sa sme FUND

Integrated Report 2024

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Chairman's report

for the year ended 29 February 2024

Dear Shareholders

I am pleased to present the 2024 Annual Integrated Report and Financial Statements of The SA SME Fund Limited.

This past year has demonstrated the power of the SA SME Fund's repeatable model. Its central and collaborative role in the impact investing and venture capital ecosystem has helped build confidence in these asset classes. By de-risking investments for others and promoting a more positive narrative about the country's potential and opportunities, the Fund has contributed to greater optimism across the network. This has helped create a virtuous cycle of increased investment, new, innovative and scalable businesses, and job creation. This has led to approximately R10 billion in total leverage being mobilised across what are now four funds on the SA SME Fund platform. A remarkable outcome.

From an initial direct R1.39 billion investment in our first private equity and debt fund, we mobilised an additional R2.34 billion from other investors, including institutions and government partners such as the Department of Science and Innovation and the IDC. This represents a 2.7x multiplier. The recently launched Venture Capital Fund of Funds raised over R795 million, supported by the SA SME Fund's initial R50 million first-loss commitment. Subsequent to year end, the fund closed at R1.3 billion. This excludes additional third party capital our partners have mobilised. Many of the funds that we backed as early investors are now successfully raising second rounds.

The CEO Report and Financial Report provide detailed information on these investments.

An important area where we continue to make progress is in demonstrating the validity of our original thesis: high growth entrepreneurs have a disproportionately positive impact on jobs and economic growth. Locally, weak GDP growth coupled with global realignments and massive technological change means that most large listed companies are looking to trim expenses and expand their share of a relatively small pie. We cannot look to these firms to address our unacceptably high unemployment levels. These companies are not a source of meaningful job creation, which will only come from sustained GDP growth of at least 3%. In the meantime, high growth scalable start-ups and businesses that innovate help create new markets and are an important source of jobs and income opportunities. This is the primary focus of the fund.

By de-risking investments for others and promoting a more positive narrative about the country's potential and opportunities, the Fund has contributed to greater optimism across the network.

Investments in funds such as the University Technology Fund (UTF), which has added three more universities as partners, as well as OneBio and Savant, are helping convert local research and innovation into market-ready businesses. These initiatives create clear pathways from academia to real economic value in areas such as engineering and hardware. Cube Space is a strong example. Founded at Stellenbosch University and originating from more than 20 years of MSc research projects, it designs and manufactures satellite control systems. It now serves over 190 customers globally and is valued at just under R1 billion.

The impact of these investments on the number of businesses and entrepreneurs supported is clear. More than 60% of our portfolio investments support majority black-owned businesses, many of which have strong female leadership. This has expanded opportunities in townships and underserved sectors. Our intermediaries have funded and supported hundreds of enterprises, including more than 762 spaza shops through A2Pay, 400 SMEs through Retail Capital, and 1,100 motorbike delivery drivers through Mobile Macs.

As expected when pioneering new funding models, we experienced some setbacks. The SMME Crisis Partnership Fund faced two liquidations in sectors heavily affected by Covid and poor infrastructure: taxis (Bridge Taxi Finance) and rental motorbikes (Mobile Macs). Non-performing loans in these debt investments increased significantly. First-loss protection from the Gauteng Provincial Government protected senior capital, clearly demonstrating the value of government support in de-risking private capital in higher-risk sectors with many inexperienced entrepreneurs.

This level of de-risking is not required in models that rely on strong networks and more targeted, rigorous selection processes. Entrepreneurs in the Grindstone and Endeavor portfolios achieved a 96% survival rate, with more than 130 businesses recording annual revenue growth of 78% (Endeavor) and 72% (Grindstone). This data reinforces our original thesis.

The year also marked a highly significant milestone in the local venture capital industry. The SA SME Fund received R250 million from the Consolidated Retirement Fund, representing South Africa's first pension fund investment in venture capital. This reflects growing market maturity and demonstrates the power of starting to shift the mindset and paradigm through which pension funds and other institutional investors view the local VC market. This development is very encouraging and we are excited about the opportunity to unlock further investment into this asset class.

I thank our shareholders and Board for their continued commitment to our shared vision, and congratulate Ketso Gordhan and his team for all they have achieved this year. By recognising potential, creating opportunities, and demonstrating what is possible, we are building confidence and shaping a more positive outlook. As shown throughout this report, this shift in sentiment and attitude is beginning to influence the underlying fundamentals. Your continued leadership and dedication are greatly appreciated.

Sincerely,

Adrian Gore
Chairman

CEO's report

for the year ended 29 February 2024

I am pleased to present to you the CEO report for the year ended 29 February 2024. The 2024 financial year continued to be one of the most challenging operating periods for South African SMEs and early stage ventures. As the national economy grappled with low growth, persistent energy constraints, elevated inflation and tightening financial conditions, the SA SME Fund Group remained steadfast in its mission to stimulate entrepreneurship, support high potential businesses and catalyse job creation.

The SA SME Fund of VC Funds (FoVCF) reached first close in June 2023, with total commitments of R695 million, including the first investment into venture capital by an institutional pension fund in South Africa. A further R100m in commitments was received subsequent to first close, taking the total fund size at year end to R795m. The SA SME Fund committed R50m of first loss capital to the FoVCF, leveraging our founding shareholders' commitments to create further catalytic change in the South African economy.

The Group continued to focus its investments around the two core pillars of growth investments and Venture Capital. The ongoing economic challenges were reflected in an increase in non-performing loans in the Group's debt investments. Despite this, the Group delivered a resilient performance and continues to have a strong balance sheet, allowing it to deploy resources to sectors and enterprises with the capacity to drive long term socio-economic growth.

INVESTMENT REVIEW

Growth investments

The investments in the growth pillar focus on investing in fund managers and intermediaries that have experience in investing in small and medium size businesses and in assisting them to achieve growth and transformation. The Company has committed R510 million to seven investments within its growth portfolio and R100m to the SMME Crisis Partnership Fund.

PAPE Fund 3 (PAPE): R100 million

PAPE is an established black owned, boutique private equity manager that invests in cash generative unlisted mid-cap SMEs with growth and expansion attributes. PAPE reached final close with total commitments of R1.03 billion. As at 29 February 2024, PAPE had drawn down R93 million of the Company's committed capital and had invested in six portfolio companies, namely, Laser Group (Logistics), Singular Systems (Fintech), Angelo Kater (Automotive Conversion), Drinks Dispense Services (Beverage services), Entersekt (Fintech) and Scamont (Mining).

SummerPlace Equity Fund I (SummerPlace): R125 million

SummerPlace is a first-time women-owned and managed private equity fund that the Company has incubated. The investment focus is on investing in established, cash generative medium sized businesses operating across various sectors. SummerPlace reached final close in July 2020 with total commitments of R250.5 million. SummerPlace has drawn down R69 million of the Company's committed capital and has two portfolio investments at the balance sheet date: 4PL (logistics) and Morgancoat (manufacturing).

Masisizane Franchise Fund I: R50 million

The Company has partnered with Masisizane to establish a fund that focuses on providing debt and equity to experienced fuel franchisees who are seeking to operate fuel retail stations. As at 29 February 2024 Masisizane had provided ten loans totalling R56.3 million to six fuel entrepreneurs.

Spartan SME Fund (Spartan): R100 million

Spartan is a black-owned and led Non-Bank Financial Institution with a proven track record of providing specialised financing to SMEs. Its strategic aim is to back entrepreneurs to enable them to grow. Spartan provides a range of debt facilities to SMEs to facilitate growth, including working capital finance, asset-based finance and medium term loans. As at 29 February 2024, Spartan has provided loans totalling approximately R770 million to 47 SMEs. 86% of these loans were provided to Black owned businesses.

A2Pay Financial Services (A2Pay): R25 million

A2Pay provides technology solutions to the informal retail market in South Africa and, through its collaboration with the Jobs Fund, provides a solution to the unbanked spaza shop merchants to assist them to monitor the financial performance of their shops. The Company partnered with A2Pay by providing a R25 million loan to enable A2Pay to foster financial inclusion via the provision of loans to existing spaza shop owners for growth and expansion. As at 29 February 2024, A2Pay has utilised R10 million of the facility and has provided almost R58 million financing to 762 Black spaza shop merchants of which 315 are female.

ProfitShare Partners (PSP): R100 million

Profit Share Partners is an innovative capital solutions company that aims to disrupt traditional transactional funding models to empower SMEs for growth. PSP's strategic aim is to provide funding for small businesses to fulfil supply chain contracts. PSP offers solutions that allows businesses to execute on these contracts despite these businesses not having security or long track records. This enables these businesses to grow, and ultimately graduate into the formal banking sector over a period of two to three years. The Company invested R25 million in preference shares to allow PSP, itself an SME, to further develop its technology solution to grow its business. A further R75 million in loan financing has been committed to PSP for financing of SMEs. At year end, PSP had financed 161 transactions totalling approximately R361 million to clients, the majority of whom are 100% Black owned SMEs.

uMastandi Fund I (uMastandi): R10 million

uMastandi Fund I is part of the TUHF Group and offers mortgage finance, training and mentorship to qualifying entrepreneurs who show potential and have passion to run a profitable, sustainable and legal township based residential rental business. The Company has committed R10 million to uMastandi.

The SMME Crisis Partnership Fund: R100 million

In addition to the above growth investments, the Group partnered with the Gauteng Provincial Government and the IDC in 2023 to create the SMME Crisis Partnership Fund. First loss capital of R100m was provided by the Gauteng Provincial Government with the IDC and the SA SME Fund contributing a further R100 million each, taking the total fund size to R300 million.The Fund is focussed on providing debt and related funding to primarily township based SMEs based in Gauteng. The Fund has provided facilities to the following non-bank financial lenders.

Spartan Impact Finance: R30m

At year end, Spartan Impact Finance has provided loans totalling R30m to 5 intermediaries, the majority of which are Black owned SMEs.

ProfitShare Partners (PSP): R40m

PSP has provided financing totalling R46m to 10, mostly Black owned SMEs with the facility provided by the SMME Crisis Partnership Fund.

Anatree: R50m

Anatree is part of the Indlu Living group (Indlu). Indlu partners with land owners to help them build residential property rental businesses. Indlu supports these land owners with access to capital, systems and management and support services. Loans to land owners are repaid from the increased rental income from new and upgraded rental apartments. At year end, Anatree had approved loans totalling R56m to 50 black home owners for the development of rental properties.

SME Contract Finance: R25m

SME Contract Finance provides funding solutions to SMEs with valid contracts to supply goods and services to private and public sector entities. Its services include Purchase Order Financing, Invoice Discounting and Contract Financing. By year end, SME Contract Finance had disbursed over R20m to 14 SMEs. In addition to the impact of the financing provided to SMEs, the facility provided to SME Contract Finance has allowed it to grow its assets under management by over 3 times and more than double its revenue.

Retail Capital: R50m

Retail Capital provides merchant finance to SMEs. By year end, Retail had provided over 400 loans to SMEs totalling in excess of R65m. Over 56% of the financing provided was to black owned SMEs.

Bridge Taxi Finance (Bridge): R70m

Bridge provides financing to the taxi industry. The facility of R70m was drawn down and used to provide finance to 112 taxi owners. However, in part due to the crisis facing the taxi industry in South Africa post the Covid epidemic including multiple shocks to the industry – months of low to no revenue during hard lockdowns, rising petrol prices, worsening road infrastructure and load shedding adding to driving times, with little flexibility to pass these onto passengers, the company has underperformed and subsequent to year end, its holding company has been placed in liquidation.

Mobile Macs: R30m

Mobile Macs provides rental motorbikes to the quick service restaurant franchise industry. The facility provided by the Crisis Partnership Fund allowed Mobile Macs to provide financing to over 1,100 motorbike entrepreneurs. However, subsequent to year end, the company has been placed in liquidation.

While the failure of the Bridge and Mobile Macs loans will have a significant impact on the returns of the SMME Crisis Partnership Fund, the impact of the first loss capital provided by the Gauteng Provincial Government, becomes clear as the capital provided by the senior lenders, including the SA SME Fund, is protected.

Venture Capital

A strong Venture Capital (VC) industry is critical to stimulating growth and innovation in South Africa. The Company strives to be at the forefront of the development of the VC industry and to invest in funds that are innovative and sustainable. As at 29 February 2024, the Company has invested R615 million in VC companies and funds. In addition to the commitments to VC funds, the Company has also provided a total of R45 million for investment in earlier stage companies in order to stimulate pipeline growth for the VC sector.

Knife Capital

KNF Ventures: R40 million

Knife Capital Fund III: R75 million

KNF Ventures is a South African S12J Venture Capital Company managed by Knife Capital and is an independent growth equity investment firm focusing on innovation driven ventures with proven traction. KNF Ventures has investments in 9 portfolio companies as at 29 February 2024. These include Quicket (Online ticketing), DataProphet (Machine learning), PharmaScout (Internet of Things), PURA (beverages), Cradle/Granite WMS (Warehouse SaaS), Snapplify (elearning), inQuba (AI driven Customer Journey Management software), Stone Three (Data analytics) and D6 Education (School management SaaS).

Knife Capital has subsequently raised a USD50 million African Series B fund that will invest in high growth innovative technology companies with strong Intellectual Property and evident potential for global expansion. The Company has committed R75 million to Knife Capital Fund III, which had made three investments at year end into DataProphet, Kasha and Outsized.

Savant Venture Fund I (Savant): R100 million

Additional R10 million provided as an Incubator loan facility

Savant is a hardware and engineering-focussed early-stage VC fund focussed on investing in and partnering with highly skilled science and technology inventors for their start-up growth journey. As at 29 February 2024, Savant had drawn down R95 million of the Company's committed capital and had made 12 investments in addition to having utilised the full incubation facility to provide loans to a further ten early stage companies. Savant is now the leading hardware technology investor in the VC industry in South Africa.

4Di Capital Fund III (4Di): R125 milion

4Di is a generalist venture capital fund investing into seed and early stage start up technology companies with high growth potential in verticals such as FinTech, InsureTech, EdTech and AgTech. As at the end of the financial year, 4Di has drawn down R79 million of the Company's committed capital and made investments in twelve portfolio companies, including investments in the communications, cybersecurity, logistics and fintech sectors.

OneBio Seed Investment Fund I (OneBio): R75 million

Additional R5 million provided as a Seed loan facility

OneBio is dedicated to investing in biotech companies and is the only biotech seed investor in Africa. OneBio provides early stage seed capital to biotech start-ups, focussing on those start-ups that are late in the research cycle and early in the product cycle. OneBio is well positioned to capitalise on the global growth in biotech investment opportunities driven by the falling costs of basic biology tools. At year end, OneBio has utilised nearly R35 million of the Company's committed capital and had made seven portfolio investments in the biotechnology sector at year end.

University Technology Fund (UTF): R145 million

Additional R30 million provided for pre-seed and seed funding

The UTF was established with the aim of investing in and commercialising Intellectual Property (IP) developed within South African universities. It is the first fund of its kind in South Africa and is based on best practice from Oxford and Cambridge universities. The two universities that the Company partnered with initially are the University of Cape Town and Stellenbosch University. The UTF has subsequently worked with a further three universities, namely University of the Western Cape, University of Pretoria and Wits University. The UTF has drawn down R112 million of the Company's R145 million committed capital as well as utilising almost R30 million of seed and pre-seed funding provided by the Company for investment in and development of early stage businesses and projects.

Digital Africa Ventures (DAV): R25 million

The SA SME Fund is the anchor investor in DAV, the first black female venture capital fund in South Africa. DAV is a generalist VC fund investing into seed and early-stage start-up technology companies with high growth potential. DAV has drawn down R22 million and invested in five portfolio companies at 29 February 2024.

Endeavor Harvest Fund II (Endeavor): R20 million

The SA SME Fund has committed R20 million to Endeavor Harvest Fund II, a co-investment fund investing in local entrepreneurs who have graduated from the Endeavor mentorship programme. As at 29 February 2024, Endeavor has drawn down R15.75 million of the committed capital and invested in seventeen portfolio companies.

Grindstone Ventures Fund I (GSV): R10 million

The Company is the anchor investor in GSV. GSV is a small, seed and early-stage VC fund established to invest in companies that have successfully completed the Grindstone Accelerator programme. GSV is a female owned and managed fund and has invested R7.7 million in eight deals as at 29 February 2024.

The SA SME Fund of VC Funds

In the period between first close and year end, the FoVCF had committed R375 million to four VC fund managers, namely Knife Capital Fund III (R75 million), Hlayisani Venture Fund II (R100 million), Secha Capital Fund II (R100 million) and Venture Capitalworks Fund I (R100 million). These funds had collectively drawn down R107 million and invested in 7 portfolio companies.

Financial review

The Company's balance sheet remains strong, with significant cash balances. Excess cash is invested in short term deposits with Tier 1 banking institutions. The group benefitted from higher average interest rates over the period, with interest earned on excess cash of R 29.3 million in the current year. The Group does not earn management fees or carry on any of the funds it manages and utilises the interest earned on cash balances to cover its operating costs.

While most of the Group's debt investments performed well, the impact of the underperformance of Bridge Taxi Finance and Mobile Macs was seen in the significant increase in the impairment provision of R107.3 million in the current year (2023: R11.6 million). The higher interest rate environment meant that this was partially set off by an increase in interest earned on the investments held at amortised cost from R26.2 million in 2023 to R62.1 million in 2024.

The Group's investments held at fair value generated net unrealised gains of R91.6 million for the year under review, an increase of R63.1 million over the prior year's unrealised gains. The additional funding received from the DSI for investment in the FoVCF resulted in an increase in the government grant income, with a corresponding increase in imputed interest on long term liabilities.

Total expenses for the Group excluding impairment losses and interest on long term liabilities increased from R80 million in 2023 to R87.7 million in the current year. This was due to an increase in management fees being paid to underlying fund managers as a result of the new investments by the Group as well as an increase in staff costs resulting from an increase in the number of staff as well as higher short term incentives being paid in the current year.

Management and advisory fees are paid to the investee fund managers at rates between 2% per annum and 3.36% per annum. These fees form part of the capital commitments to the funds. It should be noted that, as at year end, a cumulative total of R138.5 million has been paid to fund managers in respect of management fees and fund establishment and operational costs that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company is invested.

LOOKING FORWARD

Fund of Venture Capital Funds

Subsequent to year end, further commitments of R500 million were received, taking the fund size to R1.295 billion. This would not have been possible without the provision of first loss capital by the Company and the support of the Company in covering the overhead costs of the Fund which has allowed the Fund to not charge management fees to its investors. This support has been catalytic in raising the additional capital for investment in Venture Capital in South Africa, which will have a meaningful and lasting impact on the sector and the entrepreneurs that it supports.

SMME Crisis Partnership Fund

The term of the SMME Crisis Partnership Fund has been extended to allow intermediaries to extend further funding to SMEs and to thereby maximise the potential earnings from the Fund.

High Impact Seed Fund of Funds

In order to address the funding gap at the lower end of the VC market, the Group commenced fund raising for a High Impact Seed Fund of Funds. As part of their ongoing support for the development of technology and innovation, the DSI committed R100 million of first loss capital subsequent to the period under review to establish this fund.

In closing, I would like to extend my thanks to our team, including our employees and portfolio fund managers who enable us to execute on our vision to create a VC industry that will be well funded and catalytic in its impact on the economy of the country. None of this would be possible without the support of our shareholders and investment partners for whose support I am equally grateful. Together we will continue to build on our momentum and create lasting value. Thank you for your commitment to our shared success.

Ketan Gordhan

CEO


STEP 1
STEP 2
STEP 3

Report of the Nominations, Ethics, HR and Remuneration Committee

for the year ended 29 February 2024

The SA SME Fund Nominations, Ethics, HR and Remuneration Committee (the Committee) is pleased to present its report for the year ended 29 February 2024. Since the Committee presented its report in 2023 no material changes were made to the SA SME Fund's remuneration policies and the implementation thereof

This report covers the composition and responsibilities of the Committee as well as the Remuneration Policy and Remuneration Implementation Report. The Remuneration Policy as described below will be put to a non-binding advisory vote by shareholders at the Annual General Meeting.

COMPOSITION AND RESPONSIBILITIES OF THE COMMITTEE

The Committee is constituted as a committee of the Board and has been delegated responsibility for ensuring the fair and responsible remuneration of the Company's directors and senior executives and to make recommendations on the Company's remuneration policies. The Committee is also responsible for Human Resources as well as governance of the Company's Ethics Policy and good corporate citizenship. The Committee is governed by terms of reference that set out its mandate and responsibilities. The Committee reports to the Board on a bi-annual basis. At year end, the Committee comprised two independent non-executive directors, namely Dr YG Muthien (Chair) and Mr A Gore. Subsequent to year end, Dr Lisa Klein has been appointed as a member of the Committee. The Committee met twice during the year and approved the key performance indicators and remuneration and short-term incentives for the investment team, the CFO and the CEO. Both meetings were attended by all members of the Committee.

Ethical governance

The Committee assists the Board in implementing and monitoring the Company's Ethics policy and compliance with relevant legislation and codes of good practice. In addition, the Committee also advises the Board with regard to good corporate citizenship, including the Company's promotion of equality, prevention of unfair discrimination and the reduction of corruption.

Human Resources

The Committee is responsible for providing guidance with respect to the implementation of human resource policies and strategies aimed at creating and sustaining the technical, leadership and operational excellence required to support the attainment of the Company's strategic objectives. The Committee also ensures that the Company addresses the issues of employee retention and promotes a culture which affords all employees development opportunities.

Remuneration

The Committee oversees the setting and implementation of remuneration policies for directors and senior management, ensuring that these policies promote the achievement of strategic objectives within the Company's risk appetite. The Committee is also responsible for the review and benchmarking of the remuneration of executive directors and senior management and approving adjustments to the annual remuneration packages, including base salaries and incentives, applicable to executive directors and senior executives. Non-executive directors do not receive any fees or remuneration for their services to the Company.

Nominations

The Committee reviews the composition of the Board of Directors on an annual basis to ensure that the Board has a majority of non-executive directors and is balanced in terms of the requisite expertise as well as diversity in terms of race, gender and age. A board evaluation is performed every two years. The Committee recommends nominees for election to the Board when a vacancy arises and reviews and reports to the Board on the adequacy of succession planning.

REMUNERATION POLICY

Introduction

The Company's remuneration philosophy is to attract and retain high quality employees who believe in the Company's culture and values and are passionate about the Company's overriding ethos to make a difference to people's lives in South Africa. The Company strives to set employees' total remuneration packages at competitive levels by benchmarking salaries to the market and providing incentives for meeting agreed performance targets while still ensuring the sustainability of the Company. The Company adheres to the principle of fair remuneration for all staff with equal pay for work of equal value across all roles.

Background

The SA SME Fund operates as a typical fund of funds in the private equity, private debt and venture capital industries. With R1.4 billion of initial capital subscriptions the Company is considered to be a large independent fund manager. A key metric in fund management is the management fee utilised by the fund manager to oversee the work of the fund over a typical 10-year period: 2 years for allocating capital, a further 4 years for the capital to be invested and lastly 4 to 6 years to exit the investments and return the capital. The typical management fee in the private equity sector is 2% per annum of total assets under management, while in venture capital this can increase to 3% per annum.

The industry standard in the private equity and venture capital industries is for professionals to be compensated with a base salary and a bonus as short-term incentives and a long-term incentive based on a share of the investment returns earned by the fund manager, usually 20% of the returns once the capital and a hurdle have been returned to shareholders. The SA SME Fund does not operate a long-term incentive scheme.

Components of remuneration

The Company has two components of remuneration, namely fixed remuneration and short-term incentives. The Company does not operate a long-term incentive plan. Fixed remuneration consists of monthly salaries on a cost to company (CTC) basis. This provides employees with flexibility and the choice to structure their benefits in a way that best meets their individual needs. Short term incentives are based on the meeting of agreed Key Performance Indicators.

Benchmarking

The SA SME Fund salaries are benchmarked using industry data produced by the South African Venture Capital and Private Equity Association (SAVCA) in which the Company participates. The benchmark used to determine salaries is the 75th percentile of industry averages. We believe that the 75th percentile is appropriate as a way to compensate individuals for the absence of a long-term incentive or share of carry from the compensation structure.

Salaries and short-term incentives are approved by the Committee based on actual performance against performance targets. Short term incentives are capped at a maximum of 75% of CTC.

IMPLEMENTATION OF THE REMUNERATION POLICY

Details of the remuneration of executive directors for the financial year ended 29 February 2024 are set out in note 15 of the Annual Financial Statements on page 79 of this report. The non-executive directors do not receive any remuneration or fees for their services to the Company.

Total compensation costs (base salary plus short term incentives) increased from R25.92 million in 2023 to R31.1 million in 2024 (20%). The increase is the result of higher inflationary increases in base salaries as well as a higher short-term incentive award, to align the compensation with the market.

The Committee reviewed the remuneration policy described above in light of standard industry practice and is satisfied that the policy is appropriate and fair.

DIRECTORS RETIRING BY ROTATION

The Committee review the composition of the board on an annual basis to ensure that the board has a majority of non-executive directors and is balanced in terms of the requisite expertise and experience, as well as diversity in terms of race, gender and age. The board have approved a board tenure limit of nine years, with a maximum extension of a further three years, subject to an independence evaluation being conducted.

In terms of the MOI of the company, one third of the non-executive directors are required to retire at each Annual General Meeting. The Committee have considered the knowledge, skills and performance of the directors retiring by rotation, together with the composition of the Board in terms of age, culture, race and gender and, taking into consideration the directors' contributions and expertise, recommend that the eligible directors be proposed for re-election.

The board has conducted an independence assessment of the Directors with tenure over 9 years, Adrian Gore, Nigel Payne and Judy Dlamini, and concluded that they continue to exercise objective judgement and that there are no interests, positions, associations or relationships which are likely to influence unduly or cause bias in decision making. The chairperson and long tenure directors remain independent in terms of the King IV definition .

YG Muthien
Chairperson

IMPACT REPORT
for the year ended 29 February 2024

The SA SME Fund was established by 50 of South Africa's largest corporates and the PIC to address some of the most pressing challenges facing South Africa's economic growth.

The fund nurtures South Africa's vast entrepreneurial spirit by providing much-needed capital to venture capital and growth-orientated funds that invest directly in small and medium enterprises with the best potential for growth and sustainable employment creation in the South African economy.

By supporting initiatives that improve and enhance the SME investment ecosystem, the SA SME Fund smoothes access to capital and business support.

OUR IMPACT GOALS

IMPACT GOAL 1: Leverage additional capital for SMEs and startups

IMPACT GOAL 2: Catalyse investment into the Venture Capital asset class

IMPACT GOAL 3: Commercialise and showcase South Africa's intellectual property

IMPACT GOAL 4: Build the narrative of business as a national asset

IMPACT GOAL 5: Create and incubate new fund managers

IMPACT GOAL 6: Create and fund hundreds of new businesses

IMPACT GOAL 7: Transformation

As at 29 February 2024, the Group committed **R1,840 million to 24 investment intermediaries**. *Investments are focused on two core pillars – Growth and Venture Capital.*

The SA SME Fund *Journey*

2016

Corporate South Africa unites behind a resolution to stimulate entrepreneurship and economic growth

2017 – 2018

R1.4bn
committed by Corporate South Africa, the UIF, Compensation Fund and the PIC

2019

- Invests in two first-time fund managers
- CEO Circle launches
- Partners with Grindstone Accelerator

R355m
committed

- **R225m** 2 growth equity funds
- **R120m** 2 venture capital funds
- **R10m** incubation facility

2020

- Invests in a further two first-time fund managers
- Anchor investor in Africa's first University Technology Fund to commercialise university intellectual property
- Pilot funding to spaza shop owners
- Grindstone partnership extended for 3 years
- Partners with SAVCA to develop and support the First Time Fund Managers Development Programme

R870m
committed

- **R380m** 5 SME debt and equity funds
- **R455m** 5 venture capital funds
- **R35m** incubation facilities and seed/pre-seed funding

2021

- Invests in a further two, first-time black fund managers
- R25m raised from the DSI for investment in portfolio companies
- The Company partners with Endeavor to support their Local Scale-Up Programme for a period of three years

R1,130m
committed

- **R500m** 5 debt and equity funds
- **R590m** 5 venture capital funds
- **R40m** incubation facilities and seed/pre-seed funding

2022

- Anchor investor in Grindstone Ventures Fund I
- Extends its support of the Endeavor Local Scale Up Programme
- Partnership with SAVCA extended with second First Time Fund Managers Development Programme launched, focusing on VC fund managers

R1,170m
committed

- **R510m** 7 debt and equity funds
- **R615m** 5 venture capital funds
- **R45m** incubation facilities and seed/pre-seed funding

2023

- Launched SMME Crisis Partnership Fund in partnership with provincial government and the IDC. R100m of first loss capital provided by the Gauteng Provincial Government
- USD2m of first loss funding provided by USAID for investment in the SA SME Fund of VC Funds
- R105m raised from the DSI for investment in the Fund of VC Funds
- Additional investment in the township economy with capital committed to uMastandi for back-room housing development

R1,400m
committed

- **R660m** 9 venture capital funds
- **R510m** 7 debt and equity funds
- **R230m** 5 intermediaries through the SMME Crisis Partnership Fund

2024

- Fund of VC Funds: An additional commitment of R100m added after first close of R695m
- The Department of Science,Technology and Innovation (DSI) commits additional to R150m to Fund of VC Funds
- First pension fund investment into venture capital in SA (R250m committed to Fund of VC Funds by Consolidated Retirement Fund)

R1,840m
committed

- **R510m** 7 debt and equity funds
- **R660m** 9 venture capital funds
- **R375m** 4 venture capital funds through Fund of VC Funds
- **R295m** 7 intermediaries through the SMME Crisis Partnership Fund

IMPACT GOAL 1

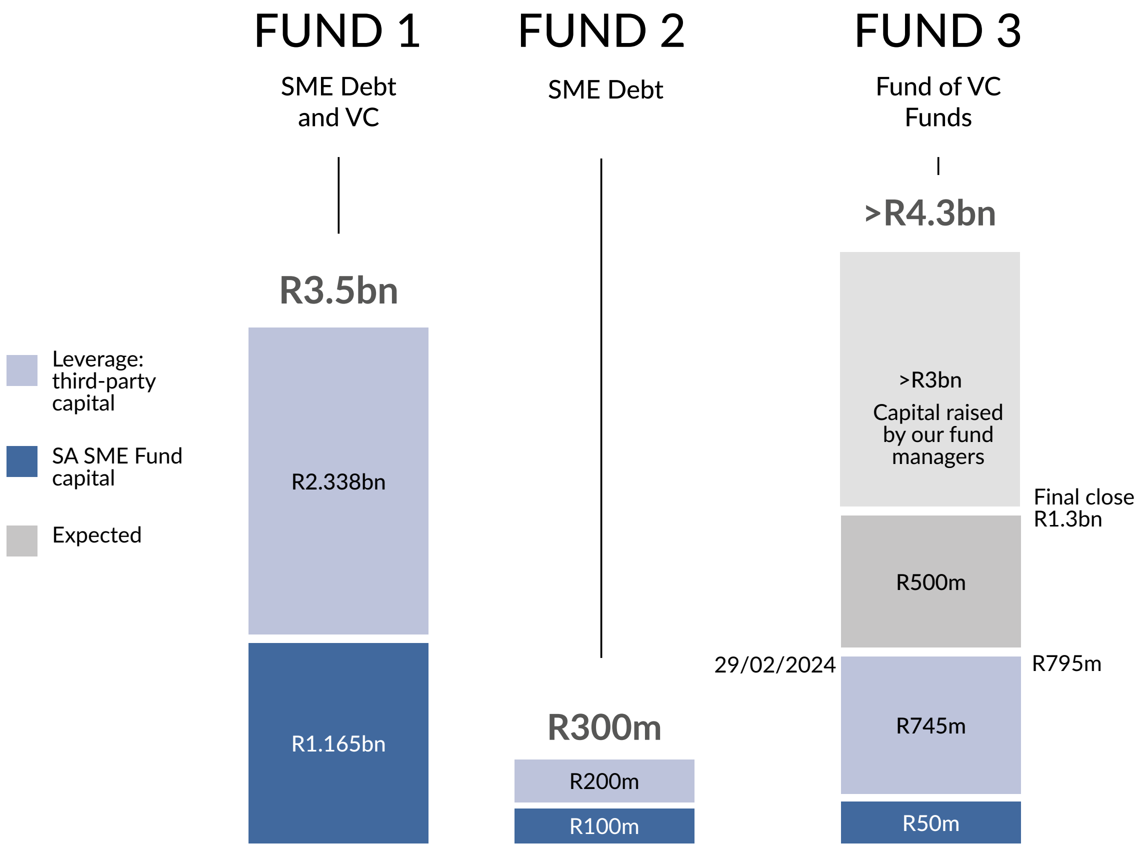
Leverage additional capital for SMEs and startups

Our network of investors means we can raise additional funds for investment in the SME sector. Almost R10 billion has been leveraged to support early-stage ventures.

As an anchor investor in funds with game-changing mandates, the Company de-risked investments for third-party investors and an additional R2.34bn of capital was raised by the SA SME Fund portfolio.

R130m of government-related first-loss capital was raised from USAID (Fund of VC Funds) and the Gauteng Provincial Government (SMME Crisis Partnership Fund). A further R355m was raised from the DSI and IDC for investment in the FoVCF and the SMME Crisis Partnership Fund.

In the first meaningful investment in Venture Capital made by pension funds in South Africa, R250m was raised for the Fund of VC Funds from the Consolidated Retirement Fund.



IMPACT GOAL 2

Catalyse investment into the Venture Capital asset class

Venture Capital drives innovation and the digital economy. It also stimulates economic gains and supports the growth of SMEs in the real economy.

Venture Capital investing creates new jobs by providing risk capital to high-potential organisations and plays a vital role in solving local problems and enhancing global competitiveness.

- Anchor investor in four innovative VC funds, a number of which have raised second funds, which will contribute to the maturity of the VC ecosystem
- De-risk investments for third parties
- Primary sponsor of annual VC conference
- Sponsor of VC industry reports and updates
- R745m raised from institutions for investment into VC via the SA SME Fund of VC Funds
- First pension fund investment into VC via the Fund of VC Funds

Knife Capital	4Di	OneBio	Endeavor South Africa
R75m	**R125m**	**R75m**	**R20m**
Digital Africa Ventures	University Technology Fund	Savant	Grindstone Ventures
R25m	**R145m**	**R100m**	**R10m**
Secha Capital	Hlayisani Capital	Venture Capital Works	
R100m	**R100m**	**R 100m**	

IMPACT GOAL 3

Commercialise and showcase South Africa's intellectual property

Investment and exposure for local innovations and inventors.

Anchor investor in:

- **University Technology Fund:** First in Africa to focus on commercialising intellectual property from universities. Based on the model developed by Oxford and Cambridge universities
- **OneBio Seed Investment Fund** Only biotech seed investor in Africa
- **Savant Venture Fund I** Hardware and engineering-focused early-stage VC fund focusing on investing and partnering with highly skilled science and technology inventors

IMPACT GOAL 4

Build the narrative of business as a national asset

Business as a force for social good.

Our success is testament to the contribution of business – our significant shareholder base in particular – to economic growth and inclusion, new investment and transformation.

Through the SA SME Fund, corporate South Africa has funded hundreds of start-ups and SMEs and continues to do so through SA SME Fund contributions to the SMME Crisis Partnership Fund and the SA SME Fund of VC Funds.

A diverse portfolio of entrepreneurs:

- **67%** black-owned and **50%** female in Fund 1
- **83%** black-owned and **31%** female in the SMME Crisis Partnership Fund
- **13%** black-owned and **10%** female in SA SME Fund of VC Funds

IMPACT GOAL 5

Create and incubate new fund managers

The SA SME Fund has provided support to a number of first-time fund managers.

Partnered with FNB, TIA and SAVCA to launch South Africa's first Fund Manager Development Programme. Two programmes were run, the second one focussing specifically on Venture Capital Fund Managers with the aim of growing and transforming the VC fund manager landscape and attracting more capital into the VC industry.

Across the two programmes:

- 19 Black owned and managed fund managers completed the programme
- 8 of these funds were women owned and managed
- R1.5 bn in capital commitments raised by the fund managers in 15 months subsequent to the completion of the programme

The SA SME Fund has supported a number of black-owned SME debt intermediaries to enable them to grow their businesses, providing innovative finance to other SMEs.

The interest earned on DSI funding was used to launch the Black Professionals Investment Programme, funding the salaries of 30 Black Investment Professionals employed by VC fund managers.

IMPACT GOAL 6

Create and fund hundreds of new businesses

High impact entrepreneurs deliver economic growth and job creation.

The SA SME Fund has partnered with Grindstone Ventures and Endeavor to support scaling of high-growth SMEs. Between them they have supported more than 130 SMEs; 96% of these companies are operational and many have raised third-party capital.

GRINDSTONE VENTURES

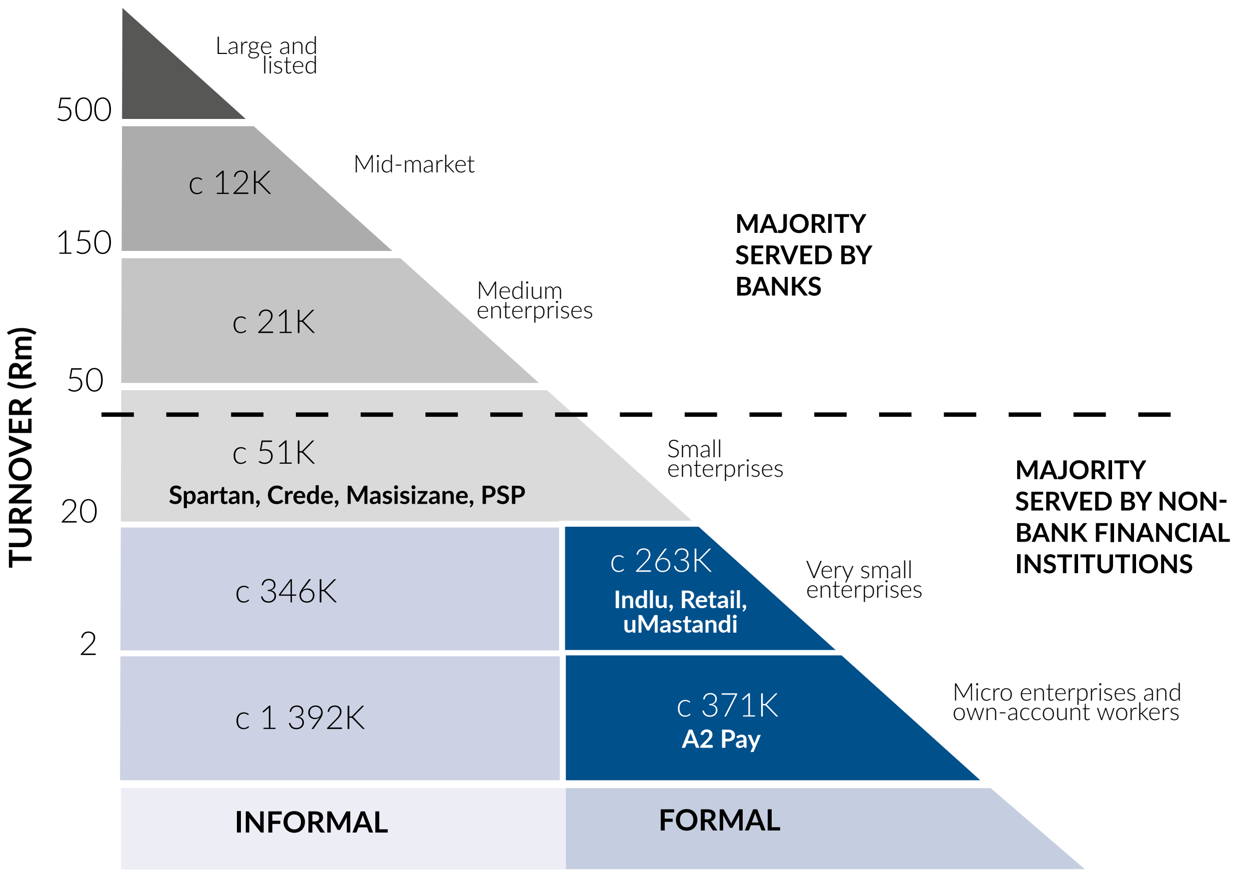
Total funds raised **R149.5m**	Revenue growth **R323.1m**	male:female **80:20**	50% or more black owned **51.35%**
Number of industries **13**	**97.3%** still trading	**146** jobs created	Compound annual growth rate **72%**

MILESTONES FOR ENDEAVOR LOCAL SCALE-UP BUSINESSES

78% revenue growth per annum across the portfolio	**2.1bn** total revenue in 2022	**2bn+** capital raised (16 companies)	**2 000** jobs created **3 400** total headcount

PROMOTING GROWTH OF SMES

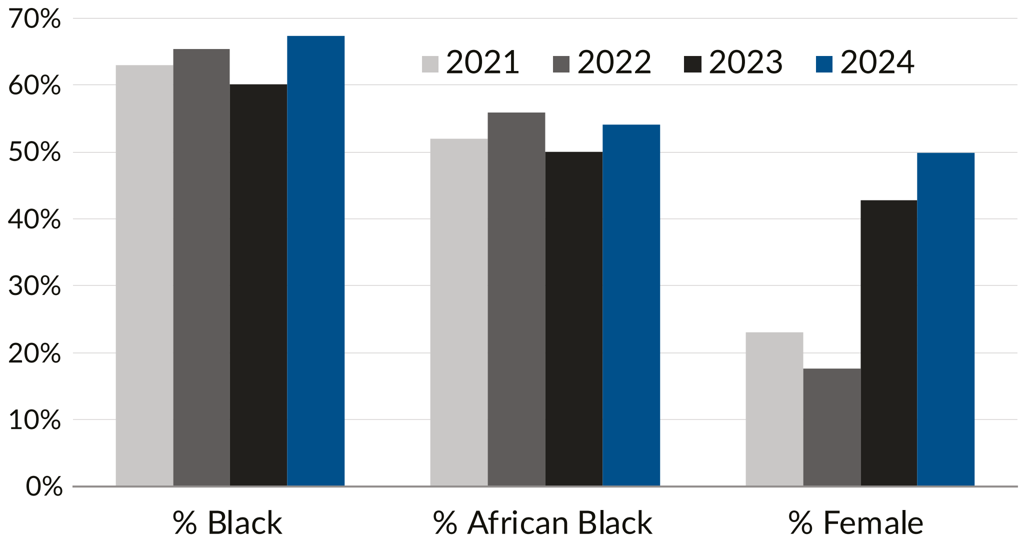
The SA SME Fund has partnered with a number of non-bank lenders to provide funding to SMEs for working capital, short term loans, specialised asset finance, project financing and expansion.



IMPACT GOAL 7

Transformation

One of the key mandates of the Company is transformation, with a target of at least 50% of investable capital being invested in Black African owned businesses and a further 25% of investable capital being allocated to businesses with majority broad black ownership.



SA SME Fund Portfolio Ownership Analysis March 2021 – March 2024

The graph shows what percentage of the Fund is invested into companies that are majority owned by each group. Minority holdings are not recognised. For example, a company that is 40% black owned is not accounted for in the statistics represented in the graph.

Our Impact

Our portfolio companies align strongly with the Sustainable Development Goals

Financial inclusion through access to affordable finance

Production and storage of **clean renewable energy** to mitigate climate change

Affordable loans to informal sector businesses to enable them to compete

Technologies to **improve human diagnostics** and drive down costs

Grow businesses and enhance employment by supporting SMEs across markets

Use **artificial intelligence** to reduce waste and enhance production efficiencies

Enable access to **quality education**

Improve access to goods and services in remote areas with **innovative infrastructure solutions**

Produce food sustainably by developing bio-based ingredients

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2024

CONTENTS

GENERAL INFORMATION

Country of incorporation and domicile:	Republic of South Africa
Company registration number:	2016/238385/06
Nature of business and principal activities:	Investment company
Registered office:	1 Discovery Place, Sandton, 2196
Postal address:	P.O. Box 786722, Sandton, 2146
Non-executive directors:	A Gore F Chothia NJ Dlamini LM Klein P Mahanyele-Dabengwa YG Muthien NG Payne
Executive directors:	KM Gordhan CT Winter CA(SA)
Secretary:	CT Winter CA(SA)
Auditors:	Deloitte & Touche
Preparer:	LP Mashaba CA(SA)
Reviewer:	CT Winter CA(SA)
Issue date:	30 August 2024

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 29 February 2024

Directors' responsibility to the shareholders of The SA SME Fund Limited and its subsidiaries (The SA SME Fund or the Group)

The directors of The SA SME Fund are responsible for the preparation and fair presentation of the financial statements. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the financial statements in accordance with International Financial Reporting Standards and for keeping adequate accounting records in accordance with the Group's system of internal control. The financial statements for the year ended 29 February 2024 were prepared by LP Mashaba and reviewed by CT Winter.

In preparing the financial statements, suitable accounting policies in accordance with International Financial Reporting Standards have been applied, and reasonable judgements and estimates have been made by management. The financial statements incorporate full and responsible disclosure in accordance with the Group's philosophy on corporate governance.

The directors are responsible for the Group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost-effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

Based on the information and explanations given by management, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the financial statements in accordance with International Financial Reporting Standards and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Group, during the year ended 29 February 2024 and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the financial statements fairly present the state of affairs of the Group at the end of the year ended 29 February 2024, and the net income and cash flows for the year ended 29 February 2024.

The financial statements have been prepared on a going concern basis. The directors have no reason to believe that The SA SME Fund Group will not be a going concern in the year ahead.

It is the responsibility of the Group's independent external auditor, Deloitte & Touche, to report on the fair presentation of the financial statements. These financial statements have been audited in terms of Section 29(1) of the Companies Act 71 of 2008. Their report appears on pages 43 to 45.

The financial statements of the Group, which appear on pages 46 to 83, were approved by the Board of Directors on 12 August 2024 and are signed on its behalf by:

A Gore
Chairperson

KM Gordhan
CEO

COMPANY SECRETARY'S CERTIFICATE

for the year ended 29 February 2024

Declaration by the Company Secretary in respect of Section 88(2) (e) of the Companies Act 71 of 2008

I declare that to the best of my knowledge, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all such returns and notices as required of a public company in terms of the Companies Act and that all returns and notices are true, correct and up to date.

CT Winter

Company Secretary

12 August 2024

REPORT OF THE VALUATIONS, AUDIT AND RISK COMMITTEE

for the year ended 29 February 2024

We are pleased to present our report for the year ended 29 February 2024. This report is made pursuant to the requirements of Section 94(7)(f) of the Companies Act (71 of 2008, as amended) of South Africa.

Composition of the Committee

The Valuations, Audit and Risk Committee (the Committee) is an independent statutory committee and consists of three independent non-executive directors with sufficient expertise to enable the Committee to discharge its statutory and appointed duties.

Its members during the year under review comprised the Chairperson, Mr NG Payne, Mr F Chothia and Dr YG Muthien. The Chairperson of the Committee attends the Annual General Meeting.

The Committee meets at least twice a year and, with the approval of the Chairperson, at the request of the Chief Executive Officer (CEO), or the Chief Financial Officer (CFO), or other members of senior management or the external auditors, may hold additional meetings. Comprehensive minutes of the meetings are kept. The CEO and CFO attend the meetings by invitation. The Committee may invite, at its discretion, representatives from the external auditor, other assurance providers, professional advisors and Board members.

The Group's independent external auditors have unrestricted access to the Committee and its Chairperson.

During the year under review, three meetings were held.

Roles and responsibilities

The Committee's roles and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board and as documented in the Committee's terms of reference, which is updated periodically and approved by the Board.

The Committee is satisfied that it has fulfilled all its duties during the financial year under review as further detailed below.

Compliance with statutory duties

In the execution of its statutory duties, during the period under review, the Committee:

- Satisfied itself that Deloitte & Touche is independent of the Group.
- Agreed the terms of engagement of the external auditor.
- Ensured that the appointment of the auditor complies with the Companies Act.
- Noted that it had not received any complaints, either from within or outside the Group, relating to the accounting practices, the content or audit of the Group's financial statements or any other related matter.

Risk management and oversight

The Committee assists the Board to ensure a coordinated approach is applied to provide assurance on the recognition and management of significant risks facing the Group. The Committee is responsible for the development and review of a risk management framework to ensure that the significant risks facing the Group have been identified and can be properly managed and monitored, and that the disclosure and reporting of risk is complete, timely and relevant. The Committee reviewed the risk management framework and is satisfied that the significant risks facing the Group have been identified and are being managed effectively.

Review of valuations

The Committee is responsible for reviewing the Group's valuation policy and methodology as well as considering the valuations of the Group's investments in the financial statements.

The Group's investments mainly comprise drawn commitments into Funds and Section 12J Venture Capital Companies (VCCs), which in turn invest in portfolio companies in which the Group has an indirect interest. The General Partners of these Funds provide quarterly net asset value (NAV) statements based on the Fund Managers' valuations which the directors of the Group use to determine the fair value of a Fund. The Fund Managers' valuations are audited annually by the Funds' auditors. The Fund Manager of each Fund determines the individual fair value of each portfolio company and the Fund's NAV at the end of each quarter. These valuations are approved by the Funds' Advisory Boards, Investment Committees or Board of Directors. The Group's portfolio manager represents the Group on each Advisory Board that reviews the valuations prepared by the Fund Managers. The policy of the Fund Managers is to determine the fair value of the portfolio companies in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines.

The Committee is satisfied that the valuation policy and methodology are based on the IPEV guidelines, which set out recommended practice for fair valuing unquoted investments within the International Financial Reporting Standards (IFRS) framework. The Committee reviewed the valuations of the Group's investments in the financial statements and is satisfied that they meet the IFRS and IPEV requirements. The Committee recommended the valuations to the Board of Directors for approval.

Review of the finance function

The Committee has considered and has satisfied itself of the appropriateness and experience of the CFO, Caryn Winter.

The Committee has furthermore considered and satisfied itself of the appropriateness of the expertise and adequacy of the resources of the Company's finance function. Discovery Limited has continued to assist with certain aspects of financial administration in order to maintain effective financial control as a result of the constraints due to the size of the Company's finance function. In light of the growth of the Company and the funds under management, an additional suitably qualified finance resource had been employed during the year.

Compliance

The Committee is responsible for reviewing the system for monitoring compliance with applicable laws and regulations and obtaining updates from management regarding any instances of non-compliance.

The Committee is satisfied that there has been no material non-compliance with laws or regulations.

External audit

The Group's external auditors attend all the Valuations, Audit and Risk Committee meetings and the Annual General Meeting of shareholders and have direct access to the Chairperson of the Committee. The Committee agreed the nature and scope of the audit with the external auditor prior to commencement of the audit to ensure that it addressed the critical risk areas of the Group. The Valuations, Audit and Risk Committee considered the external auditors' report to the Committee and the matters reported and is satisfied with the resolution of these matters.

Integrated reporting and the financial statements

The Committee has reviewed the financial statements of the Group and is satisfied that they comply with International Financial Reporting Standards and the requirements of the Companies Act, and that the accounting policies used are appropriate.

The Committee has also reviewed a documented assessment by management of the going concern premise of the Group as well as the Directors' report and additional information to be included in the Integrated Report of the Group.

The Committee notes, in particular, the significance of the phased drawdown of investment commitments over a three- to four-year period, as described more fully in the Directors' report and Note 19 to the financial statements.

The Committee recommended the approval of the financial statements to the Board.

On behalf of the Valuations, Audit and Risk Committee:

NG Payne

Chairperson

DIRECTORS' REPORT
for the year ended 29 February 2024

The directors submit their report on the financial statements of The SA SME Fund and its subsidiaries for the year ended 29 February 2024.

Incorporation

The Company was incorporated on 7 June 2016 and obtained its certificate to commence business on the same day.

Nature of business

The SA SME Fund was established as part of the CEO Initiative in conjunction with National Treasury and Corporate South Africa. The Group's objective is to invest in high-potential entrepreneurial enterprises in the Small Medium Enterprises (SME) sector and to provide business and other forms of support to the SME sector and entrepreneurs funded by the Company.

Review of results

The Group's portfolio Funds have continued to pursue attractive investments during the year with a number of the early Funds reaching the end of their commitment periods. Portfolio Funds have invested R315 million during the year compared to the prior year. The majority of the portfolio companies continue to achieve pre-investment targets. The Group's debt intermediaries have seen an increase in non-performing loans or bad debts as a result of the strained economy and a higher interest rate environment compared to the previous financial year. The Group has maintained significant cash balances and has also benefited from higher interest rates.

Investment overview

The Group's investable capital was fully committed to 16 partners during the financial years ended 2022 and 2023.

The return of invested capital is expected to commence over the next 3-5 years, as the Funds start to exit their investments. Thereby creating an opportunity for the Fund to redeploy the cash generated into new growth ventures.

During the year, the Group established The SA SME Fund of VC Funds I (the FoVCF), an en-commandite Partnership which operates as a Venture Capital Fund of Funds. The FoVCF achieved first close of R695 million with commitments from the Consolidated Retirement Fund and Rand Mutual Assurance. Subsequent to first close, the UCT Foundation has committed R100 million to the FoVCF. The Group has committed R50 million of first loss capital to the Partnership and received funding from the Department of Science and Innovation (DSI) and USAID for investment in the Partnership. The funding received from USAID is a first loss facility of USD 2 million. At year end, R139 million had been disbursed to 4 investment intermediaries.

As at 29 February 2024, the Group has committed R1,645 million to 26 third party investment intermediaries, and to the FoVCF Partnership. The Group has focused its investments into two core pillars, namely Growth and Venture Capital.

Growth

As at the balance sheet date, the Group has committed R610 million to eight investments falling within the Growth pillar of the mandate. These investments include R100 million committed to PAPE Fund 3 (PAPE), R125 million committed to SummerPlace Equity Fund 1 (SummerPlace), R100 million to PSP, R100 million to Spartan SME Fund, R50 million to Masisizane Franchise Fund I (Masisizane), R25 million to A2Pay, R10 million to uMastandi Fund I, and R100 million to the SMME Crisis Partnership Fund. To date R473 million of the committed capital has been invested.

Venture Capital

The Group has committed R1,035 million to investments in the Venture Capital pillar of the mandate as at 29 February 2024. In addition, the Group has secured the most significant institutional funding into Venture Capital within South Africa through the FoVCF Partnership which achieved first close with commitments of R695 million. The Partnership was established to accelerate the growth of the South African Venture Capital industry, to mitigate the risk of loss for capital investors, to increase black and female participation within the industry and to provide access to an array of innovation opportunities, being in line with the Company's Venture Capital mandate. To date R808 million of the committed capital has been invested.

Other initiatives

During the year the Group continued its partnership with Endeavor to support a Local Scale-Up programme that provides 12 months of structured mentoring support to a cohort of 30 entrepreneurs, as well as continuing to support the Grindstone Accelerator.

Financial review

The Group recorded a profit before tax of R26,448 including unrealised gains on investments held at fair value of R91,558,389 in the current financial year (2023: R14,365,150). A provision for tax of R22,478,552 (2023:R17,241,634) was recognised.

The Group's primary source of income during the financial year was interest earned on cash and cash equivalents. The Group takes a conservative approach to cash management and invests its excess cash in short term money market type facilities or notice deposits with the primary banking institutions. The Group also earned interest on its investments held at amortised cost as well as interest and dividends from its indirect investments in portfolio companies. A net unrealised fair value gain of R91,558,389 (2023: R28,412,392) was recorded on the Group's portfolio investments during the period.

Total expenses for the year comprised primarily fund management and advisory fees, staff costs and ecosystem development and incubator service fees. Fund management and advisory fees range between 2% and 3.36% of committed capital and form part of the capital committed to each fund. It is important to note that, cumulatively, an amount of R138.5 million has been expensed in fund management and advisory fees that is recoverable in terms of the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds.

A further R1 million of share subscriptions was received from Distell Limited during the year, relating to the subscription notice issued to shareholders in November 2019.

Discovery Limited continued to assist with financial administration on a pro-bono basis due to the small size of the Company's finance team and to ensure that good corporate governance structures are in place.

Going concern

The directors have considered the financial position of the Group and are of the view that the Group remains a going concern. While the Group currently makes operating cashflow losses and is expected to do so for the foreseeable future, the Group has significant cash balances and its total assets exceed its total liabilities by R1,540 million (2023: R1,483 million). It is expected that the portfolio fund managers will start exiting investments in the next year, depending on the commitment periods and termination dates of each individual partnership. The directors note that, included in accumulated losses, are management fees and fund establishment costs and operating costs paid to investee fund managers totalling R138.5 million (2023:R101.1 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Group has invested, subject to the performance of the underlying Funds.

The directors have reviewed the outstanding commitments relative to the Group's cash balances and note that the commitments will be drawn down by the investee Funds over a period of three to four years. The Fund of Funds business model of the Group has also been considered by the directors in their assessment of going concern. This model assumes that the Group will have an investment period of approximately five years during which available funds will be invested in portfolio funds / companies in the SME sector. It is only after this investment period and a period of portfolio company growth and management that the Group is expected to generate realised returns from its investment programme.

Contingent asset

The Group has incurred fund management fees and advisory fees totalling R138.5 million as at 29 February 2024 (2023: R101.1 million) that are fully recoverable from the returns generated by the investee funds on the winding up of the partnership agreements, subject to the performance of the underlying funds.

Share capital and share premium

The Group was incorporated with authorised share capital of 3,000,000,000 ordinary no par value shares. The Group has issued 1,388,400,000 (2023: 1,387,400,000) shares of R1 each as at 29 February 2024.

Shareholding

An analysis of the register of members as at 29 February 2024 identified the following shareholdings equal to or exceeding 5% of the total issued shares in the Group:

SHAREHOLDER	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF ORDINARY SHARES HELD
Unemployment Insurance Fund	300,000,000	21.6%
Compensation Fund	100,000,000	7.2%
Public Investment Corporation SOC Limited	100,000,000	7.2%
First Rand Bank Limited	75,000,000	5.4%
MIH Holdings (Pty) Limited	75,000,000	5.4%
MTN	75,000,000	5.4%
Sasol Limited	75,000,000	5.4%

Dividends

The directors did not declare a dividend nor is any proposed for the year ended 29 February 2024. No dividend was declared during the year ended 28 February 2023 either.

Holding company

The Company is a public company and is not owned or controlled by any significant shareholder.

Directorate

The following were directors of the Company during the current financial year and to the date of this report:

NAME OF DIRECTOR	EXECUTIVE / NON-EXECUTIVE DIRECTOR	DATE OF APPOINTMENT
A Gore	Non-executive Chairperson	7 June 2016
F Chothia	Non-executive director	7 June 2021
NJ Dlamini	Non-executive director	7 June 2016
KM Gordhan	Chief Executive Officer	13 November 2020
LM Klein	Non-executive director	23 October 2017
P Mahanyele-Dabengwa	Non-executive director	18 August 2022
YG Muthien	Non-executive director	1 November 2019
NG Payne	Non-executive director	27 June 2016
CT Winter	Chief Financial Officer	13 November 2020

Registered office: 1 Discovery Place, Sandton, 2196

Postal address: PO Box 786722, Sandton, 2146

Directors' remuneration

The Group does not pay any remuneration or fees to the non-executive directors for their services to the Group.

Remuneration paid to executive directors is disclosed in Note 15 to the financial statements.

Directors' interests in contracts

No contracts involving directors' interests were entered into in the current or prior years.

Corporate governance

The Board is ultimately responsible for The SA SME Fund's business, strategy and key policies and for the approval of the financial objectives and targets. The Board currently consists of seven non-executive directors and two executive directors. In terms of the Company's Memorandum of Incorporation, at each Annual General Meeting at least one third of the non-executive directors is required to retire, as are any directors appointed subsequent to the previous AGM. The retiring directors may be re-elected provided they are eligible. Indefinite and life directorships are not permitted.

During the period under review, the Board met four times.

The Board is supported and assisted by two committees with clear mandates and oversight responsibilities for various aspects of the business namely, the Valuations, Audit and Risk Committee and the Nominations, Ethics, HR and Remuneration Committee. The responsibilities delegated to each committee are formally documented in the terms of reference for that committee, which have been approved by the Board. In addition to the two Board committees, a group of industry specialists has been constituted to advise the Board and oversee the investment process by way of the Investment Committee.

Valuations, Audit and Risk Committee

The Valuations, Audit and Risk Committee is an independent statutory committee with responsibility for external audit oversight, financial controls, and risk management and reporting. The members of the Valuations, Audit and Risk Committee during the year under review comprised Mr NG Payne (Chairperson), Mr F Chothia and Dr YG Muthien.

The Valuations, Audit and Risk Committee report is included on pages 34 to 36 of this report.

Nominations, Ethics, HR and Remuneration Committee (NEHR Committee)

The role of the Nominations, Ethics, HR and Remuneration Committee is to ensure the fair and responsible remuneration of the Company's directors and senior executives, as well as to make recommendations on the appointment of directors and senior executives and on the Company's remuneration policies. In addition, the NEHR Committee is responsible for the governance of the Company's Ethics Policy and good corporate citizenship as well as focussing on HR matters within the Company. The members of the NEHR Committee are Dr YG Muthien (Chairperson) and Mr A Gore. The NEHR Committee met twice during the year and approved the key performance indicators and remuneration and short-term incentives (STI) for the investment team, the CFO and the CEO.

Investment Committee

The Investment Committee is an independent committee. In terms of the Delegation of Authority, the Board has delegated authority for the approval of acquisitions and disposals of investments to the Investment Committee. All investments are unanimously approved by the Investment Committee. During the year under audit the members of the Investment Committee are Mr M Jordaan (Chairperson), Mr N Martin, Mr E Mbuthia and Ms L Chiume. The Board has unlimited access to the Investment Committee members. The Investment Committee met four times during the year.

Events after the reporting date

Investments

The SMME Crisis Partnership Fund

Subsequent to year end, the SA SME Fund GP (Pty) Limited, acting in its capacity as the general partner of the SMME Crisis Partnership Fund, has requested an extension of the term of the SMME Crisis Partnership Fund for a period of between 12 and 18 months.

The Seed Fund of Funds

The Group has commenced fund raising for a Seed Fund of Funds that will invest in portfolio Fund Managers that fund early stage seed deals. The Group has received R100 million First Loss Capital from the DSI to establish the Seed Fund of Funds. In addition, the DSI has allocated R100 million returnable capital to the Technology Innovation Agency (TIA), for investment in the Seed Fund of Funds.

Apart from the events described above, there have been no significant events subsequent to the end of the reporting period that would impact on the figures reported or that would require disclosure in these financial statements.

Auditors

Deloitte & Touche was re-appointed in office in accordance with the Companies Act. The responsible audit engagement partner is Kelby Moothoosamy.

Deloitte.

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Gallo Manor 2052
South Africa

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The SA SME Fund Limited Group

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The SA SME Fund Limited Group set out on pages 46 to 83, which comprise the consolidated statement of financial position as at 29 February 2024, and the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The SA SME Fund Limited Group as at 29 February 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of consolidated financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MAKING AN IMPACT THAT MATTERS since 1845

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “The SA SME Fund Limited Group Annual Financial Statements for the year ended 29 February 2024” which includes the Directors’ Report as required by the Companies Act of South Africa, the Company Secretary’s Certificate, the Directors’ responsibility statement and Report of the Valuations, Audit and Risk Committee. The other information does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 our 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

Deloitte & Touche

Registered Auditor
Per: Kelby Moothoosamy
Senior Associate Director
30 August 2024

5 Magwa Crescent
Waterfall City
2090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 29 February 2024

R	Notes	2024	2023
ASSETS			
Non-current assets			
Intangible assets	2	-	-
Property, plant and equipment	3	1,187,572	571,106
Unlisted investments related to government grant	10	25,500,000	25,500,000
Unlisted investments at fair value	4	854,719,385	569,736,469
Unlisted investments at amortised cost	4	266,738,928	425,946,519
Total non-current assets		**1,148,145,884**	**1,021,754,094**
Current assets			
Unlisted investments at fair value	4	3,978,979	3,978,979
Unlisted investments at amortised cost	4	187,989,348	7,642,455
Trade and other receivables	5	129,066	129,066
Prepayments	6	5,720,561	5,884,321
Cash and cash equivalents	7	579,380,930	625,747,082
Current tax receivable		122,835	1,181,290
Total current assets		**777,321,718**	**644,563,193**
Total assets		**1,925,467,603**	**1,666,317,287**
EQUITY			
Capital and reserves			
Share capital	8	1,388,400,000	1,387,400,000
Accumulated losses		(126,842,848)	(104,663,866)
Equity attributable to owners of the Company		1,261,557,152	1,282,736,134
Non-controlling interests		278,659,627	200,273,122
Total equity		**1,540,216,779**	**1,483,009,256**
LIABILITIES			
Non-current liabilities			
Deferred tax liability		31,430,695	19,909,390
Grant liabilities	10	249,019,180	104,613,571
Deferred income (government grant)	10	91,572,585	48,161,727
Total non-current liabilities		**372,022,460**	**172,684,688**
Current liabilities			
Trade and other payables	11	2,520,006	3,124,534
Right-of-use lease liability	12	1,126,206	400,978
Provisions	13	9,582,151	7,097,831
Total current liabilities		13,228,364	10,623,343
Total liabilities		**385,250,824**	**183,308,031**
Total equity and liabilities		**1,925,467,603**	**1,666,317,287**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2024

R	Notes	2024	2023
REVENUE			
Interest earned on cash and cash equivalents		29,285,437	39,601,191
Interest earned on investments held at amortised cost		62,093,510	26,176,173
Realised gains on investments held at fair value		-	7,207,975
Unrealised gains on investments held at fair value		91,558,389	28,412,392
Other investment income		6,842,464	3,381,171
Government grant income		24,404,891	9,165,865
Other income		1,552,026	183,750
Total revenue		**215,736,716**	**114,128,517**
EXPENSES			
Ecosystem development and incubator costs		(5,229,446)	(12,875,182)
Impairment losses on investments held at amortised cost		(107,274,890)	(11,576,791)
Interest expense on lease liability		(63,545)	(56,314)
Interest expense on long term liability		(20,763,175)	(8,191,925)
Fund management fees		(37,674,120)	(33,336,393)
Operating expenses	**14**	(44,705,092)	(33,726,762)
Total expenses		(215,710,268)	(99,763,367)
Operating profit / (loss) before tax		26,448	14,365,150
Tax	**9**	(22,478,552)	(17,241,634)
Net loss for the year		(22,452,104)	(2,876,484)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(22,452,104)**	**(2,876,484)**
Attributable to:			
- Ordinary shareholders		**22,147,758**	**(3,149,606)**
- Non-controlling interest		**(44,599,863)**	**273,122**
Total comprehensive loss for the year		**(22,452,104)**	**(2,876,484)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2024

	Attributable to equity holders of the Company				
R	**Share capital**	**Accumulated losses**	**Total**	**Non controlling interest**	**Total**
Balance at 1 March 2022	**1,386,400,000**	**(101,514,260)**	**1,284,885,740**	**-**	**1,284,885,740**
Share capital issue	1,000,000	-	1,000,000	-	1,000,000
Partnership commitments received	-	-	-	200,000,000	200,000,000
Total comprehensive loss for the year	-	(3,149,606)	(3,149,606)	273,122	(2,876,484)
Balance at 28 February 2023	**1,387,400,000**	**(104,663,866)**	**1,282,736,134**	**200,273,122**	**1,483,009,256**
Balance at 1 March 2023	**1,387,400,000**	**(104,663,866)**	**1,282,736,134**	**200,273,122**	**1,483,009,256**
Share capital issue	1,000,000	-	1,000,000	-	1,000,000
Partnership commitments received	-	-	-	78,659,627	78,659,627
Total comprehensive loss for the year	-	22,147,758	22,147,758	(44,599,863)	(22,452,104)
Balance at 29 February 2024	**1,388,400,000**	**(82,516,108)**	**1,305,883,892**	**234,332,886**	**1,540,216,779**

STATEMENT OF CASH FLOWS

for the year ended 29 February 2024

R	Notes	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	16	(71,010,847)	(75,307,151)
Interest received from cash and cash equivalents		29,285,437	39,601,191
Interest paid on lease liability	12	(63,545)	(56,314)
Tax paid		(9,898,793)	(15,353,279)
Net cash outflow from operating activities		**(51,687,748)**	**(51,115,553)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(41,697)	(8,478)
Payments to acquire unlisted investments at fair value		(229,626,794)	(176,382,607)
Payments to acquire unlisted investments at amortised cost		(85,000,000)	(259,000,000)
Payments to acquire unlisted investments iro Government grant		–	(7,500,000)
Proceeds from realisation of unlisted investments at fair value		24,310,547	18,187,865
Proceeds from realisation of unlisted investments at amortised cost		7,549,116	20,953,499
Interest received from unlisted investments		12,922,084	9,152,575
Dividends received from unlisted investments		4,745,996	3,107,027
Net cash outflow from investing activities		**(265,140,748)**	**(391,490,119)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	8	1,000,000	1,000,000
Partnership capital raised		78,659,627	200,000,000
Proceeds from long term liability issued		191,458,183	128,367,355
Capital portion of cash repayments of lease liability	12	(655,467)	(625,676)
Net cash inflow from financing activities		**270,462,343**	**328,741,679**
Net (decrease) / increase in cash and cash equivalents		**(46,366,152)**	**(113,863,993)**
Cash and cash equivalents at the beginning of the year		625,747,082	739,611,075
Total cash and cash equivalents at the end of the year		**579,380,930**	**625,747,082**

ACCOUNTING POLICIES

for the year ended 29 February 2024

SUMMARY OF MATERIAL ACCOUNTING POLICIES

The SA SME Fund and its subsidiaries is an investment group. The principal accounting policies applied in the preparation of these financial statements are set out below.

1. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the international accounting standards Board, as well as the South African Companies Act 71 of 2008 as amended. They have been prepared in accordance with the going concern principle using the historical cost basis except where otherwise stated in the accounting policies below.

The accounting policies applied in the preparation of these financial statements are consistent with those used in the prior financial year, except where new accounting standards have been adopted.

2. Material judgements and sources of estimation uncertainty

The preparation of the financial statements requires management from time to time to make judgements, estimates and assumptions that affect the application of policies and reported amounts presented in the financial statements and related disclosures. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results in the future could differ from these estimates that may be material to the financial statements. The key judgements and sources of estimation uncertainty are:

2.1 Accounting treatment of investments

The directors have assessed the nature of each investment to determine whether the SA SME Fund has control, joint control or significant influence over the investee. In assessing the nature of the investments, the directors have considered the key terms of the investment agreements to assess whether:

- The SA SME Fund has power over the relevant activities of the investee, earns returns from its investment and has the power to influence the returns;
- There is a contractual arrangement whereby the SA SME Fund has joint control over the operations of the investee; or
- The SA SME Fund has significant influence over the investee by virtue of having the power to participate in financial and operating policy making decisions of the investee.

Where the directors have assessed that the SA SME Fund has significant influence, the Company is applying the IAS 28: Investments in Associates (IAS 28) venture capital exemption. In terms of IAS 28, an entity that is a venture capital organisation may elect to measure investments held in associates or joint ventures at fair value through profit or loss. The directors have assessed the Company as having the characteristics of a venture capital organisation in light of the following criteria:

- Investments are held for the short to medium term rather than for the long term;
- The most appropriate point for exit is actively monitored; and
- Investments form part of a portfolio, which is monitored and managed without distinguishing between investments that qualify as associates or joint ventures and those that do not.

Where none of the above scenarios are applicable, the investments are accounted for in terms of IFRS 9. Financial assets that are accounted for in terms of IFRS 9 are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The directors assess the accounting treatment of the financial assets accounted for under IFRS 9 based on both the Group's business model for managing the financial assets and the contractual cash flows of the financial assets.

The directors have assessed the accounting treatment of the investments to be as follows:

Investment	Control assessment	Measurement basis
4Di Capital Fund III	No control	Fair value through profit or loss
A2Pay Financial Services Proprietary Limited	No control	Amortised cost
Anatree Proprietary Limited	No control	Amortised cost
Bridge Taxi Finance No12 Proprietary Limited	No control	Amortised cost
Custos Media Technologies (RF) Proprietary Limited/CMT Research Proprietary Limited	No control	Amortised cost
Digital Africa Ventures Fund I	No control	Fair value through profit or loss
E4E Africa Fund I	No control	Fair value through profit or loss
Endeavor Harvest Fund II	No control	Fair value through profit or loss
Grindstone Ventures Fund I	No control	Fair value through profit or loss
Hlayisani Venture Fund II	No control	Fair value through profit or loss
KNF Ventures (RF) Proprietary Limited	No control	Fair value through profit or loss
Knife Capital (SA) Fund III	No control	Fair value through profit or loss
Mafami (Pty) Limited t/a Vula	No control	Fair value through profit or loss
Masisizane Franchise Fund I	Significant influence	Fair value through profit or loss
Mobile Macs Proprietary Limited	No control	Amortised cost
OneBio Seed Investment Fund I	No control	Fair value through profit or loss
PAPE Fund 3	No control	Fair value through profit or loss
ProfitShare Partners Proprietary Limited - loan	No control	Amortised cost
ProfitShare Partners Proprietary Limited – preference shares	No control	Fair value through profit or loss
Retail Capital	No control	Amortised cost
Savant Venture Fund I (A)	No control	Fair value through profit or loss
Secha Capital Fund II	No control	Fair value through profit or loss
SME Contract Finance (RF) Proprietary Limited	No control	Amortised cost
Spartan Impact Finance Proprietary Limited	No control	Amortised cost
Spartan SME Fund Proprietary Limited	No control	Amortised cost
SummerPlace Equity Fund I	No control	Fair value through profit or loss
The SA SME Fund Management Company Proprietary Limited	Control	Consolidated
The SMME Crisis Partnership Fund	Control	Consolidated
The SA SME Fund GP (RF) Proprietary Limited	Control	Consolidated
The SA SME Fund VC GP Proprietary Limited	Control	Consolidated
The SA SME Fund of VC Funds I	Control	Consolidated
Umastandi Fund I Proprietary Limited	No control	Amortised cost
University Technology Fund	No control	Fair value through profit or loss
Venture Capitalworks Fund I	No control	Fair value through profit or loss

There have been no changes to the accounting treatment of investments in the current year.

2.2 Consolidated financial statements

The Company holds all shares in The SA SME Fund GP Proprietary Limited and The SA SME Fund VC GP Proprietary Limited. The Company is a significant shareholder in The SA SME Fund Management Company Proprietary Limited (the Manco) and is considered to control this entity. Furthermore, the Company has control of the SMME Crisis Partnership Fund and The SA SME Fund of VC Funds I, which was established in the current financial year. These financial statements have been prepared in consideration of the entities that the Company controls.

2.3 Fair value measurement of investments

All investments are valued in accordance with IFRS and the IPEV guidelines.

The Group's investments mainly comprise drawn commitments into Funds and Section 12J Venture Capital Companies (VCCs), which in turn invest in portfolio companies in which the Group has an indirect interest. The General Partners of these Funds provide quarterly net asset value (NAV) statements based on the Fund Managers' valuations which the directors use to determine the fair value of a Fund. The Fund Managers' valuations are audited annually by the Funds' auditors. The Fund Manager of each Fund determines the individual fair value of each portfolio company and the Fund's NAV at the end of each quarter. These valuations are approved by the Funds' Advisory Boards, Investment Committees or Board of Directors. The Group's portfolio manager represents the Group on each Advisory Board that reviews the valuations prepared by the Fund Managers. The policy of the Fund Managers is to determine the fair value of the portfolio companies in accordance with the IPEV guidelines as noted below.

At each reporting date after the initial acquisition date, an assessment of the fair value of the investment is undertaken to determine any required changes in the fair value of the investment. Depending on the stage of the investment and the sector in which the investment operates, a variety of methodologies is used by the Fund Managers, including earnings multiple models, discounted cash flow models and revenue multiple models.

The Valuations, Audit and Risk Committee is responsible for reviewing the valuations of the Funds and underlying portfolio companies, and for recommending the valuations to the Board for approval.

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving the type of securities in which the Funds invest. Therefore, the fair values presented herein may not be indicative of the amount the Funds could realise in a current transaction.

2.4 Calculation of loss allowance

Certain of the Group's investments are measured at amortised cost. These comprise debt facilities to intermediaries that are utilised by the intermediaries for on-lending to SMEs.

When measuring expected credit losses (ECL) on these investments, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of the asset has significantly increased the

Group takes into account qualitative and quantitative reasonable and supportable forward-looking information as described in paragraph 6.1.

2.5 Tax

Tax comprises South African income tax, chargeable on income-related items only and deferred capital gains tax on unrealised gains on investments.

Due to the nature of the operations of the Group, significant judgement is required in determining the accrual for income taxes. Operating expenses are analysed based on management's assessment of the nature of the expenses and whether it has been incurred in the production of income or whether it is of a capital nature.

Expenses incurred in the production of income are further apportioned based on the ratio of funds committed to equity and debt investments. The Group recognises liabilities for anticipated uncertain income tax liabilities based on best informed estimates of taxable income. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax liabilities in the period in which such determination is made. Potential penalties and interest on differing tax outcomes are not provided for in the financial statements and will be recognised as an expense of the Group when and if incurred.

3. Functional and presentation currency

These financial statements are presented in South African Rands, which is the Group's functional currency and presentation currency.

4. Property, plant and equipment

Fixtures, furniture and equipment are stated at cost less accumulated depreciation. Depreciation is recognised so as to write off the cost or valuation of the assets less their residual values over their useful lives, using the straight-line method on the following bases:

Leasehold improvements:	33.33% per annum
Furniture and fittings:	20.00% per annum
Office equipment:	20.00% per annum
Computer equipment:	33.33% per annum
Right-of-use assets:	Over the period of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

5. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful lives of the intangible assets using the straight-line method on the following bases:

Computer software:	33.33% per annum

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

6. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

None of the Group's investments are regarded as giving rise to a day one profit or loss.

6.1 Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the amortised cost of a financial asset.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the 'Interest earned on investments held at amortised cost' line item.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables, cash and cash equivalents and financial guarantee contracts. The amount of the expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.
- an actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure that results in a significant change in the borrower's ability to meet its debt obligations.
- significant increases in credit risk on other financial instruments of the same borrower.
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.
- significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of default occurring.
- a significant change in the quality of the guarantee provided by a shareholder if the shareholder has an incentive and financial ability to prevent default by capital or cash infusion.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data, adjusted by forward looking information. For financial assets, the exposure at default is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trends, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

6.2 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- A financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless such treatment would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

As at 29 February 2024, the Group does not have any financial liabilities that are measured at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are (i) not contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

7. Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be an outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of management and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

In terms of the South African Income Tax Act, the revenue of the SA SME Fund is considered to be passive income and the Company therefore does not generate tax losses that may be utilised at a future date. As a result, the Group does not raise a deferred tax asset in respect of assessed losses.

8. Cash and cash equivalents

Cash and cash equivalents comprise:

- Cash on hand.
- Deposits held at call and short notice.
- Balances with banks.

Cash and cash equivalents have a maturity of less than twelve months from the date of acquisition. Cash and cash equivalents are initially recognised at fair value. Subsequently cash and cash equivalents are carried at cost, which due to their short-term nature approximates fair value.

Due to the highly liquid nature of the cash and cash equivalents, the credit quality of the counterparties and the fact that the Company has never experienced a credit loss, the ECL on cash and cash equivalents is negligible.

9. Share capital

Shares are classified as equity when there is no obligation to transfer cash or assets.

10. Employee benefits

The Group has established a defined contribution retirement fund for its employees.

10.1 Leave pay

The Group accrues in full the employees' rights to annual leave entitlement in respect of past service. This is expensed over the period the services are rendered.

11. Provisions

Provisions are recognised when, as a result of past events, The Group has a present legal or constructive obligation of uncertain timing or amount, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money.

Future events that may affect the amount required to settle an obligation are only taken into account in determining the amount of a provision where there is sufficient evidence that they will occur.

The Group recognises a provision for an onerous contract when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

12. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Due to the short-term nature of trade and other payables, this approximates fair value.

13. Revenue

13.1 Interest

Interest income comprises amounts that the Group earns from bank deposits placed with Tier 1 South African banks and investments held at amortised cost. The interest earned on investments held at amortised cost is earned from the SME sector in South Africa. Interest income is accounted for on an accrual basis in the accounting period in which it is earned.

13.2 Dividend income

Dividend income from investments is recognised when the right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Dividend income is earned on investments in a variety of sectors in South Africa and is included as other investment income in the statement of comprehensive income.

13.3 Investment gains and losses

Investment gains and losses are recognised if any fair value adjustments relating to investments held at fair value are required and are included as gains and losses on investments held at fair value in the statement of comprehensive income.

14. Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and office equipment, and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed.

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 Group uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- 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 lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in 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.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged 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).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments in the current year.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They 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. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of use assets are presented as part of property, plant and equipment in the statement of financial position.

15. Related parties

Amounts due to related parties are classified as financial liabilities subsequently measured at amortised cost. They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any and are subsequently measured at amortised cost using the effective interest method. Interest expense on amounts due to related parties is disclosed in funding costs in the Statement of profit or loss and Other Comprehensive income.

16. Government grants

Government grants received are invested in the Group's investment intermediaries, in line with the purpose for which grant should be used. The grants are recognised as income over the period of the facility in order to match the related costs, for which they are intended to compensate, on a systematic basis. The grants are classified as a financial liability subsequently measured by increasing the carrying amount of the liability, to reflect interest accrued (using the effective interest method) and by reducing the carrying amount to reflect payments made in respect of the grant liability in accordance with IAS 20 requirements.

17. New IFRS standards and amendments to published standards

17.1 Standards and interpretations effective and adopted in the current year

The adoption of the following new and amended standards and interpretations, which are effective for the 29 February 2024 reporting period, did not have any material impact on the amounts or on the disclosures reported in these financial statements:

- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies;
- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – comparative information;
- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 8 – Definition of accounting estimates; and
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

17.2 New and revised IFRS standards in issue but not yet effective

The following new standards and interpretations, which are effective for reporting periods beginning on or after 1 January 2024, are not expected to have a material impact on the financial statements in future periods:

- IFRS S1 General Requirements for Disclosure of Sustainability - related Financial Information;
- IFRS S2 – Climate - related Disclosures;
- Amendments to IAS 1 – Non-current Liabilities with Covenants;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current - Deferral of Effective Date;
- Amendment to IFRS 16 – Lease liability in a Sale and Leaseback;
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; and
- Amendments to IAS 21– Lack of Exchangeability

The aggregate impact of the initial application of the statements and interpretations on the Group's audited annual financial statements is expected to be not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2024

1. Management of financial risk

The Group's activities expose it to a variety of financial risks. Financial risks include market risk, credit risk and liquidity risk.

1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and investment returns. Market risk that could impact on future cash flows and hence the value of a financial instrument arises from:

- **Interest rate risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- **Currency risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Equity price risk:** The impact of changes in equity prices and dividend income.

Interest rate risk

The Group's financial assets are interest bearing, while its financial liabilities are non-interest bearing, except for the right-of-use lease liability and the other long-term liability, however, the interest rates are fixed and the liabilities are not re-measured for changes in market interest rates. The Group is exposed to interest rate risks on funds invested in interest bearing bank deposits and investments measured at amortised cost. In addition, cash flow interest rate risk arises on the preference shares that are measured at fair value through profit or loss as the preference dividends earned are linked to the Prime interest rate. There is no fair value interest rate risk on the preference shares.

At 29 February 2024 the Group's total exposure to interest rate risk was as follows:

	2024	2023
	R	R
Investments measured at fair value through profit or loss	40,544,949	35,361,801
Investments measured at amortised cost	454,728,276	433,588,974
Cash and cash equivalents	579,380,930	625,747,082
	1,074,654,155	**1,094,697,857**

The analysis below details the Group's sensitivity to a 1% increase and decrease in the interest rate earned on its cash and cash equivalents and investments measured at amortised cost, and the effect on income for the period.

		2024		2023
RATE VARIANCE:	+1%	10,746,542	+1%	10,946,978
	-1%	(10,746,542)	-1%	(10,946,978)

Currency risk

All financial assets and liabilities are denominated in South African Rand and the Group is not exposed to currency risk.

Equity price risk

As at 29 February 2024, the Group holds equity shares in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Company and Mafami Proprietary Limited t/a Vula. In addition, the Group is indirectly exposed to equity price risk through the valuation of the underlying portfolio investments held through its investments in Funds. The analysis below details the Group's sensitivity to a 1% increase and decrease in the fair value of the unlisted investments held at 29 February 2024 based on fluctuations in the price of its unlisted investments.

		2024		2023
Change in equity prices assumed:	+1%	8,586,984	+1%	5,737,154
	-1%	(8,586,984)	-1%	(5,737,154)

1.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The main concentration of credit risk to which the Group is exposed arises from the Group's cash and cash equivalents, preference shares measured at fair value through profit or loss and investments measured at amortised cost. The Group's cash is deposited only with major banks of high-quality credit standing.

Investments go through a stringent due diligence process, including an assessment of the credit risk of the counterparty, and are approved by the Investment Committee.

The maximum exposure to credit risk at the reporting date was as follows:

	2024	2023
	R	R
Investments measured at fair value through profit or loss	40,544,949	35,361,801
Investments measured at amortised cost	454,728,276	433,588,974
Trade and other receivables	129,066	129,066
Cash and cash equivalents	579,380,930	625,747,082
	1,074,783,221	**1,094,826,923**

The credit risk on investments that are utilised by intermediaries to provide finance to SMEs is mitigated by the cession of book debts of the investee. In addition, the Group has received guarantees totalling R30,046,714 from companies that are related parties of the investees.

1.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to insufficient cash being available to meet commitments as and when they become due.

The Group currently has sufficient cash resources available to meet its obligations.

The table below analyses the Group's financial liabilities and certain non-financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	0 – 3 months	4 – 12 months	>1 year	Total
R				
2024				
Trade and other payables	2,520,006	-	-	2,520,006
Right-of-use lease liability	188,771	1,052,083	-	1,240,854
Provisions	**9,575,426**	**6,725**	**-**	9,582,151
Other liabilities	-	-	345,504,783	345,504,783
Total	**12,284,203**	**1,058,808**	**345,504,783**	**358,847,794**
2023				
Trade and other payables	3,124,534	-	-	3,124,534
Right-of-use lease liability	175,369	233,825	-	409,194
Provisions	**7,091,362**	**6,469**	**-**	7,097,831
Other liabilities	-	-	154,046,600	154,046,600
Total	**10,391,265**	**240,294**	**154,046,600**	**164,678,159**

1.4 Valuation risk

The Group's exposure to valuation risk arises from movements in the values of its unquoted investments into Funds, whose valuations in turn are derived from the valuations of portfolio companies in which they invest.

Financial assets and liabilities carried at fair value need to be classified within the appropriate level of hierarchy on which their fair values are based. The information below sets out the different levels as well as the classification of the Group's assets and liabilities where appropriate.

Investments trading in active markets and deriving their fair value from quoted market prices of identical assets are classified within Level 1. These prices provide the most reliable fair value classification and the Group does not need to adjust the quoted prices to measure the fair value of investments. The quoted market price used for investments held by the Group is the current bid price.

Investments trading in markets not considered to be active and deriving their fair value from observable inputs other than quoted prices included within Level 1 are classified within Level 2. These inputs need to be directly or indirectly observable for the investment and can include: quoted market prices for similar assets in active or non-active markets; observable inputs other than quoted prices; and inputs derived or corroborated by observable market data. The unlisted investment in preference shares is classified within this level.

Level 3 classification applies to investments where observable inputs are not available for the asset to determine its fair value. Unobservable inputs are used to measure fair value where relevant observable inputs are not available. The unlisted investments in Fund Limited Partnerships and relevant Section 12J Venture Capital Companies are classified within this level.

	Level 1	Level 2	Level 3	TOTAL
R				
2024				
Unlisted investments	-	40,544,949	818,153,414	858,698,364
Balance at 29 February 2024	**-**	**40,544,949**	**818,153,414**	**858,698,364**
2023				
Unlisted investments	-	35,361,801	538,353,646	573,715,447
Balance at 28 February 2023	**-**	**35,361,801**	**538,353,646**	**573,715,447**

The following table presents the movement in Level 3 assets during the year by class of financial instrument:

	Unlisted investments	
	2024	**2023**
R		
Non-current assets		
Opening balance	**538,353,646**	**356,241,207**
Acquisitions	228,412,710	176,382,607
Realisations	(24,310,547)	(18,187,865)
Net gains included in the statement of comprehensive income	75,697,605	23,917,697
Balance at the end of the period	**818,153,414**	**538,353,646**

1.5 Capital risk management

The Group's objectives when managing capital are to maintain a strong capital base to sustain the Group's ability to continue as a going concern, to provide sustainable returns for shareholders and benefits for other stakeholders. The capital structure of the Group consists of equity attributable to ordinary shareholders, comprising share capital less accumulated losses. The Group's liquidity profile, current and forecast, is monitored on a continuous basis by management and is considered before investments are approved.

2. Intangible assets

R **Cost**	**Computer software**	**TOTAL**
Balance at 1 March 2022	17,796	17,796
Additions	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Balance at 1 March 2023	**17,796**	**17,796**
Additions	-	-
Disposals	-	-
Balance at 29 February 2024	**17,796**	**17,796**
Accumulated amortisation		
Balance at 1 March 2022	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Balance at 1 March 2023	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 29 February 2024	**17,796**	**17,796**
Carrying amounts		
At 29 February 2024	-	-
At 28 February 2023	-	-

3. Property, plant and equipment

R Cost	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment	Right-of-use assets	TOTAL
Balance at 1 March 2022	**270,953**	**382,600**	**69,796**	**225,180**	**1,264,575**	**2,213,104**
Additions	-	6,579	1,899	-	-	8,478
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**270,953**	**389,179**	**71,695**	**225,180**	**1,264,575**	**2,221,582**
Balance at 1 March 2023	**270,953**	**389,179**	**71,695**	**225,180**	**1,264,575**	**2,221,582**
Additions	-	-	3,751	37,945	1,380,695	1,422,391
Disposals	-	-	-	-	-	-
Balance at 29 February 2024	**270,953**	**389,179**	**75,446**	**263,125**	**2,645,270**	**3,643,974**
Accumulated depreciation						
Balance at 1 March 2022	**56,449**	**278,031**	**49,666**	**138,288**	**263,453**	**785,887**
Depreciation	135,476	57,541	12,486	26,798	632,287	864,588
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**191,925**	**335,572**	**62,152**	**165,086**	**895,740**	**1,650,475**
Balance at 1 March 2023	**191,925**	**335,572**	**62,152**	**165,086**	**895,740**	**1,650,475**
Depreciation	79,028	18,617	7,451	44,351	656,479	805,926
Disposals	-	-	-	-	-	-
Balance at 29 February 2024	**270,953**	**354,189**	**69,603**	**209,438**	**1,552,219**	**2,456,402**
Carrying amounts						
At 29 February 2024	-	**34,990**	**5,843**	**53,688**	**1,093,051**	**1,187,572**
At 28 February 2023	**79,028**	**53,607**	**9,543**	**60,094**	**368,835**	**571,106**

4. Investments

4.1 Unlisted investments at fair value

The Group obtains exposure to and has indirect investments in a diversified pool of unquoted investments (portfolio companies) by investing in Fund Limited Partnerships (Funds) that typically have a 10-year life cycle. The Group becomes a Limited Partner of the Fund and the investments are made through commitments into the Funds. Additionally, the Group has invested directly in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Company and Mafami Proprietary Limited. The Group has also invested in convertible preference shares issued by ProfitShare Partners Proprietary Limited. As at 29 February 2024, the Group had the following investments:

	2024 R	2023 R
Investments measured at fair value through profit or loss		
Carrying amounts of:		
Unlisted investments	858,698,364	573,715,448
	858,698,364	**573,715,448**
Current	3,978,979	3,978,979
Non-current	854,719,385	569,736,469
	858,698,364	**573,715,448**
Consisting of:		
Cost	759,981,999	531,569,289
Realisations	(81,497,955)	(57,187,407)
Unrealised capital revaluation movement at the end of the year	165,215,998	90,089,771
Accrued income	14,998,322	9,243,795
	858,698,364	**573,715,448**

The investments consisted of the following:	% of fund / company	2024 R	2023 R
PAPE Fund 3	9.7%	125,664,000	80,094,191
KNF Ventures (RF) Proprietary Limited	16.1%	65,712,150	70,452,900
Savant Venture Fund I (A)	68.6%	95,068,111	60,653,157
OneBio Seed Investment Fund I	75.6%	26,632,303	24,691,073
4Di Capital Fund III	95.9%	78,970,280	51,290,688
Masisizane Franchise Fund I	70.4%	67,684,752	59,219,325
SummerPlace Equity Fund I	49.9%	72,247,472	59,671,956
Digital Africa Ventures	95.0%	14,110,052	15,979,682
University Technology Fund	73.0%	127,991,414	79,078,871
ProfitShare Partners preference shares	N/A	40,544,949	35,361,801
Endeavor Harvest Fund II	10.6%	15,851,993	16,428,880
Secha Capital Fund II	38.1%	3,036,347	-
Hlayisani Venture Fund II	48.2%	63,988,330	-
Venture Capitalworks Fund I	38.5%	9,965,850	-
Grindstone Ventures Fund I	69.2%	6,436,460	4,789,668
Knife Capital (SA) Fund III	18.0%	40,814,922	12,024,276
Mafami Proprietary Limited	6.1%	3,978,979	3,978,979
		858,698,364	**573,715,448**

The fair value of the unlisted investments measured at fair value through profit or loss was determined with reference to the net asset value of the Funds, which measure their assets and liabilities at fair value. The fair value of the preference shares has been calculated by discounting future cash flows at current market interest rates.

The principal place of business of the above investments is South Africa.

PAPE Fund 3 and SummerPlace Equity Fund I are both en commandite partnerships where the investments are of a long term nature and the funds are equity participants that ultimately derive dividends and capital appreciation from their investments.

KNF Ventures is a Section 12J Venture Capital Company focused on innovation-driven ventures with proven traction.

The remaining Funds are venture capital Funds established with the intention of making long term investments in early stage companies with the ultimate purpose of deriving investment income and achieving long term capital appreciation. The investment in Savant Venture Fund I includes the commitment to the Fund as well as an incubation facility to enable the Fund to invest in early-stage potential pipeline companies. All the Funds are en-commandite partnerships.

Masisizane Franchise Fund is a general partnership, the purpose of which are to invest in portfolio companies to derive investment income and long term capital gains.

Summarised financial information in respect of Masisizane Franchise Fund I is set out below. The summarised financial information below represents amounts in Masisizane's financial statements and not the Group's share of these amounts.

	2024	2023
	R	R
Current assets	47,280,494	42,895,476
Non-current assets	39,292,682	41,258,301
Total assets	**86,573,175**	**84,153,777**
Current liabilities	-	-
Net assets	**96,183,595**	**84,153,777**
Partners' capital accounts	67,500,000	67,500,000
Retained earnings	19,073,175	16,653,777
Capital attributable to partners	**86,573,175**	**84,153,777**
Capital attributable to The SA SME Fund Limited	**60,921,864**	**59,219,325**
Revenue	10,637,491	5,746,657
Profit / (loss) for the year	1,406,671	5,587,046
Total comprehensive income	**1,406,671**	**5,587,046**

4.2 Unlisted investments at amortised cost

The Group has provided financing facilities to a number of investment intermediaries. This funding is used by the intermediaries to provide finance for working capital, project finance, asset finance and medium-term loans to SMEs and spaza shops. These loans are held with the objective of diversifying the portfolio and collecting contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. In addition, the Group has purchased a convertible promissory note in a potential portfolio company of the University Technology Fund.

At 29 February 2024, the Company had the following investments:

	2024 R	2023 R
Investments measured at amortised cost		
Carrying amounts of:		
Investments measured at amortised cost	454,728,276	433,588,974
	454,728,276	**433,588,974**
Current	187,989,348	7,642,455
Non-current	266,738,928	425,946,519
	454,728,276	**433,588,974**
Consisting of:		
Cost	517,500,000	432,500,000
Realisations	(39,632,818)	(20,953,499)
Accrued income	104,507,484	42,413,974
Provision for expected credit losses	(127,646,390)	(20,371,501)
	454,728,276	**433,588,974**

The investments consisted of the following:

	2024 R Amortised cost	**2024 R Fair value**	**2023 R Amortised cost**	**2023 R Fair value**
Spartan SME Fund Proprietary Limited The loan bears interest at Prime less 1% per annum, compounded annually and is repayable in full, together with accrued interest, on 24 April 2027. The loan is secured by a cession of book debts. In addition, the Company has received guarantees totalling R20 million from other companies within the Spartan group. The loan will be subordinated in favour of other funders should additional funding be raised by Spartan SME Fund. The maximum additional funding to be raised by Spartan is R500 million. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**138,641,301**	**140,395,666**	**125,096,163**	**129,285,782**

	2024 R Amortised cost	2024 R Fair value	2023 R Amortised cost	2023 R Fair value
Spartan Impact Finance (Pty) Ltd The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 5 March 2025. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**31,800,139**	**33,017,233**	**-**	**-**
A2Pay Financial Services Proprietary Limited The loan bears interest at Prime less 2% per annum, compounded quarterly and is repayable in full, together with accrued interest, on 17 January 2028. The loan is secured by a cession of book debts and has been guaranteed by A2L Media Corp Proprietary Limited, a fellow subsidiary of A2Pay. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**12,705,631**	**13,665,266**	**11,509,093**	**12,508,504**
ProfitShare Partners Proprietary Limited				
The loan is secured by a cession of book debts and bears interest at Prime plus 3%, compounded monthly and payable quarterly in arrears. The capital balance of the loan is repayable in full on 8 October 2025. During the year, a portion of the loan was converted into an unsecured short term working capital facility. Once the working capital facility is repaid in full, the funds will be credited to the loan facility. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**73,965,585**	**75,887,957**	**70,662,879**	**76,465,447**
The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 10 October 2024. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**44,764,845**	**46,361,385**	**40,087,646**	**42,081,086**
Anatree Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 29 November 2024. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**56,025,135**	**57,342,953**	**50,126,768**	**52,112,913**

	2024 R Amortised cost	2024 R Fair value	2023 R Amortised cost	2023 R Fair value
Bridge Taxi Finance No. 12 Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 17 October 2024. The loan is secured by a cession of book debts. In addition, the Company has received guarantees from the holding company of Bridge Taxi Finance No.12. Due to the Company experiencing a liquidity crisis, the investment has been fully impaired at 29 February 2024. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	-	-	70,996,872	74,284,007
SME Contract Finance (RF) Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 2 October 2024. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	28,550,596	28,897,228	20,363,576	21,253,228
Retail Capital The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 5 December 2024. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	50,238,691	57,652,329	44,745,977	52,401,815
Umastandi Fund I SPV (RF) Proprietary Limited The loan bears interest at Jibar plus 3% per annum, compounded quarterly. The interest earned is repayable on a quarterly basis and the capital balance of the facility is repayable in full including any outstanding accrued interest, on 14 August 2026. The loan has been guaranteed by Umastandi Fund I Security SPV (RF) Proprietary Limited, a fellow subsidiary of Umastandi. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	9,627,476	10,140,083	-	-
Mobile Macs Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 27 February 2025. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	8,410,080	8,458,377	-	-
	454,728,276	**471,908,477**	**433,588,974**	**460,392,782**

Movement in Expected Credit Losses

	2024 R	2023 R
Balance at the beginning of the year	**20,371,501**	**8,794,709**
Stage 1 ECL allowance	12,852,414	**2,115,090**
Stage 2 ECL allowance	**7,519,087**	**6,679,619**
Statement of comprehensive income charge	**107,274,890**	**11,576,791**
Stage 1 ECL allowance	2,369,395	10,737,324
Stage 2 ECL allowance	(39,110)	839,468
Stage 3 ECL allowance	104,944,605	-
Balance at the end of the year	**127,646,390**	**20,371,501**
Stage 1 ECL allowance	15,221,809	12,852,414
Stage 2 ECL allowance	7,479,977	7,519,087
Stage 3 ECL allowance	104,944,605	-

5. Trade and other receivables

	2024 R	2023 R
Financial assets:		
Deposits	129,066	129,066
	129,066	**129,066**

The fair value approximates the carrying value of the trade and other receivables, due to the short-term nature thereof. All trade and other receivables are current. Due to the short-term nature of the trade and other receivables, the credit quality of the counterparties and the fact that the Group has never experienced a credit loss, the ECL on trade and other receivables is negligible.

6. Prepayments

	2024 R	2023 R
Prepaid management fees	5,228,904	5,519,408
Other prepayments	491,657	364,913
	5,720,561	**5,884,321**

7. Cash and cash equivalents

		2024 R		2023 R
Bank and cash balances		**579,380,930**		**625,747,082**
Cash at bank and short term deposits	**Ave. interest rate**		**Ave. interest rate**	
First National Bank	7.88%	24,411,096	5.61%	79,721,255
Investec	10.55%	135,905,527	6.11%	216,687,597
Nedbank	8.67%	275,493,416	6.43%	147,309,038
Rand Merchant Bank	8.66%	143,570,891	6.27%	182,029,192
		579,380,930		**625,747,082**

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of twelve months or less. The carrying amount of these assets is approximately equal to their fair value due to their short-term nature and because they bear interest at market-linked rates. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

8. Share capital

			2024 Number of shares	2023 Number of shares
Authorised				
Ordinary no par value shares			**3,000,000,000**	**3,000,000,000**
Issued	**2024 R**	**2024 Number of shares**	**2023 R**	**2023 Number of shares**
Ordinary no par value shares	1,388,400,000	1,388,400,000	1,387,400,000	1,387,400,000
Reconciliation of shares issued			**Number of shares**	**R**
Balance at 1 March 2021			**1,367,400,000**	**1,367,400,000**
Issue of shares			19,000,000	19,000,000
Balance at 28 February 2022			**1,386,400,000**	**1,386,400,000**
Issue of shares			1,000,000	1,000,000
Balance at 28 February 2023			**1,387,400,000**	**1,387,400,000**
Issue of shares			1,000,000	1,000,000
Balance at 29 February 2024			**1,388,400,000**	**1,388,400,000**

During the year ended 29 February 2024 the Company increased its share capital and issued 1,000,000 (2023: 1,000,000) fully paid up new shares at a price of R1.00 per share.

9. Tax

	2024 R	2023 R
South African normal tax		
Current tax	**10,957,248**	**10,967,905**
Deferred tax	**11,521,304**	**6,273,729**
	22,478,552	**17,241,634**
Reconciliation of tax rate	%	%
Standard rate of tax	**27.0**	**28.00**
Non-taxable income	(21.66)	(88.77)
Unrealised gains on investments	(27.84)	(172.91)
Expenditure disallowed	46.13	383.83
Timing differences	0.60	(3.50)
Capital loss incurred on exit	-	-
Prior year overprovision	-	-
Deferred capital gains tax on unrealised gains on investments	25.48	(24.35)
Effective tax rate	**49.71**	**122.30**

In terms of the South African Income Tax Act, the non-capital revenue of the Company is considered to be passive income and the Company therefore does not generate tax losses that may be utilised at a date in the future. As a result, the Company does not raise a deferred tax asset in respect of estimated or assessed losses.

10. Government grant assets and other liabilities

	2024 R	2023 R
Unlisted investments related to government grant		
Unlisted investments related to government grant	**25,500,000**	**25,500,000**
Other liabilities		
Grant liability in respect of DSI project funding agreement	236,435,511	100,130,010
Deferred income	66,669,814	35,209,062
	303,105,326	**135,339,072**
Grant liability in respect of USAID First Loss Facility Contribution agreement	12,583,669	4,483,561
Deferred income	24,902,771	12,952,665
	37,486,440	**17,436,226**
Total grant liabilities	249,019,180	104,613,571
Total deferred income	91,572,585	48,161,727
Current	-	-
Non-current	340,591,765	152,775,298
	340,591,765	**152,775,298**

During the year ended 28 February 2021, the Company entered into a project funding agreement with the Department of Science and Innovation (DSI) whereby the DSI provided R25 million cash for investment in specified portfolio companies. The funds do not bear interest and are returnable to the DSI based on the returns generated by the investments in the portfolio companies. In the prior year, the project funding agreement was extended and a further R105 million was received from the DSI for investment in the SA SME Fund of VC Funds I Partnership. In the current year the project funding agreement was amended and a further R150 million was received from the DSI for investment in the SA SME Fund of VC Funds I Partnership. The termination date of the project funding agreement is 31 December 2026.

During the year ended 28 February 2023, the Company entered into a First Loss Facility Contribution Agreement with USAID whereby USAID has provided an amount of USD2 million as a first loss facility for investment in the SA SME Fund of VC Funds I Partnership.

The above liabilities were initially measured at fair value by discounting the amount payable at a market related rate over the term of the agreement. The difference between the amount payable and the fair value is recognised as deferred income from a government grant and is released to the income statement over the term of the agreement on a straight-line basis. Interest expense is recognised over the term of the agreement using the effective interest method. The liability is subsequently measured at amortised cost.

During the current year, the Company invested R46,3 million of the grant received from the DSI, and R5,2 million from the First loss facility received from the USAID in the SA SME Fund of VC Funds I Partnership. The investments with the Partnership are measured at fair value and the grant has not been used to reduce the cost of the investment.

11. Trade and other payables

	2024 R	2023 R
Trade payables	13,777	714,345
Other payables	**694,543**	**676,270**
Total financial liabilities	708,320	1,390,615
Accruals	1,811,686	1,733,919
Total financial and non-financial liabilities	**2,520,006**	**3,124,534**

Trade and other payables are non-interest bearing and are settled on average 30 days from date of statement. The fair value approximates the carrying value of the trade and other payables, due to the short term nature thereof.

12. Right-of-use lease liability

	2024 R	2023 R
Movement in right-of-use lease liability		
Balance at beginning of the year	400,978	1,026,654
Lease renewal	1,380,695	-
Finance charges	63,545	56,314
Cash outflow for leases	(719,012)	(681,990)
	1,126,206	**400,978**
Current portion payable within one year	689,349	400,978
Long term portion	436,857	-
Total	**1,126,206**	**400,978**
Total cash outflow for leases		
Finance charges	63,545	56,314
Capital portion	655,467	625,676
	719,012	**681,990**
Contractual undiscounted cash flows		
Due in one year	773,961	409,194
Due thereafter	466,894	-
Total	**1,240,854**	**409,194**

The incremental cost of borrowing used to discount the value of the remaining lease payments is 11.46% (2023: 8.433%).

13. Provisions

	2024 R	2023 R
Employee benefits	9,582,151	7,097,831
	9,582,151	**7,097,831**
Current	9,582,151	7,097,831
Non-current	-	-
	9,582,151	**7,097,831**
Movement in provisions:		
Balance at the beginning of the year	7,097,831	11,661,098
Additional provision in the year	9,582,151	7,097,831
Utilisation of the provision	(7,097,831)	(11,661,098)
Balance at the end of the year	**9,582,151**	**7,097,831**

The provision for employee benefits represents annual leave and accrued bonuses in terms of employees' contracts of employment. An amount of R9,838,688 (2023: R6,940,510) in respect of employee benefits provisions has been paid subsequent to year end.

14. Operating expenses

	2024 R	2023 R
Operating expenses comprise:		
Amortisation of intangible assets	-	-
Auditors' remuneration		
Audit fees	3,457,479	2,362,891
Remuneration for other services	-	211,750
Consulting fees	-	-
Depreciation	805,926	**864,589**
Fund II costs*	**2,241,349**	628,603
Insurance	443,600	384,209
Investment Committee fees	27,633	-
Investment-related costs	2,800,157	600,311
Legal fees	1,476,698	906,283
Operating lease rentals – office equipment (Note 17)	51,676	67,199
Salaries and wages**	21,203,750	18,946,352
Short term incentives***	9,877,442	6,973,015
Other operating expenses	2,319,382	1,781,560
	44,705,092	**33,726,762**

*The increase in Fund II costs is mainly attributable to overhead costs incurred during the year by the General Partners of The SMME Crisis Partnership Fund and The SA SME Fund of VC Funds I partnership namely The SA SME GP (RF) (Pty) Ltd and The SA SME Fund VC GP (Pty) Ltd. The overhead costs are borne by The SA SME Fund Limited and not the respective partnerships in line with the arrangement between the Company and the General Partners.

**Salaries and wages include gross salaries, statutory contributions and Director's salaries of R R8,090,820 (2023: R7,815,329) as disclosed in note 15.

***Short term incentives include incentives payable to directors as disclosed in note 15.

The increase in salary and wages is mainly attributable to the appointment of the Finance Manager during the year and the increase in the short term incentives allocation percentage from 32.5% to 45% in the current year.

15. Directors' and prescribed officers' emoluments

	2024 (R) Salary	2024 (R) Short term incentive	2024 (R) Total	2023 (R) Salary	2023 (R) Short term incentive	2023 (R) Total
Ketan Gordhan	4,776,676	2,344,914	7,121,590	4,907,959	1,693,549	6,601,508
Caryn Winter	3,314,144	1,491,365	4,805,509	2,907,370	1,077,097	3,984,467
	8,090,820	**3,836,279**	**11,927,099**	**7,815,329**	**2,770,646**	**10,585,975**

The non-executive directors do not receive any remuneration or fees for their services to the Group.

16. Notes to the statement of cash flows

Cash utilised in operations	**2024 R**	**2023 R**
Operating profit / (loss) before tax	26,448	14,365,150
Adjustments for:		
Depreciation of property, plant and equipment	805,926	864,589
Interest earned on cash and cash equivalents	(29,285,437)	(39,601,191)
Income from government grant	(24,404,891)	(9,165,865)
Investment income recognised in the statement of comprehensive income	**(68,888,006)**	**(29,557,344)**
Interest expense – non cash	20,825,050	8,191,925
Interest expense on lease liability	**63,545**	**56,314**
Subsequent close interest	**1,214,084**	-
Management fees	**8,583,160**	-
Operating expenses	**2,289,220**	-
Non cash deferred income on lease liability	-	-
Unrealised gains from fair value adjustments	(91,558,389)	(28,412,392)
Increase in expected credit loss provisions	107,274,890	11,576,791
Movement in provisions	2,484,320	(4,563,267)
Working capital changes:	163,761	40,204
Decrease / (increase) in prepayments and trade and other receivables	**(604,527)**	**897,935**
(Decrease) / increase in trade and other payables	**(71,010,847)**	**(75,307,151)**

*Interest expense – non cash relates to interest accrued on the government grant facilities received from the DSI and the USAID. The grants have been classified as a financial liability subsequently measured by increasing the carrying amount of the liability, to reflect interest accrued (using the effective interest method) and by reducing the carrying amount to reflect payments made in respect of the grant liability that have been discounted in accordance with IAS 20 requirements.

17. Operating lease rentals

Operating lease rentals relate to leases of low value office equipment with lease terms of three years.

	2024 R	**2023 R**
Operating lease rentals due within one year	26,451	46,524
Operating lease rentals due thereafter	17,634	44,085
	44,085	90,609

18. Contingencies

There were no contingent liabilities at 29 February 2024.

As at 29 February 2024, the Group had made the following commitment, subject to legal agreements being signed and the Fund reaching first close:

- Havaic Fund III: R100 million

The legal agreement was signed after year end.

19. Capital commitments

Undrawn capital commitments:	% of fund	Total capital commitment	Undrawn capital commitment at 1 March 2023	New capital committed during the year	Capital commitment drawn during the year	Undrawn capital commitment at 29 February 2024
PAPE Fund 3	9.7%	100,000,000	16,385,197	-	(9,773,220)	6,611,977
SummerPlace Equity Fund 1	49.9%	125,000,000	65,473,537	-	(9,784,841)	55,688,696
Savant Venture Fund 1	68.3%	100,000,000	37,300,463	-	(32,365,283)	4,935,180
4Di Capital Fund III	96.15%	125,000,000	59,337,991	-	(13,722,301)	45,615,690
OneBio Seed Investment Fund I	89.02%	75,000,000	46,102,681	-	(5,735,204)	40,367,477
University Technology Fund	72.8%	145,000,000	67,537,920	-	(34,750,474)	32,787,446
Digital Africa Ventures Fund I	97.34%	25,000,000	3,903,489	-	(686,058)	3,217,431
Endeavor Harvest Fund II	10.58%	20,000,000	4,777,544	-	(531,508)	4,246,036
Grindstone Ventures Fund I	73.26%	10,000,000	4,710,502	-	(2,395,691)	2,314,811
Knife Series B Fund	25.43%	75,000,000	60,316,504	-	(11,349,554)	48,966,950
Umastandi Fund I		10,000,000	10,000,000	-	(10,000,000)	-
Secha Capital Fund II	38.1%	100,000,000	-	100,000,000	(4,706,209)	95,293,791
Hlayisani Venture Fund II	48,2%	100,000,000	-	100,000,000	(68,142,332)	31,857,668
Venture Capitalworks Fund I	33.3%	100,000,000	-	100,000,000	(11,278,484)	88,721,516
The SA SME Fund of VC Funds I	33.3%	**265,000,000**	**-**	265,000,000	**(46,321,781)**	**218,678,219**
		1,375,000,000	**375,845,828**	**565,000,000**	**(261,542,940)**	**679,302,888**

Undrawn capital commitments:	% of fund	Total capital commitment	Undrawn capital commitment at 1 March 2022	New capital committed during the year	Capital commitment drawn during the year	Undrawn capital commitment at 28 February 2023
PAPE Fund 3	9.7%	100,000,000	41,862,755	-	(25,477,558)	16,385,197
SummerPlace Equity Fund 1	49.9%	125,000,000	88,285,856	-	(22,812,319)	65,473,537
Savant Venture Fund 1	68.3%	100,000,000	65,141,912	-	(27,841,449)	37,300,463
4Di Capital Fund III	96.15%	125,000,000	82,925,585	-	(23,587,594)	59,337,991
OneBio Seed Investment Fund I	89.02%	75,000,000	59,945,590	-	(13,842,909)	46,102,681
University Technology Fund	72.8%	145,000,000	99,925,398	-	(32,387,478)	67,537,920
Digital Africa Ventures Fund I	97.34%	25,000,000	17,970,738	-	(14,067,249)	3,903,489
Endeavor Harvest Fund II	10.58%	20,000,000	7,229,178	-	(2,451,634)	4,777,544
Grindstone Ventures Fund I	73.26%	10,000,000	10,000,000	-	(5,289,498)	4,710,502
Knife Series B Fund	25.43%	75,000,000	75,000,000	-	(14,683,496)	60,316,504
Umastandi Fund I		10,000,000	**-**	**10,000,000**	-	10,000,000
		810,000,000	**548,287,012**	**10,000,000**	**(182,441,184)**	**375,845,828**

20. Going concern

The directors have considered the financial position of the Group and are of the view that the Group remains a going concern. While the Group currently makes operating cashflow losses and is expected to do so for the foreseeable future, the Group has significant cash balances and its total assets exceed its total liabilities by R1,540 million (2023: R1,483 million). It is expected that the portfolio fund managers will start exiting investments in the next year, depending on the commitment periods and termination dates of each individual partnership. The directors note that, included in accumulated losses, are management fees and fund establishment costs and operating costs paid to investee fund managers totalling R138.5 million (2023:R101.1 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Group has invested, subject to the performance of the underlying funds.

The directors have reviewed the outstanding commitments relative to the Group's cash balances and note that the commitments will be drawn down by the investee funds over a period of three to four years. The Fund of Funds business model of the Group has also been considered by the directors in their assessment of going concern. This model assumes that the Group will have an investment period of approximately five years during which available funds will be invested in portfolio Funds / companies in the SME sector. It is only after this investment period and a period of portfolio company growth and management that the Group is expected to generate realised returns from its investment programme.

21. Subsequent events

The Seed Fund of Funds

The Group has commenced fund raising for a Seed Fund of Funds that will invest in portfolio Fund Managers that fund early stage seed deals. The Group has received R100 million First Loss Capital from the DSI to establish the Seed Fund of Funds. In addition, the DSI has allocated R100 million returnable capital to the Technology Innovation Agency (TIA), for investment in the Seed Fund of Funds.

The SMME Crisis Partnership Fund

Subsequent to year end, the SA SME Fund GP (Pty) Limited, acting in its capacity as the general partner of the SMME Crisis Partnership Fund, has requested an extension of the term of the SMME Crisis Partnership Fund for a period of between 12 and 18 months.

Apart from the events described above, there have been no significant events subsequent to the end of the reporting period that would impact on the figures reported or that would require disclosure in these financial statements.

22. Related parties

22.1 Transactions with related parties

During the period under review, the Company entered into the following transactions with portfolio funds:

R							2024
	Management fee %	**Total income**	**Interest and dividends received**	**Total expenses**	**Management and advisory fees paid**	**Establishment costs and interest paid on equalisation**	**Fund operating expenses**
Financial assets at fair value through profit or loss							
PAPE Fund 3	**2.00**	3,220,907	3,220,907	2,141,350	1,806,467	-	334,882
Savant Venture Fund I (A)	**3.36**	-	-	3,697,325	3,697,325	-	-
OneBio Seed Investment Fund I	**3.00**	-	-	2,786,609	2,592,575	-	194,034
4Di Capital Fund III	**3.00**	306,586	306,586	4,855,814	4,316,525	-	539,289
University Technology Fund	**3.00**	-	-	6,205,571	5,013,959	20,085	1,171,527
SummerPlace Equity Fund I	**2.50**	2,851,492	2,851,492	3,779,187	3,488,596	-	290,591
Masisizane Franchise Fund I	**N/A**	-	-	313,142	-	-	313,142
Digital Africa Ventures Fund I	**3.00**	-	-	896,910	578,272	-	318,638
Endeavor Harvest Fund II	**2.00**	-	-	530,274	530,274	-	-
Knife Capital (SA) Fund III	**2.00**	88,966	88,966	5,842,471	5,081,593	(453,206)	1,214,084
Secha Capital Fund II	**2.00**	154,500	154,500	1,862,439	1,137,432	-	725,007
Hlayisani Venture Fund II	**2.30**	5,481	5,481	4,159,486	3,436,482	-	723,004
Venture Capitalworks Fund I	**2.00**	7,672	7,672	1,120,465	289,863	-	830,602
Grindstone Ventures Fund I	**3.00**	-	-	384,037	300,822	-	83,215
ProfitShare Partners Proprietary Limited	**N/A**	5,754,526	5,754,526	-	-	-	-
		12,390,130	**12,390,130**	**38,575,079**	**32,270,185**	**(433,121)**	**6,738,015**
Financial assets measured at amortised cost							
Spartan SME Fund Proprietary Limited		**13,520,054**	13,520,054	-	-	-	-
A2Pay Financial Services Proprietary Limited		**1,207,170**	1,207,170	34,500	-	-	34,500
Umastandi Fund I Proprietary Limited		**620,542**	620,542	-			
ProfitShare Partners Proprietary Limited		**16,045,082**	16,045,082	-	-	-	-
Retail Capital		6,271,435	6,271,435	-	-	-	-
Mobile Macs Proprietary Limited		3,449,873	3,449,873	-	-	-	-
Bridge Taxi Finance Proprietary Limited		8,907,940	8,907,940	-	-	-	-
Anatree Proprietary Limited		6,238,396	6,238,396	-	-	-	-
Spartan Impact Finance Proprietary Limited		2,822,335	2,822,335	-	-	-	-
SME Contract Finance Proprietary Limited		3,010,684	3,010,684	-	-	-	-
		62,093,511	**62,093,511**	**34,500**	-	-	**34,500**
		74,483,641	**74,483,641**	**38,609,579**	**32,270,185**	**(433,121)**	**6,772,515**

R							2023
	Management fee %	**Total income**	**Interest and dividends received**	**Total expenses**	**Management and advisory fees paid**	**Establishment costs and interest paid on equalisation**	**Fund operating expenses**
Financial assets at fair value through profit or loss							
PAPE Fund 3	**2.00**	1,986,260	1,986,260	2,752,686	2,305,741	-	446,945
Savant Venture Fund I (A)	**3.36**	-	-	4,181,605	3,864,000	-	317,605
OneBio Seed Investment Fund I	**3.00**	-	-	2,800,673	2,587,500	-	213,173
4Di Capital Fund III	**3.00**	-	-	4,568,527	4,312,500	-	256,027
University Technology Fund	**3.00**	-	-	6,063,525	5,002,584	(17,797)	1,078,738
SummerPlace Equity Fund I	**2.50**	1,394,911	1,394,911	4,318,141	3,565,000	-	753,141
Masisizane Franchise Fund I	N/A	-	-	312,286	-	-	312,286
Digital Africa Ventures Fund I	**3.00**	-	-	2,090,339	1,147,949	-	942,390
Endeavor Harvest Fund II	**2.00**	-	-	405,604	460,000	(53,049)	(1,347)
Grindstone Ventures Fund I	**3.00**	-	-	502,114	363,288	-	138,826
Knife Capital (SA) Fund III	**2.00**	-	-	4,148,817	2,273,219	1,240,110	635,488
ProfitShare Partners Proprietary Limited		4,191,004	4,191,004	-	-	-	-
		7,572,175	**7,572,175**	**32,144,317**	**25,881,781**	**1,169,264**	**5,093,272**
Financial assets measured at amortised cost							
Spartan SME Fund Proprietary Limited		**9,562,744**	9,562,744	-	-	-	-
A2Pay Financial Services Proprietary Limited		**825,831**	825,831	-	-	-	-
ProfitShare Partners Proprietary Limited		**10,336,068**	10,336,068	-	-	-	-
Anatree (Pty) Limited		**872,205**	872,205	-	-	-	-
Bridge Taxi Finance		**2,641,516**	2,641,516	-	-	-	-
SME Contract Finance		**796,178**	796,178	-	-	-	-
Retail Capital		**1,141,631**	1,141,631	-	-	-	-
		26,176,173	**26,176,173**	**-**	**-**	**-**	**-**
		33,748,349	**33,748,349**	**32,144,317**	**25,881,781**	**1,169,264**	**5,093,272**

There were no amounts owing by or to related parties as at 29 February 2024 (2023: RNil).

22.2 Transactions with directors

There were no transactions with directors during the year ended 29 February 2024, nor during the year ended 28 February 2023.

THE SA SME FUND LIMITED STANDALONE FINANCIAL STATEMENTS

for the year ended 29 February 2024

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GENERAL INFORMATION

Country of incorporation and domicile:	Republic of South Africa
Company registration number:	2016/238385/06
Nature of business and principal activities:	Investment company
Registered office:	1 Discovery Place. Sandton, 2196
Postal address:	P.O. Box 786722. Sandton. 2146
Non-executive directors:	A Gore F Chothia NJ Dlamini LM Klein P Mahanyele-Dabengwa YG Muthien NG Payne
Executive directors:	KM Gordhan CT Winter
Secretary:	CT Winter
Auditors:	Deloitte & Touche
Preparer:	L Mashaba CA(SA)
Reviewer:	CT Winter CA(SA)
Issue date:	30 August 2024

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 29 February 2024

Directors' responsibility to the shareholders of The SA SME Fund Limited

The directors of The SA SME Fund Limited (The SA SME Fund or the Company) are responsible for the preparation and fair presentation of the financial statements. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the financial statements in accordance with International Financial Reporting Standards and for keeping adequate accounting records in accordance with the Company's system of internal control. The financial statements for the year ended 29 February 2024 were prepared by L Mashaba and reviewed by CT Winter.

In preparing the financial statements, suitable accounting policies in accordance with International Financial Reporting Standards have been applied, and reasonable judgements and estimates have been made by management. The financial statements incorporate full and responsible disclosure in accordance with the Company's philosophy on corporate governance.

The directors are responsible for the Company's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost-effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company.

Based on the information and explanations given by management, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the financial statements in accordance with International Financial Reporting Standards and maintaining accountability for the Company's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Company, during the year ended 29 February 2024 and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the financial statements fairly present the state of affairs of the Company at the end of the year ended 29 February 2024, and the net income and cash flows for the year ended 29 February 2024.

The financial statements have been prepared on a going concern basis. The directors have no reason to believe that the Company will not be a going concern in the year ahead. It is the responsibility of the Company's independent external auditor, Deloitte & Touche, to report on the fair presentation of the financial statements. These financial statements have been audited in terms of Section 29(1) of the Companies Act 71 of 2008. Their report appears on pages 97 to 99.

The financial statements of the Company, which appear on pages 100 to 136, were approved by the Board of Directors on 12 August 2024 and are signed on its behalf by:

A Gore	KM Gordhan
Chairperson	***CEO***

COMPANY SECRETARY'S CERTIFICATE

for the year ended 29 February 2024

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act 71 of 2008

I declare that to the best of my knowledge, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all such returns and notices as required of a public company in terms of the Companies Act and that all returns and notices are true, correct and up to date.

CT Winter

Company Secretary

12 August 2024

REPORT OF THE VALUATIONS, AUDIT AND RISK COMMITTEE

for the year ended 29 February 2024

We are pleased to present our report for the year ended 29 February 2024. This report is made pursuant to the requirements of Section 94(7)(f) of the Companies Act (71 of 2008, as amended) of South Africa.

Composition of the Committee

The Valuations, Audit and Risk Committee (the Committee) is an independent statutory committee and consists of three independent non-executive directors with sufficient expertise to enable the Committee to discharge its statutory and appointed duties.

Its members during the year under review comprised of the Chairperson, Mr NG Payne, Mr F Chothia and Dr YG Muthien. The Chairperson of the Committee attends the Annual General Meeting.

The Committee meets at least twice a year and, with the approval of the Chairperson, at the request of the Chief Executive Officer (CEO), or the Chief Financial Officer (CFO), or other members of senior management or the external auditors, may hold additional meetings. Comprehensive minutes of the meetings are kept. The CEO and CFO attend the meetings by invitation. The Committee may invite, at its discretion, representatives from the external auditors, other assurance providers, professional advisors and Board members.

The Company's independent external auditor has unrestricted access to the Committee and its Chairperson.

During the year under review, three meetings were held.

Roles and responsibilities

The Committee's roles and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board and as documented in the Committee's terms of reference, which is updated periodically and approved by the Board.

The Committee is satisfied that it has fulfilled all its duties during the financial year under review as further detailed below.

Compliance with statutory duties

In the execution of its statutory duties, during the period under review, the Committee:

- Satisfied itself that Deloitte & Touche is independent of the Company.
- Agreed the terms of engagement of the external auditor.
- Ensured that the appointment of the auditor complies with the Companies Act.
- Noted that it had not received any complaints, either from within or outside the Company, relating to the accounting practices, the content or audit of the Company's financial statements or any other related matter.

Risk management and oversight

The Committee assists the Board to ensure a coordinated approach is applied to provide assurance on the recognition and management of significant risks facing the Company. The Committee is responsible for the development and review of a risk management framework to ensure that the significant risks facing the Company have been identified and can be properly managed and monitored, and that the disclosure and reporting of risk is complete, timely and relevant. The Committee reviewed the risk management framework and is satisfied that the significant risks facing the Company have been identified and are being managed effectively.

Review of valuations

The Committee is responsible for reviewing the Company's valuation policy and methodology as well as considering the valuations of the Company's investments in the financial statements.

The Company's investments mainly comprise drawn commitments into Funds and Section 12J Venture Capital Companies (VCCs), which in turn invest in portfolio companies in which the Company has an indirect interest. The General Partners of these Funds provide quarterly net asset value (NAV) statements based on the Fund Managers' valuations which the directors of the Company use to determine the fair value of a Fund. The Fund Managers' valuations are audited annually by the Funds' auditors. The Fund Manager of each Fund determines the individual fair value of each portfolio company and the Fund's NAV at the end of each quarter. These valuations are approved by the Funds' Advisory Boards, Investment Committees or Board of Directors. The Company's portfolio manager represents the Company on each Advisory Board that reviews the valuations prepared by the Fund Managers. The policy of the Fund Managers is to determine the fair value of the portfolio companies in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines.

The Committee is satisfied that the valuation policy and methodology are based on the IPEV guidelines, which set out recommended practice for fair valuing unquoted investments within the International Financial Reporting Standards (IFRS) framework. The Committee reviewed the valuations of the Company's investments in the financial statements and is satisfied that they meet the IFRS and IPEV requirements. The Committee recommended the valuations to the Board of Directors for approval.

Review of the finance function

The Committee has considered and has satisfied itself of the appropriateness and experience of the CFO, Caryn Winter. The Committee has furthermore considered and satisfied itself of the appropriateness of the expertise and adequacy of the resources of the Company's finance function. Discovery Limited has continued to assist with certain aspects of financial administration in order to maintain effective financial control as a result of the constraints due to the size of the Company's finance function. In light of the growth of the Company and the funds under management, an additional suitably qualified finance resource had been employed during the year.

Compliance

The Committee is responsible for reviewing the system for monitoring compliance with applicable laws and regulations and obtaining updates from management regarding any instances of non-compliance. The Committee is satisfied that there has been no material non-compliance with laws or regulations.

External audit

The Company's external auditors attend all the Valuations, Audit and Risk Committee meetings and the Annual General Meeting of shareholders and have direct access to the Chairperson of the Committee. The Committee agreed the nature and scope of the audit with the external auditors prior to commencement of the audit to ensure that it addressed the critical risk areas of the Company. The Valuations, Audit and Risk Committee considered the external auditor's report to the Committee and the matters reported and is satisfied with the resolution of these matters.

Integrated reporting and the financial statements

The Committee has reviewed the financial statements of the Company and is satisfied that they comply with International Financial Reporting Standards and the requirements of the Companies Act, and that the accounting policies used are appropriate.

The Committee has also reviewed a documented assessment by management of the going concern premise of the Company as well as the Directors' report and additional information to be included in the Integrated Report of the Company. The Committee notes, in particular, the significance of the phased drawdown of investment commitments over a three-to-four-year period, as described more fully in the Directors' report and Note 19 to the financial statements.

The Committee recommended the approval of the financial statements to the Board.

On behalf of the Valuations, Audit and Risk Committee:

NG Payne

Chairperson

DIRECTORS' REPORT
for the year ended 29 February 2024

The directors submit their report on the financial statements of The SA SME Fund for the year ended 29 February 2024.

Incorporation

The Company was incorporated on 7 June 2016 and obtained its certificate to commence business on the same day.

Nature of business

The SA SME Fund was established as part of the CEO Initiative in conjunction with National Treasury and Corporate South Africa. The Company's objective is to invest in high-potential entrepreneurial enterprises in the Small Medium Enterprises (SME) sector and to provide business and other forms of support to the SME sector and entrepreneurs funded by the Company.

Review of results

The company's portfolio Funds have continued to pursue attractive investments during the year with a number of the early Funds reaching the end of their commitment periods. Portfolio Funds have invested R202 million during the year compared to the prior year. The majority of the portfolio companies continue to achieve pre-investment targets. The Company's debt intermediaries have seen an increase in non-performing loans or bad debts as a result of the strained economy and a higher interest rate environment compared to the previous financial year. The Company has maintained significant cash balances and has also benefited from higher interest rates.

Investment overview

The Company's investable capital was fully committed to 16 partners during the financial years ended 2022 and 2023.

The return of the invested capital by portfolio funds is expected to commence over the next 3-5 years, as the Funds start to exit their investments. Thereby creating an opportunity for the Fund to redeploy the cash generated into new growth ventures.

During the year, the Company established The SA SME Fund of VC Funds I (the FoVCF), an en-commandite Partnership which operates as a Venture Capital Fund of Funds. The FoVCF achieved first close of R695 million with commitments from the Consolidated Retirement Fund and Rand Mutual Assurance. Subsequent to first close, the UCT Foundation has committed R100 million to the FoVCF. The Company has committed R50 million of first loss capital to the Partnership and received funding from the Department of Science and Innovation (DSI) and USAID for investment in the Partnership. The funding received from USAID is a first loss facility of USD2 million. At year end, R139 million had been disbursed to 4 investment intermediaries.

As at 29 February 2024, the Company has committed R1,320 million to 16 third party investment intermediaries, and to the FoVCF Partnership. The Company has focused its investments into two core pillars, namely Growth and Venture Capital.

Growth

As at the balance sheet date, the Company has committed R610 million to eight investments falling within the Growth pillar of the mandate. These investments include R100 million committed to PAPE Fund 3 (PAPE), R125 million committed to SummerPlace Equity Fund 1 (SummerPlace), R100 million to PSP, R100 million to Spartan SME Fund, R50 million to Masisizane Franchise Fund I (Masisizane), R25 million to A2Pay, R10 million to uMastandi Fund I, and R100 million to the SMME Crisis Partnership Fund. To date R473 million of the committed capital has been invested.

Venture Capital

The Company has committed R710 million to investments in the Venture Capital pillar of the mandate as at 29 February 2024. In addition, The Company has secured the most significant institutional funding into Venture Capital within South Africa through the FoVCF Partnership which achieved first close with commitments of R695 million. The Partnership was established to accelerate the growth of the South African Venture Capital industry, to mitigate the risk of loss for capital investors, to increase black and female participation within the industry and to provide access to an array of innovation opportunities, being in line with the Company's Venture Capital mandate. To date R459 million of the committed capital has been invested.

Other initiatives

During the year the Company continued its partnership with Endeavor to support a Local Scale-Up programme that provides 12 months of structured mentoring support to a cohort of 30 entrepreneurs, as well as continuing to support the Grindstone Accelerator.

Financial review

The Company recorded a profit before tax of R45,705,308 including unrealised gains on investments held at fair value of R52,375,433 in the current financial year (2023: R14,098,021). A provision for tax of R22,478,552 (2023:R17,241,634) was recognised.

The Company's primary source of income during the financial year was interest earned on cash and cash equivalents. The Company takes a conservative approach to cash management and invests its excess cash in short term money market type facilities or notice deposits with the primary banking institutions. The Company also earned interest on its investments held at amortised cost as well as interest and dividends from its indirect investments in portfolio companies. A net fair value gain of R52,375,433 (2023: R28,685,514) was recorded on the Company's portfolio investments during the period.

Total expenses for the year comprised primarily fund management and advisory fees, staff costs and interest incurred on long term liabilities. Fund management and advisory fees range between 2% and 3.36% of committed capital and form part of the capital committed to each fund. It is important to note that, cumulatively, an amount of R127.7 million has been expensed in fund management and advisory fees that is recoverable in terms of the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds.

A further R1 million of share subscriptions was received from Distell Limited during the year, relating to the subscription notice issued to shareholders in November 2019.

Discovery Limited continued to assist with financial administration on a pro-bono basis due to the small size of the Company's finance team and to ensure that good corporate governance structures are in place.

Going concern

The directors have considered the financial position of the Company and are of the view that the Company remains a going concern. While the Company currently makes operating cashflow losses and is expected to do so for the foreseeable future, the Company has significant cash balances and its total assets exceed its total liabilities by R1,307 million (2023: R1,282 million). It is expected that the portfolio fund managers will start exiting investments in the next year, depending on the commitment periods and termination dates of each individual partnership. The directors note that, included in accumulated losses, are management fees and fund establishment costs and operating costs paid to investee fund managers totalling R127.7 million (2023:R101.1 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying Funds.

The directors have reviewed the outstanding commitments relative to the Company's cash balances and note that the commitments will be drawn down by the investee Funds over a period of three to four years. The Fund of Funds business model of the Company has also been considered by the directors in their assessment of going concern. This model assumes that the Company will have an investment period of approximately five years during which available funds will be invested in portfolio funds / companies in the SME sector. It is only after this investment period and a period of portfolio company growth and management that the Company is expected to generate realised returns from its investment programme.

Contingent asset

The Company has incurred fund management fees and advisory fees totalling R127.7 million as at 29 February 2024 (2023: R101.1 million) that are fully recoverable from the returns generated by the investee funds on the winding up of the partnership agreements, subject to the performance of the underlying funds.

Share capital and share premium

The Company was incorporated with authorised share capital of 3,000,000,000 ordinary no par value shares. The Company has issued 1,388,400,000 (2023: 1,387,400,000) shares of R1 each as at 29 February 2024.

Shareholding

An analysis of the register of members as at 29 February 2024 identified the following shareholdings equal to or exceeding 5% of the total issued shares in the Company:

SHAREHOLDER	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF ORDINARY SHARES HELD
Unemployment Insurance Fund	300,000,000	21.6%
Compensation Fund	100,000,000	7.2%
Public Investment Corporation SOC Limited	100,000,000	7.2%
First Rand Bank Limited	75,000,000	5.4%
MIH Holdings (Pty) Limited	75,000,000	5.4%
MTN	75,000,000	5.4%
Sasol Limited	75,000,000	5.4%

Dividends

The directors did not declare a dividend nor is any proposed for the year ended 29 February 2024. No dividend was declared during the year ended 28 February 2023 either.

Holding company

The Company is a public company and is not owned or controlled by any significant shareholder.

Directorate

The following were directors of the Company during the current financial year and to the date of this report:

NAME OF DIRECTOR	EXECUTIVE / NONEXECUTIVE DIRECTOR	DATE OF APPOINTMENT
A Gore	Non-executive Chairperson	7 June 2016
F Chothia	Non-executive director	7 June 2021
NJ Dlamini	Non-executive director	7 June 2016
KM Gordhan	Chief Executive Officer	13 November 2020
LM Klein	Non-executive director	23 October 2017
P Mahanyele-Dabengwa	Non-executive director	18 August 2022
YG Muthien	Non-executive director	1 November 2019
NG Payne	Non-executive director	27 June 2016
CT Winter	Chief Financial Officer	13 November 2020

Registered office: 1 Discovery Place, Sandton, 2196

Postal address: PO Box 786722, Sandton, 2146

Directors' remuneration

The Company does not pay any remuneration or fees to the non-executive directors for their services to the Company.

Remuneration paid to executive directors is disclosed in Note 15 to the financial statements.

Directors' interests in contracts

No contracts involving directors' interests were entered into in the current or prior years.

Corporate governance

The Board is ultimately responsible for The SA SME Fund's business, strategy and key policies and for the approval of the financial objectives and targets. The Board currently consists of seven non-executive directors and two executive directors. In terms of the Company's Memorandum of Incorporation, at each Annual General Meeting at least one third of the non-executive directors is required to retire, as are any directors appointed subsequent to the previous AGM. The retiring directors may be re-elected provided they are eligible. Indefinite and life directorships are not permitted.

During the period under review, the Board met four times.

The Board is supported and assisted by two committees with clear mandates and oversight responsibilities for various aspects of the business namely, the Valuations, Audit and Risk Committee and the Nominations, Ethics, HR and Remuneration Committee. The responsibilities delegated to each committee are formally documented in the terms of reference for that committee, which have been approved by the Board. In addition to the two Board committees, a group of industry specialists has been constituted to advise the Board and oversee the investment process by way of the Investment Committee.

Valuations, Audit and Risk Committee

The Valuations, Audit and Risk Committee is an independent statutory committee with responsibility for external audit oversight, financial controls, and risk management and reporting. The members of the Valuations, Audit and Risk Committee during the year under review comprised Mr NG Payne (Chairperson), Mr F Chothia and Dr YG Muthien.

The Valuations, Audit and Risk Committee report is included on pages 88 to 90 of this report.

Nominations, Ethics, HR and Remuneration Committee (NEHR Committee)

The role of the Nominations, Ethics, HR and Remuneration Committee is to ensure the fair and responsible remuneration of the Company's directors and senior executives, as well as to make recommendations on the appointment of directors and senior executives and on the Company's remuneration policies. In addition, the NEHR Committee is responsible for the governance of the Company's Ethics Policy and good corporate citizenship as well as focussing on HR matters within the Company. The members of the NEHR Committee are Dr YG Muthien (Chairperson) and Mr A Gore. The NEHR Committee met twice during the year and approved the key performance indicators and remuneration and short-term incentives (STI) for the investment team, the CFO and the CEO.

Investment Committee

In addition to the above two Board committees, a group of industry specialists has been constituted to advise the Board and oversee the investment process by way of the Investment Committee.

The Investment Committee is an independent committee. In terms of the Delegation of Authority, the Board has delegated authority for the approval of acquisitions and disposals of investments to the Investment Committee. All investments are unanimously approved by the Investment Committee. During the year under audit the members of the Investment Committee are Mr M Jordaan (Chairperson), Mr N Martin, Mr E Mbuthia and Ms L Chiume. The Board has unlimited access to the Investment Committee members.

Events after the reporting date

Investments

The Seed Fund of Funds

The Company has commenced fund raising for a Seed Fund of Funds that will invest in portfolio Fund Managers that fund early stage seed deals. The Company has received R100 million First Loss Capital from the DSI to establish the Seed Fund of Funds. In addition, the DSI has allocated R100 million returnable capital to the Technology Innovation Agency (TIA), for investment in the Seed Fund of Funds.

Apart from the events described above, there have been no significant events subsequent to the end of the reporting period that would impact on the figures reported or that would require disclosure in these financial statements.

Auditors

Deloitte & Touche was re-appointed in office in accordance with the Companies Act. The responsible audit engagement partner is Kelby Moothoosamy.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The SA SME Fund Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The SA SME Fund Limited set out on pages 100 to 136, which comprise the statement of financial position as at 29 February 2024, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The SA SME Fund Limited as at 29 February 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "The SA SME Fund Limited Annual Financial Statements for the year ended 29 February 2024" which includes the Directors' Report as required by the Companies Act of South Africa and the Company Secretary's Certificate, the Directors' responsibility statement and Report of the Valuations, Audit and Risk Committee. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

Deloitte & Touche

Registered Auditor
Per: Kelby Moothoosamy
Senior Associate Director
30 August 2024

5 Magwa Crescent
Waterfall City
2090

STATEMENT OF FINANCIAL POSITION

at 29 February 2024

R	Notes	2024	2023
ASSETS			
Non-current assets			
Intangible assets	2	-	–
Property, plant and equipment	3	1,187,572	571,106
Unlisted investments related to government grant	10	25,500,000	25,500,000
Unlisted investments at fair value	4	876,041,110	670,036,691
Unlisted investments at amortised cost	4	234,938,789	199,625,680
Total non-current assets		**1,137,667,471**	**895,733,477**
Current assets			
Unlisted investments at fair value	4	3,978,979	3,978,979
Unlisted investments at amortised cost	4	-	7,642,455
Trade and other receivables	5	129,066	129,066
Prepayments	6	5,720,561	5,884,321
Cash and cash equivalents	7	544,559,486	551,510,672
Current tax receivable		122,835	1,181,290
Total current assets		**554,510,927**	**570,326,783**
Total assets		**1,692,178,397**	**1,466,060,260**
EQUITY			
Capital and reserves			
Share capital	8	1,388,400,000	1,387,400,000
Accumulated losses		(81,421,015)	(104,647,771)
Total equity		**1,306,978,985**	**1,282,752,229**
LIABILITIES			
Non-current liabilities			
Deferred tax liability		31,430,695	19,909,390
Grant liabilities	10	249,019,180	104,613,571
Deferred income (government grant)	10	91,572,585	48,161,727
Total non-current liabilities		**372,022,460**	**172,684,688**
Current liabilities			
Trade and other payables	11	2,468,595	3,124,534
Right-of-use lease liability	12	1,126,206	400,978
Provisions	13	9,582,151	7,097,831
Provision for current tax		-	-
Total current liabilities		**13,176,952**	**10,623,343**
Total liabilities		**385,199,412**	**183,308,031**
Total equity and liabilities		**1,692,178,397**	**1,466,060,260**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2024

R	Notes	2024	2023
REVENUE			
Interest earned on cash and cash equivalents		27,751,967	34,236,275
Interest earned on investments held at amortised cost		26,345,151	19,562,232
Realised gains on investments held at fair value		-	7,207,975
Unrealised gains on investments held at fair value		52,375,433	28,685,514
Other investment income		6,537,877	3,381,171
Government grant income		24,404,891	9,165,865
Other income		1,552,026	183,750
Total revenue		**138,967,345**	**102,422,782**
EXPENSES			
Ecosystem development and incubator costs		(5,229,446)	(12,875,181)
Impairment losses on investments held at amortised cost		4,821	(1,283,689)
Interest expense on lease liability		(63,545)	(56,314)
Interest expense on long term liability		(20,763,175)	(8,191,925)
Fund management fees		(27,341,014)	(33,336,393)
Operating expenses	**14**	(39,869,678)	(32,581,259)
Total expenses		(93,262,037)	(88,324,761)
Operating profit / (loss)		45,705,308	14,098,021
Tax	**9**	(22,478,552)	(17,241,634)
Net profit for the year		**23,226,756**	**(3,143,613)**
Other comprehensive income		-	-
Total comprehensive income for the year		**23,226,756**	**(3,143,613)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2024

R	Share capital	Accumulated losses	Total
Balance at 1 March 2022	1,386,400,000	(101,504,158)	1,284,895,842
Share capital issue	1,000,000	-	1,000,000
Total comprehensive loss for the year	-	(3,143,613)	(3,143,613)
Balance at 28 February 2023	1,387,400,000	(104,647,771)	1,282,752,229
Balance at 1 March 2023	1,387,400,000	(104,647,771)	1,282,752,229
Share capital issue	1,000,000	-	1,000,000
Total comprehensive income for the year	-	**23,226,756**	**23,226,756**
Balance at 29 February 2024	**1,388,400,000**	(81,421,015)	1,306,978,985

STATEMENT OF CASH FLOWS

for the year ended 29 February 2024

R	Notes	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	16	(68,091,043)	(74,161,647)
Interest received from cash and cash equivalents		27,751,967	34,236,275
Interest paid on lease liability	12	(63,545)	(56,314)
Tax paid		(9,898,793)	(15,353,279)
Net cash outflow from operating activities		**(50,301,414)**	**(55,334,965)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(41,697)	(8,478)
Payments to acquire unlisted investments at fair value		(182,379,356)	(276,390,126)
Payments to acquire unlisted investments at amortised cost		(20,000,000)	(29,000,000)
Payments to acquire unlisted investments iro Government grant		-	(7,500,000)
Proceeds from realisation of unlisted investments at fair value		28,751,370	18,187,865
Proceeds from realisation of unlisted investments at amortised cost		7,549,116	20,953,499
Interest received from unlisted investments		12,922,084	9,152,575
Dividends received from unlisted investments		4,745,996	3,107,027
Net cash outflow from investing activities		**(148,452,487)**	**(261,497,638)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	8	1,000,000	1,000,000
Proceeds from long term liability issued		191,458,183	128,367,355
Capital portion of cash repayments of lease liability	12	(655,467)	(625,676)
Net cash inflow from financing activities		**191,802,716**	**128,741,679**
Net (decrease) / increase in cash and cash equivalents		**(6,951,186)**	**(188,090,924)**
Cash and cash equivalents at the beginning of the year		551,510,672	739,601,596
Total cash and cash equivalents at the end of the year		**544,559,486**	**551,510,672**

ACCOUNTING POLICIES

for the year ended 29 February 2024

SUMMARY OF MATERIAL ACCOUNTING POLICIES

The SA SME Fund is an investment company. The principal accounting policies applied in the preparation of these financial statements are set out below.

1. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, as well as the South African Companies Act 71 of 2008 as amended. They have been prepared in accordance with the going concern principle using the historical cost basis except where otherwise stated in the accounting policies below.

The accounting policies applied in the preparation of these financial statements are consistent with those used in the prior financial year, except where new accounting standards have been adopted.

2. Material judgements and sources of estimation uncertainty

The preparation of the financial statements requires management from time to time to make judgements, estimates and assumptions that affect the application of policies and reported amounts presented in the financial statements and related disclosures. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results in the future could differ from these estimates that may be material to the financial statements. The key judgements and sources of estimation uncertainty are:

2.1 Accounting treatment of investments

The directors of the Company have assessed the nature of each investment to determine whether the Company has control, joint control or significant influence over the investee. In assessing the nature of the investments, the directors have considered the key terms of the investment agreements to assess whether:

- the Company has power over the relevant activities of the investee, earns returns from its investment and has the power to influence the returns;
- there is a contractual arrangement whereby the Company has joint control over the operations of the investee; or
- the Company has significant influence over the investee by virtue of having the power to participate in financial and operating policy making decisions of the investee.

Where the directors have assessed that the Company has significant influence, the Company is applying the IAS 28: Investments in Associates (IAS 28) venture capital exemption. In terms of IAS 28, an entity that is a venture capital organisation may elect to measure investments held in associates or joint ventures at fair value through profit or loss. The directors have assessed the Company as having the characteristics of a venture capital organisation in light of the following criteria:

- Investments are held for the short to medium term rather than for the long term;
- The most appropriate point for exit is actively monitored; and
- Investments form part of a portfolio, which is monitored and managed without distinguishing between investments that qualify as associates or joint ventures and those that do not.

Where none of the above scenarios are applicable, the investments are accounted for in terms of IFRS 9. Financial assets that are accounted for in terms of IFRS 9 are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The directors assess the accounting treatment of the financial assets accounted for under IFRS 9 based on both the Company's business model for managing the financial assets and the contractual cash flows of the financial assets.

The directors have assessed the accounting treatment of the investments to be as follows:

Investment	Control assessment	Measurement basis
4Di Capital Fund III	No control	Fair value through profit or loss
A2Pay Financial Services Proprietary Limited	No control	Amortised cost
Custos Media Technologies (RF) Proprietary Limited/CMT Research Proprietary Limited	No control	Amortised cost
Digital Africa Ventures Fund I	No control	Fair value through profit or loss
E4E Africa Fund I	No control	Fair value through profit or loss
Endeavor Harvest Fund II	No control	Fair value through profit or loss
Grindstone Ventures Fund I	No control	Fair value through profit or loss
KNF Ventures (RF) Proprietary Limited	No control	Fair value through profit or loss
Knife Capital (SA) Fund III	No control	Fair value through profit or loss
Mafami (Pty) Limited t/a Vula	No control	Fair value through profit or loss
Masisizane Franchise Fund I	Significant influence	Fair value through profit or loss
OneBio Seed Investment Fund I	No control	Fair value through profit or loss
PAPE Fund 3	No control	Fair value through profit or loss
ProfitShare Partners Proprietary Limited - loan	No control	Amortised cost
ProfitShare Partners Proprietary Limited – preference shares	No control	Fair value through profit or loss
Umastandi Fund I Proprietary Limited	No control	Amortised cost
Savant Venture Fund I (A)	No control	Fair value through profit or loss
Spartan SME Fund Proprietary Limited	No control	Amortised cost
SummerPlace Equity Fund I	No control	Fair value through profit or loss
The SA SME Fund Management Company Proprietary Limited	Control	Consolidated
The SMME Crisis Partnership Fund	Control	Consolidated
The SA SME Fund GP (RF) Proprietary Limited	Control	Consolidated
The SA SME Fund VC GP Proprietary Limited	Control	Consolidated
The SA SME Fund of VC Funds I	Control	Consolidated
University Technology Fund	No control	Fair value through profit or loss

There have been no changes to the accounting treatment of investments in the current year.

2.2 Fair value measurement of investments

Depending on the stage of the investment and the sector in which the investment operates, a variety of methodologies is used by the Fund Managers, including earnings multiple models, discounted cash flow models and revenue multiple models.

The Valuations, Audit and Risk Committee is responsible for reviewing the valuations of the Funds and underlying portfolio companies, and for recommending the valuations to the Board for approval.

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving the type of securities in which the Funds invest. Therefore, the fair values presented herein may not be indicative of the amount the Funds could realise in a current transaction.

Depending on the stage of the investment and the sector in which the investment operates, a variety of methodologies is used by the Fund Managers, including earnings multiple models, discounted cash flow models and revenue multiple models.

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Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique involving the type of securities in which the Funds invest. Therefore, the fair values presented herein may not be indicative of the amount the Funds could realise in a current transaction.

2.3 Calculation of loss allowance

Certain of the Company's investments are measured at amortised cost. These comprise debt facilities to intermediaries that are utilised by the intermediaries for on-lending to SMEs.

When measuring expected credit losses (ECL) on these investments, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of the asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information as described in paragraph 6.1.

2.4 Tax

Tax comprises South African income tax, chargeable on income-related items only and deferred capital gains tax on unrealised gains on investments.

Due to the nature of the operations of the Company, significant judgement is required in determining the accrual for income taxes. Operating expenses are analysed based on management's assessment of the nature of the expenses and whether it has been incurred in the production of income or whether it is of a capital nature. Expenses incurred in the production of income are further apportioned based on the ratio of funds committed to equity and debt investments. The Company recognises liabilities for anticipated uncertain income tax liabilities based on best informed estimates of taxable income. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax liabilities in the period in which such determination is made. Potential penalties and interest on differing tax outcomes are not provided for in the financial statements and will be recognised as an expense of the Company when and if incurred.

3. Functional and presentation currency

These financial statements are presented in South African Rands, which is the Company's functional currency and presentation currency.

4. Property, plant and equipment

Fixtures, furniture and equipment are stated at cost less accumulated depreciation. Depreciation is recognised so as to write off the cost or valuation of the assets less their residual values over their useful lives, using the straightline method on the following bases:

Leasehold improvements:	33.33% per annum
Furniture and fittings:	20.00% per annum
Office equipment:	20.00% per annum
Computer equipment:	33.33% per annum
Right-of-use assets:	Over the period of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

5. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful lives of the intangible assets using the straight-line method on the following bases:

Computer software:	33.33% per annum

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

6. Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Company recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

None of the Company's investments are regarded as giving rise to a day one profit or loss.

6.1 Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the amortised cost of a financial asset.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the 'Interest earned on investments held at amortised cost' line item.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables, cash and cash equivalents and financial guarantee contracts. The amount of the expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.
- An actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant increases in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic or

technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.
- Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of default occurring.
- A significant change in the quality of the guarantee provided by a shareholder if the shareholder has an incentive and financial ability to prevent default by capital or cash infusion.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data, adjusted by forward looking information. For financial assets, the exposure at default is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trends, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

6.2 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- A financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless such treatment would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

As at 29 February 2024, the Company does not have any financial liabilities that are measured at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are (i) not contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

7. Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's tax liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be an outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of management and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

In terms of the South African Income Tax Act, the revenue of the Company is considered to be passive income and the Company therefore does not generate tax losses that may be utilised at a future date. As a result, the Company does not raise a deferred tax asset in respect of assessed losses.

8. Cash and cash equivalents

Cash and cash equivalents comprise:

- Cash on hand.
- Deposits held at call and short notice.
- Balances with banks.

Cash and cash equivalents have a maturity of less than twelve months from the date of acquisition. Cash and cash equivalents are initially recognised at fair value. Subsequently cash and cash equivalents are carried at cost, which due to their short-term nature approximates fair value.

Due to the highly liquid nature of the cash and cash equivalents, the credit quality of the counterparties and the fact that the Company has never experienced a credit loss, the ECL on cash and cash equivalents is negligible.

9. Share capital

Shares are classified as equity when there is no obligation to transfer cash or assets.

10. Employee benefits

The Company has established a defined contribution retirement fund for its employees.

10.1 Leave pay

The Company accrues in full the employees' rights to annual leave entitlement in respect of past service. This is expensed over the period the services are rendered.

11. Provisions

Provisions are recognised when, as a result of past events, The Company has a present legal or constructive obligation of uncertain timing or amount, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money.

Future events that may affect the amount required to settle an obligation are only taken into account in determining the amount of a provision where there is sufficient evidence that they will occur.

The Company recognises a provision for an onerous contract when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

12. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Due to the short-term nature of trade and other payables, this approximates fair value.

13. Revenue

13.1 Interest

Interest income comprises amounts that the Company earns from bank deposits placed with Tier 1 South African banks and investments held at amortised cost. The interest earned on investments held at amortised cost is earned from the SME sector in South Africa. Interest income is accounted for on an accrual basis in the accounting period in which it is earned.

13.2 Dividend income

Dividend income from investments is recognised when the right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Dividend income is earned on investments in a variety of sectors in South Africa and is included as other investment income in the statement of comprehensive income.

13.3 Investment gains and losses

Investment gains and losses are recognised if any fair value adjustments relating to investments held at fair value are required and are included as gains and losses on investments held at fair value in the statement of comprehensive income.

14. Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and office equipment, and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed.

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 Company uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- 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 lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in 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.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged 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).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments in the current year.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They 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. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of use assets are presented as part of property, plant and equipment in the statement of financial position.

15. Related parties

Amounts due to related parties are classified as financial liabilities subsequently measured at amortised cost. They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any and are subsequently measured at amortised cost using the effective interest method. Interest expense on amounts due to related parties is disclosed in funding costs in the Statement of profit or loss and Other Comprehensive income.

16. Government grants

Government grants received are invested in the Company's investment intermediaries, in line with the purpose for which grant should be used. The grants are recognised as income over the period of the facility in order to match the related costs, for which they are intended to compensate, on a systematic basis. The grants are classified as a financial liability subsequently measured by increasing the carrying amount of the liability, to reflect interest accrued (using the effective interest method) and by reducing the carrying amount to reflect payments made in respect of the grant liability in accordance with IAS 20 requirements.

17. New IFRS standards and amendments to published standards

17.1 Standards and interpretations effective and adopted in the current year

The adoption of the following new and amended standards and interpretations, which are effective for the 29 February 2024 reporting period, did not have any material impact on the amounts or on the disclosures reported in these financial statements:

- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies;
- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – comparative information;
- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 8 – Definition of accounting estimates; and
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules.

17.2 New and revised IFRS standards in issue but not yet effective

The following new standards and interpretations, which are effective for reporting periods beginning on or after 1 January 2024, are not expected to have a material impact on the financial statements in future periods:

- IFRS S1 General Requirements for Disclosure of Sustainability - related Financial Information;
- IFRS S2 – Climate - related Disclosures;
- Amendments to IAS 1 – Non-current Liabilities with Covenants;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date;
- Amendment to IFRS 16 – Lease liability in a Sale and Leaseback;
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; and
- Amendments to IAS 21– Lack of Exchangeability.

The aggregate impact of the initial application of the statements and interpretations on the Company's audited annual financial statements is expected to be not material.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29 February 2024

1. Management of financial risk

The Company's activities expose it to a variety of financial risks. Financial risks include market risk, credit risk and liquidity risk.

1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and investment returns. Market risk that could impact on future cash flows and hence the value of a financial instrument arises from:

- **Interest rate risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- **Currency risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Equity price risk:** The impact of changes in equity prices and dividend income.

Interest rate risk

The SA SME Fund's financial assets are interest bearing, while its financial liabilities are non-interest bearing, except for the right-of-use lease liability and the other long-term liability, however, the interest rates are fixed and the liabilities are not re-measured for changes in market interest rates. The SA SME Fund is exposed to interest rate risks on funds invested in interest bearing bank deposits and investments measured at amortised cost. In addition, cash flow interest rate risk arises on the preference shares that are measured at fair value through profit or loss as the preference dividends earned are linked to the Prime interest rate. There is no fair value interest rate risk on the preference shares.

At 29 February 2024 the Company's total exposure to interest rate risk was as follows:

	2024	2023
	R	R
Investments measured at fair value through profit or loss	40,544,949	35,361,801
Investments measured at amortised cost	234,938,789	207,268,135
Cash and cash equivalents	544,559,486	551,510,672
	820,043,224	**794,140,608**

The analysis below details the Company's sensitivity to a 1% increase and decrease in the interest rate earned on its cash and cash equivalents and investments measured at amortised cost, and the effect on income for the period.

		2024		2023
RATE VARIANCE:	+1%	8,200,432	+1%	7,941,406
	-1%	(8,200,432)	-1%	(7,941,406)

Currency risk

All financial assets and liabilities are denominated in South African Rand and the Company is not exposed to currency risk.

Equity price risk

As at 29 February 2024, the Company holds equity shares in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Company and Mafami Proprietary Limited t/a Vula. In addition, the Company is indirectly exposed to equity price risk through the valuation of the underlying portfolio investments held through its investments in Funds. The analysis below details the Company's sensitivity to a 1% increase and decrease in the fair value of the unlisted investments held at 29 February 2024 based on fluctuations in the price of its unlisted investments.

		2024		2023
Change in equity prices assumed:	+1%	7,473,366	+1%	5,737,425
	-1%	(7,473,366)	-1%	(5,737,425)

1.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The main concentration of credit risk to which the Company is exposed arises from the Company's cash and cash equivalents, preference shares measured at fair value through profit or loss and investments measured at amortised cost. The Company's cash is deposited only with major banks of high-quality credit standing.

Investments go through a stringent due diligence process, including an assessment of the credit risk of the counterparty, and are approved by the Investment Committee.

The maximum exposure to credit risk at the reporting date was as follows:

	2024	2023
	R	R
Investments measured at fair value through profit or loss	105,543,662	135,634,923
Investments measured at amortised cost	234,938,789	207,268,135
Trade and other receivables	129,066	129,066
Cash and cash equivalents	544,559,486	551,510,672
	885,171,003	**894,542,796**

The credit risk on investments that are utilised by intermediaries to provide finance to SMEs is mitigated by the cession of book debts of the investee. In addition, the Company has received guarantees totalling R30,046,714 from companies that are related parties of the investees.

1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities due to insufficient cash being available to meet commitments as and when they become due.

The Company currently has sufficient cash resources available to meet its obligations.

The table below analyses the Company's financial liabilities and certain non-financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	0 – 3 months	**4 – 12 months**	**>1 year**	**Total**
R				
2024				
Trade and other payables	2,468,595	-	-	2,468,595
Right-of-use lease liability	188,771	1,052,083	-	1,240,854
Provisions	**9,575,426**	**6,725**	**-**	9,582,151
Other liabilities	-	-	345,504,783	345,504,783
Total	**12,232,792**	**1,058,808**	**345,504,783**	**358,796,383**
2023				
Trade and other payables	3,124,534	-	-	3,124,534
Right-of-use lease liability	175,369	233,825	-	409,194
Provisions	7,091,362	6,469	-	7,097,831
Other liabilities	-	-	154,046,600	154,046,600
Total	**10,391,265**	**240,294**	**154,046,600**	**164,678,159**

1.4 Valuation risk

The Company's exposure to valuation risk arises from movements in the values of its unquoted investments into Funds, whose valuations in turn are derived from the valuations of portfolio companies in which they invest.

Financial assets and liabilities carried at fair value need to be classified within the appropriate level of hierarchy on which their fair values are based. The information below sets out the different levels as well as the classification of the Company's assets and liabilities where appropriate.

Investments trading in active markets and deriving their fair value from quoted market prices of identical assets are classified within Level 1. These prices provide the most reliable fair value classification and the Company does not need to adjust the quoted prices to measure the fair value of investments. The quoted market price used for investments held by the Company is the current bid price.

Investments trading in markets not considered to be active and deriving their fair value from observable inputs other than quoted prices included within Level 1 are classified within Level 2. These inputs need to be directly or indirectly observable for the investment and can include: quoted market prices for similar assets in active or non-active markets; observable inputs other than quoted prices; and inputs derived or corroborated by observable market data. The unlisted investment in preference shares is classified within this level.

Level 3 classification applies to investments where observable inputs are not available for the asset to determine its fair value. Unobservable inputs are used to measure fair value where relevant observable inputs are not available. The unlisted investments in Fund Limited Partnerships and relevant Section 12J Venture Capital Companies are classified within this level.

	Level 1	Level 2	Level 3	TOTAL
R				
2024				
Unlisted investments	-	40,544,949	839,475,140	880,020,089
Balance at 29 February 2024	**-**	**40,544,949**	**839,475,140**	**880,020,089**
2023				
Unlisted investments	-	35,361,801	638,653,869	674,015,670
Balance at 28 February 2023	**-**	**35,361,801**	**638,653,869**	**674,015,670**

The following table presents the movement in Level 3 assets during the year by class of financial instrument:

	Unlisted investments	
	2024	**2023**
R		
Non-current assets		
Opening balance	638,653,869	356,260,789
Acquisitions	182,380,356	276,390,126
Realisations	(28,751,370)	(18,187,865)
Net gains included in the statement of comprehensive income	47,192,285	24,190,819
Balance at the end of the period	839,475,140	638,653,869

1.5 Capital risk management

The Company's objectives when managing capital are to maintain a strong capital base to sustain the Company's ability to continue as a going concern, to provide sustainable returns for shareholders and benefits for other stakeholders. The capital structure of the Company consists of equity attributable to ordinary shareholders, comprising share capital less accumulated losses. The Company's liquidity profile, current and forecast, is monitored on a continuous basis by management and is considered before investments are approved.

2. Intangible assets

R **Cost**	**Computer software**	**TOTAL**
Balance at 1 March 2022	17,796	17,796
Additions	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Balance at 1 March 2023	**17,796**	**17,796**
Additions	-	-
Disposals	-	-
Balance at 29 February 2024	**17,796**	**17,796**
Accumulated amortisation		
Balance at 1 March 2022	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Balance at 1 March 2023	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 29 February 2024	**17,796**	**17,796**
Carrying amounts		
At 29 February 2024	-	-
At 28 February 2023	-	-

3. Property, plant and equipment

R Cost	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment	Right-of-use assets	TOTAL
Balance at 1 March 2022	**270,953**	**382,600**	**69,796**	**225,180**	**1,264,575**	**2,213,104**
Additions	-	6,579	1,899	-	-	8,478
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**270,953**	**389,179**	**71,695**	**225,180**	**1,264,575**	**2,221,582**
Balance at 1 March 2023	**270,953**	**389,179**	**71,695**	**225,180**	**1,264,575**	**2,221,582**
Additions	-	-	3,751	37,945	1,380,695	1,422,391
Disposals	-	-	-	-	-	-
Balance at 29 February 2024	**270,953**	**389,179**	**75,446**	**263,125**	**2,645,270**	**3,643,974**
Accumulated depreciation						
Balance at 1 March 2022	**56,449**	**278,031**	**49,666**	**138,288**	**263,453**	**785,887**
Depreciation	135,476	57,541	12,486	26,798	632,287	864,588
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**191,925**	**335,572**	**62,152**	**165,086**	**895,740**	**1,650,475**
Balance at 1 March 2023	**191,925**	**335,572**	**62,152**	**165,086**	**895,740**	**1,650,475**
Depreciation	79,028	18,617	7,451	44,351	656,479	805,926
Disposals	-	-	-	-	-	-
Balance at 29 February 2024	270,953	**354,189**	**69,603**	**209,438**	**1,552,219**	**2,456,402**
Carrying amounts						
At 29 February 2024	**-**	**34,990**	**5,843**	**53,688**	**1,093,051**	**1,187,572**
At 28 February 2023	**79,028**	**53,607**	**9,543**	**60,094**	**368,835**	**571,106**

4. Investments

4.1 Unlisted investments at fair value

The Company obtains exposure to and has indirect investments in a diversified pool of unquoted investments (portfolio companies) by investing in Fund Limited Partnerships (Funds) that typically have a 10-year life cycle.

The Company becomes a Limited Partner of the Fund and the investments are made through commitments into the Funds. Additionally, the Company has invested directly in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Company and Mafami Proprietary Limited. The Company has also invested in convertible preference shares issued by ProfitShare Partners Proprietary Limited. As at 29 February 2024, the Company had the following investments:

	2024 R	2023 R
Investments measured at fair value through profit or loss		
Carrying amounts of:		
Unlisted investments	880,020,089	674,015,670
	880,020,089	**674,015,670**
Current	3,978,979	3,978,979
Non-current	876,041,110	670,036,691
	880,020,089	**674,015,670**
Consisting of:		
Cost	813,976,746	631,596,390
Realisations	(85,938,778)	(57,187,407)
Unrealised capital revaluation movement at the end of the year	136,983,799	90,362,892
Accrued income	14,998,322	9,243,795
	880,020,089	**674,015,670**

The investments consisted of the following:	% of fund / company	2024 R	2023 R
PAPE Fund 3	9.7%	125,664,000	80,094,191
KNF Ventures (RF) Proprietary Limited	16.1%	65,712,150	70,452,900
Savant Venture Fund I (A)	68.6%	95,068,111	60,653,157
OneBio Seed Investment Fund I	75.6%	26,632,303	24,691,073
4Di Capital Fund III	95.9%	78,970,280	51,290,688
Masisizane Franchise Fund I	70.4%	67,684,752	59,219,325
SummerPlace Equity Fund I	49.9%	72,247,472	59,671,956
Digital Africa Ventures	95.0%	14,110,052	15,979,682
University Technology Fund	73.0%	127,991,414	79,078,871
ProfitShare Partners preference shares	N/A	40,544,949	35,361,801
The SA SME Fund Management Company Proprietary Limited	31.9%	32,606	27,101
The SA SME Fund of VC Funds I Partnership	33.3%	40,290,851	-
The SA SME Fund VC GP Proprietary Limited	100%	13,935,966	-
The SA SME Fund GP Proprietary Limited	100%	1,000	-
Endeavor Harvest Fund III	10.6%	15,851,993	16,428,880
Grindstone Ventures Fund I	69.2%	6,436,460	4,789,668
Knife Capital (SA) Fund III	18.0%	19,868,039	12,024,276
The SMME Crisis Partnership Fund	33.3%	64,998,712	100,273,122
Mafami Proprietary Limited	6.1%	3,978,979	3,978,979
		880,020,089	**674,015,670**

The fair value of the unlisted investments measured at fair value through profit or loss was determined with reference to the net asset value of the Funds, which measure their assets and liabilities at fair value. The fair value of the preference shares has been calculated by discounting future cash flows at current market interest rates.

The principal place of business of the above investments is South Africa.

PAPE Fund 3 and SummerPlace Equity Fund I are both en commandite partnerships where the investments are of a long term nature and the funds are equity participants that ultimately derive dividends and capital appreciation from their investments.

KNF Ventures is a Section 12J Venture Capital Company focused on innovation-driven ventures with proven traction.

The remaining funds are venture capital funds established with the intention of making long term investments in early stage companies with the ultimate purpose of deriving investment income and achieving long term capital appreciation. The investment in Savant Venture Fund I includes the commitment to the Fund as well as an incubation facility to enable the fund to invest in early-stage potential pipeline companies. All the funds are en-commandite partnerships.

Masisizane Franchise Fund is a general partnership, the purpose of which are to invest in portfolio companies to derive investment income and long term capital gains.

Summarised financial information in respect of Masisizane Franchise Fund I is set out below. The summarised financial information below represents amounts in Masisizane's financial statements and not the Company's share of these amounts.

	2024	2023
	R	R
Current assets	47,280,494	42,895,476
Non-current assets	39,292,682	41,258,301
Total assets	**86,573,175**	**84,153,777**
Current liabilities	-	
Net assets	**96,183,595**	84,153,777
Partners' capital accounts	67,500,000	**67,500,000**
Retained earnings	19,073,175	16,653,777
Capital attributable to partners	**86,573,175**	84,153,777
Capital attributable to The SA SME Fund Limited	**60,921,864**	**59,219,325**
Revenue	10,637,491	5,746,657
Profit / (loss) for the year	1,406,671	5,587,046
Total comprehensive income	**1,406,671**	**5,587,046**

4.2 Unlisted investments at amortised cost

The Company has provided financing facilities to a number of investment intermediaries. This funding is used by the intermediaries to provide finance for working capital, project finance, asset finance and medium-term loans to SMEs and spaza shops. These loans are held with the objective of diversifying the portfolio and collecting contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. In addition, the Company has purchased a convertible promissory note in a potential portfolio company of the University Technology Fund.

At 29 February 2024, the Company had the following investments:

	2024 R	2023 R
Investments measured at amortised cost		
Carrying amounts of:		
Investments measured at amortised cost	234,938,789	207,268,135
	234,938,789	**207,268,135**
Current	-	7,642,455
Non-current	234,938,789	199,625,680
	234,938,789	**207,268,135**
Consisting of:		
Cost	222,500,000	202,500,000
Realisations	(28,502,615)	(20,953,499)
Accrued income	51,014,981	35,800,033
Provision for expected credit losses	(10,073,578)	(10,078,399)
	234,938,789	**207,268,135**

The investments consisted of the following:

	2024 R Amortised cost	2024 R Fair value	2023 R Amortised cost	2023 R Fair value
Spartan SME Fund Proprietary Limited	**138,641,301**	**140,395,666**	**125,096,163**	**129,285,782**
The loan bears interest at Prime less 1% per annum, compounded annually and is repayable in full, together with accrued interest, on 24 April 2027. The loan is secured by a cession of book debts. In addition, the Company has received guarantees totalling R20 million from other companies within the Spartan group. The loan will be subordinated in favour of other funders should additional funding be raised by Spartan SME Fund. The maximum additional funding to be raised by Spartan is R500 million. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.				

	2024 R Amortised cost	2024 R Fair value	2023 R Amortised cost	2023 R Fair value
A2Pay Financial Services Proprietary Limited The loan bears interest at Prime less 2% per annum, compounded quarterly and is repayable in full, together with accrued interest, on 17 January 2028. The loan is secured by a cession of book debts and has been guaranteed by A2L Media Corp Proprietary Limited, a fellow subsidiary of A2Pay. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**12,705,631**	**13,665,266**	**11,509,093**	**12,508,504**
Umastandi Fund I SPV (RF) Proprietary Limited The loan bears interest at Jibar plus 3% per annum, compounded quarterly. The interest earned is repayable on a quarterly basis and the capital balance of the facility is repayable in full including any outstanding accrued interest, on 14 August 2026. The loan has been guaranteed by Umastandi Fund I Security SPV (RF) Proprietary Limited, a fellow subsidiary of Umastandi. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**9,627,476**	**10,140,083**	-	-
ProfitShare Partners Proprietary Limited The loan is secured by a cession of book debts and bears interest at Prime plus 3%, compounded monthly and payable quarterly in arrears. The capital balance of the loan is repayable in full on 8 October 2025. During the year, a portion of the loan was converted into an unsecured short term working capital facility. Once the working capital facility is repaid in full, the funds will be credited to the loan facility. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**73,965,585**	**75,887,957**	**70,662,879**	**76,465,447**
	234,938,789	**240,088,972**	**207,268,135**	**218,259,733**

Movement in Expected Credit Losses

	2024 R	2023 R
Balance at the beginning of the year	**10,078,398**	**8,794,709**
Stage 1 ECL allowance	3,634,077	2,115,090
Stage 2 ECL allowance	**6,444,321**	**6,679,619**
Statement of comprehensive income charge	**(4,821)**	**1,283,689**
Stage 1 ECL allowance	404,786	1,518,987
Stage 2 ECL allowance	(409,607)	(235,298)
Balance at the end of the year	**10,073,578**	**10,078,398**
Stage 1 ECL allowance	4,038,863	3,634,077
Stage 2 ECL allowance	6,034,714	6,444,321

5. Trade and other receivables

	2024 R	2023 R
Financial assets:		
Deposits	129,066	129,066
	129,066	**129,066**

The fair value approximates the carrying value of the trade and other receivables, due to the short-term nature thereof. All trade and other receivables are current. Due to the short-term nature of the trade and other receivables, the credit quality of the counterparties and the fact that the Company has never experienced a credit loss, the ECL on trade and other receivables is negligible.

6. Prepayments

	2024 R	2023 R
Prepaid management fees	5,228,903	5,519,408
Other prepayments	491,657	364,913
	5,720,561	**5,884,321**

7. Cash and cash equivalents

		2024		2023
		R		**R**
Bank and cash balances		**544,559,486**		**551,510,672**
Cash at bank and short term deposits	**Ave. interest rate**		**Ave. interest rate**	
First National Bank	7.88%	14,194,029	5.61%	5,484,845
Investec	10.55%	111,301,150	6.11%	216,687,597
Nedbank	8.67%	275,493,416	6.43%	147,309,038
Rand Merchant Bank call deposit	8.66%	143,570,891	6.27%	182,029,192
		544,559,486		**551,510,672**

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of twelve months or less. The carrying amount of these assets is approximately equal to their fair value due to their short-term nature and because they bear interest at market-linked rates. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

8. Share capital

	2024 Number of shares	2023 Number of shares
Authorised		
Ordinary no par value shares	**3,000,000,000**	**3,000,000,000**

Issued	2024 R	2024 Number of shares	2023 R	2023 Number of shares
Ordinary no par value shares	1,388,400,000	1,388,400,000	1,387,400,000	1,387,400,000

Reconciliation of shares issued	**Number of shares**	**R**
Balance at 1 March 2021	1,367,400,000	1,367,400,000
Issue of shares	19,000,000	19,000,000
Balance at 28 February 2022	**1,386,400,000**	**1,386,400,000**
Issue of shares	1,000,000	1,000,000
Balance at 28 February 2023	**1,387,400,000**	**1,387,400,000**
Issue of shares	1,000,000	1,000,000
Balance at 29 February 2024	**1,388,400,000**	**1,388,400,000**

During the year ended 29 February 2024 the Company increased its share capital and issued 1,000,000 (2023: 1,000,000) fully paid up new shares at a price of R1.00 per share.

9. Tax

	2024 R	2023 R
South African normal tax		
Current tax	**10,957,248**	**10,967,905**
Deferred tax	**11,521,304**	**6,273,729**
	22,478,552	**17,241,634**
Reconciliation of tax rate	%	%
Standard rate of tax	**27.0**	**28.00**
Non-taxable income	(21.66)	(88.77)
Unrealised gains on investments	(27.84)	(172.91)
Expenditure disallowed	46.13	383.83
Timing differences	0.60	(3.50)
Capital loss incurred on exit	-	-
Prior year overprovision	-	-
Deferred capital gains tax on unrealised gains on investments	25.48	(24.35)
Effective tax rate	**49.71**	**122.30**

In terms of the South African Income Tax Act, the non-capital revenue of the Company is considered to be passive income and the Company therefore does not generate tax losses that may be utilised at a date in the future. As a result, the Company does not raise a deferred tax asset in respect of estimated or assessed losses.

10. Government grant assets and other liabilities

	2024 R	2023 R
Unlisted investments related to government grant		
Unlisted investments related to government grant	**25,500,000**	**25,500,000**
Other liabilities		
Grant liability in respect of DSI project funding agreement	236,435,511	100,130,010
Deferred income	66,669,814	35,209,062
	303,105,326	**135,339,072**
Grant liability in respect of USAID First Loss Facility Contribution agreement	12,583,669	4,483,561
Deferred income	24,902,771	12,952,665
	37,486,440	**17,436,226**
Total grant liabilities	249,019,180	104,613,571
Total deferred income	91,572,585	48,161,727
Current	-	-
Non-current	340,591,765	152,775,298
	340,591,765	**152,775,298**

During the year ended 28 February 2021, the Company entered into a project funding agreement with the Department of Science and Innovation (DSI) whereby the DSI provided R25 million cash for investment in specified portfolio companies. The funds do not bear interest and are returnable to the DSI based on the returns generated by the investments in the portfolio companies. In the prior year, the project funding agreement was extended and a further R105 million was received from the DSI for investment in the SA SME Fund of VC Funds I Partnership. In the current year the project funding agreement was amended and a further R150 million was received from the DSI for investment in the SA SME Fund of VC Funds I Partnership. The termination date of the project funding agreement is 31 December 2026.

During the year ended 28 February 2023, the Company entered into a First Loss Facility Contribution Agreement with USAID whereby USAID has provided an amount of USD2 million as a first loss facility for investment in the SA SME Fund of VC Funds I Partnership.

The above liabilities were initially measured at fair value by discounting the amount payable at a market related rate over the term of the agreement. The difference between the amount payable and the fair value is recognised as deferred income from a government grant and is released to the income statement over the term of the agreement on a straight-line basis. Interest expense is recognised over the term of the agreement using the effective interest method. The liability is subsequently measured at amortised cost.

During the current year, the Company invested R46,3 million of the grant received from the DSI, and R5,2 million from the First loss facility received from the USAID in the SA SME Fund of VC Funds I Partnership. The investments with the Partnership are measured at fair value and the grant has not been used to reduce the cost of the investment.

11. Trade and other payables

	2024	2023
	R	R
Trade payables	13,777	714,345
Other payables	**694,543**	**676,270**
Total financial liabilities	708,320	1,390,615
Accruals	1,760,275	1,733,919
Total financial and non-financial liabilities	**2,468,595**	**3,124,534**

Trade and other payables are non-interest bearing and are settled on average 30 days from date of statement. The fair value approximates the carrying value of the trade and other payables, due to the short term nature thereof.

12. Right-of-use lease liability

	2024	2023
	R	R
Movement in right-of-use lease liability		
Balance at beginning of the year	400,978	1,026,654
Lease renewal	1,380,695	-
Finance charges	63,545	56,314
Cash outflow for leases	(719,012)	(681,990)
	1,126,206	**400,978**
Current portion payable within one year	689,349	400,978
Long term portion	436,857	-
Total	**1,126,206**	**400,978**
Total cash outflow for leases		
Finance charges	63,545	56,314
Capital portion	655,467	625,676
	719,012	**681,990**
Contractual undiscounted cash flows		
Due in one year	773,961	409,194
Due thereafter	466,894	-
Total	**1,240,854**	**409,194**

The incremental cost of borrowing used to discount the value of the remaining lease payments is 11.46% (2023: 8.433%).

13. Provisions

	2024	2023
	R	R
Employee benefits	9,582,151	7,097,831
	9,582,151	**7,097,831**
Current	9,582,151	7,097,831
Non-current	-	-
	9,582,151	**7,097,831**
Movement in provisions:		
Balance at the beginning of the year	7,097,831	11,661,098
Additional provision in the year	9,582,151	7,097,831
Utilisation of the provision	(7,097,831)	(11,661,098)
Balance at the end of the year	**9,582,151**	**7,097,831**

The provision for employee benefits represents annual leave and accrued bonuses in terms of employees' contracts of employment. An amount of R9,838,688 (2023: R6,940,510) in respect of employee benefits provisions has been paid subsequent to year end.

14. Operating expenses

	2024	2023
	R	R
Operating expenses comprise:		
Amortisation of intangible assets	-	-
Auditors' remuneration		
Audit fees	2,908,630	2,362,891
Remuneration for other services	-	211,750
Depreciation	805,926	864,589
Fund II costs*	2,234,844	624,584
Insurance	**443,600**	**384,209**
Investment Committee fees	(35,000)	-
Investment-related costs	158,738	449,799
Legal fees	177,554	69,368
Operating lease rentals – office equipment (Note 17)	51,676	67,199
Salaries and wages**	21,203,750	18,946,352
Short term incentives***	9,877,442	6,973,015
Other operating expenses	2,042,518	1,627,503
	39,869,678	**32,581,259**

*The increase in Fund II costs is mainly attributable to overhead costs incurred during the year by the General Partners of The SMME Crisis Partnership Fund and The SA SME Fund of VC Funds I partnership namely The SA SME GP (RF) (Pty) Ltd and The SA SME Fund VC GP (Pty) Ltd. The overhead costs are borne by The SA SME Fund Limited and not the respective partnerships in line with the arrangement between the Company and the General Partners.
**Salaries and wages include gross salaries, statutory contributions and Director's salaries of R R8,090,820 (2023: R7,815,329) as disclosed in note 15.
***Short term incentives include incentives payable to directors as disclosed in note 15.

The increase in salary and wages is mainly attributable to the appointment of the Finance Manager during the year and the increase in the short term incentives allocation percentage from 32.5% to 45% in the current year.

15. Directors' and prescribed officers' emoluments

	2024 (R) Salary	2024 (R) Short term incentive	2024 (R) Total	2023 (R) Salary	2023 (R) Short term incentive	2023 (R) Total
Ketan Gordhan	4,776,676	2,344,914	7,121,590	4,909,959	1,693,549	6,601,508
Caryn Winter	3,314,144	1,491,365	4,805,509	2,907,370	1,077,097	3,984,467
	8,090,820	**3,836,279**	**11,927,099**	**7,815,329**	**2,770,646**	**10,585,975**

The non-executive directors do not receive any remuneration or fees for their services to the Company.

16. Notes to the statement of cash flows

Cash utilised in operations	**2024**	**2023**
	R	**R**
Operating profit / (loss) before tax	45,705,308	14,098,021
Adjustments for:		
Depreciation of property, plant and equipment	805,926	864,589
Interest earned on cash and cash equivalents	(27,751,967)	(34,236,275)
Income from government grant	(24,404,891)	(9,165,865)
Investment income recognised in the statement of comprehensive income	(32,883,028)	(22,943,403)
Interest expense – non cash*	20,763,175	8,191,925
GP contribution into SMME Crisis Partnership Fund	**(1,000)**	
Interest expense on lease liability	63,545	56,314
Unrealised gains from fair value adjustments	**(52,375,433)**	**(28,685,514)**
Increase in expected credit loss provisions	(4,821)	1,283,689
Movement in provisions	2,484,320	(4,563,267)
Working capital changes:		
Decrease / (increase) in prepayments and trade and other receivables	163,761	40,204
(Decrease) / increase in trade and other payables	**(655,939)**	**897,935**
	(68,091,043)	**(74,161,647)**

*Interest expense – non cash relates to interest accrued on the government grant facilities received from the DSI and the USAID. The grants have been classified as a financial liability subsequently measured by increasing the carrying amount of the liability, to reflect interest accrued (using the effective interest method) and by reducing the carrying amount to reflect payments made in respect of the grant liability that have been discounted in accordance with IAS 20 requirements.

17. Operating lease rentals

Operating lease rentals relate to leases of low value office equipment with lease terms of three years.

	2024	**2023**
	R	**R**
Operating lease rentals due within one year	26,451	46,524
Operating lease rentals due thereafter	17,634	44,085
	44,085	90,609

18. Contingencies

There were no contingent liabilities at 29 February 2024 and at 28 February 2023.

19. Capital commitments

The table below notes undrawn capital commitment movements during the year:

Undrawn capital commitments:	% of fund	Total capital commitment	Undrawn capital commitment at 1 March 2023	New capital committed during the year	Capital commitment drawn during the year	Undrawn capital commitment at 29 February 2024
PAPE Fund 3	9.7%	100,000,000	16,385,197	-	(9,773,220)	6,611,977
SummerPlace Equity Fund 1	49.9%	125,000,000	65,473,537	-	(9,784,841)	55,688,696
Savant Venture Fund 1	68.3%	100,000,000	37,300,463	-	(32,365,283)	4,935,180
4Di Capital Fund III	96.15%	125,000,000	59,337,991	-	(13,722,301)	45,615,690
OneBio Seed Investment Fund I	89.02%	75,000,000	46,102,681	-	(5,735,204)	40,367,477
University Technology Fund	72.8%	145,000,000	67,537,920	-	(34,750,474)	32,787,446
Digital Africa Ventures Fund I	97.34%	25,000,000	3,903,489	-	(686,058)	3,217,431
Endeavor Harvest Fund II	10.58%	20,000,000	4,777,544	-	(531,508)	4,246,036
Grindstone Ventures Fund I	73.26%	10,000,000	4,710,502	-	(2,395,691)	2,314,811
Knife Capital (SA) Fund III	25.43%	75,000,000	60,316,504	-	(11,349,554)	48,966,950
Umastandi Fund I		10,000,000	10,000,000	-	(10,000,000)	-
The SA SME Fund of VC Funds I	33.3%	265,000,000	-	265,000,000	(46,321,781)	218,678,219
		1,075,000,000	**375,845,828**	**265,000,000**	**(177,415,915)**	**463,429,913**

Undrawn capital commitments:	% of fund	Total capital commitment	Undrawn capital commitment at 1 March 2022	New capital committed during the year	Capital commitment drawn during the year	Undrawn capital commitment at 28 February 2023
PAPE Fund 3	9.7%	100,000,000	41,862,755	-	(25,477,558)	16,385,197
SummerPlace Equity Fund 1	49.9%	125,000,000	88,285,856	-	(22,812,319)	65,473,537
Savant Venture Fund 1	68.3%	100,000,000	65,141,912	-	(27,841,449)	37,300,463
4Di Capital Fund III	96.15%	125,000,000	82,925,585	-	(23,587,594)	59,337,991
OneBio Seed Investment Fund I	89.02%	75,000,000	59,945,590	-	(13,842,909)	46,102,681
University Technology Fund	72.8%	145,000,000	99,925,398	-	(32,387,478)	67,537,920
Digital Africa Ventures Fund I	97.34%	25,000,000	17,970,738	-	(14,067,249)	3,903,489
Endeavor Harvest Fund II	10.58%	20,000,000	7,229,178	-	(2,451,634)	4,777,544
Grindstone Ventures Fund I	73.26%	10,000,000	10,000,000	-	(5,289,498)	4,710,502
Knife Capital (SA) Fund III	25.43%	75,000,000	75,000,000	-	(14,683,496)	60,316,504
Umastandi Fund I		10,000,000	-	10,000,000	-	10,000,000
		810,000,000	**548,287,012**	**10,000,000**	**(182,441,184)**	**375,845,828**

20. Going concern

The directors have considered the financial position of the Company and are of the view that the Company remains a going concern. While the Company currently makes cashflow operating losses and is expected to do so for the foreseeable future, the Company has significant cash balances and its total assets exceed its total liabilities by R1,307 million (2023: R1,283 million). The directors note that, included in accumulated losses, are management fees and fund establishment costs and operating costs paid to investee fund managers totalling R127.7 million (2023:R101.1 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds. The directors have reviewed the outstanding commitments relative to the Company's cash balances and note that the commitments will be drawn down by the investee Funds over a period of three to four years. The Fund of Funds business model of the Company has also been considered by the directors in their assessment of going concern. This model assumes that the Company will have an investment period of approximately five years during which available funds will be invested in portfolio funds / companies in the SME sector. It is only after this investment period that the Company is expected to generate realised returns from its investment programme.

21. Subsequent events

21.1 The Seed Fund of Funds

The Company has commenced fund raising for a Seed Fund of Funds that will invest in portfolio Fund Managers that fund early stage seed deals. The Company has received R100 million First Loss Capital from the DSI to establish the Seed Fund of Funds. In addition, the DSI has allocated R100 million returnable capital to the Technology Innovation Agency (TIA), for investment in the Seed Fund of Funds.

Apart from the events described above, there have been no significant events subsequent to the end of the reporting period that would impact on the figures reported or that would require disclosure in these financial statements.

22. Related parties

22.1 Transactions with directors

There were no transactions with directors during the year ended 29 February 2024, nor during the year ended 28 February 2023.

22.2 Transactions with related parties

During the period under review, the Company entered into the following transactions with portfolio funds:

R				2024			
	Management fee %	**Total income**	**Interest and dividends received**	**Total expenses**	**Management and advisory fees paid**	**Establishment costs and interest paid on equalisation**	**Fund operating expenses**
Financial assets at fair value through profit or loss							
PAPE Fund 3	**2.00%**	**3,220,907**	3,220,907	**2,141,350**	1,806,467	-	334,882
Savant Venture Fund I (A)	**3.36%**	**-**	-	**3,697,325**	3,697,325	-	-
OneBio Seed Investment Fund I	**3.00%**	**-**	-	**2,786,609**	2,592,575	-	194,034
4Di Capital Fund III	**3.00%**	**306,586**	306,586	**4,855,814**	4,316,525	-	539,289
University Technology Fund	**3.00%**	**-**	-	**6,205,571**	5,013,959	20,085	1,171,527
SummerPlace Equity Fund I	**2.50%**	**2,851,492**	2,851,492	**3,779,187**	3,488,596	-	290,591
Masisizane Franchise Fund I	**N/a**	**-**	-	**313,142**	-	-	313,142
Digital Africa Ventures Fund I	**3.00%**	**-**	-	**896,910**	578,272	-	318,638
Endeavor Harvest Fund II	**2.00%**	**-**	-	**530,274**	530,274	-	-
Grindstone Ventures Fund I	**3.00%**	**-**	-	**384,037**	300,822	-	83,215
Knife Capital (SA) Fund III	**2.00%**	**-**	-	**836,522**	1,729,726	(845,875)	(47,329)
ProfitShare Partners Proprietary Limited		**5,754,526**	5,754,526	**-**	-	-	-
		12,133,511	12,133,511	**26,426,740**	**24,054,541**	**(825,790)**	**3,197,989**
Financial assets measured at amortised cost							
Spartan SME Fund Proprietary Limited		**13,520,054**	13,520,054	-	-	-	-
A2Pay Financial Services Proprietary Limited		**1,207,170**	1,207,170	34,500	-	-	34,500
Umastandi Fund I Proprietary Limited		620,542	620,542	-	-	-	-
ProfitShare Partners Proprietary Limited		**10,997,386**	10,997,386	-	-	-	-
		26,345,151	**26,345,151**	34,500	-	-	34,500
		38,478,662	**38,478,662**	**26,461,240**	**24,054,541**	**(825,790)**	**3,232,489**

In addition to the above transactions, during the year ended 29 February 2024, the Company injected capital of R13,9 million (2023: R0) into The SA SME Fund VC GP Proprietary Limited, a company that it controls.

R			2023				
	Management fee %	**Total income**	**Interest and dividends received**	**Total expenses**	**Management and advisory fees paid**	**Establishment costs and interest paid on equalisation**	**Fund operating expenses**
Financial assets at fair value through profit or loss							
PAPE Fund 3	**2.00%**	**1,986,260**	1,986,260	**2,752,686**	2,305,741	-	446,945
Savant Venture Fund I (A)	**3.36%**	**-**	-	**4,181,605**	3,864,000	-	317,605
OneBio Seed Investment Fund I	**3.00%**	**-**	-	**2,800,673**	2,587,500	-	213,173
4Di Capital Fund III	**3.00%**	**-**	-	**4,568,527**	4,312,500	-	256,027
University Technology Fund	**3.00%**	**-**	-	**6,063,525**	5,002,584	(17,797)	1,078,738
SummerPlace Equity Fund I	**2.50%**	**1,394,911**	1,394,911	**4,318,141**	3,565,000	-	753,141
Masisizane Franchise Fund I	**N/a**	**-**	-	**312,286**	-	-	312,286
Digital Africa Ventures Fund I	**3.00%**	**86,663**	86,663	**2,090,339**	1,147,949	-	942,390
Endeavor Harvest Fund II	**2.00%**	**-**	-	**405,604**	460,000	(53,049)	(1,347)
Grindstone Ventures Fund I	**3.00%**	**-**	-	**502,114**	363,288	-	138,826
Knife Capital (SA) Fund III	**2.00%**	**-**	-	**4,148,817**	2,273,219	1,240,110	635,488
ProfitShare Partners Proprietary Limited		**4,191,004**	4,191,004	**-**	-	-	-
		7,572,175	7,572,175	**32,144,317**	**25,881,781**	**1,169,264**	**5,093,272**
Financial assets measured at amortised cost							
Spartan SME Fund Proprietary Limited		**9,562,744**	9,562,744	-	-	-	-
A2Pay Financial Services Proprietary Limited		**825,831**	825,831	-	-	-	-
ProfitShare Partners Proprietary Limited		**9,173,658**	9,173,658	-	-	-	-
		19,562,233	**19,562,233**	-	-	-	-
		27,134,408	**27,134,408**	**32,144,317**	**25,881,781**	**1,169,264**	**5,093,272**

The SA SME Fund Limited
Incorporated in the Republic of South Africa
Registration number 2016/238385/06
("the Company")

7 January 2026

Dear Shareholder

The detailed Notice of the Annual General Meeting ("Notice") and supporting documentation are attached hereto. The Notice is accompanied by explanatory notes setting out the reasons and the effects of the proposed ordinary resolutions in the Notice.

Should you require a full printed version of the Annual Financial Statements, please contact me on lerato@sasmefund.co.za and a copy will be sent to you.

If you are unable to attend the Annual General Meeting, you are able to vote by proxy in accordance with the instructions in the Notice and the form of proxy.

Yours sincerely

L Mashaba
Company Secretary

The SA SME Fund Limited
Incorporated in the Republic of South Africa
Registration number 2016/238385/06
("the Company")

NOTICE OF AGM

Notice is hereby given in terms of section 62(1) of the Companies Act, No. 71 of 2008 as amended ("the Companies Act") that the eighth Annual General Meeting of the Company ("AGM") will be held on Thursday 29 January 2026 at 11h00 which meeting will held entirely via a remote interactive electronic platform as contemplated by section 63(2)(a) of the Companies Act and clause 29.1 of the Memorandum of Incorporation of the Company ("MOI").

PURPOSE

The purpose of the AGM is to conduct the following business:

1. Present the audited financial statements of the Company for the year ended 29 February 2024 (including the directors' report, the independent external auditor's report and the Valuations, Audit and Risk Committee report) as contained in the Integrated Report which accompanies the Notice and is also available on the Company's website at www.sasmefund.co.za;
2. To consider and, if deemed fit to pass, with or without modification, the resolutions set out below, and
3. To deal with such other business as may be dealt with at an AGM.

RECORD DATE

The record date for shareholders to be registered in the books of the Company for purposes of being entitled to attend, speak and vote at the AGM is 7 January 2026.

PROOF OF IDENTIFICATION REQUIRED

In accordance with the Companies Act, any shareholder or proxy attending the AGM must present reasonable satisfactory identification. Forms of identification include a green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport. Shareholders of the Company who wish to participate in the AGM electronically should provide such identification when making the application to so participate.

ELECTRONIC PARTICIPATION ARRANGEMENTS

The directors of the Company ("Board") has decided that the AGM will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the AGM are required to complete the Electronic Participation Application Form which will be available from the Company Secretary and email the completed form to the Company Secretary (lerato@sasmefund.co.za) as soon as possible but in any event by no later than 11h00 on Tuesday 27 January 2026. Shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 11h00 on Thursday 29 January 2026 to join the meeting by accessing the meeting invitation provided by the Company, whose admission to the meeting will be controlled by a moderator.

The cost of electronic participation in the AGM is for the expense of the participant and will be billed separately by the participant's own service provider. The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM. The Company cannot guarantee there will not be a break in electronic communication that is beyond the control of the Company.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

Shareholders are entitled to attend, speak and vote at the AGM via the use of the electronic platform.

Any shareholder is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote at the AGM in their stead. The person or persons so appointed as proxy or proxies need not be a shareholder or shareholders of the Company.

The electronic platform to be utilised to host the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM. Forms of proxy (which form is included with the Notice) must be lodged with the Company, no later than 11h00 on Tuesday 27 January 2026, being not less than 48 (forty-eight) hours before the AGM, to be held on Thursday 29 January 2026 at 11h00, in accordance with clause 24.3.2 of the MOI. Forms of Proxy may be lodged with the Company by:

- Delivery to the Company at First Floor, Building 1, 5 Second Road, Hyde Park, 2196; or
- Email to lerato@sasmefund.co.za

Any forms of proxy not submitted by this time can still be lodged by email to lerato@sasmefund.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the AGM.

On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder. Voting on the Ordinary and Special Resolutions to be proposed at the AGM will be voted on by a poll.

QUESTIONS

Shareholders are encouraged to submit via email any questions in advance of the AGM to the Company Secretary at lerato@sasmefund.co.za. These questions will be addressed at the AGM and will be responded to via email thereafter.

APPROVALS REQUIRED FOR RESOLUTIONS

In terms of the Companies Act and the MOI, Ordinary Resolutions numbers 1 to 5 (including 1.1 to 1.4; 4.1 to 4.4 and 5.1 to 5.3), contained in this Notice, require the approval by more than 50% (fifty percent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The following documents have been distributed as required and will be presented to the shareholders at the AGM:

- The audited financial statements of the Company for the year ended 29 February 2024
- Directors' Report
- Independent Auditors' Report
- Valuations, Audit and Risk Committee Chairperson's Report
- Nominations, Ethics, HR and Remuneration Committee ("NEHRC") Chairperson's Report

A complete set of the consolidated audited Financial Statements, together with the above-mentioned reports, are set out on pages 30 to 83 of the Integrated Report.

NOMINATIONS, ETHICS, HR AND REMUNERATION COMMITTEE

In accordance with Regulation 43(5)(c) of the Companies Act, the Chairperson of the NEHRC will report to shareholders at the AGM. Section 61(8)(a)(iv) requires public companies to include a presentation of the report to the Company's shareholders explaining how it performed its functions in terms of the Companies Act and the Regulations and the appointment of its members at the AGM.

ORDINARY RESOLUTIONS

Ordinary Resolution number 1 (comprising Ordinary Resolution numbers 1.1, 1.2, 1.3 and 1.4)

Re-Election of directors

To elect by way of separate resolutions the following non-executive directors:

Ordinary resolution number 1.1
"Resolved that Dr LM Klein is elected for appointment as a director of the Company."

Ordinary resolution number 1.2
"Resolved that Ms P Mahanyele-Dabengwa is elected for appointment as a director of the Company."

Ordinary resolution number 1.3
"Resolved that Dr YG Muthien is elected for appointment as a director of the Company."

Ordinary resolution number 1.4
"Resolved that Mr NG Payne is elected for appointment as a director of the Company."

Explanatory note in respect of Ordinary Resolution numbers 1.1, 1.2, 1.3 and 1.4

Clause 38.3.1 of the Memorandum of Incorporation of the Company ("MOI") provides that at least 1/3 (one third) of the Company's non-executive directors shall retire at each AGM. The retiring directors are Dr LM Klein, Ms P Mahanyele-Dabengwa, Dr YG Muthien and Mr NG Payne and they are eligible and available for re-election. The NEHRC have considered the knowledge, skills and performance of the directors retiring by rotation, together with the composition of the Board in terms of age, gender and race and recommend that the eligible directors be proposed for re-election. The proposed Ordinary resolutions number 1.1, 1.2, 1.3 and 1.4 are to elect Dr LM Klein, Ms P Mahanyele-Dabengwa, Dr YG Muthien and Mr NG Payne for appointment as directors of the Company, in accordance with and as required by the Companies Act.

Ordinary resolution number 2

Election of additional director

"Resolved that Mr C Kula is elected for appointment as a director of the Company."

The curriculum vitae of Mr C Kula is attached as Annexure A at the end of the Notice, before the proxy form.

Ordinary resolution number 3

Re-appointment of External Auditors

"Resolved that Deloitte & Touche is re-appointed as the independent external auditors of the Company, to hold office until the conclusion of the next AGM."

Explanatory note in respect of Ordinary Resolution number 3

In terms of section 90(1) of the Companies Act, each year at its AGM, the Company must appoint an auditor who complies with the requirements of section 90(2) of the Companies Act. Following a detailed review, which included an assessment of its independence, the current Valuations, Audit and Risk Committee of the Company has recommended that Deloitte & Touche is re-appointed as the auditors of the Company until the conclusion of the next AGM. It is noted that the individual designated auditor who will undertake the audit for the year ending 28 February 2025 is Ms Nokuthula Mavuso.

Ordinary resolution number 4 (comprising Ordinary Resolution numbers 4.1, 4.2, 4.3 and 4.4)

Appointment and re-appointment of the members of the Valuations, Audit and Risk Committee

To appoint, by way of separate resolutions, the following independent non-executive directors as members of the Company's Valuations, Audit and Risk Committee:

Ordinary Resolution number 4.1
"Resolved that Mr NG Payne is re-appointed as a member of the Company's Valuations, Audit and Risk Committee, subject to the approval and passing of Ordinary Resolution number 1.4."

Ordinary Resolution number 4.2
"Resolved that Mr F Chothia is re-appointed as a member of the Company's Valuations, Audit and Risk Committee."

Ordinary Resolution number 4.3
"Resolved that Mr C Kula is appointed as a member of the Company's Valuations, Audit and Risk Committee subject to the approval and passing of Ordinary Resolution number 2."

Ordinary Resolution number 4.4
"Resolved that Dr YG Muthien is re-appointed as a member of the Company's Valuations, Audit and Risk Committee, subject to the approval and passing of Ordinary Resolution number 1.3."

Explanatory note in respect of Ordinary Resolution numbers 4.1, 4.2, 4.3 and 4.4

In terms of section 94(2) of the Companies Act, the Valuations, Audit and Risk Committee is a committee elected by shareholders at each AGM. In terms of Regulation 42 of the Companies Act Regulations, at least 1/3 (one third) of the members of the Company's Valuations, Audit and Risk Committee must have academic qualifications, or experience in, economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Board is satisfied that the Company's Valuations, Audit and Risk Committee members are suitably skilled, experienced as contemplated in Regulation 42 of the Companies Act Regulations and collectively they have the sufficient qualifications and experience to fulfil their duties as contemplated in Section 94(7) of the Companies Act.

Ordinary resolution number 5 (comprising Ordinary Resolution numbers 5.1, 5.2, and 5.3)

Appointment of the members of the Nominations, Ethics, HR and Remuneration Committee (incorporating the Social and Ethics Committee)

To appoint, by way of separate resolutions, the following independent non-executive directors as members of the Company's NEHRC:

Ordinary Resolution number 5.1
"Resolved that Dr YG Muthien is appointed as a member of the Company's NEHRC, subject to the approval and passing of Ordinary Resolution number 1.3."

Ordinary Resolution number 5.2
"Resolved that Mr A Gore is appointed as a member of the Company's NEHRC."

Ordinary Resolution number 5.3
"Resolved that Dr LM Klein is appointed as a member of the Company's NEHRC, subject to the approval and passing of Ordinary Resolution number 1.1."

Explanatory note in respect of Ordinary Resolution numbers 5.1, 5.2 and 5.3

Amendments to section 72 relate to, inter alia, incorporating certain parts of Regulation 43 into the Companies Act namely, those dealing with the requirements of when to appoint members of the social and ethics committee ("SEC") and timing for constituting the committee. In addition, sections 61 and 72(9A) require that in respect of public companies, such committee members must be appointed at each AGM. The NEHRC incorporates the SEC and its duties. The Board is satisfied that the Company's NEHRC members are suitably skilled, experienced and collectively they have the sufficient qualifications and experience to fulfil their duties.

ADVISORY VOTE

1. Advisory vote: Remuneration Policy and implementation report

Advisory vote number 1.1

"To endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the Remuneration Report contained in the Integrated Annual Report."

Advisory vote number 1.2

"To endorse, by way of a non-binding advisory vote, the Company's remuneration implementation report (the non-executive directors do not receive remuneration for their services as directors and members of statutory committees), as set out in the Integrated Annual Report."

Explanatory notes in respect of advisory endorsement

In terms of the South African King IV report on Corporate Governance ("King IV"), shareholders of a company are provided with an opportunity to pass non-binding advisory votes on the remuneration policy and the implementation report. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof, but will not be binding on the company.

Furthermore, King IV recommends the remuneration policy should record the measures that the board of a company commits to in the event that either the remuneration policy or the implementation report, or both have been voted against by 25% (twenty five percent) or more of the voting rights exercised by the shareholders.

By order of the Board

L Mashaba

Company Secretary

7 January 2026

ANNEXURE A: BIOGRAPHY – MR C KULA

CFA® charterholder, BBusSc (Hons:Finance), BCom (Hons: Accounting), CA(SA)

Co-Head: Old Mutual Private Equity

Chumani is the co-Head of Old Mutual Private Equity (OMPE), overseeing the investment process, strategic direction and operational running of the business. In addition to assuming responsibility for the overall private equity programme, as a member of the OMPE Investment Committee he is actively involved in all investment decision-making processes and retains portfolio responsibility for key investments.

Since joining Old Mutual Alternative Investments (OMAI) in 2007, he has been involved in the full suite of private equity functions, from deal origination to implementation, investment management, and exit.

Chumani joined Old Mutual Private Equity as an Analyst, coming out of the Old Mutual TOPP Programme. He has 18 years of experience in private equity investments. He is also the founding Chairman of Fun Learning for Youth, a non-profit organisation providing academic support to high school learners from disadvantaged communities to enable them to gain entry into university.

Chumani has degrees in business science and accounting and is a Chartered Accountant and a Chartered Financial Analyst. He serves on the boards of Actom, Morecorp, Medhold, Footgear, Beverages Holdco and Holdsport.

Form of proxy

The SA SME Fund Limited,
Incorporated in the Republic of South Africa
Registration number 2016/238385/06,
("the Company")

For use by registered shareholders of the Company at the Annual General Meeting of the Company ("AGM") to be held at 11h00 on Thursday 29 January 2026.

Each shareholder entitled to attend and vote at the AGM may appoint one or more proxy or proxies (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the AGM, and at any adjournment thereof.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the AGM
- The appointment of a proxy is revocable and you may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and the Company.

Kindly note that, meeting participants (including a proxy or proxies) are required in terms of section 63(1) of the Companies Act, No. 71 of 2008 as amended ("the Companies Act") to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

I/We (please print)	(name)
Of	(address)
	(contact number)
being the holders of	ordinary shares in the Company, hereby appoint (see Note 1)
1.	or failing him/her
2.	or failing him/her

3. the Chairman of the AGM, as my/our proxy to attend, participate in and speak and vote for me/us and on my/our behalf or to abstain from voting at the AGM which will be held for the purposes of considering and, if deemed fit, passing the resolutions to be passed thereat, with or without modification, and at any adjournment thereof, in accordance with the following instructions (see note 2).

Insert the number of votes exercisable (one vote per share) -

Ordinary Resolutions		For	Against	Abstain
1.	Ordinary Resolution number 1: Election of directors			
1.1.	Dr LM Klein			
1.2.	Ms P Mahanyele-Dabengwa			
1.3.	Dr YG Muthien			
1.4	Mr NG Payne			
2.	Ordinary resolution number 2: Election of additional director			
3.	Ordinary resolution number 3: Re-appointment of external auditor			
4.	Ordinary resolution number 4: Appointment and re-appointment of independent Valuations, Audit and Risk Committee			
4.1.	Mr NG Payne			
4.2.	Mr F Chothia			
4.3.	Mr C Kula			
4.4.	Dr YG Muthien			
5.	Ordinary resolution number 5: Appointment of Nominations, Ethics, HR and Remuneration Committee			
5.1.	Dr YG Muthien			
5.2.	Mr A Gore			
5.3.	Dr LM Klein			
Advisory Votes		**For**	**Against**	**Abstain**
1.	Advisory endorsement of the remuneration policy and implementation report			
1.1.	Non-binding advisory vote on the remuneration policy			
1.2.	Non-binding advisory vote on the implementation of the remuneration policy			

Note: Insert an “X” in the relevant spaces above or the number of votes exercisable (one vote per share) according to how you wish your vote to be cast. An “X” in the relevant spaces above indicates the maximum number of votes exercisable. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote.

Signed at on 2026

Signature

Assisted by me (where applicable)

Please read the summary of the rights in respect of proxy appointments established by Section 58 of the Companies Act and instructions overleaf.

NOTES TO THE FORM OF PROXY

Summary of shareholders' rights in respect of proxy appointments as contained in Section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- This form of proxy must be in writing, dated and signed by the shareholder appointing the proxy.
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in, and speak and vote at, the AGM, on your behalf.
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this form.
- This form of proxy must be delivered to the Company before your proxy exercises any of your voting rights as a shareholder at the AGM.
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly in person in the exercise of any of your rights as a shareholder at the AGM.
- The appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy.
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by – (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and the Company. Please note that the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the proxy and the Company as aforesaid.
- If this form of proxy has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the Company to you must be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing, and paid any reasonable fees charged by the Company for doing so.
- Your proxy is entitled to exercise, or abstain from exercising, any voting rights of yours without direction at the AGM, except to the extent that this form of proxy provides otherwise.
- The appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof, unless it is revoked by you before then on the basis set out above.

Instructions on signing and lodging the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the shareholder. Should this space be left blank, the Chairman of the AGM will exercise the proxy. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X" or the number of votes exercisable by that shareholder in the appropriate spaces provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the AGM, as he/she thinks fit in respect of all of the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy but the total number of votes cast, or this in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced.
4. Forms of proxy (which form is included with this notice of AGM) must be lodged with the Company at First Floor, Building 1, 5 Second Road, Hyde Park, 2196 or emailed to lerato@sasmefund.co.za to be received by the Company by no later than 11h00 on Tuesday 27 January 2026, being not less than 48 (forty eight) hours before the AGM to be held on Thursday 29 January 2026 at 11h00 in accordance with clause 24.3.2 of the MOI.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless waived by the Chairman of the AGM.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM via the electronic platform and speaking thereat to the exclusion of any proxy or proxies appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces on the form of proxy need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The Chairman of the AGM may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

ADMINISTRATION

The SA SME Fund Limited's directors

The following were the directors of the Company during the current financial year and to the date of distribution of the Notice:

Non-Executive directors

A Gore

F Chothia

NJ Dlamini

LM Klein

C Kula

P Mahanyele-Debengwa

YG Muthien

NG Payne

Executive directors

KM Gordhan

CT Winter

Auditors

Deloitte & Touche, 5 Magwa Crescent, Waterfall City, Waterfall, 2090

Company Secretary

L Mashaba

Registered Office

1 Discovery Place, Sandton, 2196

PO Box 786722, Sandton, 2146

THE SA SME FUND LIMITED

Registration number: 2016/238385/06

Company tax reference number: 9328138194

Integrated Report 2024