

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

1.12 Determination of fair values

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

Financial Instruments

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

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

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

- Level 1 – unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.
- Level 2 – Valuation techniques using market observable inputs. Such techniques may include: using recent arm's-length market transactions reference to the current fair value of similar instruments and discounted cash flow analysis pricing models or other techniques commonly used by market participants.
- Level 3 – Valuation techniques as described in (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 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 KZNGFT 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 KZNGFT uses a valuation technique to establish what the transaction price would be in an arm's length transaction motivated by normal business considerations.

The KZNGFT 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 KZNGFT ensures that these valuation techniques:

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

1.13 Taxation

Tax expenses

The income of the KZNGFT 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 KZNGFT is however subject to indirect taxes which comprise non-recoverable value added taxation (VAT) and skills development levies (SDL).

Value Added Tax ("VAT")

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

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

1.14 Related parties

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

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

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

1.15 Contractual Commitments

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

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

1.16 New standards and interpretations not yet effective

At the date of authorisation of the financial statements of the KZNGFT for the year ended 31 March 2023 the following Standards and Interpretations applicable to the KZNGFT were in issue but not effective:

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

The amendments to IFRS 16, IFRS17, IAS 1, IAS8 and IAS 8 are not applicable to the business of the KZNGFT and will therefore have no impact on future financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2024	2023
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2. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	1 707 341	(1 602 970)	104 371	1 707 341	(1 519 859)	187 482
Furniture and fixtures	1 096 784	(849 084)	247 700	1 079 836	(795 553)	284 283
Office equipment	828 701	(740 454)	88 247	810 019	(706 227)	103 792
Computer equipment	1 806 672	(1 180 811)	625 861	1 274 674	(914 216)	360 458
Portable communication devices	217 407	(160 443)	56 964	146 583	(117 217)	29 366
Total	5 656 905	(4 533 762)	1 123 143	5 018 453	(4 053 072)	965 381

Reconciliation of property, plant and equipment - 2024

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

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold improvements	213 558	-	-	57 753	(83 829)	187 482
Furniture and fixtures	337 729	-	(5 517)	-	(47 929)	284 283
Office equipment	67 045	74 540	-	-	(37 793)	103 792
Computer equipment	94 707	432 734	(25)	-	(166 958)	360 458
Portable communication devices	37 281	27 516	-	-	(35 431)	29 366
	750 320	534 790	(5 542)	57 753	(371 940)	965 381

The KZNGFT had fully depreciated Office equipment, furniture and computer equipment with a historic cost amounting to R637 082, 2023 R486 255 in the fixed asset register and these fully depreciated assets are still in use.

Figures in Rand	2024			2023		
3. Intangible assets						
	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer Software	5 763 419	(4 557 357)	1 206 062	5 625 818	(3 511 057)	2 114 761

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Amortisation	Total
Computer Software	2 114 761	137 601	(1 046 300)	1 206 062

Reconciliation of property, plant and equipment - 2023

	Opening balance	Transfers	Amortisation	Total
Computer Software	2 933 240	178 101	(996 580)	2 114 761
KGFT Logo Fund Model	337 803	(337 803)	-	-
	3 271 043	(159 702)	(996 580)	2 114 761

The KZNGFT had fully depreciated equipment software and cellphone instruments with a historic cost amounting to R1 379 030, 2023 R1 066 344 in the fixed asset register and these fully depreciated assets are still in use.

Figures in Rand	2024	2023
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4. Rights of use asset

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

Net carrying amounts of right-of-use assets

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

Office floor space	-	1 229 074
Parking floor space	-	321 850
	-	1 550 924

Reconciliation of right-of-use assets - 2024	Opening balance	Depreciation	Total
Office floor space	1 229 075	(1 229 075)	-
Parking floor space	321 856	(321 856)	-
	1 550 931	(1 550 931)	-

Lease liability

Reconciliation of right-of-use assets - 2023	Opening balance	Depreciation	Total
Office floor space	2 458 149	(1 229 075)	1 229 074
Parking floor space	643 706	(321 856)	321 850
	3 101 855	(1 550 931)	1 550 924

Lease liability

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

The KZNGFT leases an office space from Delta Properties using the whole 28th floor space. The average lease term is 3 years recently renewed for 3 years from 1 April 2021 until 31 March 2024.

Current liabilities	-	1 746 690
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Figures in Rand	2024	2023
5. Investments		
KZN Growth Fund KZNGFT's investments consist of the following:		
Equity investments (Designated at FVTPL)	112 748 170	142 755 707
Shareholder loans (Mandatorily") measured at FVTPL previously held to maturity)	760 000	760 000
Preference shares (Mandatorily measured at FVTPL previously held to maturity)	89 229 854	79 712 295
	202 738 024	223 228 002

Equity investments designated at FVTPL	Holding %		
KwaDukuza Private Hospital (Pty) Ltd	26%	-	-
Ross Healthcare (Pty) Ltd	25%	112 748 170	142 755 707
Inoxa Industries (Pty) Ltd	35%	-	-
		112 748 170	142 755 707

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. Both equity investments fair values have been performed by an independent equity valuation service provider as at 31 March 2024. The total portfolio has decreased by 31% from initial investment cost.

Movement in equity investment designated at FVTPL		
Balance at the beginning of the year	142 755 707	137 800 000
Fair value adjustment-gain/(loss)	(30 007 537)	4 955 707
Balance as at 31 March	112 748 170	142 755 707

Equity investments mandatorily measured at fair value through profit or loss consist of direct equity in ordinary shares in KwaDukuza Private Hospital (Pty) Ltd (KDPH) and Ross Healthcare (Pty) Ltd. Both equity investments fair values have been performed by an independent equity valuation service provider as at 31 March 2024. The total portfolio has decreased

Figures in Rand	2024	2023
Equity Investments - Shareholder Loans		
KGf Capital (Pty) Ltd	760 000	760 000
Movement in equity investment held - Shareholder loans:		
Balance as at 01 April	760 000	740 000
Add: Shareholder loan granted	-	20 000
	760 000	760 000
Mandatorily at fair value through profit or loss:		
Preference shares	112 748 170	142 755 707
Equity in equity (Mandatory measured at FVTPL previously held to maturity):		
Afrozone Preference share	7 284 351	2 726 229
Brace Able Preference share	81 945 503	73 986 066
	89 229 853	79 712 295
Movement in preference shares held at FVTPL (Previously measured at amortised cost:		
Balance as at 01 April	79 712 295	74 200 000
Add/Less: Fair value gain/(loss)	9 517 558	5 512 295
Balance as at 31 March 2024	89 229 853	79 712 295

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. Afro-Zonke has approached KGFT with settlement offer of R5m for preference shares has been accepted by the Board of Trustees. The KGFT has invested in 1000 non-cumulative potentially convertible preference shares with Arabicmoon Investments at an issue price of R45.9m. KGFT received dividends of R4.1m in 2023 financial year and R4.1m in the current financial year.

Figures in Rand	2024	2023
6.Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 632	1 632
Bank balances	14 707 661	12 454 420
Short-term deposits	34 916 105	32 314 458
	49 625 398	44 770 510
Credit quality of cash at bank and short-term deposits, excluding cash on hand		
Cash and investment deposits		
Current accounts	7 079 491	5 728 117
Call accounts	34 916 105	32 300 321
Investment accounts - Opex	138 558 350	141 540 016
Investment account - Swap security*	20 138 619	20 174 380
Investment accounts - Capital available Fund1 - Debt Fund**	649 503 545	679 642 949
Investment accounts –Capital available Fund II-Equity Fund***	143 576 158	153 911 153
Investment accounts Capital available Fund 1 - Youth Fund****	20 262 584	91 997 874
Investment accounts - Capital available Operation Vula Funds*****	16 092 642	14 926 941
Investment account bank guarantee*****	5 147 347	-
Expected Credit Loss	(2 763 618)	(2 763 618)
	1 032 449 223	1 137 458 133
	89 229 853	79 712 295

Figures in Rand	2024	2023
Exposure to currency risk		
* Included in the above amounts is R20m deposit previously held with Rand Merchant Bank as collateral on the interest rate swap agreement maturing on 31 March 2026.		
** Capital totalling R126m is further committed to approved project as at 31 March 2024 and R40m in 31 March 2023 with R834m available to investment		
***Capital to be utilised and committed as Government contribution in en-commandite partnership within private equity structure.		
****The funds ring-fenced for Youth Fund received in March 2019 from EDTEA and Premier's Office(R2.7m) including the R24m for the second round of Youth Fund.		
***** Capital to be utilised only for the Operation Vula project KZNGFT is disbursing the funds on behalf of EDTEA		
*****KGF Capital Proprietary Limited bank guarantee.		
The call account includes funds ring-fenced for Operation Vula Project amount to R39m include fee of R20m charged for service provided to EDTEA.		
The Trust invests surplus funds with financial institutions that are related in accordance with Fitch rating of BBB with the exception of Ithala which is not independently rated however has been approved as an authorised institution by the KZNGFT. The interest earned on surplus funds approximated on average 7.85% (2023: 5,14%) during the year.		
Cash and cash equivalents consist of:		
Rand amount		
Current account	14 709 293	12 456 052
Call account	34 916 105	32 300 321
1 - 30 days	323 172 626	822 531 028
1 - 3 months	642 276 197	252 759 970
1 - 5 years	20 183 619	20 174 380
Expected Credit Loss	(2 763 618)	(2 763 618)
	1 032 449 222	1 137 458 133

Figures in Rand	2024	2023
Disclosure in the statement of cash flows		
Cash and cash equivalents	49 625 398	44 770 510
Investment deposits	985 587 442	1 099 067 882
Movement in impairment allowance	2 736 618	2 736 618
7. Trade and other receivables		
Financial instruments:		
Trade receivables	1 508 540	1 508 540
Loss allowance	(1 508 540)	(1 508 540)
Trade receivables at amortised cost	-	-
Deposits	450 077	450 077
Retention incentive receivable	1 776 758	1 757 480
Prepayments	4 733 388	3 202 157
Sundry receivable	311 805	2 424 591
Total trade and other receivables	7 272 028	7 834 305
Split between non-current and current portions		
Current assets	7 272 028	7 834 305

Figures in Rand	2024	2023
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	7 272 028	7 834 305

Exposure to credit risk

Trade and other receivables are non-interest bearing and are normally settled on 30 to 60 days terms. The KZNGFT 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. KZNGFT 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 Sheep Cor Bank account as at 31 March 2024.

The loss allowance provision is determined as follows:

Short-term Deposit and Maturity Analysis

Demand	311 805	2 424 591
1- 12 Months	6 960 223	5 409 714
	7 272 028	7 834 305

8. Loans and advances

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

Loans advances net of provision for suspended interest	244 216 030	436 467 089
Impairment allowance	(157 520 067)	(349 083 685)
Current assets	86 695 963	87 383 404

Exposure to credit risk

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

Figures in Rand	2024	2023
Financial instrument and non-financial instrument components of trade and other receivables		
Movement in loans and advances		
Balance as at 1 April	87 383 404	75 391 420
Add: draw down	-	4 136 856
Add/(Less): Impairment allowance reversal	15 575 074	24 042 149
Less: Payment received	(16 262 515)	(16 187 021)
	86 695 963	87 383 404

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

Movement in impairment allowance

Balance as at 1 April	(349 083 687)	(373 125 836)
Loans and advance write off	175 988 546	-
Charge to statement of comprehensive income	15 575 074	24 042 149
	(157 520 067)	(349 083 687)

An impairment reversal is raised during the current financial year using the IFRS 9 forward looking model on all debt projects based on expected credit losses. During the current financial year all projects in the portfolio were unable to meet its repayment terms and are currently at stage 3 as per IFRS9. These projects have not been able to meet its loan repayments due. The impairment reversal is due instalment collections of loans to the value of R16,2 million and slow increase in projects into the portfolio, suspension of interest on existing loans thus maintaining a stable exposure per project and payments received during the year and a slight drop in collateral value. The reduction attributed by the decrease in collateral values of projects.

Figures in Rand	2024	2023
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9. Capital contribution

Capital Contribution and Reserves

Initial Capital	10	10
Capital contribution - Debt capital	1 041 438 300	1 079 533 000
Capital contribution - Equity capital	426 330 700	442 657 000
	1 467 769 010	1 522 190 010

The total capital contribution represents capital provided by the KwaZulu-Natal Provincial Government and remains part of the KZNGFT's capital for the life span of the KZNGFT. There are no repayment terms and this funding is interest free. The balance has increased due to additional funding of R46m from Government in the current financial year, less the R100m surrendered to the Provincial Revenue Fund.

10. Lease liability

Lease liability

Total Lease liability	-	1 746 690
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Lease liability maturity analysis

Year 1	-	1 746 690
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The KZNGFT leases an office space from Delta Properties using the whole 28th floor space. The average lease term is 3 years recently renewed for 3 years from 1 April 2021 until 31 March 2024.

Figures in Rand	2024	2023
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11. Provisions

Provisions comprise of the following:

Long service award	93 400	126 400
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The KZNGFT operates an unfunded long service award (LSA) for qualifying employees. Under the award the employees are entitled to a LSA for every five years of service completed from five years to twenty years of service completed. No other employee benefits are provided for employees.

The most recent actuarial valuations of the present value of the long service obligation were carried out in April 2024 by Mr. Itai Karidza Fellow of the Actuarial Society of South Africa and the Institute and Faculty of Actuaries. The present value of the long service obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method

Movements for the year

Net expense recognised in profit or loss	(33 000)	(3 900)
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Amounts recognised in profit and loss in respect of the long service award

Current service cost	32 500	34 600
Interest cost	16 700	11 200
Actuarial gains	(82 200)	(14 700)
Curtailment or settlement	-	(35 000)
	(33 000)	(3 900)

Figures in Rand	2024	2023
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The principal assumptions used for the purposes of the actuarial valuations were as follows

Discount rates used	10.70%	10.51%
Expected rate of return on assets	5.50 %	5.24 %
Expected rate of return on reimbursement rights	4.93 %	5.01 %
Average retirement age	63	63

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

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

The total group contribution to such schemes	93 400	126 400
Opening define benefit obligation	126 400	130 300
Current service cost	32 500	34 600
Interest	16 700	11 200
Employer vesting benefits	-	(35 000)
Actuarial loss (gain)	(82 200)	(14 700)
	93 400	126 400

Figures in Rand	2024	2023
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Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% change	Liability	% change
Central assumptions		93 400		126 000	
General salary	+1%	98 700	6%	133 000	5%
Inflation	-1%	88 600	-5%	120 000	-5%
Discount rate	+1%	98 500	6%	120 000	-5%
	-1%	88 800	-5%	133 300	5%
Average retirement age	+2yrs	106 900	15%	137 900	9%
	-2yrs	89 300	-4%	116 800	-8%
Withdrawal rates	x2	106 900	15%	97 800	-23%
	x50%	89 300	-4%	149 700	+15%

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

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		32 500	16 700	45 800	
Central assumptions	+1%	31 300	12 500	51 100	+4%
	-1%	35 600	13 400	45 500	-4%
Discount rate	+1%	35 500	13 800	46 800	6%
	-1%	31 400	12 300	49 600	-6%
Average retirement age	+2yrs	35 300	14 700	50 600	8%
	-2yrs	31 800	12 400	44 900	-5%
Withdrawal rates	x200%	24 000	9 700	35 100	-27%
	x50%	37 200	14 300	57 500	11%

Sensitivity Analysis on the Current-service and Interest Costs for the Year Ending 31 March 2023

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		34 600	11 200	45 800	
General salary	+1%	37 900	13 200	51 100	6%
Inflation	-1%	33 600	11 900	45 500	-6%
Discount rate	+1%	33 800	13 000	46 800	-3%
	-1%	37 600	12 000	49 600	3%
Average retirement age	+2yrs	36 900	13 700	50 600	5%
		33 400	11 500	44 900	-7%
Withdrawal rates	x200%	25 600	9 500	35 100	-27%
	x50%	43 000	14 500	57 500	19%

Figures in Rand	2024	2023
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12. Trade and other payables**Financial instruments:**

Trade payables	4 768 277	4 286 903
Committee fees payable	-	11 040
Accrued leave pay	2 124 596	2 348 103
Trade accruals	3 163 021	4 654 660
Other payables	64 939 235	139 172 109
	74 995 129	150 472 815

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 (R40 494 553), and Youth Fund (R24 444 683).

Figures in Rand	2024	2023
13. Revenue		
Revenue other than from contracts with customers		
Interest received (trading)	91 859 733	68 740 700
Interest income		
Current account	1 579 040	429 201
Call account	2 660 437	3 189 081
Investment accounts	87 454 907	65 122 420
Loans and advances	2	(2)
	91 712 386	68 740 700

Figures in Rand	2024	2023
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14. Interest expense

Rendering of services	62 605	217 317
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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.

Above amount as includes SARS penalty and interest of R63 286.65 in March 2023.

15. Other operating income

Youth fund fees	2 250 137	143 093
Operation Vula fees	47 208	2 750
Profit on foreign exchange differences	-	24 048
	2 297 345	168 891

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

Figures in Rand	2024	2023
16. Other operating gains (losses)		
Gains (losses) on disposals, scrappings and settlements		
Property, plant and equipment	2 -	(5 542)
17. Operating profit		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	1 622 759	1 435 414
Auditor's remuneration - internal	367 653	367 616
Remuneration, other than to employees		
Consulting and professional services	24 196 379	14 519 709
Employee costs		
Salaries, wages, bonuses and other benefits	39 382 458	37 652 4569
Long service - current cost	32 500	34 600
Long service - interest cost	16 700	11 200
Long service - actuarial (gain)/loss	(82 200)	(14 700)
Retirement benefit plans: defined benefit expense	4 339 326	3 699 629
Total employee costs	43 688 784	41 383 185

Figures in Rand	2024	2023
Depreciation and amortisation		
Depreciation of property, plant and equipment	480 690	371 940
Depreciation of right-of-use assets	1 550 924	1 550 931
Amortisation of intangible assets	1 046 300	996 581
Total depreciation and amortisation	3 077 914	2 919 4521
Movement in credit loss allowances		
Loans receivables at amortised cost	(15 575 074)	(24 042 149)
Expenses by nature		
Employee costs	43 688 784	41 383 185
Lease expenses	230 762	228 177
Depreciation, amortisation and impairment	3 077 914	2 919 452
Other expenses	43 685 201	32 289 198
Total depreciation and amortisation	90 682 661	76 820 012
18. Gains (losses) on financial assets		
Investment - gains	(20 489 979)	10 460 140

Figures in Rand	2024						2023
19. KZNGFT and other committee members' remuneration and executive remuneration							
Non-executive							
2024							
	Board of KZNGFT	Investment Committee	Audit & Risk Committee	Human Resource and Remuneration Committee	Social and Ethics Committee	Special Meetings	Total
Services as director or prescribed officer							
Mr. S Hlophe	150 075	25 326	-	-	8 906	17 263	201 570
Ms. B Zulu	42 772	45 485	25 326	-	17 813	30 103	161 499
Mr. A Dhuki	42 772	-	25 326	17 813	-	4 600	90 511
Dr. C Lubisi	170 150	-	-	17 813	17 813	278 999	484 775
Mr. T Hlongwa	47 294	55 485	25 327	-	-	181 868	309 974
Mr. S Thobela	37 216	25 327	25 327	-	-	138 096	225 966
Ms. S Mavura	47 294	25 327	17 813	-	-	162 925	253 359
Ms. B Dlamini	47 294	-	-	17 813	17 813	149 218	232 138
Ms. B Mzobe	90 068	50 653	-	8 906	62 052	146 945	358 597
Mr. WB Ngubane	-	-	90 917	-	-	42 038	133 009
J Gloak	-	50 653	-	-	-	49 845	100 498
L Magayana	-	50 653	-	-	-	49 845	100 498
N Jansen	-	-	-	62 052	-	207 070	269 095
	674 935	328 909	210 090	124 370	124 370	1 458 815	2 921 489

Figures in Rand	2024						2023
2023							
	Board of KZNGFT	Investment Committee	Audit & Risk Committee	Human Resource and Remuneration Committee	Social and Ethics Committee	Special Meetings	Total
Services as director or prescribed officer							
Mr. S Hlophe	319 275	60 732	12 663	-	-	768 744	1 161 414
Ms. B Zulu	85 545	80 891	50 653	-	35 625	233 720	486 434
Mr. A Dhuki	90 068	-	37 990	69 779	8 906	265 366	472 109
Mr. S Buthelezi	65 001	12 663	-	-	-	196 691	274 355
Mr. K Thango	23 648	-	-	89 670	77 532	-	190 850
Ms. G Kungwane	-	66 076	-	-	-	-	66 076
Mr. T Zulu	57 375	-	25 326	26 719	-	241 814	351 234
Mr. M Dlunqwane	38 250	-	-	8 906	8 906	40 318	96 380
Ms. B Mzobe	81 022	25 326	-	-	46 519	201 642	354 509
Mr. WB Ngubane	-	-	90 917	-	-	24 583	115 554
J Gloak	-	25 326	-	-	-	26 706	52 032
L Magayana	-	25 326	-	-	-	64 696	90 022
N Jansen	-	-	-	24 413	-	232 596	257 009
	760 184	296 340	217 603	219 487	177 488	2 296 876	3 967 978

Executive management remuneration

Mr. K Ngqaka - Acting Chief Executive Officer (December 2021 to March 2024)	3 559 872	3 351 605
Ms. K Nhassengo - Chief Investment Officer	1 780 004	2 231 587
Mr. Nkosi - Chief Risk Officer	786 796	1 592 917

Figures in Rand	2024	2023
Mr. L Zondi - Chief Financial Officer	1 779 759	1 788 234
Mr. X Nhlapo - Acting Chief investment Officer	29 605	55 584
Ms. U Ojageer - Acting Chief Risk Officer (April 2022 to August 2022)	-	79 276
Ms. T Nxumalo - Acting Chief Risk Officer (December 2022 - September 2023)	237 828	118 914
Mr. M Dlamini - Acting Chief Financial Officer (December 2022 to March 2024)	537 665	134 416
Ms. N Mabunda - Acting Chief Risk Officer (October 2023 to January 2024)	101 992	-
Ms. B Ikaneng Chief Risk Officer	608 517	-
	9 422 038	9 352 533

20. Employee costs

Employee costs

Basic	37 404 488	35 446 692
Medical aid - company contributions	1 493 188	1 747 151
UIF	148 934	150 503
SDL	335 848	308 110
LSA current service cost	32 500	34 600
SLA interest	16 700	11 200
SLA actuarial loss/(gain)	82 200	(14 700)
Retirement benefit plans	4 339 326	3 699 629
	43 688 784	41 383 185

21. Depreciation, amortisation and impairment losses

Depreciation

Property, plant and equipment	480 690	371 940
Right-of-use assets	1 550 924	1 550 931
	2 031 614	1 922 871

Figures in Rand	2024	2023
Amortisation		
Intangible assets	1 046 300	996 581
Total depreciation, amortisation and impairment		
Depreciation	2 031 6144	1 922 871
Amortisation	1 046 300	996 581
	3 077 914	2 919 452
22. Cash used in operations		
Profit before taxation	2 627 907	30 501 009
Adjustments for non-cash items:		
Depreciation and amortisation	3 077 918	2 919 452
Losses on sale of assets	-	5 542
Fair value (gain)/loss adjustments	20 489 979	(10 460 140)
Long service award	(33 000)	(3 900)
Interest paid	62 605	217 317
Reversal for loans impairment	(15 575 074)	(24 042 149)
Adjust for items which are presented separately:		
Interest income	(91 859 733)	(68 740 700)
Dividends received	(4 131 000)	(4 131 000)
Changes in working capital:		
Trade and other receivables	562 277	1 860 538
Trade and other payables	(75 477 687)	7 550 846
	(160 255 808)	(68 044 261)

Figures in Rand	2024	2023
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23. Financial Risk Management

Split between non-current and current portions

Introduction and overview

The KZNGFT has exposure to the following risks from financial instruments:

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

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

Risk management framework

The Board of Trustees has overall responsibility for the establishment and oversight of the KZNGFT'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 KZNGFT's risk management framework. The CEO regularly reports to the Board of Trustees on the outcome of their activities. The KZNGFT'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 KZNGFT's activities. The KZNGFT 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 KZNGFT's audit and risk committee oversee how management monitors compliance with the KZNGFT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the KZNGFT.

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 KZNGFT resulting in a financial loss to the KZNGFT. It arises principally from loans and advances, cash and investment deposits and trade and other receivables. For risk management reporting purposes, the KZNGFT considers and consolidates all elements of credit risk exposure such as individual's obligor default risk and sector risk.

The KZNGFT'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:

ECL on loans and advances	(15 575 074)	(24 042 149)
ECL on trade and other receivables	-	1 508 540
	(15 575 074)	(22 533 609)

Figures in Rand	2024	2023
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Loans and advances

The KZNGFT'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 KZNGFT 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 KZNGFT 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 KZNGFT's credit risks are monitored on a quarterly basis by the Audit & Risk Committee and Board of KZNGFT.

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

Because of the KZNGFT's focus on counterparty's creditworthiness, the KZNGFT 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 KZNGFT obtains appraisals of collateral because it provides input into determining the management credit risk actions.

The KZNGFT has considered the impact of the challenging economic conditions on its operations mainly its debt instrument portfolio. The strong financial position as at 31 March 2024 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 KZNGFT will continue to monitor its client closely as the economy is still recovering following the impact of COVID19 and easing of lock-down regulations on investee clients following the slow rate of vaccinations. At 31 March 2024 the net carrying amount of credit-impaired loans and advances amounted to R88.9m (2023: R88,9 million) and the value of identifiable collateral held against those loans and advances amounted to R88.2m million (2023: R88,2 million).

The KZNGFT classifies their loans as follows:"

Internal credit grade	Description
Standard (very low credit risk)	Those exposures which are not more than 30 days past due and meets the qualitative criteria per KZNGFT'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 KZNGFT'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 KZNGFT's credit policy.
Loss (very high risk)	Those exposures which are 365 days or more past due and/or meets the qualitative criteria per KZNGFT's credit policy.

Figures in Rand	2024	2023
At 31 March 2024 the exposure to credit risk for loans and advances by industry was as follows:		
Changes due to investments recognised at the beginning of the reporting period:		
Transport and Logistics	58 876 122	58 876 122
Health care	75 093 549	75 093 549
Manufacturing	98 356 785	290 607 844
Property - Shopping Mall	11 889 574	11 889 574
Closing balance	244 216 030	436 467 089

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

BB+ to B-	244 216 030	436 467 092
Less allowance	(157 520 067)	(349 083 688)
Carrying amount	86 695 963	87 383 404

Expected credit loss assessment

The KZNGFT estimates impairment for loans and advances using the general approach under IFRS 9. In doing so the KZNGFT 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

Figures in Rand	2024	2023
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Significant increase in credit risk

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

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

The KZNGFT 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.

Figures in Rand	2024	2023
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Qualitative factors:

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

- Early signs that liquidity problems are emerging e.g. late payments;
- Financial information required to assess the loan is inadequate; for example annual audited financial statements cannot be obtained or are unavailable;
- Condition of and control over collateral is questionable;
- Fails to obtain proper documentation (e.g. security or other statutory documentation) from the customer;
- The KZNGFT 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 KZNGFT collects performance and default information about its credit risk exposures analysed by counterparty and credit risk grading. The KZNGFT 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 KZNGFT 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 KZNGFT 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).

Figures in Rand	2024	2023
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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 KZNGFT 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 KZNGFT 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 KZNGFT's credit policy.

As can be noted from the above the KZNGFT 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

Figures in Rand	2024	2023
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Incorporation of forward-looking information

The KZNGFT 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 KZNGFT 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 KZNGFT'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 KZNGFT'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 2024 would have affected the expected credit losses of financial assets by the amounts shown below.

Loans and advances	(15 575 074)	(24 042 149)
Investment deposits	2 763 618	2 763 618
	(12 811 456)	(21 278 531)

Figures in Rand	2024	2023
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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 KZNGFT renegotiates loans with counterparties in the following circumstances:

- Distressed restructure (i.e. the borrower is in a financially distressed position);
- Adverse changes in macro- and micro-economic environment; and
- In order to remain competitive in the market KZNGFT 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 KZNGFT to the customer.

When modifications take place the KZNGFT 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.

Figures in Rand	2024	2023
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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 KZNGFT 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 KZNGFT 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 KZNGFT 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 KZNGFT 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.

2024	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL not credit impaired	Total
BB+ to B-	-	-	244 216 030	- 244 216 030
Subtotal	-	-	244 216 030	- 244 216 030
Loss allowance	-	-	(157 520 067)	- (157 520 067)
	-	-	87 695 963	- 87 695 963

Figures in Rand				2024	2023
2023	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL not credit impaired		Total
BB+ to B-	-	-	436 467 092	-	436 467 092
Subtotal	-	-	436 467 092	-	436 467 092
Loss allowance	-	-	(349 083 688)	-	(349 083 688)
	-	-	87 383 404	-	87 383 404

The KZNGFT did not have any loans that were past due but not impaired at 31 March 2024.

The movement in the allowance for impairment for loans and advances

Balance at 1 April under IFRS 9	349 083 687	373 125 836
Transfer to lifetime ECL – not credit-impaired	(15 575 074)	(24 042 149)
Loans and advances write off	(175 988 546)	-
	157 520 067	349 083 687

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

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

Impact Increase/(decrease 2004)	Stage 1	Stage 2	Stage 3	Total
Increase/(decrease) in loans advanced for the year	-		(15 575 074)	(15 575 074)

Impact Increase/(decrease 2003)	Stage 1	Stage 2	Stage 3	Total
Increase/(decrease) in loans advanced for the year	-	-	(24 042 149)	(24 042 149)

Figures in Rand	2024	2023
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Cash & cash equivalents and investment deposits

The KZNGFT held cash and cash equivalents and investment deposits of R1 032 449 222 thousand at 31 March 2024 (2023: R1 137 458 133). The KZNGFT 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 KZNGFT.

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 KZNGFT considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

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

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

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

Cash and cash equivalents and investment deposits - stage 1	1 035 212 840	1 140 221 751
Gross balance at 31 March	(2 763 618)	(2 763 618)
	1 032 449 222	1 137 458 133

Trade and other receivables

The KZNGFT held trade and other receivables of R7 272 028 at 31 March 2024 (2023: R7 834 305). The KZNGFT'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 KZNGFT 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 23.

Figures in Rand	2024	2023
Trade and other receivables		
Gross balance at 31 March	8 780 569	9 342 845
Net re-measurement of loss allowance	(1 508 540)	(1 508 540)
	7 272 028	7 843 305

Management of credit

The KZNGFT'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 KZNGFT 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 KZNGFT 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 KZNGFT's credit risks are monitored on a semi-annual basis by the Board of KZNGFT.

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

Exposure to credit risk

The KZNGFT'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 KZNGFT 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.

Cash and investment deposits

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

Concentration of credit risk

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

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

Loans and advances

The KZNGFT 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 KZNGFT. The KZNGFT minimises its credit risk by monitoring the counterpart's creditworthiness in addition to this the counterparties are required to go through an approval process and provide collateral in order to qualify for a loan.

Trade and other receivables

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

Counterparty risk

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

Liquidity risk

Liquidity risk is the risk that the KZNGFT 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 KZNGFT.

Management of liquidity risk

The KZNGFT's policy and the KZNGFT'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 KZNGFT's reputation.

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

Figures in Rand				2024	2023
Financial Assets	On demand	Less than 1 year	From 1 to 5 years	Greater than 5 years	Total
Investments	-	-	112 748 170	89 229 853	201 978 023
Loans and advances	-	74 937 448	11 758 515	-	86 695 963
Trade receivable	311 805	6 960 223	-	-	7 272 028
Cash and cash equivalents and investment deposits	49 625 398	962 685 205	20 138 619	-	1 032 449 222
Financial Liabilities	49 937 203	1 044 582 876	144 645 304	89 229 853	1 328 395 236
Trade and other payables	(74 995 128)	-	-	-	(74 995 128)
	(25 057 925)	1 044 582 876	144 645 304	89 229 853	1 253 400 108

Figures in Rand	2024				2023
Financial Assets	On demand	Less than 1 year	From 1 to 5 years	Greater than 5 years	Total
Cumulative Liquidity (shortfall) /excess	71 465 505	1 175 473 070	1 321 690 322	1 410 920 175	1 410 920 1753

A summary of the KZNGFT's liquidity profile as at 31 March 2023 is as follows

Financial Assets	On demand	Less than 1 year	From 1 to 5 years	Greater than 5 years	Total
Investments	-	-	142 755 707	80 472 295	223 228 002
Loans and advances	324 300 472	72 212 265	39 954 352	-	436 467 089
Trade receivable	3 993 131	3 901 174	-	-	7 834 3058
Cash and cash equivalents and investment deposits	44 770 509	1 072 513 244	20 174 380	-	1 137 458 133
Financial Liabilities	373 004 112	1 148 626 683	202 884 439	80 472 295	1 804 987 529
Trade and other payables	(150 472 815)	-	-	-	(150 472 815)
	222 531 297	1 148 626 683	202 884 439	80 472 295	1 654 514 714
Cumulative Liquidity (shortfall)/excess	222 652 400	1 371 279 083	1 574 163 522	1 654 635 817	1 654 635 817

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

Market risks

Market risk is the risk that changes in market prices such as interest risk that will affect the KZNGFT'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.

Management of market risks

The KZNGFT's market risk is managed by the KZNGFT in accordance with policies and procedures in place. The KZNGFT'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 KZNGFT's capacity to service such debt from future earnings. The KZNGFT mitigation measures against the market risk is shown under note number 8.

Figures in Rand	2024	2023
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Interest rate risk

Interest rate risk refers to the susceptibility of the KZNGFT'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 KZNGFT through their net effect on interest rate sensitive assets. At the same time movements in interest rates impact the KZNGFT's capital through their net effect on the market value of assets. Interest rate risk in the KZNGFT arises naturally as a result of its funding and lending operations.

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

Interest rate risk sensitivity analysis

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

2024	Carrying Amount	Interest Earned	Sensitivity of 1% effective interest adjusted	Total
Loans and advances	244 216 030	(2)	2 442 160	246 658 188
Cash and cash equivalents and investment deposits	1 032 449 222	91 859 733	10 324 492	1 134 633 447
	1 276 665 252	91 859 731	12 766 652	1 381 291 635
2023	Carrying Amount	Interest Earned	Sensitivity of 1% effective interest adjusted	Total
Loans and advances	436 467 092-	(2)	4 364 671	440 831 761
Cash and cash equivalents and investment deposits	1 137 458 133	68 740 702	11 374 581	1 217 573 416
	1 573 925 225	68 740 700	15 739 252	1 658 405 177

Figures in Rand	2024	2023
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Exposure to margin risk

The KZNGFT 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 KZNGFT to manage margin risk in accordance with policies and procedures in place. The KZNGFT has designed a Risk Reward profile to assist the KZNGFT in managing the margin risk.

2024	Less than 1 year	From 1 to 5 years	Greater than 5 years	Total
Cash, Cash equivalents & investment deposits	1 032 449 222	-	-	1 032 449 222
Preference Shares	-	-	80 472 295	80 472 295
Equity Investments	-	112 748 170	-	112 748 170
Shareholder loans	-	-	760 000	760 000
Loans and advances	86 695 963	-	-	86 695 963
Subtotal	1 119 145 185	112 748 170	81 232 295	1 313 125 650
	1 119 145 185	112 748 170	81 232 295	1 313 125 650

2023	Less than 1 year	From 1 to 5 years	Greater than 5 years	Total
Cash, Cash equivalents & investment deposits	1 137 458 133	-	-	1 137 458 133
Preference Shares	-	-	79 712 295	79 712 295
Equity Investments	-	142 755 707	-	142 755 707
Shareholder loans	-	760 000	-	760 000
Loans and advances	396 512 737	39 954 352	-	436 467 089
Subtotal	1 533 970 870	183 470 059	79 712 295	1 797 153 224
	1 533 970 870	183 470 059	79 712 295	1 797 153 224

Figures in Rand	2024	2023
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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 KZNGFT's operations either internally within the KZNGFT or externally at the KZNGFT'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 KZNGFT's activities.

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

Capital management

The capital contribution represents capital provided from the KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs which is made in terms of the Capital Contribution Agreement. In terms of the Evolution Strategy funds previously received for equity from the beneficiary (and held in a warehousing capacity outside of capital within the Debt Fund) was approved to be utilised for the KZNGFT 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 KZNGFT manages its capital is shown under note number 9.

24. Commitments

Capital expenditure

Other

- | | | |
|--|-------------|-------------|
| • Contribution to en-commadite partnership | 300 000 000 | 300 000 000 |
|--|-------------|-------------|

Figures in Rand	2024	2023
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The KZNGFT entered into an en-commadite partnership with PIC to form an Equity Fund which will be managed by KZNGFT through KGF Capital (Pty) Ltd (refer to note 26). Each limited liability partner will commit R300m each resulting to R600m Asset under Management. The KZNGFT Equity team is currently finalising the conditions precedents in relation to side letter agreement between KZNGFT 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 KZNGFT management the Condition Precedent for draw down were affected.

25. Taxation

No provision has been made for taxation for the KZNGFT as the entity is considered a vested entity of the Department of Economic Development & Tourism (as the ultimate beneficiary of the KZNGFT 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').

26. Related parties

Relationships

The KZNGFT 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 KZNGFT enters into transactions with related parties in its normal course of business.

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

Compensation to directors and other key management

Short-term employee benefits	2 892 172	3 999 078
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Department of Economic Development Tourism & Environmental Affairs

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

During the 2024 financial year a total amount of R46m of annual allocation was provided by the KwaZulu-Natal Provincial Government and this budget allocation received in fourth quarters of 2023 financial year. The amounts received related to the annual fund allocation refer to note 9.

During the 2023 financial year a total amount of R49m was provided by the KwaZulu-Natal Provincial Government and this budget allocation received in second and third quarters of 2022 financial year. The amounts received related to the annual fund allocation refer to note 9. In addition, the KZNGFT received funds from Youth Fund of R20m from EDTEA during the year under review. Included in the unspent amount is R40m from EDTEA and R54.9m from Office of the Premier in relation to Youth Fund, refer to note 9. Other payables balance includes funds received from EDTEA which entails Operation Vula Fund (R40 494 553), and Youth Fund (R24 444 683).

Ithala SOC Ltd

Ithala SOC 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 KZNGFT are one of the twelve entities within EDTEA. Funds held on fixed deposit as at 31 March 2024 amounted to R83 734 138 (2023: R109 874 795.46) including accrued interest. Total interest earned during the year totaled R10 840 347 (2023: R7 493 255). Ithala SOC Limited further provided intermediary insurance advisory services for which insurance payments totaling R3 146 844 (2023: R3 097 596) were paid during the year.

Figures in Rand	2024	2023
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Key management personnel

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

Trustee's fees	2 133 751	2 774 554
Investment Committee's	303 582	321 668
Audit and Risk Committee's	217 603	242 185
Human Resource & Remuneration Committee fees	142 185	452 083
Social & Ethics Committee fees	124 371	177 489
	2 921 492	3 967 979

Executive management remuneration for the year refer to note 19

Executive management remuneration	9 422 038	9 352 533
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The KZNGFT holds 26% of the shareholding in KwaDukuza Private Hospital (Pty) Ltd. Transactions with this entity is disclosed in note 5 to the financial statements.

KDPH

Transactions (Interest)	13 619 633	11 463 608
Loans and advances	75 093 549	75 093 549
Impairment	(25 715 688)	(18 049 771)
	62 997 494	68 507 386

Inoxa Industries (Pty) Ltd

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

Figures in Rand	2024	2023
INSA		
Loans and advances	-	77 999 871
Impairment (expense)/reversal	77 999 871	(77 999 871)
Loan written off	(77 999 871)	-
	-	-

Ross Healthcare (Pty) Ltd

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

SheepCor Midlands (Pty) Ltd

The KZNGFT former CEO (Aubrey Shabane) was appointed as Director of SheepCor Midlands (Pty) Ltd where KZNGFT 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. The balance of the funds of R3.4m were transferred to EDTEA during the year under review.

SheepCor

Transaction (Opex)	-	179 603
Payables balance	-	3 407 860
	-	3 587 463

KGF Capital (Pty) Ltd

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

KGF Capital (Pty) Ltd

Receivable balance	760 000	760 000
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Figures in Rand	2024	2023
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The KZN Growth Fund Education Trust

he Education Trust is the majority shareholder of the Fund Manager, holding 51% of shareholding KGF Capital (Pty) Limited. This is a Broad-Based Black Economic Empowerment (B-BBEE) trust which will benefit underprivileged black people (as defined in the BBBEE Act) who qualify in terms of certain selection criteria to receive bursaries, scholarships and/or financial assistance Lwazi Zondi (former KZNGFT CFO) and Nkosinathi Nkosi (former KZNGFT CRO) are appointed as Trustees of Education Trust. There was not transactions and balances with regards to KZNGF Education Trust during the year.

Dube Trade Port

The Dube Trade Port Chief Operating Offer (Mr. K Ngqaka) has been seconded to KZNGFT as Acting CEO since 14 Dec 2022 up until 31 March 2024. Transactions with this entity is disclosed in note 17 to the financial statements.

Dube Trade Port

Salaries	3 559 872	3 351 605
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27. Contingencies

KwaDukuza Private Hospital (Pty) Ltd (KDPH)

he KZNGFT holds 26% of the equity shareholding in KwaDukuza Private Hospital (Pty) Ltd. During the financial year, the KZNGFT issued a letter of undertaking to provide financial support for future periods subject to KZNGFT management obtaining approval from various. It must be further noted that the amount of any outflow in respect letter of undertaking cannot be reliable measured at this stage. KZNGFT's equity is valued at R0. The project is in litigation, summons served in November 2022 and KDPH defended action. A turnaround plan submitted but rejected to lack of business viability and no prospects of turning around the hospital. Litigation is proceeding with discovery of pleadings underway.

Matter with co-shareholder at INSA

The KZNGFT 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 KZNGFT has invested R82m and Brand has invested R63m 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 63.2 million as a result of damages it has incurred due to the liquidation of INSA (Pty) Ltd ("INSA") and interest amount of R9.95 million

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.

Figures in Rand	2024	2023
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The Plaintiff served a Replication to the KZNGFT's plea wherein the Plaintiff deny that the cession was mala fides due to Robvin having a bona fide claim against Brand, so, their contention is that the cession is one for value. During the discovery process, this statement will be investigated. Robvin also claim that Brand's deed of suretyship was limited, however, there is no limitation.

The KZNGFT attorneys proposed that Robvin's action against KZNGFT and KZNGFT's action against Brand be consolidated or proceed as one trial. The reason for the proposal is that much of the evidence and issues will be the same in both actions. The court rules provide that where two matters have substantially the same evidence and facts to be led and are interconnected, the court can consolidate the two matters so that they have heard together – in-order to save costs and time.

The two cases were consolidated in March 2022 and pre-trial was held in March 2023. Brand and Robvin informed the KZNGFT, that the KZNGFT's respective responses to Robvin and Brand's requests for admissions were deficient and evasive, insofar as that KZNGFT refused to provide the admissions that were sought on certain issues [e.g of issues (amongst many) were that KZNGFT shared teaser of project, internal confidential information and induced defendants to signing deed of suretyship etc] and, in this regard, requested that the KZNGFT revisit its respective responses to the admissions that were sought. The KZNGFT proposed that both Robvin and Brand serve its supplementary request for admissions regarding those paragraphs wherein KZNGFT will reply again.

Parties exchanged its supplementary affidavits KZNGFT responded. The pre-trial conference was held in February 2023 and Robvin and Brand were adamant that KZNGFT induced them to enter into the transaction. Common cause issues served by KZNGFT and response provided by Robvin on December 2023 who was again dissatisfied with KZNGFTs response to their questions. KZNGFT requested for matter to proceed to trial as the parties have exhausted response on same issues therefore court to rule on the matter. KZNGFT is awaiting for trial date.

28. 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.

Figures in Rand					2024	2023	
Categories of financial instruments							
Categories of financial assets							
2024	Notes	Fair value through other comprehensive income equity instruments	Fair value through profit or loss mandatory	Fair value through profit or loss designated	Amortised cost	Total	Fair value
Loans receivable	8	-	-	-	86 695 963	86 695 963	-
Investments	5	89 229 854	112 748 170	760 000	-	202 738 024	202 738 024
Trade and other receivables	7	-	-	-	7 272 028	7 272 028	7 272 028
Cash and investment deposits	6	-	-	-	49 625 398	49 625 398	49 625 398
		89 229 854	112 748 170	760 000	143 593 389	346 331 413	259 635 450
2023	Notes	Fair value through other comprehensive income equity instruments	Fair value through profit or loss mandatory	Fair value through profit or loss designated	Amortised cost	Total	Fair value
Loans receivable	8	-	-	-	87 383 404	87 383 404	-
Investments	5	79 712 295	142 755 707	760 000	-	223 228 002	223 228 002
Trade and other receivables	7	-	-	-	7 834 305	7 834 305	7 834 305
Cash and investment deposits	6	-	-	-	44 770 510	44 770 510	44 770 510
		79 712 295	142 755 707	760 000	139 988 219	363 216 221	275 832 817

Figures in Rand	2024	2023
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Categories of financial liabilities

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

Trade and other payables

2023	Notes	Amortised cost	Leases	Total	Fair value
Trade and other payables	12	150 472 813	-	150 472 813	-
Trade and other payables	4	-	1 746 690	1 746 690	-
		150 472 813	1 746 690	152 219 503	-

Levels in fair value hierarchy

Financial assets measured at fair value	Level 1	Level 2	Level 3	Level 4
Investments				
Equity investments	-	-	112 748 170	112 748 170
Shareholder loans	-	-	760 000	760 000
Preference shares	-	-	89 229 853	89 229 853
	-	-	202 738 023	202 738 023

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.

Figures in Rand		2024	2023
Type	Valuation technique	Significant unobservable inputs and how they are developed	Inter-relationship between significant unobservable inputs and fair value measurement
Equity investments	E.g. 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.	E.g. Adjusted market multiple	E.g. The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).
Shareholder loans	E.g. The valuation model considers the present value of the expected future payments discounted using a market adjusted discount rate.	E.g. - Expected cash flows E.g. - Market-adjusted discount rate	E.g. 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	E.g. The valuation model considers the present value of the expected future payments discounted using a market adjusted discount rate.	E.g. - Expected cash flows E.g. - Market-adjusted discount rate	E.g. The estimated fair value would increase (decrease) if: • 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			

Pre tax gains and losses on financial instruments

	Equity investments	Equity investments	Shareholder loans	Preference Shares	Total
Balance at 31 March 2022	-	137 800 000	740 000	74 200 000	212 740 000
Net change in fair value	-	4 955 707	20 000	5 512 295	10 488 002
Balance at 31 March 2023	-	142 755 707	760 000	79 712 295	223 228 002
Net change in fair value	-	(30 007 537)	-	9 517 558	(20 489 979)
	-	112 748 170	760 000	89 229 853	202 738 023

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
28%		E.g. Adjusted market multiple (5% movement)
		Shareholder loans
		E.g. Expected cash flow movement (10% movement)
	100%	E.g. Market-adjusted discount rate (1% movement)
4%		Preference shares
		E.g. Expected cash flow movement (10% movement)
		E.g. Market-adjusted discount rate (1% movement)

Comparative information

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

Gains and losses on financial assets

Accounting Classifications and Fair Values 2024	Financial Assets	Financial Assets	Other financial liabilities	Total
Equity investments	-	201 978 023	-	201 978 023

Loans and advances	-	87 274 915	-	87 274 915
Cash and investment deposits	-	1 032 449 222	-	1 032 449 222
Trade and other receivables	-	7 272 028	-	7 272 028
Trade and other payables	-	-	(74 995 126)	(74 995 126)
	-	1 328 974 188	(74 995 126)	1 253 979 062
Accounting Classifications and Fair Values	Financial Assets	Financial Assets	Other financial liabilities	Total
Equity Investments	-	223 228 002	-	223 228 002
Loans and advances	-	87 383 404	-	87 383 404
Cash and investment deposits	-	1 137 458 133	-	1 137 458 133
Trade and other receivables	-	7 834 305	-	7 834 305
Trade and other payables	-	-	(150 472 815)	(150 472 815)
	-	1 455 903 844	(150 472 815)	1 305 431 029

29. Going concern

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

The trustees believe that the trust has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The trustees have satisfied is that the trust is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The trustees is not aware of any new material changes that may adversely impact the trust. The trustees is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the trust.

30. Events after the reporting period

KZN Growth Fund Trust is a process of transitioning to a schedule 3D PFMA entity. The KZN Growth Fund Agency Bill was gazetted on the 24 May 2024. The KZN Department of economic development tourism and environmental affairs is currently in the process of implementing the necessary transitional measures.

National Health Insurance Bill (NHI) was signed into law by South African President on 15 May 2024. KZNGFT believes that the recent promulgation of the National Health Insurance Bill into law will not significantly affect the operations of Busamed and KDPH in the short to medium term. It is expected that doctors with private practices will initially be significantly affected by NHI in the long-term:

Changes in Healthcare Market:

Specialized Services: Some private hospitals may begin to specialize in areas not fully covered by the NHI or in providing higher comfort and convenience, targeting wealthier patients who could afford private care.

Elective Procedures: It is expected that there will be growth in elective and non-essential procedures in private hospitals, often with shorter waiting times compared to the NHI.

31. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure current	-	63 287
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Fruitless and wasteful expenditure relate to late payment of PAYE, UIF and SDL for the month of May 2022.

Chapter Five

ANNEXURES

PERFORMANCE INFORMATION

Programme / Sub programme / Performance Indicator	Objectives	Reporting Period Quarterly, Bi- Annual or Annual	Annual Target for 2023/24 as per the APP	Annual Actual for 2023/24	
Programme 1 : Finance and Administration					
1.1 Sub-Programme Name : Office of the CEO					
1.1.1	Maintain external unqualified audit opinion with no matters of emphasis	To obtain and maintain an unqualified audit opinion with no matters of emphasis	Annual	Achieve a clean audit report for the 2022/23 financial year end	Achieved a clean audit report for the 2022/23 financial year end
1.1.2	Achieve % Growth in the Fund size (current Fund size R1.5bn)	Grow the assets under management by the Trust	Annual	Equal to or more than CPI as at 31 March 2024	-3.37% decrease in AUM achieved to date.
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 2 and above and/or 20% of total spend on targeted suppliers as at 31 March 2024	91.38% of total procurement from suppliers with a BEE level of 2 and above and/or 20% of total spend on targeted suppliers as at 31 March 2024.
1.2.2	Achieve Operational cost effectiveness (total operational costs/total assets under management)		Annual	4.5% as at 31 March 2024.	Operational cost effectiveness is at 5.8% as at 31 March 2024.
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	Fully commit all available funds to viable projects	Annual	200 jobs opportunities as at 31 March 2024	
2.1.2	Number of deals approved.		Annual	4 deals approved.	234 jobs opportunities created or supported from approved projects as at 31 March 2024.
2.1.3	% of disbursed projects meeting B-BBEE investment policy criteria (no of projects meeting the B-BBEE criteria / total no of projects disbursed)		Annual	80% of disbursed projects meeting the new B-BBEE investment policy criteria as at 31 March 2024	
2.2 Sub-Programme Name : Project Disbursements					
2.2.1	To achieve the targeted Rand Value of Projects disbursed	Fully commit all available funds to viable projects	Annual	Disburse R120m capital approved by 31 March 2024.	No disbursements made during the year under review. Two project that were approved in the previous financial years were cancelled during the year end review which are Prostar Paint and Duzi Forest. Three projects were approved during the year under review are at contracting stage and contracting has been finalised for Mmamethi Forest.
2.3 Sub-Programme Name : Aftercare					
2.3.1	In the long term, maintain at least 80% of performing loans in the portfolio (Value of loans performing / total value of loans) (Debt book)	To ensure appropriate portfolio management and aftercare is being performed so as to strive toward good asset quality and long term sustainable growth of the Trust	Annual	At least 50% performance loans within the total loan portfolio as at 31 March 2024	
2.3.2	In the long term (7-10 years), the total value of equity investments exceeds the cost of investment (Equity Book)		Annual	At least 60% of the total cost of the investment portfolio to be maintained based on annual valuations and provisions as at 31 March 2024	73% of the cost of equity investments have been maintained as at 31 March 2024.

