Integrated Report 2022

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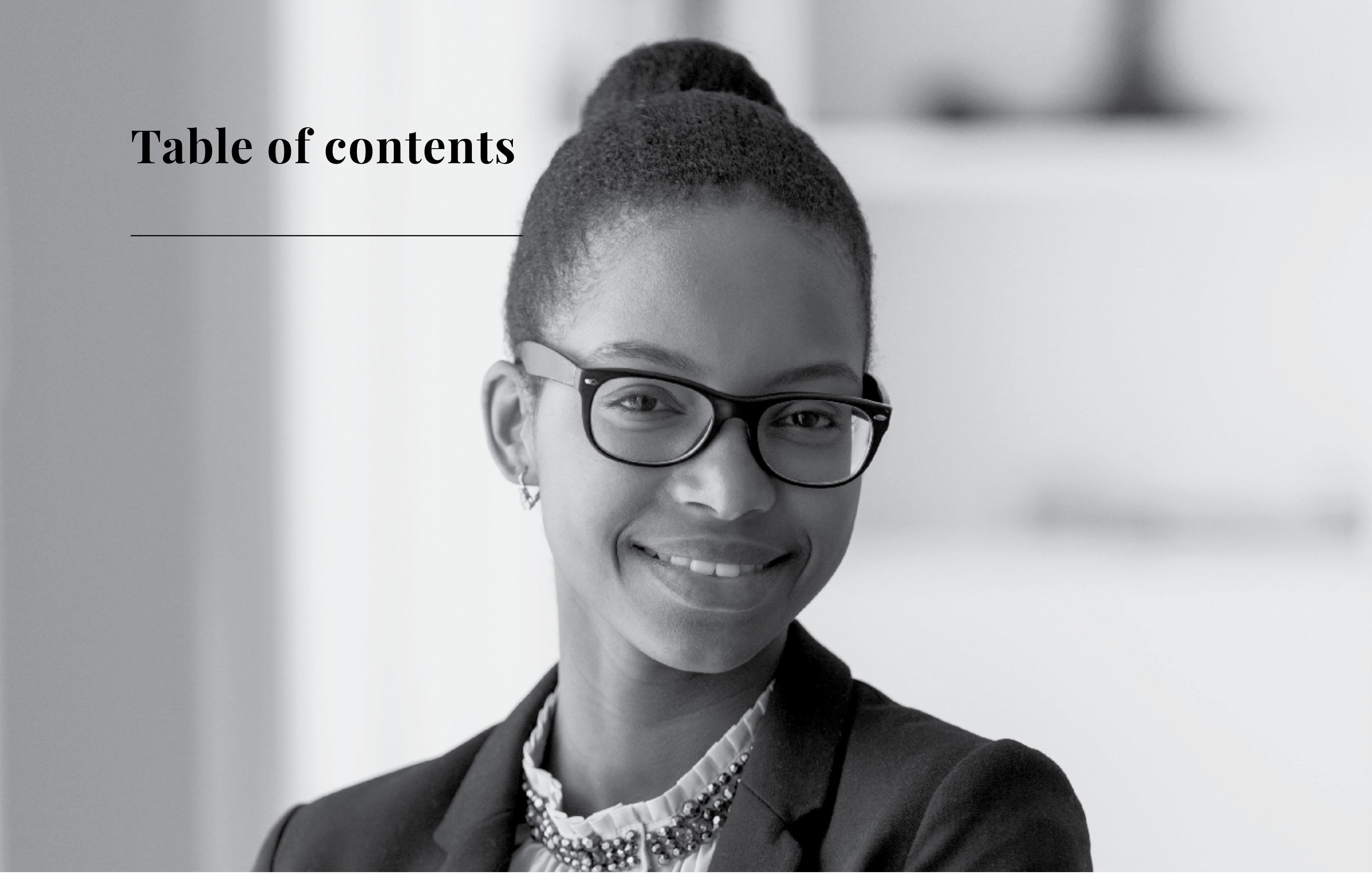


Chairman's report

for the year ended 28 February 2022

Dear Shareholders

It is my pleasure to present the 2022 Annual Financial Report and Financial Statements of The SA SME Fund Limited.

The year under review was once again marked by complexity and upheaval, with several factors increasing the potential risk for businesses. These included the ongoing negative impact of the COVID-19 pandemic; an outbreak in China followed by a series of country-wide lockdowns – with knock-on effects for the global economy; and most notably, the Russian invasion of Ukraine, which precipitated a global energy crisis, inflationary pressures, and severe economic volatility.
In South Africa, ongoing and more severe loadshedding resulted in challenges for businesses of all sizes.

Against this backdrop of complexity and uncertainty, I want to make two key observations in the context of the environment and the Fund's contribution and performance. The first is the issue of timing, namely, it is easy to succumb to the thinking that now is not the time to invest or build a business. But this thinking, which stalls entrepreneurship, would be both flawed and tragic – given the need to deliver economic growth and job creation.

The context of Discovery's founding years in 1992 – a time of tremendous uncertainty in the country – has left me with the deep conviction that cycles change, but it is during difficult times that you should invest and build. Successful entrepreneurs know it is precisely because others are distracted and ambivalent, that opportunities are underpriced, and we have seen this in the growth and excellence of the Fund's beneficiaries.

The second observation is the significant performance of the SA SME Fund itself, which set out to create an enabling ecosystem to empower high potential businesses to scale and change the trajectory of economic growth in the country. The developments post this reporting period demonstrate that the Fund's model is beginning to accelerate and deliver impact, resulting in innovative, catalytic capital raising that is supporting and scaling new industries. This is evident in the creation of two additional funds, post the reporting period, taking total assets under management to over R2 billion. Both these funds are significant in their own right and demonstrate the catalytic nature of the SA SME Fund:

(1) The Fund of VC Funds has raised R500 million and is the first Fund of VC Funds in South Africa to receive an investment allocation from a pension fund. This is an important milestone and demonstrates the success of our mandate to build the local venture capital industry into an attractive and credible asset class.

(2) The SMME Crisis Partnership Fund, a R300 million debt fund for SMEs based in Gauteng townships, is a ground-breaking partnership between government and the private sector. The Gauteng Provincial Government has provided a R100 million first loss guarantee, meaning it will assume the first portion of any losses. The IDC and the SME Fund have each contributed R100 million. The SMME Crisis Partnership Fund's capital has been committed to seven private sector intermediaries, who have aimed to disburse the funding within eight months. Our desire is to replicate this model across other provinces and at the level of national government. Government's first loss de-risks the private sector's exposure and helps crowd in additional funding: a model that has worked exceptionally well internationally.

It is clear that the Fund is increasingly realising its vision of creating a comprehensive ecosystem for entrepreneurship, which enables entrepreneurs to thrive even when the environment is in flux. This kind of ecosystem requires talent and a strong digital skills base, access to funding to scale, strong IT infrastructure, an enabling legal and regulatory framework that is simple to navigate and makes it easy to start and run a business, and liveability.

In this light, 2022 was a pivotal year, with the CEO and Impact Reports outlining how the Fund supports each of these ecosystem pillars. Importantly, the Fund has been able to leverage its brand and significant network of investors to raise additional funds for investment in entrepreneurs. By becoming an anchor investor in a number of new fund managers with game-changing mandates, the Fund de-risked investments for third-party investors and directly facilitated an additional R1.39 billion of capital commitments into its partner funds.

The SA SME Fund, in partnership with FNB and SAVCA supported the First Time Fund Managers Development Programme (FMDP), with 11 fund managers completing the programme and going on to raise R1.5 billion in capital commitments within 15 months. Given its success, the Fund will be spearheading a second programme with SAVCA and TIA, focused specifically on VC Fund Managers.

To help scale high-growth SMEs, the Fund also partnered with Knife Capital on the Grindstone Accelerator and with Endeavor on their Local Scale-up programme. Grindstone supported 70 entrepreneurs with a significant increase in the number of black-owned and women-owned businesses. By the end of 2022 (post the year-end), Endeavor's Local Scale-up saw 26 local companies create an impressive 3,700 jobs, increase their combined annual revenue year on year by over 100% to R2.5 billion, and raise an additional R1.3 billion in capital.

Another focus was providing SMEs access to debt funding, medium-term loans, and asset-backed financing. Working through a network of credible non-bank financial institutions (NBFIs) with wide reach into a large group of SMEs, the Fund provided five NBFIs with facilities to fund SMEs. In addition to this debt funding, the Fund invested in two growth-focused private equity funds. In total, 480 SMEs have been financed, 903 loans provided, R598 million disbursed, and over 80% of financing provided to black entrepreneurs.

These are considerable achievements, and I remain excited by the Fund's progress and the potential of each entrepreneur in whom our partners have invested or provided funding. The Fund's impact is now becoming clearer. The initial R1.4 billion capital raised was an impressive feat, and is starting to pay societal dividends beyond the initial commitments.

I would like to thank our shareholders, our Board members and our team for their ongoing commitment and resolve, fundamentally changing our country for the better as they liberate the potential of the next generation of entrepreneurs in South Africa.

Adrian Gore
Chairman

18 April 2023

CEO report

for the year ended 28 February 2022

While the year under review saw continued economic challenges and uncertainty, most of the Company's portfolio funds and debt intermediaries continued to successfully invest in SMEs, with a total of just under R85 million of capital being deployed by the Company during the year. In addition, a further R18 million of the R25 million received from the Department of Science and Innovation's (DSI) Innovation Fund was invested in nominated portfolio companies. The Company exited E4E Africa Fund I during the year and re-allocated the available capital to two new venture capital investment intermediaries (Knife Capital Fund III and Endeavor Harvest Fund II) and one new growth pillar intermediary (uMastandi Fund I) as well as making a further allocation of capital to the University Technology Fund.

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.

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 28 February 2022, PAPE had drawn down R58.14 million of the Company's committed capital and had invested in four portfolio companies, namely, Laser Group (Logistics), Singular Systems (Fintech), Angelo Kater (Automotive Conversion) and Drinks Dispense Services (Beverage services).

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 R36.7 million of the Company's committed capital and has invested in two portfolio companies at the balance sheet date: Old School Cool (scholar transport) and 4PL (logistics). Old School Cool was severely affected by the COVID-19 school closures and work from home directives and was closed during the year.

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 28 February 2022, Masisizane had provided five loans totalling R25.5 million to three 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 28 February 2022, Spartan has provided loans totalling R391 million to SMEs in 138 transactions. 86% of these loans were provided to black owned business.

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 28 February 2022, A2Pay has utilised R10 million of the facility and has provided just under R20 million financing to 385 Black spaza shop merchants of which 154 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. During the year a portion of the undrawn loan facility was converted into a short term working capital facility repayable after twelve months. At year end, PSP had drawn down R60 million of the loan financing and had financed 78 transactions totalling approximately R163 million to clients 81% 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, subject to legal agreements being finalised.

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 28 February 2022, 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 invested in 10 portfolio companies as at 28 February 2022. These include Quicket (Online ticketing), DataProphet (Machine learning), SkillUp (e-learning), PharmaScout (Internet of Things), PURA (beverages), Cradle/Granite WMS (Warehouse SaaS), Snapplify (e-learning), inQuba (AI-driven Customer Journey Management software), Stone Three (Data analytics) and D6 Education (School management SaaS).

Knife Capital is currently fundraising for Knife Capital Fund III that is targeted to be 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, subject to the conclusion of legal agreements and the fund reaching first close. Knife Capital Fund III has subsequently reached first close and the investment has been finalised subsequent to year end.

Savant Venture Fund I (Savant): R100 million
Additional R10 million provided as an incubator loan facility
Savant is a hardware and engineering focused early-stage VC fund focused on investing in and partnering with highly skilled science and technology inventors for their start-up growth journey. As at 28 February 2022, Savant had drawn down R34.9 million of the Company's committed capital and has utilised the full incubation facility to provide loans to six early stage companies, namely Jonga Systems (home security), Vekta Innovations (health), Astrofica Technologies (satellites), Cognitive Systems (AI security), Inxor (point of sale systems) and Goedertrou Biogas (Waste remediation and Biogas).

During the year, Savant concluded a follow on investment in Inxor that bought out the incubation facility transaction, providing tangible evidence of the success of incubation funding in providing pipeline for the Company's investee funds. In addition to Inxor, Savant has made investments in a further three portfolio companies, namely Smartblade (health), Intelligent Safe (security) and AgrilogiQ Technical Systems (agritech).

4Di Capital Fund III (4Di): R125 million
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 R42.1 million of the Company's committed capital and made investments in four portfolio companies, LifeQ (wearable health tech), Tagmarshall (golf course management), Rapydd Storage Solutions (Audio and video compression) and Cloudline (airship delivery).

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 R15 million of the Company's committed capital and made two portfolio investments in the biotechnology sector, namely Life-Q and BixBio. In addition, OneBio have utilised R2.5 million of the Seed loan facility in the current year.

University Technology Fund (UTF): R145 million
Additional R30 million provided for pre-seed and seed funding
The UTF has been 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 has partnered with initially are the University of Cape Town and Stellenbosch University. The UTF has drawn down R45 million of the Company's committed capital and has invested in four portfolio companies, namely Hyrax Biosciences,Cape BioPharms,, BioCode Technologies and Stellenbosch Nanofiber Company. In addition, seed funding of R13 million has been invested in 6 businesses and pre-seed funding of R5.6 million has been provided to further develop eleven 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 R7 million and invested in one portfolio company in the logistics sector at 28 February 2022.

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 28 February 2022, Endeavor has drawn down R12.8 million of the committed capital and invested in ten 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.

Review of ecosystem initiatives

The Company continued to support and expand its investment in non-investment related initiatives in the SME sector. During the year under review, the Company has contributed a further R11.6 million in these initiatives. During the year the Company supported the SAVCA Fund Manager Development Programme, the Grindstone Accelerator, and the Endeavor Local Scale-up.

SAVCA Fund Manager Development Programme (FMDP)

The Company initially partnered with the South African Venture Capital and Private Equity Association (SAVCA) and FNB to promote the creation of new Fund Managers through an innovative transformation initiative that aims to increase the number of black and female fund managers in Private Equity and VC. Throughout the programme, the prospective fund managers are personally and professionally developed to fast track their entry into the market and receive assistance with fund raising for their new funds. The Company subsequently launched the second Fund Manager Development Programme, together with SAVCA, that will focus specifically on VC fund managers.

Grindstone

The Company partnered with Knife Capital to support the Grindstone Accelerator programme, signing an agreement to support six Grindstone cohorts over a three year period. During the year, the second two cohorts of ten high growth technology companies each, were selected to participate in the programme.

Endeavor Local Scale-up

The Company has partnered with Endeavor to provide funding for their Local Scale-up programme. This programme is focused on identifying high growth businesses and providing these businesses with a twelve month structured programme to assist in their scale-up journey. The Company initially committed to supporting 15 entrepreneurs a year for a three-year period. However, due to the success of the programme, the Company has increased this to 30 entrepreneurs a year for the remaining two years subsequent to year end.

Financial review

The Company's primary source of income during the financial year was interest earned on surplus cash balances. The Company holds significant amounts of cash that are invested in short term deposits with Tier 1 banking institutions. Lower interest rates during the year negatively impacted the interest earnings, with interest earned on excess cash in the current year amounting to R32.9 million, a decrease of 17% over the prior year. The Company's investments returned a total of R44.2 million (2021: R37.8 million) in the current financial year, made up of interest on investments held at amortised cost of R13.6 million, net unrealised fair value gains of R29.6 million and dividends and interest received from underlying portfolio companies of R1 million.

CEO report *continued*

for the year ended 28 February 2022

Total expenses increased due primarily to staff costs returning to normal levels. In the prior year the executive team subscribed to a 20% salary reduction for three months and no incentives or bonuses were paid for the year in response to the COVID-19 pandemic and the economic impacts thereof. There was also a significant increase in impairment provisions due to the increase in credit risk associated with certain investments held at amortised cost and full provision being made against one investment that is experiencing operational challenges.

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. The increase in the current year is the result of the progress of the investment programme, with the Company being fully committed at the end of the financial year. It should be noted that, as at year end, a cumulative total of R73.8 million has been paid to fund managers in 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

The Company has continued with its fund raising efforts for the Fund of Venture Capital Funds. This proposed Fund will be structured as a limited liability partnership, and has reached a first close of R500 million, with the Company providing a commitment of R50 million towards a first loss provision to limit the potential downside to other investors and to attract more capital into the fund. In addition, the fund will not charge investors any fees, nor take any carry. It is anticipated that the new fund will provide capital to 6 to 8 VC fund managers who in turn will invest across the funding spectrum including seed capital, Series A and Series B. The fund is in due diligence with a number of potential institutional and pension fund investors and, at the date of this report has received commitments from the Consolidated Retirement Fund and the DSI. The commitment from the Consolidated Retirement Fund marks the first investment by a pension fund in Venture Capital in South Africa and is testament to the success of the Company in not only deploying funds into the VC sector, but also in its initiatives to develop the sector.

SMME Crisis Partnership Fund

Subsequent to year end, the Company has entered into a Limited Partnership Agreement with the Township Economy Partnership to establish a R300 million, two-year debt fund to provide finance to SMEs. The Township Economy Partnership is a partnership between the Gauteng Provincial Government and the Industrial Development Corporation of South Africa. The Company has committed R100 million to the SMME Crisis Partnership Fund.

In conclusion, I would like to thank not only the board of directors, the Investment Committee and the team for their ongoing support and commitment to meeting our strategic goals, but also our significant shareholder base without whom none of this would be possible.

Ketan Gordhan
CEO

18 April 2023

Report of the Nominations, Ethics, HR and Remuneration Committee *for the year ended 28 February 2022*

The SA SME Fund Nominations, Ethics, HR and Remuneration Committee (the Committee) is pleased to present its report for the year ended 28 February 2022. Since the Committee presented its report in 2021 no material changes were made to the SA SME Fund's remuneration policies and the implementation thereof.

The Committee, previously the Remuneration 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. Between year end and the date of this report, the mandate of the Committee has been expanded to include a broader Human Resources (HR) focus 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. Dr NJ Dlamini resigned from the Committee with effect from 3 May 2021. The Committee met twice during the year and approved the Key Performance Indicators and remuneration and Short-Term Incentive for the investment team, the CFO and the CEO. Both meetings were attended by all members of the Committee.

Nominations

The composition of the Board is reviewed by the Committee annually to ensure that it is balanced in terms of the requisite expertise and experience as well as diversity in terms of race, gender and age. Between year end and the date of this report, the Committee has recommended to the Board that Ms L Klein, previously an alternate director, be appointed as a full member of the Board and that Ms P Mahanyele-Dabengwa be appointed to the Board. Both appointments have subsequently been approved. The Committee believes that these appointments not only bring diversity to the Board but also enhance the Board's current experience of the SME sector and its impact on the economy of South Africa.

The Committee also has responsibility for ensuring the adequacy of succession planning policies and Board education.

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 HR 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 issue of employee retention and promotes a culture which affords all employees development opportunities.

Remuneration policy

The SA SME Fund operates as a typical fund of funds in the private equity and venture capital industry. With R1.4 billion of 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: two years for allocating capital, a further four years for the capital to be invested and lastly four to six 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. In the case of the SA SME Fund, with almost R1.4 billion of capital raised, this 2% of assets under management equates to approximately R28 million per year over 10 years and we expect to operate within this framework.

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 (STIs) and a long-term incentive (LTI) 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 an LTI scheme.

Report of the Nominations, Ethics, HR and Remuneration Committee *continued* *for the year ended 28 February 2022*

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 an LTI or share of carry from the compensation structure.

Salaries and STIs are approved by the Committee based on actual performance against performance targets. Bonuses have been capped at a maximum of 75% of the base salary.

Implementation of the remuneration policy

Details of the remuneration of executive directors for the financial year ended 28 February 2022 are set out in Note 15 of the Annual Financial Statements on page 61 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 STIs) increased from R17.85 million in 2021 to R29.59 million in 2022 (65.77% increase). This increase is the result of the executive directors and some of the investment team subscribing to a 20% salary reduction for April, May and June 2020 and STIs for the year ended 28 February 2021 being suspended in response to the COVID-19 pandemic. By comparison, total compensation costs for the year ended 28 February 2020 were R29.32 million.

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

YG Muthien
Chairperson

18 April 2023

Impact report

Making an impact is at the heart of the SA SME Fund.

The SA SME Fund (the Company) was established by 50 of South Africa's largest corporates and the Public Investment Corporation (PIC) to address some of the most pressing challenges facing South Africa's economic growth and is passionate about nurturing 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.

In tandem with its investment strategy, the Company is focused on supporting initiatives that significantly improve the SME investment ecosystem, making it easier for entrepreneurs to access support, in the form of both capital and business support.

The SA SME Fund Universe

INVESTMENTS

SA SME Fund I
R1,4bn
(Committed)

Fund of VC Funds
R750m target
(First close 2023)

Debt Fund
R300m
(Close September 2022)

ACCELERATORS + **TRAINING**

Grindstone

Endeavor Local Scale-Up

Fund Manager Development Programme I

Fund Manager Development Programme II

IMPACT GOALS

Leverage additional capital for investing in SMEs

Grow the South African venture capital (VC) industry

Build the narrative of business as a national asset

Commercialise and showcase South African intellectual property

Help scale innovative SMEs

Create and incubate new, mainly black, fund managers

Transformation

Our journey

2016

Corporate South Africa
unite with the common purpose to stimulate entrepreneurship and economic growth in the country

2017

Commitments of R1.4bn
raised from Corporate South Africa, the UIF, Compensation Fund and the PIC

2019

Total of R355m committed

- **R225m** committed to two growth equity funds
- **R120m** committed to two venture capital funds
- **R10m** committed to incubation facility

Company invests
in two first-time fund managers and incubates a first-time black women-owned fund manager

CEO Circle launched

The Company partners with Grindstone Accelerator

2020

Total of R870m committed

- **R380m** committed to five SME debt and equity funds
- **R455m** committed to five venture capital funds
- **R35m** committed to incubation facilities and seed and pre-seed funding

Company invests
in a further two first-time fund managers

Anchor investor
in the first University Technology Fund in Africa to commercialise university intellectual property

Pilot funding providing loans
to spaza shop owners

Grindstone partnership
extended for a period of three years

The Company partners with SAVCA
to develop and support the First Time Fund Managers Development Programme

2021

Total of R1,130m committed

- **R500m** committed to five equity and debt funds
- **R590m** committed to five venture capital funds
- **R40m** committed to incubation facilities and seed and pre-seed funding

Company invests
in a further two black first-time fund managers, one black women-owned and managed

R25m raised from the Department of Science and Innovation for investment in portfolio companies

The Company partners with Endeavor
to support their Local Scale-Up Programme for a period of three years

2022

Total of R1,170m committed

- **R510m** committed to seven equity and debt funds
- **R615m** committed to five venture capital funds
- **R45m** committed to incubation facilities and seed and pre-seed funding

Anchor investor in Grindstone Ventures Fund I, a fund established to invest in companies that graduate from the Grindstone Accelerator programme

The Company extends its support of the Endeavor Local Scale Up Programme

Partnership with SAVCA extended and second First Time Fund Managers Development Programme launched, focusing on VC fund managers

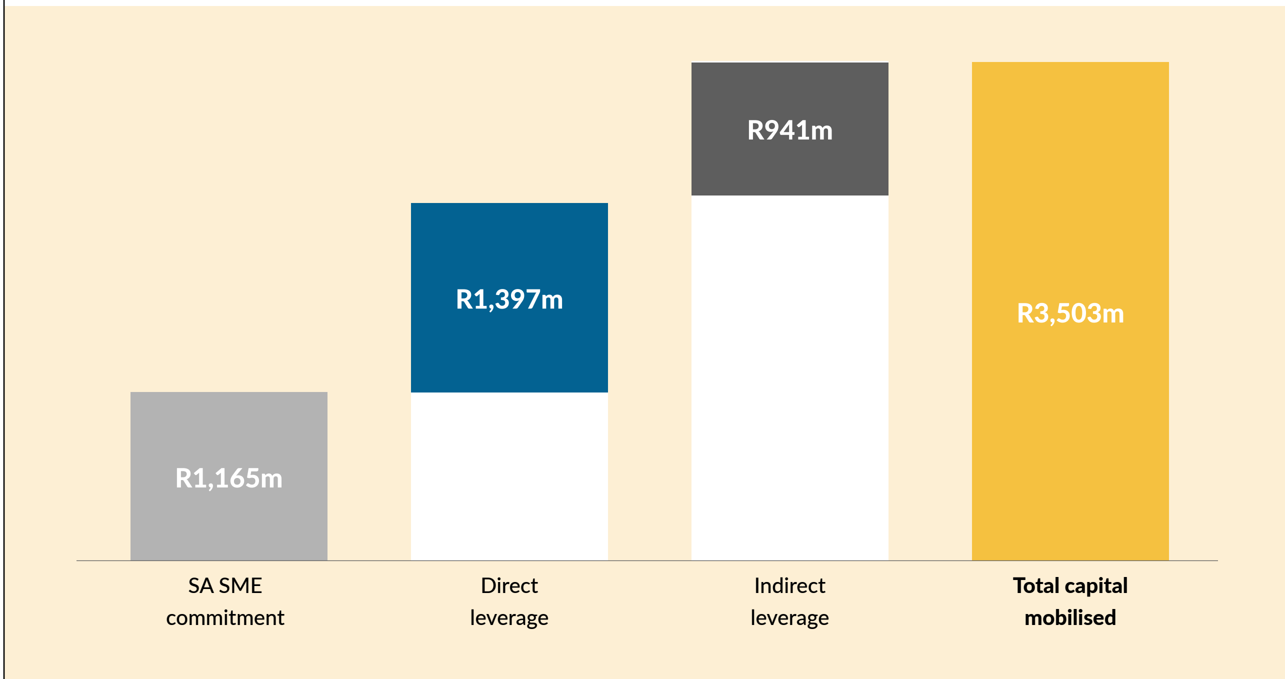
Our impact

Impact goal – Leverage additional capital for investing in SMEs

The Company aims to leverage its significant network of investors to raise additional funds for investment for the SME sector. By being anchor investor in a number of new fund managers with game-changing mandates, the Company de-risked investments for third-party investors and an additional R3,5bn of capital has been raised by the SA SME Fund portfolio.

Impact outcome

- SA SME Fund directly facilitated R1,397m of capital commitments alongside its portfolio of investments of R1,165m
- R941m raised independently by our fund managers
- R3.5bn of capital commitments was mobilised in the SA SME Fund Portfolio



Our impact

Impact goal – Grow the South African venture capital industry

The Company's focus on VC is driven out of the belief that VC investing is inherently impactful. Not only is VC the driving force behind innovation and the digital economy, but it has been shown to be a significant driver of economic gains and supports the growth of SMEs in the real economy. VC 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.

Impact outcome

- Anchor investor in four new innovative VC funds
- De-risk investments for third parties
- Primary sponsor of annual VC conference
- Sponsor of VC industry reports and updates

Impact goal – Commercialise and showcase South African intellectual property

Impact outcome

Anchor investor in:

- University Technology Fund
  - › The first fund in Africa to focus on commercialising IP from universities
  - › Based on the model developed by Oxford and Cambridge universities
- OneBio Seed Investment Fund
  - › The only biotech seed investor in Africa
- Savant Venture Fund I
  - › A hardware- and engineering-focused early-stage VC fund focusing on investing and partnering with highly skilled science and technology inventors

Impact goal – Build the narrative of business as a national asset

Impact outcome

The cumulative effect of the Company's success in achieving its strategic goals is testament to the contribution of business and, specifically to our significant shareholder base, to the greater national good, driving economic growth and inclusion and catalysing new investment and transformation. This speaks to the power of business as a force for social good.

Our impact

Impact goal – Create and incubate new, mainly black, fund managers

Impact outcome

The SA SME Fund, in partnership with FNB and SAVCA supported the first FMDP in South Africa:

- 11 black-owned and managed Fund Managers completed the FMDP, of which eight are women-owned and managed.
- R1,5bn in capital commitments was raised within 15 months.

Spearheading a second programme with SAVCA and TIA, focused specifically on VC Fund Managers (VC FMP) to:

- Grow and transform the VC Fund Manager landscape.
- Attract more capital to the VC industry.

Impact goal – Help scale innovative SMEs

Impact outcome

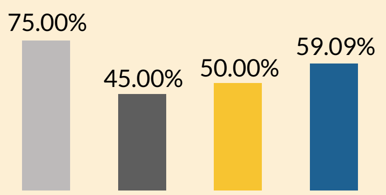
Accelerating VC startups

High Impact entrepreneurs have the ability to deliver economic growth and job creation rapidly. In setting out to help scale high-growth SMEs, the SA SME Fund has partnered with Knife Capital on the Grindstone Accelerator and with Endeavor on their Local Scale-up programme.

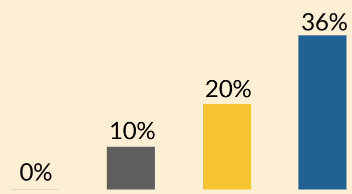
- Grindstone

The Company has supported 70 entrepreneurs through the Grindstone programme, with a significant increase in both in the number of black-owned and women-owned businesses being supported.

Diversity contributions



Female cohort contributions



Cohort Winners

4 *females* **7** *Males*

11 *Diversity*

Diversity in cohorts

54%

Funding raised to date

R92.1 million

Our impact

- Endeavor

The Local Scale-up was launched at the start of 2021 to provide tailored business support to a cohort of 15–20 highly scalable tech-enabled businesses. The focus is on expediting their local and international growth with on-demand tailored mentoring, introductions to potential capital and commercial partners, and other support. In 2021–2022, 24 Local Scale-up companies created 1,100 jobs, promoting transformation and inclusion in job creation.

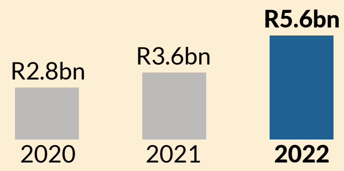
Endeavor Harvest Fund II – Portfolio growth numbers

17 Investments into South Africa Entrepreneurs 2021 – 2022[2]

Annual revenue growth 106%[1]

2022: Simple average growth 93% p.a.

Total annual revenue



Growth 2020 – 2022

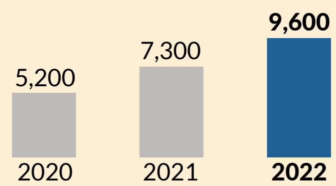
+R2.8bn

Job creation +92%[1] p.a.

2022: Simple average growth 87% p.a.

+80% Black
+60% Youth
+75% Female

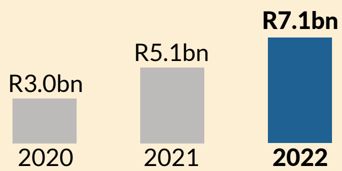
Total number of employees



+4 400 jobs

Capital raised R7.1bn in 2022

Total annual capital raised



1) Simple annual average two-year CAGR 2020 to 2022; Weighted average portfolio two-year CAGR is: Revenue 43%, Job creation 36%

2) Endeavor Entrepreneurs: Carscan • Clickatell • Flexclub • Flow • GOI • Identifii • Jabu • MFS Africa • Mobiz • Ozow • Pargo • Send mare • Synatic • SweepSouth • Talk360 • Tymebank • Yebofresh

endeavor

Our impact

Impact outcome – Promoting growth of SMEs

The Company recognises that one of the quickest and most significant ways to make a difference to SMEs is to provide them with access to debt funding, medium-term loans and asset-backed financing. Working through a network of credible non-bank financial institutions with wide reach into a large group of SMEs, the Company has provided five of these non-bank financial institutions with facilities to fund SMEs. Financing is provided for the following purposes: working capital, short-term loans, specialised asset finance, project financing and expansion. In addition to this debt funding, the Company has invested in two growth focused private equity funds.

TOWNSHIP ECONOMY

Khula Nathi Financial Services
uMaStandi

DEBT
(Non-bank financial institutions)

spartan financing SMEs
MASISIZANE FUND

GROWTH AND MID-MARKET

PAPE funds
SUMMERPLACE EQUITY PARTNERS

Impact outcome:

480 *SMEs financed*

903 *loans provided*

R598m *disbursed*

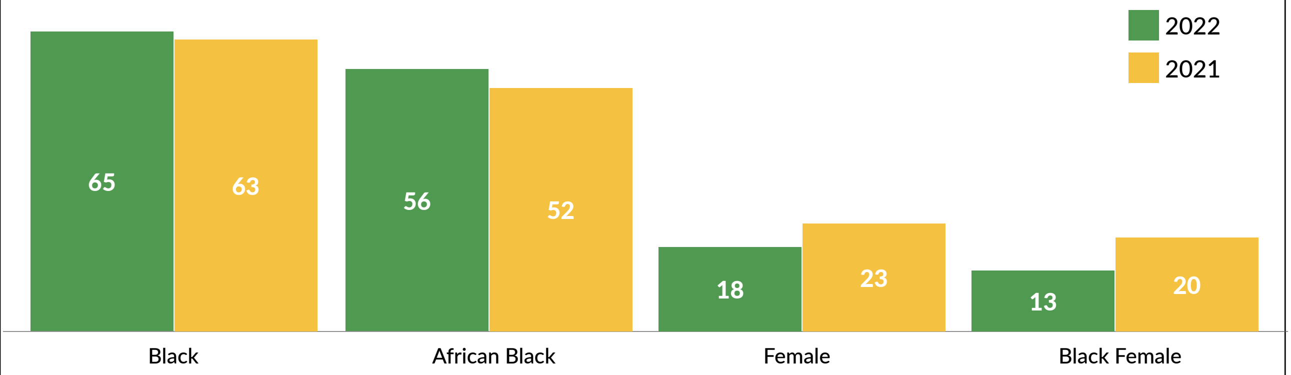
Over 80% *of financing provided to black entrepreneurs*

SA SME Fund impact

Impact goal – 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.

Impact outcome – Transformation SA SME Fund portfolio ownership analysis (%)



Note: The graph above shows the percentage of the Fund that has been made 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.

Case studies

MFS Africa was founded in 2010 by Dare Okoudjou and their workforce is 90% black African with 43% of their execs being African black female and over 40% of their total 650 headcount are female.

MFS Africa is Africa's leading fintech in cross border transactions for mobile wallets and digital payments with a presence in +40 markets with a total +1.7 million end users and has advanced loans to over 200,000 micro-SMEs. MFS Africa's revenue is growing well – achieving over 50% p.a. growth rates before including acquisition – and are gaining market share and growing the market while driving financial inclusion.

In 2021 and 2022, MFS Africa successfully acquired Beyonic (East African SME lending business), BAXI (Nigeria's largest digital payment platform for the informal market) and US-based Global Technology Partners (Africa's leading processor for prepaid cards). Over the same timeframe they successfully raised $100m Series C round led by International VC fund Commerz Ventures and received funding from Endeavor's Harvest Fund, Goodwell Investments among others.

The three acquired businesses have been successfully integrated with a re-structure concluded in late 2022, and since early 2023 MFS Africa is EBITDA positive with exciting growth plans across Africa for the year ahead.

Cape Town-based on-demand home cleaning and services platform, SweepSouth, was founded in 2014 by black female South African, Aisha Pandor, and her husband, Alen Ribic, and now has a presence across a number of markets in Africa with South Africa and Egypt being their core focus.

SweepSouth is growing ahead of competition in South Africa and Egypt. They have enhanced their offering for existing customers, successfully growing revenues and have a total 6,450 workforce of which +90% are black.

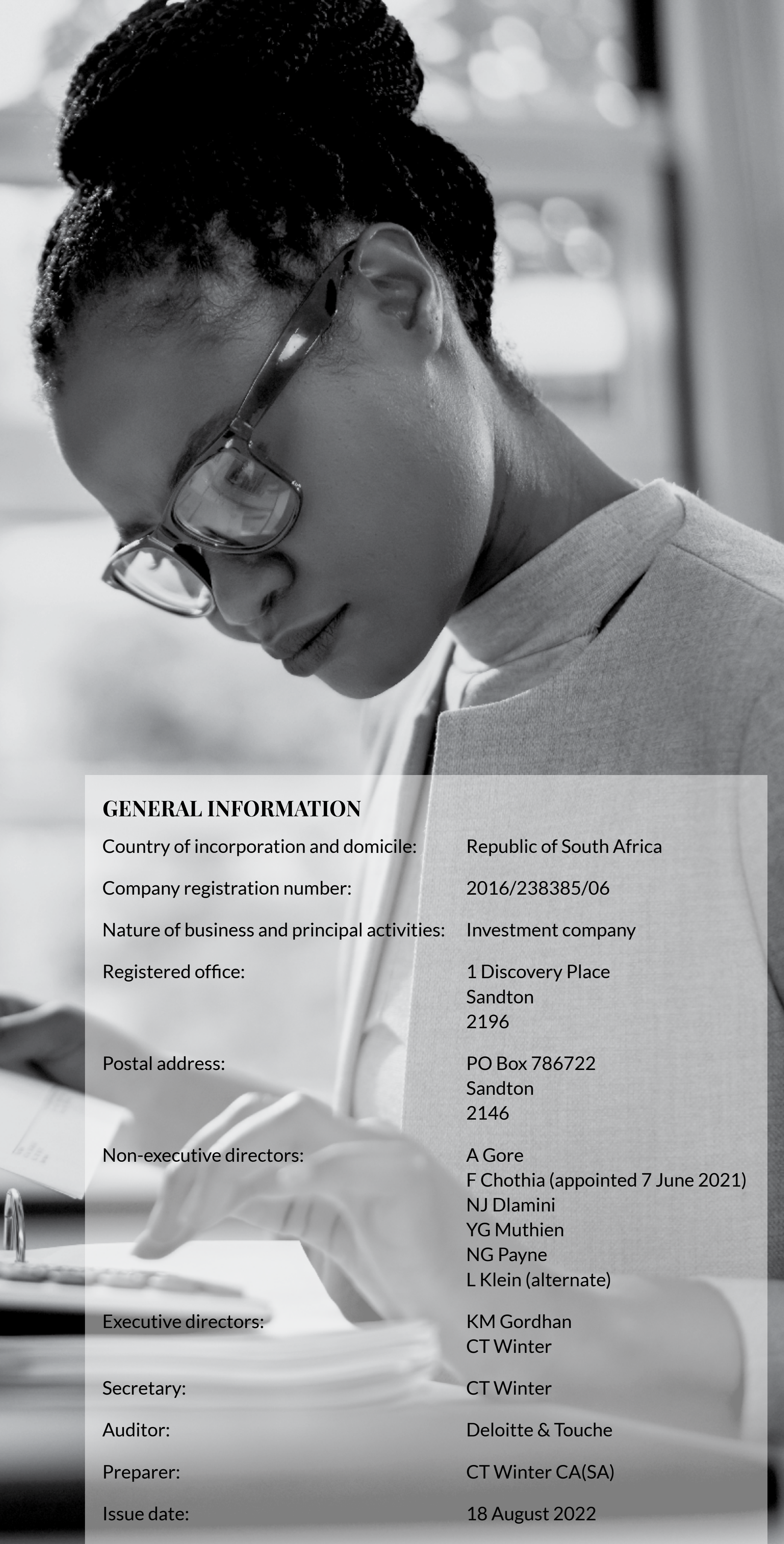
In 2022 Aisha successfully raised a further US$11m, led by Alitheia IDF and included two US-based funds Endeavor Catalyst and Caruso Ventures and two local funds Endeavor's Harvest Fund II and E4E Africa.

"We are particularly proud to have raised funding from Alitheia IDF, a female-led fund, and to have included more women investors on the cap table via a female-focused special purpose vehicle during this round. We are excited about what this means for us going forward and thrilled to have Alithea's Polo Leteka, a black South African female join our board," said Pandor.

SA SME Fund impact *continued*

Portfolio companies impact aligned to the SDGs

1 NO POVERTY	MFS AFRICA, OZOW Secure Payments, iiDENTIFii	**Financial Inclusion**	Promotes financial inclusion and access to affordable finance for the poor
3 GOOD HEALTH AND WELL-BEING	bixbio, HYRAX, CAPE BIO PHARMS	**Improve Human Diagnostics**	Develop technologies to improve human diagnostics and drive down treatment costs
4 QUALITY EDUCATION	Snapplify.com EDUCATION, SkillUp ONLINE, go1	**Quality Education**	Enabling access to quality education
7 AFFORDABLE AND CLEAN ENERGY	Yellow, Goedetrou	**Clean Renewable Energy**	Developing technologies for production and storage of clean renewable energy to support climate change
8 DECENT WORK AND ECONOMIC GROWTH	tripplo	**Grow Business, Enhance Employment**	Supporting SMEs across markets to grow their businesses and enhance employment
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Cloudline	**Technology Innovations for Infrastructure**	Innovative technology to overcome infrastructure challenges to enhance access to goods and services in remote areas
10 REDUCED INEQUALITIES	Khula Nathi Financial Services, Tyme, fin SIMPLY SMARTER FINANCE	**Affordable Loans to Enable Businesses**	Provides affordable loans to informal sector businesses to enable them to compete in the market
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	dataprophet	**Artificial Intelligence for Manufacturing**	Uses Artificial Intelligence to improve manufacturing processes to reduce waste and enhance production efficiencies
13 CLIMATE ACTION	Sawubona Mycelium	**Support Sustainable Food Production**	Developing alternative bio-based products to produce food and other products in a sustainable way



sa sme FUND

FINANCIAL STATEMENTS

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:	PO Box 786722 Sandton 2146
Non-executive directors:	A Gore F Chothia (appointed 7 June 2021) NJ Dlamini YG Muthien NG Payne L Klein (alternate)
Executive directors:	KM Gordhan CT Winter
Secretary:	CT Winter
Auditor:	Deloitte & Touche
Preparer:	CT Winter CA(SA)
Issue date:	18 August 2022

Financial statements

for the year ended 28 February 2022

The reports and statements set out below comprise the financial statements presented to the shareholders.

Contents

Directors' responsibility statement

for the year ended 28 February 2022

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 (IFRS) 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 IFRS and for keeping adequate accounting records in accordance with the Company's system of internal control. C Winter prepared the financial statements for the year ended 28 February 2022.

In preparing the financial statements, suitable accounting policies in accordance with IFRS 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 IFRS 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 28 February 2022 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 28 February 2022, and the net income and cash flows for the year ended 28 February 2022.

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 auditors, 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 32 to 33.

The financial statements of the Company, which appear on pages 34 to 66, were approved by the Board of Directors on 18 August 2022 and are signed on its behalf by:

A Gore
Chairperson

NG Payne
Director

Company Secretary's certificate

for the year ended 28 February 2022

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

18 August 2022

Report of the Valuations, Audit and Risk Committee

for the year ended 28 February 2022

We are pleased to present our report for the year ended 28 February 2022. 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, Dr NJ Dlamini and Dr YG Muthien. Dr NJ Dlamini resigned from the Valuations, Audit and Risk Committee on 3 May 2021 and was replaced on the Committee by Mr F Chothia with effect from 7 June 2021. The Chairperson of the Committee attends the Annual General Meeting (AGM).

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 advisers and Board members.

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

During the year under review, two 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:

- Nominated Deloitte & Touche to the shareholders for appointment as the independent external auditors for the year ended 28 February 2022.
- Satisfied itself that Deloitte & Touche is independent of the Company.
- Agreed the terms of engagement of the external auditors.
- Ensured that the appointment of the auditors complies with the Companies Act.
- Noted and approved the non-audit services provided by the external auditors.
- 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 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 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 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.

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 on 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 the IFRS 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 five-year period, as described more fully in the Directors' report and Note 20 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 28 February 2022

The directors submit their report on the financial statements of The SA SME Fund for the year ended 28 February 2022.

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 year under review saw the continued impacts of the COVID-19 pandemic as well as political unrest and the economic outlook remains challenging. Due to most of the portfolio funds being in the early stages of their investment programmes, the diversified nature of the portfolio and the early-stage of most of the portfolio companies, the Company was not significantly affected by the pandemic and resultant lockdowns. The Company's debt investments have not seen a significant increase in non-performing loans or bad debts and the valuations of portfolio companies have largely not been negatively affected by the pandemic. The Company has significant cash balances and the lower interest rates over the last two years has negatively impacted its interest earnings.

Investment overview

Following a Key Person Event in E4E Africa Fund I during the year, the Company exited the fund and reallocated the committed capital to Knife Capital Series B Fund (R75 million), Endeavor Harvest Fund II (R20 million) and uMastandi Fund I (R10 million) as well as committing an additional R20 million to the University Technology Fund. As part of the exit agreement, the Company took over, at costs, its share of the E4E's investment in Mafami Proprietary Limited t/a Vula. Due to the Company's fund of funds strategy, the Company will look to exit this investment in the short to medium term. Both Knife Capital Series B Fund and uMastandi Fund I are still in the process of finalising legal agreements.

The loan facility to ProfitShare Partners (PSP) was restructured during the year to allow the undrawn amount of R15 million to be converted to a short-term working capital facility, maturing on 31 December 2022, after which the funds will be re-available for investment in SMEs. Full provision has been made against the investment in Custos Media Technologies/CMT Research (Custos) due to operational issues being experienced by Custos. The Company's portfolio manager continues to assist Custos to find a resolution to these operational issues.

As at 28 February 2022, the Company has committed R1,170 million to 16 investment intermediaries.

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 R510 million to seven 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 and R10 million to uMastandi Fund I.

Venture Capital

The Company has committed R660 million to investments in the Venture Capital pillar of the mandate as at 28 February 2022.

As noted above, during the year under review, an additional amount of R25 million was committed to the University Technology Fund, R75 million was committed to Knife Capital Series B Fund and R20 million to Endeavor Harvest Fund I. In addition to these commitments, R10 million was committed to Grindstone Ventures Fund I for investment in companies graduating from the Grindstone Accelerator Programme.

Other initiatives

During the year the Company continued with its initiatives to develop the SME ecosystem and leverage the collective resources of its corporate shareholder base to scale a number of black-founded and led high-growth companies into significant businesses. However, the CEO Circle was impacted by the onset of the COVID-19 pandemic with most corporates having little appetite to approve new projects and take on new suppliers. The Company is building on the learnings of the CEO Circle programme and launched a Local Scale-Up programme with Endeavor to provide 12 months of structured mentoring support to a cohort of 10 to 15 entrepreneurs. Subsequent to year end, the agreement was expanded to include a further 15 entrepreneurs each year.

Building on the success of the first Fund Manager Development Programme, developed and run in conjunction with the South African Venture Capital and Private Equity Association (SAVCA), the Company has launched a second programme, specifically for potential Venture Capital Fund managers.

Financial review

The Company recorded a loss before tax of R12,342,516 in the current financial year (2021: R7,250,134 profit). A provision for tax of R12,017,727 (2021: R9,646,689) 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 R29,608,771 (2021: R25,970,358) 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 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 R73.8 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. In response to the COVID-19 pandemic, no short-term incentives (STI) were paid to the management team for the 2021 financial year. STIs have been accrued for the year ended 28 February 2022 and were paid in March 2022.

A further R19 million of share subscriptions was received during the year, relating to the subscription notice issued to shareholders in November 2019. An amount of R7.6 million remains outstanding.

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.

Tax

In years prior to the 2020 financial year, the revenue of the Company was considered to be passive income and the Company was assessed to not generate tax losses that may be utilised at a future date. No tax expense, nor deferred tax asset in respect of assessed losses, was recognised. As a result, the Company did not make any provisional tax payments. Following a review by tax experts, the Company submitted a Voluntary Disclosure Programme (VDP) submission to the South African Revenue Services (SARS) covering the prior financial years. The VDP application was finalised during the year and signed by SARS in March 2022. An amount of R337,931 in interest is payable to SARS in respect of the late payment of tax and this amount has been accrued into the financial results for the year ended 28 February 2022. Income tax amounting to R3,205,669 is payable in respect of the 2020 financial year. This resulted in an overprovision of prior year income tax being recognised in the current year.

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 losses (before fair value adjustments) and is expected to do so for the foreseeable future until the Company's investments start to generate realised returns, the Company has significant cash balances and its total assets exceed its total liabilities by R1,285 million (2021: R1,290 million). It is expected that the portfolio fund managers will start exiting investments in the next two years, 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 R73.8 million that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company has invested.

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 five 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.

Contingent asset

The Company has incurred fund management fees and advisory fees totalling R73.8 million as at 28 February 2022 that are fully recoverable from the returns generated by the investee funds on the winding up of the partnership agreements,

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 1,386,400,000 (2021: 1,367,400,000) shares of R1 each as at 28 February 2022.

Shareholding

An analysis of the register of members as at 28 February 2022 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	21.64
Compensation Fund	100,000,000	7.21
Public Investment Corporation SOC Limited	100,000,000	7.21
FirstRand Investment Holdings Proprietary Limited	75,000,000	5.41
MIH Holdings Proprietary Limited	75,000,000	5.41
Mobile Telephone Networks Proprietary Limited	75,000,000	5.41
Sasol Limited	75,000,000	5.41

Dividends

The directors did not declare a dividend nor is any proposed for the year ended 28 February 2022. No dividend was declared during the year ended 28 February 2021 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
YG Muthien	Non-executive director	1 November 2019
NG Payne	Non-executive director	27 June 2016
CT Winter	Chief Financial Officer	13 November 2020
LM Klein	Non-executive director (alternate)	23 October 2017

Registered office

1 Discovery Place
Sandton
2196

Postal address

PO Box 786722
Sandton
2146

Directors' remuneration

The non-executive directors do not receive any remuneration or fees 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 five non-executive directors, as well as one alternate non-executive director. In terms of the Company's Memorandum of Incorporation, at each Annual General Meeting (AGM) 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. The responsibilities delegated to each committee are formally documented in the terms of reference for that committee, which have been approved by the Board.

Valuations, Audit and Risk Committee (previously the 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), Dr NJ Dlamini and Dr YG Muthien. Dr NJ Dlamini resigned from the Valuations, Audit and Risk Committee on 3 May 2021 and was replaced by Mr F Chothia with effect from 7 June 2021. The Valuations, Audit and Risk Committee report is included on pages 25 and 26 of this report.

Remuneration Committee

The role of the 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. The members of the Remuneration Committee are Dr YG Muthien (Chairperson), Mr A Gore and Dr NJ Dlamini. Dr NJ Dlamini resigned from the Remuneration Committee with effect from 3 May 2021. The Remuneration Committee met twice during the year and approved the key performance indicators and remuneration and short-term incentives (STIs) for the investment team, the CFO and the CEO.

Subsequent to year end, the role of the Remuneration Committee has been expanded to include a broader Human Resources (HR) focus as well as governance of the Company's Ethics Policy and good corporate citizenship. The name of the Committee has been changed to the Nominations, Ethics, HR and Remuneration Committee to better reflect its expanded role.

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, the members of the Investment Committee are Mr M Jordaan (Chairperson), Mr A Roux, Ms A Kekana and Mr N Martin. Ms Kekana resigned from the Investment Committee with effect from 24 May 2021. The Board has unlimited access to the Investment Committee members. The Investment Committee met three times during the year.

Events after the reporting date

Investments
Subsequent to year end, the Company entered into a Limited Partnership Agreement with the Township Economy Partnership (a partnership between the Gauteng Provincial Government and the Industrial Development Corporation of South Africa Limited) to establish the SMME Crisis Partnership Fund, a two-year debt fund to provide finance to SMEs. The Company has committed R100 million to the SMME Crisis Partnership Fund. The total fund size is R300 million.

Tax
The VDP submission to SARS was resolved in March 2021. Income tax of R3,205,669 and interest of R337,931 was paid to SARS. This resulted in an overprovision of tax relating to prior years being recognised in the current year. The interest paid has been accrued in the financial statements for the year ended 28 February 2022.

The war in Ukraine
The worsening geo-political situation in Eastern Europe, culminating in Russia invading Ukraine subsequent to year end, is not expected to have a significant direct impact on the Company or its portfolio funds. The Company and its funds operate in South Africa, with a small number of portfolio companies having a presence overseas. However, none of these are directly exposed to the ongoing war in the Ukraine.

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, on 16 March 2022. In terms of the Companies Act, the audit engagement partner was rotated with effect from the 2022 financial year. The new responsible audit engagement partner is Nomfundo Marivha.

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 34 to 66, which comprise the statement of financial position as at 28 February 2022, the statement of profit or loss and other 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 summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The SA SME Fund Limited as at 28 February 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Financial Statements for the year ended 28 February 2022" which includes the Directors' Report and Company Secretary Certificate as required by the Companies Act of South Africa, the Directors' responsibility statement and Report of the 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.

Independent Auditor's Report

To the Shareholders of The SA SME Fund Limited

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 International Financial Reporting Standards 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: Nomfundo Marivha
Partner
16 September 2022

5 Magwa Crescent
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Waterfall
Johannesburg
2090

Statement of financial position

at 28 February 2022

R	Notes	2022	2021
ASSETS			
Non-current assets			
Intangible assets	2	**–**	–
Property, plant and equipment	3	**1,427,217**	693,847
Unlisted investments related to government grant	10	**18,000,000**	–
Unlisted investments at fair value	4	**383,148,916**	317,145,816
Unlisted investments at amortised cost	4	**185,243,003**	165,821,409
Total non-current assets		**587,819,136**	483,661,072
Current assets			
Unlisted investments at fair value	4	**3,978,979**	–
Unlisted investments at amortised cost	4	**4,578,520**	4,009,409
Trade and other receivables	5	**132,566**	173,592
Prepayments	6	**5,921,026**	7,733,057
Cash and cash equivalents	7	**739,601,596**	836,845,971
Total current assets		**754,212,687**	848,762,029
Total assets		**1,342,031,823**	1,332,423,101
EQUITY			
Capital and reserves			
Share capital	8	**1,386,400,000**	1,367,400,000
Accumulated losses		**(101,504,158)**	(77,143,915)
Total equity		**1,284,895,842**	1,290,256,085
LIABILITIES			
Non-current liabilities			
Deferred tax liability		**13,635,662**	7,494,865
Other liabilities	10	**18,878,292**	16,908,087
Deferred income (government grant)	10	**6,503,592**	8,196,753
Total non-current liabilities		**39,017,546**	32,599,705
Current liabilities			
Trade and other payables	11	**2,226,599**	2,627,414
Right-of-use lease liability	12	**1,026,654**	537,412
Provisions	13	**11,661,098**	1,032,009
Provision for current tax	9	**3,204,084**	5,370,476
Total current liabilities		**18,118,435**	9,567,311
Total liabilities		**57,135,981**	42,167,016
Total equity and liabilities		**1,342,031,823**	1,332,423,101

Statement of comprehensive income

for the year ended 28 February 2022

R	Notes	2022	2021
Revenue			
Interest earned on cash and cash equivalents		**32,878,265**	39,700,209
Interest earned on investments held at amortised cost		**13,610,806**	8,660,461
Gains on investments held at fair value		**29,608,771**	25,970,358
Other investment income		**1,021,421**	3,174,479
Government grant income		**1,693,161**	320,077
Other income		**75,000**	1,650
Total revenue		**78,887,424**	77,827,234
Expenses			
Ecosystem development and incubator costs		**(11,550,428)**	(13,133,111)
Impairment losses on investments held at amortised cost		**(7,281,026)**	(179,067)
Interest expense on lease liability		**(46,734)**	(31,887)
Interest expense on long-term liability		**(1,446,862)**	(269,014)
Interest expense: SARS		**(337,931)**	–
Fund management fees		**(34,399,220)**	(29,592,166)
Loss on sale of fixed assets		**–**	(9,876)
Operating expenses	14	**(36,167,739)**	(27,361,979)
Total expenses		**(91,229,940)**	(70,577,100)
Operating (loss)/profit		**(12,342,516)**	7,250,134
Tax	9	**(12,017,727)**	(9,646,689)
Net loss for the year		**(24,360,243)**	(2,396,555)
Total comprehensive loss for the year		**(24,360,243)**	(2,396,555)

Statement of changes in equity

for the year ended 28 February 2022

R	Share capital	Accumulated losses	Total
Balance at 1 March 2020	1,306,900,000	(74,747,360)	1,232,152,640
Share capital issue	60,500,000	—	60,500,000
Total comprehensive loss for the year	—	(2,396,555)	(2,396,555)
Balance at 28 February 2021	1,367,400,000	(77,143,915)	1,290,256,085
Balance at 1 March 2021	1,367,400,000	(77,143,915)	1,290,256,085
Share capital issue	19,000,000	—	19,000,000
Total comprehensive loss for the year	—	(24,360,243)	(24,360,243)
Balance at 28 February 2022	**1,386,400,000**	**(101,504,158)**	**1,284,895,842**

Statement of cash flows

for the year ended 28 February 2022

R	Notes	2022	2021
Cash flow from operating activities			
Cash utilised in operations	16	**(69,013,220)**	(82,205,381)
Interest received from cash and cash equivalents		**32,878,265**	39,700,209
Interest paid on lease liability	12	**(46,734)**	(31,887)
Tax paid		**(8,381,254)**	(5,532,197)
Net cash outflow from operating activities		**(44,562,943)**	(48,069,256)
Cash flow from investing activities			
Payments to acquire property, plant and equipment		**(416,631)**	(1,749)
Payments to acquire unlisted investments at fair value		**(69,598,478)**	(135,281,765)
Payments to acquire unlisted investments at amortised cost		**(15,000,000)**	(50,000,000)
Payments to acquire unlisted investments iro government grant		**(18,000,000)**	—
Proceeds from realisation of unlisted investments at fair value		**29,225,170**	9,033,949
Interest received from unlisted investments		**1,913,548**	4,282,082
Dividends received from unlisted investments		**446,948**	2,700,246
Net cash outflow from investing activities		**(71,429,443)**	(169,267,237)
Cash flow from financing activities			
Proceeds from the issue of shares	8	**19,000,000**	60,500,000
Proceeds from long-term liability issued		**523,343**	25,155,903
Capital portion of cash repayments of lease liability	12	**(775,332)**	(885,359)
Net cash inflow from financing activities		**18,748,011**	84,770,544
Net (decrease)/increase in cash and cash equivalents		**(97,244,375)**	(132,565,949)
Cash and cash equivalents at the beginning of the year		**836,845,971**	969,411,920
Total cash and cash equivalents at the end of the year		**739,601,596**	836,845,971

Accounting policies

for the year ended 28 February 2022

Summary of significant 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 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 that follow.

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. SIGNIFICANT 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 (FVTPL). 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 FVTPL 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
KNF Ventures (RF) Proprietary Limited	No control	Fair value through profit or loss
Mafami Proprietary 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
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
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 Consolidated financial statements

The Company is required to prepare consolidated financial statements that incorporate the results of entities over which it has control. The Company is a significant shareholder in The SA SME Fund Management Company Proprietary Limited (the Manco) and is considered to control this entity. The Manco currently holds cash received as a capital injection, earns interest on the cash and incurs bank charges. The net asset value (NAV) of the Manco as at 28 February 2022 is R9,478 (2021: R9,601). Due to the insignificant nature of the NAV of the Manco as at 28 February 2022, the financial statements presented are considered to be consolidated financial statements for The SA SME Fund Limited and its subsidiaries.

2.3 Fair value measurement of investments

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

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 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 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 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 (ECLs) 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.

ECLs 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.

2.5 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 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.

In years prior to the 2020 financial year, the revenue of the Company was considered to be passive income and the Company was assessed to not generate tax losses that may be utilised at a future date. No tax expense, nor deferred tax asset in respect of assessed losses, were recognised. As a result, the Company did not make any provisional tax payments. Following a review by tax experts, the Company submitted a Voluntary Disclosure Programme (VDP) submission to South African Revenue Services (SARS) covering the prior financial years. The VDP was finalised subsequent to year end and interest payable to SARS of R337,931 has been accrued at year end. Income tax of R3,205,669 was payable in respect of the 2020 financial year. No penalties were payable.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in South African Rand, 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 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 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 FVTPL) 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 FVTPL 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 (ie 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:

- 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 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 ECLs 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 ECLs 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 a 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, a 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, eg 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 ECLs
The measurement of ECLs is a function of the probability of default, loss given default (ie 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 ECL 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 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 28 February 2022, 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 (i) the carrying amount of the liability before the modification; and (ii) 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 12 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.
- 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. NEW IFRS STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS

16.1 New and amended IFRS standards that are effective for the current year

The adoption of the following new and amended standards and interpretations, which are effective for the 28 February 2022 reporting period, did not have any material impact on the amounts or on the disclosures reported in these financial statements:

- Covid-19-Related Rent Concessions amendment to IFRS 16.

16.2 New and amended 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 2022 and 1 January 2023, are not expected to have a material impact on the financial statements in future periods:

- IFRS 17 – Insurance Contracts.
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current.
- Amendments to IFRS 3 – Reference to the Conceptual Framework.
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use.
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 8 – Definition of accounting estimates.
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The directors do not expect that the adoption of the standards listed above will have any impact on the financial statements of the Company in future periods.

Notes to the financial statements

for the year ended 28 February 2022

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 FVTPL 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 28 February 2022, the Company's total exposure to interest rate risk was as follows:

R	2022	2021
Investments measured at FVTPL	**30,867,107**	27,517,049
Investments measured at amortised cost	**189,821,523**	169,830,818
Cash and cash equivalents	**739,601,596**	836,845,971
	960,290,226	1,034,193,838

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.

		2022		2021
Rate variance	**+1%**	**9,602,902**	+1%	10,341,938
	-1%	**(9,602,902)**	-1%	(10,341,938)

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 28 February 2022, the Company holds equity shares in KNF Ventures (RF) Proprietary Limited, a section 12J Venture Capital Company (VCC) 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 28 February 2022 based on fluctuations in the price of its unlisted investments.

		2022		2021
Change in equity prices assumed	**+1%**	**3,871,279**	+1%	2,896,288
	-1%	**(3,871,279)**	-1%	(2,896,288)

1. MANAGEMENT OF FINANCIAL RISK *continued*

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 FVTPL 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:

R	2022	2021
Investments measured at FVTPL	**30,867,107**	27,517,049
Investments measured at amortised cost	**189,821,523**	169,830,818
Trade and other receivables	**132,566**	173,592
Cash and cash equivalents	**739,601,596**	836,845,971
	960,422,792	1,034,367,430

The credit risk on investments measured at amortised cost 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 R20 million 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.

R	0 – 3 months	4 – 12 months	>1 year	Total
2022				
Trade and other payables	**2,226,599**	**–**	**–**	**2,226,599**
Right-of-use lease liability	**167,018**	**514,972**	**409,194**	**1,091,184**
Provisions	**11,655,828**	**5,270**	**–**	**11,661,098**
Other liabilities	**–**	**–**	**25,679,246**	**25,679,246**
Total	**14,049,445**	**520,242**	**26,088,440**	**40,658,127**
2021				
Trade and other payables	2,627,414	–	–	2,627,414
Right-of-use lease liability	234,248	312,330	–	546,578
Provisions	1,026,966	5,043	–	1,032,009
Other liabilities	–	–	25,155,903	25,155,903
Total	3,888,628	317,373	25,155,903	29,361,904

1. MANAGEMENT OF FINANCIAL RISK *continued*

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 VCCs are classified within this level.

R	Level 1	Level 2	Level 3	Total
2022				
Unlisted investments	**–**	**30,867,106**	**356,260,789**	**387,127,895**
Balance at 28 February 2022	**–**	**30,867,106**	**356,260,789**	**387,127,895**
2021				
Unlisted investments	–	27,517,049	289,628,767	317,145,816
Balance at 28 February 2021	–	27,517,049	289,628,767	317,145,816

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

	Unlisted investments	
R	**2022**	2021
Non-current assets		
Opening balance	**289,628,767**	165,075,083
Acquisitions	**69,598,478**	110,281,765
Realisations	**(29,225,169)**	(9,033,949)
Net gains included in the statement of comprehensive income	**26,258,713**	23,453,309
Accrued income	**–**	(147,441)
Balance at the end of the period	**356,260,789**	289,628,767

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	Computer software	Total
Cost		
Balance at 1 March 2020	17,796	**17,796**
Additions	–	**–**
Disposals	–	**–**
Balance at 28 February 2021	17,796	**17,796**
Balance at 1 March 2021	17,796	**17,796**
Additions	–	**–**
Disposals	–	**–**
Balance at 28 February 2022	17,796	**17,796**
Accumulated amortisation		
Balance at 1 March 2020	16,188	**16,188**
Amortisation	1,608	**1,608**
Disposals	–	**–**
Balance at 28 February 2021	17,796	**17,796**
Balance at 1 March 2021	17,796	**17,796**
Amortisation	–	**–**
Disposals	–	**–**
Balance at 28 February 2022	17,796	**17,796**
Carrying amounts		
At 28 February 2022	–	**–**
At 28 February 2021	–	**–**

3. PROPERTY, PLANT AND EQUIPMENT

R	Leasehold improve-ments	Furniture and fittings	Office equipment	Computer equipment	Right-of-use assets	Total
Cost						
Balance at 1 March 2020	207,130	317,070	84,309	144,785	1,230,607	**1,983,901**
Additions	–	1,749	–	–	908,643	**910,392**
Disposals	–	–	(16,015)	–	–	**(16,015)**
Balance at 28 February 2021	207,130	318,819	68,294	144,785	2,139,250	**2,878,278**
Balance at 1 March 2021	207,130	318,819	68,294	144,785	2,139,250	**2,878,278**
Additions	270,953	63,781	1,502	80,395	1,264,575	**1,681,206**
Disposals	(207,130)	–	–	–	(2,139,250)	**(2,346,380)**
Balance at 28 February 2022	270,953	382,600	69,796	225,180	1,264,575	**2,213,104**
Accumulated depreciation						
Balance at 1 March 2020	166,854	146,068	25,184	102,634	777,225	**1,217,965**
Depreciation	40,276	63,414	16,862	20,070	831,983	**972,605**
Disposals	–	–	(6,139)	–	–	**(6,139)**
Balance at 28 February 2021	207,130	209,482	35,907	122,704	1,609,208	**2,184,431**
Balance at 1 March 2021	207,130	209,482	35,907	122,704	1,609,208	**2,184,431**
Depreciation	56,449	68,549	13,759	15,584	793,495	**947,836**
Disposals	(207,130)	–	–	–	(2,139,250)	**(2,346,380)**
Balance at 28 February 2022	56,449	278,031	49,666	138,288	263,453	**785,887**
Carrying amounts						
At 28 February 2022	214,504	104,569	20,130	86,892	1,001,122	**1,427,217**
At 28 February 2021	–	109,337	32,387	22,081	530,042	**693,847**

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 VCC and Mafami Proprietary Limited. The Company has also invested in convertible preference shares issued by ProfitShare Partners Proprietary Limited. As at 28 February 2022, the Company had the following investments:

R	2022	2021
Investments measured at FVTPL		
Carrying amounts of:		
Unlisted investments	**387,127,895**	317,145,816
	387,127,895	317,145,816
Current	**3,978,979**	–
Non-current	**383,148,916**	317,145,816
	387,127,895	317,145,816
Consisting of:		
Cost	**355,206,264**	285,607,786
Realisations	**(38,999,542)**	(9,774,373)
Unrealised capital revaluation movement at the end of the year	**65,868,382**	39,548,511
Accrued income	**5,052,791**	1,763,892
	387,127,895	317,145,816

The investments consisted of the following:

R	% of fund/ company	2022	2021
PAPE Fund 3	9.7	**54,903,494**	61,541,110
KNF Ventures (RF) Proprietary Limited	16.1	**67,054,050**	51,643,051
Savant Venture Fund I (A)	68.3	**31,742,810**	27,724,491
OneBio Seed Investment Fund I	89.0	**8,384,191**	4,229,468
4Di Capital Fund III	96.2	**44,080,807**	35,500,370
Masisizane Franchise Fund I	70.4	**55,287,699**	51,747,620
SummerPlace Equity Fund I	49.9	**31,294,331**	2,882,523
Digital Africa Ventures	93.5	**3,620,830**	24,045,071
E4E Africa Fund I	0.00	**–**	15,966,115
University Technology Fund	76.8	**43,612,456**	14,331,962
ProfitShare Partners preference shares	N/A	**30,867,107**	27,517,049
The SA SME Fund Management Company Proprietary Limited	31.9	**19,582**	16,986
Endeavor Harvest Fund III	12.3	**12,281,559**	–
Mafami Proprietary Limited	6.1	**3,978,979**	–
		387,127,895	317,145,816

4. INVESTMENTS *continued*

The fair value of the unlisted investments measured at FVTPL was determined with reference to the NAV 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 VCC 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 at 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.

R	2022	2021
Current assets	**63,134,312**	56,794,867
Non-current assets	**24,543,162**	16,741,224
Total assets	**87,677,474**	73,536,091
Current liabilities	**9,110,743**	–
Net assets	**78,566,731**	73,536,091
Partners' capital accounts	**67,500,000**	67,500,000
Retained earnings	**11,066,731**	6,036,091
Capital attributable to partners	**78,566,731**	73,536,091
Capital attributable to The SA SME Fund Limited	**55,287,699**	51,747,620
Revenue	**5,112,546**	10,544,409
Profit/(loss) for the year	**5,030,640**	6,237,740
Total comprehensive income	**5,030,640**	6,237,740

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.

4. INVESTMENTS *continued*

At 28 February 2022, the Company had the following investments:

R	2022	2021
Investments measured at amortised cost		
Carrying amounts of:		
Investments measured at amortised cost	**189,821,523**	169,830,818
	189,821,523	169,830,818
Current	**4,578,520**	4,009,409
Non-current	**185,243,003**	165,821,409
	189,821,523	169,830,818
Consisting of:		
Cost	**173,500,000**	158,500,000
Accrued income	**25,116,233**	12,844,502
Provision for ECLs	**(8,794,710)**	(1,513,684)
	189,821,523	169,830,818

R	2022 Amortised cost	2022 Fair value	2021 Amortised cost	2021 Fair value
The investments consisted of the following:				
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.	**116,812,712**	**121,556,849**	110,519,626	110,637,728

4. INVESTMENTS *continued*

R	2022 Amortised cost	2022 Fair value	2021 Amortised cost	2021 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 30 June 2027. 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.	**10,922,957**	**11,793,634**	10,519,624	10,786,547
Custos Media Technologies (RF) Proprietary Limited/ CMT Research Proprietary Limited The promissory note is unsecured, bears interest at 8% per annum and is repayable on 30 April 2022. The note is convertible into ordinary shares in the issuers at the option of the Company, unless the issuer raises capital proceeds in excess of USD1 million, in which case the note is automatically convertible into share capital in the issuers. Due to operational and financial indicators, the investment has been fully impaired at 28 February 2022. The investment is regarded as a Level 2 instrument under the fair value hierarchy. Subsequent to year end, the maturity of the note has been extended to 31 October 2022.	**–**	**–**	4,009,409	4,009,409
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 accrued interest was deferred and is repayable, together with accrued interest thereon on 31 December 2022. 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.	**62,085,854**	**67,763,673**	44,782,159	46,667,316
	189,821,523	**201,114,156**	169,830,818	172,101,000

Movement in ECLs

R	2022	2021
Balance at the beginning of the year	**1,513,683**	1,334,616
Stage 1 ECL allowance	**1,513,683**	1,334,616
Statement of comprehensive income charge	**7,281,026**	179,067
Stage 1 ECL allowance	**601,407**	179,067
Stage 2 ECL allowance	**6,679,619**	–
Balance at the end of the year	**8,794,709**	1,513,683
Stage 1 ECL allowance	**2,115,090**	1,513,683
Stage 2 ECL allowance	**6,679,619**	–

5. TRADE AND OTHER RECEIVABLES

R	2022	2021
Financial assets:		
Deposits	**132,566**	173,592
	132,566	173,592

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

R	2022	2021
Prepaid management fees	**5,659,792**	7,362,706
Other prepayments	**261,234**	370,351
	5,921,026	7,733,057

7. CASH AND CASH EQUIVALENTS

R	2022		2021	
Bank and cash balances		**739,601,596**		836,845,971
Cash at bank and short-term deposits	**Ave interest rate**		Ave interest rate	
First National Bank	**3.33%**	**17,127,319**	4.32%	39,732,782
Investec	**4.45%**	**211,007,523**	4.43%	102,361,148
Nedbank	**4.23%**	**144,095,472**	4.91%	342,105,023
Rand Merchant Bank 32 day notice index deposit	**4.18%**	**367,364,279**	4.06%	352,640,228
Rand Merchant Bank call deposit	**3.14%**	**7,003**	3.38%	6,790
		739,601,596		836,845,971

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of 12 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.

Notes to the financial statements *continued*

for the year ended 28 February 2022

8. SHARE CAPITAL

	2022 Number of shares	2021 Number of shares
Authorised		
Ordinary no-par value shares	**3,000,000,000**	3,000,000,000

	2022 R	**2022 Number of shares**	2021 R	2021 Number of shares
Issued				
Ordinary no-par value shares	**1,386,400,000**	**1,386,400,000**	1,367,400,000	1,367,400,000

Reconciliation of shares issued

	Number of shares	R
Balance at 1 March 2020	1,306,900,000	1,306,900,000
Issue of shares	60,500,000	60,500,000
Balance at 28 February 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**

During the year ended 28 February 2022 the Company increased its share capital and issued 19,000,000 (2021: 60,500,000) fully paid up new shares at a price of R1.00 per share.

9. TAX

R	2022	2021
South African normal tax		
Current tax	**5,876,931**	5,062,834
Deferred tax	**6,140,796**	4,583,855
	12,017,727	8,750,849

	2022 %	2021 %
Reconciliation of tax rate		
Standard rate of tax	**28.00**	28.0
Non-taxable income	**12.32**	(17.81)
Unrealised gains on investments	**61.73**	(92.92)
Expenditure disallowed	**(160.91)**	195.06
Allowance in respect of investment in section 12J VCC	**—**	(19.31)
Timing differences	**(14.16)**	(23.18)
Capital loss incurred on exit	**2.12**	–
Prior year overprovision	**21.94**	–
Deferred capital gains tax on unrealised gains on investments	**(51.15)**	63.22
Effective tax rate	**(100.11)**	133.06

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.

During the current year, the Company submitted a VDP submission to SARS covering prior financial years. The VDP agreement has been signed subsequent to year end and has resulted in a tax charge of R3,205,669 in respect of the year ended 28 February 2020 and an interest charge of R337,931 being paid to SARS in March 2022.

10. GOVERNMENT GRANT ASSETS AND OTHER LIABILITIES

R	2022	2021
Unlisted investments related to government grant		
Unlisted investments related to government grant	**18,000,000**	–
Other liabilities		
Amount due to DSI in terms of project funding agreement	**18,878,292**	16,908,087
Deferred income	**6,503,592**	8,196,753
	25,381,884	25,104,840
Current	**–**	–
Non-current	**25,381,884**	25,104,840
	25,381,884	25,104,840

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. The agreement terminates on 31 December 2025.

The liability was 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 R18 million of the grant received in nominated portfolio companies owned by the Company's investee fund managers. The investments are measured at fair value and the grant has not been used to reduce the cost of the investment.

11. TRADE AND OTHER PAYABLES

R	2022	2021
Trade payables	**17,204**	527,314
Other payables	**576,865**	400,725
Total financial liabilities	**594,069**	928,039
Accruals	**1,632,530**	1,699,375
Total financial and non-financial liabilities	**2,226,599**	2,627,414

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

R	2022	2021
Movement in right-of-use lease liability		
Balance at beginning of the year	**537,412**	514,128
Transition adjustment for IFRS 16	**—**	—
Lease renewal	**1,264,575**	908,643
Finance charges	**46,734**	31,887
Cash outflow for leases	**(822,066)**	(917,246)
	1,026,655	537,412
Current portion payable within one year	**625,676**	537,412
Long-term portion	**400,979**	—
Total	**1,026,655**	537,412
Total cash outflow for leases		
Finance charges	**46,734**	31,887
Capital portion	**775,332**	885,359
	822,066	917,246
Contractual undiscounted cash flows		
Due in one year	**681,990**	546,578
Due thereafter	**409,194**	—
Total	**1,091,184**	546,578

The incremental cost of borrowing used to discount the value of the remaining lease payments is 8.433% (2021: 6.978%).

13. PROVISIONS

R	2022	2021
Employee benefits	**11,661,098**	1,032,009
	11,661,098	1,032,009
Current	**11,661,098**	1,032,009
Non-current	**—**	—
	11,661,098	1,032,009
Movement in provisions:		
Balance at the beginning of the year	**1,032,009**	11,296,827
Additional provision in the year	**11,661,098**	1,032,009
Utilisation of the provision	**(1,032,009)**	(11,296,827)
Balance at the end of the year	**11,661,098**	1,032,009

The provision for employee benefits represents annual leave and accrued bonuses in terms of employees' contracts of employment. An amount of R11,030,760 (2021: R0) in respect of employee benefits provisions has been paid subsequent to year end.

14. OPERATING EXPENSES

R	2022	2021
Operating expenses comprise:		
Amortisation of intangible assets	–	1,608
Auditors' remuneration		
Audit fees	**2,135,930**	1,846,448
Remuneration for other services	–	162,000
Consulting fees	**500,000**	500,000
Depreciation	**947,836**	972,605
Fund II costs	**369,955**	1,683,676
Insurance	**365,378**	315,711
Investment Committee fees	**218,750**	1,050,000
Investment-related costs	**164,692**	314,085
Legal fees	**814,657**	651,624
Operating lease rentals – office equipment (Note 17)	**71,731**	83,334
Salaries, wages and short-term incentives (STIs), including directors' emoluments disclosed in Note 15	**29,594,186**	17,853,406
Other operating expenses	**984,624**	1,927,482
	36,167,739	27,361,979

15. DIRECTORS AND PRESCRIBED OFFICERS' EMOLUMENTS

	2022			2021		
R	**Salary**	**STI**	**Total**	Salary	STI*	Total
Ketan Gordhan	**4,638,629**	**2,783,177**	**7,421,806**	4,237,209	–	4,237,209
Caryn Winter	**2,704,321**	**1,622,592**	**4,326,913**	2,470,293	–	2,470,293
	7,342,950	**4,405,769**	**11,748,719**	6,707,502	–	6,707,502

** STI for the year ended 28 February 2021 were suspended and salaries of investment professionals and executive management were temporarily reduced as a result of the COVID-19 pandemic.*

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

R	2022	2021
Operating (loss)/profit before tax	**(12,342,516)**	7,250,134
Adjustments for:		
Depreciation of property, plant and equipment	**947,836**	972,605
Amortisation of intangible assets	**—**	1,608
Loss on disposal of fixed assets	**—**	9,876
Interest earned on cash and cash equivalents	**(32,878,265)**	(39,700,209)
Income from government grant	**(1,693,161)**	(320,077)
Investment income recognised in the statement of comprehensive income	**(14,632,227)**	(11,834,940)
Interest expense – non-cash	**1,784,793**	269,012
Interest expense on lease liability	**46,734**	31,887
Non-cash deferred income on lease liability	**—**	(23,284)
Unrealised gains from fair value adjustments	**(29,608,771)**	(25,970,358)
Increase in ECL provisions	**7,281,026**	179,067
Movement in provisions	**10,629,089**	(10,264,818)
Working capital changes:		
Decrease/(increase) in prepayments and trade and other receivables	**1,853,057**	177,640
(Decrease)/increase in trade and other payables	**(400,815)**	(2,983,524)
	(69,013,220)	(82,205,381)

17. OPERATING LEASE RENTALS

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

R	2022	2021
Operating lease rentals due within one year	**56,051**	67,076
Operating lease rentals due thereafter	**20,073**	68,249
	76,124	135,325

18. CAPITAL COMMITMENTS

R	% of fund (2022)	Total capital commitment (2022)	Undrawn capital commitment (2022)
Undrawn capital commitments:			
PAPE Fund 3	**9.7**	**100,000,000**	**41,862,755**
SummerPlace Equity Fund 1	**49.9**	**125,000,000**	**88,285,856**
Savant Venture Fund 1	**68.3**	**100,000,000**	**65,141,912**
4Di Capital Fund III	**96.15**	**125,000,000**	**82,925,585**
OneBio Seed Investment Fund I	**89.02**	**75,000,000**	**59,945,590**
University Technology Fund	**76.8**	**145,000,000**	**99,925,398**
E4E Africa Fund I	**0.0**	**—**	**—**
Digital Africa Ventures Fund I		**25,000,000**	**17,970,738**
Endeavor Harvest Fund II	**12.34**	**20,000,000**	**7,229,178**
Grindstone Ventures Fund I	**73.26**	**10,000,000**	**10,000,000**
Knife Series B Fund		**75,000,000**	**75,000,000**
		800,000,000	**548,287,012**

R	% of fund (2021)	Total capital commitment (2021)	Undrawn capital commitment (2021)
Undrawn capital commitments:			
PAPE Fund 3	9.69	100,000,000	44,140,068
SummerPlace Equity Fund 1	49.9	125,000,000	112,603,568
Savant Venture Fund 1	97.86	100,000,000	71,485,698
4Di Capital Fund III	96.15	125,000,000	89,372,291
OneBio Seed Investment Fund I	89.02	75,000,000	64,984,460
University Technology Fund	76.33	125,000,000	109,142,046
E4E Africa Fund I	89.07	100,000,000	81,229,365
		750,000,000	572,957,496

In addition to the above commitments, the Company has committed to providing Savant Venture Fund 1 with an Incubation Facility totalling R10 million. This facility will be used to provide interest free loans to Savant Venture Fund 1 to enable it to make incubator investments of between R250,000 and R1.5 million in potential portfolio companies. As at 28 February 2022, the full facility was advanced to Savant Venture Fund I (2021: R9,519,688). During the year, the Company committed an additional R5 million to OneBio Seed Investment Fund I as a Seed loan facility to be used. The Company has also committed a total of R30 million (2021: R25 million) to the University Technology Fund for Seed and Pre-seed investments. As at 28 February 2022 an amount of R18,561,721 (2021: R7,571,518) has been utilised for this purpose.

19. CONTINGENCIES

The Company has made the following commitments, subject to legal agreements being signed and the funds reaching first close:

- Knife Capital Series B Fund: R75 million.
- Umastandi Fund I: R10 million.

There were no contingent liabilities at 28 February 2021.

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 operating losses (before fair value adjustments) 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 R1,285 million (2021: R1,290 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 R73.8 million that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company has invested.

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 five 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 Investments subsequent to 28 February 2022

Subsequent to year end, the Company has entered into a Limited Partnership Agreement with the Township Economy Partnership (a partnership between the Gauteng Provincial Government and the Industrial Development Corporation of South Africa Limited) to establish the SMME Crisis Partnership Fund, a two-year debt fund to provide finance to SMEs. The Company has committed R100 million to the SMME Crisis Partnership Fund.

21.2 Tax

The VDP submission to SARS was resolved in March 2022. Income tax of R3,205,669 and interest of R337,931 was paid to SARS. This resulted in an overprovision of tax relating to prior years being recognised in the current year. The interest paid has been accrued in the financial statements for the year ended 28 February 2022.

21.3 The war in Ukraine

The worsening geo-political situation in Eastern Europe, culminating in Russia invading Ukraine subsequent to year end, is not expected to have a significant direct impact on the Company or its portfolio funds. The Company and its funds operate in South Africa, with a small number of portfolio companies having a presence overseas. However, none of these are directly exposed to the ongoing war in the Ukraine.

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	Management fee %	2022 Total income	2022 Interest and dividends received	2022 Total expenses	2022 Management and advisory fees paid	2022 Establishment costs and interest paid on equalisation	2022 Fund operating expenses
Financial assets at FVTPL							
PAPE Fund 3	**2.00**	**869,388**	**869,388**	**2,359,560**	**2,300,000**	**–**	**59,560**
Savant Venture Fund I (A)	**3.36**	**–**	**–**	**4,122,478**	**3,864,000**	**(137)**	**258,615**
OneBio Seed Investment Fund I	**3.00**	**–**	**–**	**2,813,351**	**2,587,500**	**–**	**225,851**
4Di Capital Fund III	**3.00**	**–**	**–**	**4,544,282**	**4,312,500**	**–**	**231,782**
University Technology Fund	**3.00**	**–**	**–**	**6,979,510**	**5,745,507**	**97,186**	**1,136,817**
SummerPlace Equity Fund I	**2.50**	**–**	**–**	**3,982,573**	**3,632,118**	**–**	**350,455**
Masisizane Franchise Fund I	**N/A**	**–**	**–**	**312,286**	**–**	**–**	**312,286**
Digital Africa Ventures Fund I	**3.00**	**86,663**	**86,663**	**2,719,790**	**862,500**	**334,010**	**1,523,280**
E4E Africa Fund I	**3.00**	**65,370**	**65,370**	**2,764,036**	**2,479,589**	**(199,144)**	**483,591**
Endeavor Harvest Fund II	**2.00**	**–**	**–**	**707,528**	**490,247**	**207,850**	**9,431**
ProfitShare Partners Proprietary Limited		**3,141,458**	**3,141,458**	**–**	**–**	**–**	**–**
		4,162,879	**4,162,879**	**31,305,394**	**26,273,961**	**439,765**	**4,591,668**
Financial assets measured at amortised cost							
Spartan SME Fund Proprietary Limited		**6,741,272**	**6,741,272**	**–**	**–**	**–**	**–**
A2Pay Financial Services Proprietary Limited		**556,554**	**556,554**	**–**	**–**	**–**	**–**
Custos Media/CMT Research		**332,778**	**332,778**	**–**	**–**	**–**	**–**
ProfitShare Partners Proprietary Limited		**5,980,202**	**5,980,202**	**–**	**–**	**–**	**–**
		13,610,806	**13,610,806**	**–**	**–**	**–**	**–**
		17,773,685	**17,773,685**	**31,305,394**	**26,273,961**	**439,765**	**4,591,668**

22. RELATED PARTIES *continued*

In addition to the above transactions, during the year ended 28 February 2022, the Company injected capital of R1,906 (2021: R10,000) into the SA SME Fund Management Company Proprietary Limited, a company that it controls.

R	Management fee %	2021 Total income	2021 Interest and dividends received	2021 Total expenses	2021 Management and advisory fees paid	2021 Establishment costs and interest paid on equalisation	2021 Fund operating expenses
Financial assets at FVTPL							
PAPE Fund 3	2.00	3,226,634	3,226,634	2,392,928	2,288,346	(13,643)	118,225
Savant Venture Fund I (A)	3.36	(147,441)	(147,441)	4,366,282	3,855,149	(1,074)	512,207
OneBio Seed Investment Fund I	3.00	–	–	2,766,955	2,582,425	–	184,530
4Di Capital Fund III	3.00	95,286	95,286	4,810,033	4,311,499	26,482	472,052
Masisizane Franchise Fund I	N/A	–	–	312,286	–	–	312,286
University Technology Fund	3.00	–	–	4,609,431	3,973,914	(203,540)	839,057
SummerPlace Equity Fund I	2.50	–	–	3,619,985	3,599,875	–	20,110
Digital Africa Ventures Fund I	3.00	–	–	1,454,929	954,929	–	500,000
E4E Africa Fund I	3.00	–	–	2,762,298	2,215,069	547,229	–
ProfitShare Partners Proprietary Limited		1,911,333	1,911,333	–	–	–	–
		5,085,812	5,085,812	27,095,127	23,781,206	355,454	2,958,467
Financial assets measured at amortised cost							
Spartan SME Fund Proprietary Limited		6,656,672	6,656,672	–	–	–	–
A2Pay Financial Services Proprietary Limited		399,409	399,409	–	–	–	–
Custos Media/CMT Research		307,275	307,275	–	–	–	–
ProfitShare Partners Proprietary Limited		1,297,106	1,297,106	–	–	–	–
		8,660,462	8,660,462	–	–	–	–
		13,746,274	13,746,274	27,095,127	23,781,206	355,454	2,958,467

There were no amounts owing by or to related parties as at 28 February 2022 (2021: R235,160 owed to related parties).

22.2 Transactions with directors

There were no transactions with directors during the year ended 28 February 2022. During the year ended 28 February 2021, the Company made a donation of R25,000 to Palesa Ya Sechaba Foundation NPC, a foundation established by Ms Dolly Mokgatle, a deceased director of the Company.

NOTICE OF AGM

Notice of AGM

18 April 2023

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 and special resolutions in the Notice.

Should you require a full printed version of the Annual Financial Statements, please contact me on caryn@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

CT Winter
Company Secretary

Notice of AGM *continued*

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

Notice is hereby given in terms of section 62(1) of the Companies Act 71 of 2008, as amended (the Companies Act) that the fifth Annual General Meeting of the Company (AGM) will be held on Thursday, 11 May 2023, at 13h00 which meeting will be 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 valuations:

1. Present the audited financial statements of the Company for the year ended 28 February 2022 (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 this 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 18 April 2023.

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 (caryn@sasmefund.co.za) as soon as possible but in any event by no later than 13h00 on Tuesday, 9 May 2023. Shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 13h00 on Thursday, 11 May 2023, 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.

Notice of AGM *continued*

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 this notice of AGM) must be lodged with the Company, no later than 13h00 on Tuesday, 9 May 2023, being not less than 48 (forty-eight) hours before the AGM, to be held on Thursday, 11 May 2023, at 13h00, 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 caryn@sasmefund.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to caryn@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 caryn@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 4 (including 1.1 and 1.2 and 4.1, 4.2 and 4.3), contained in this Notice, require the approval by more than 50% (fifty per cent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM.

In terms of the Companies Act and the MOI, the Special Resolution, contained in this Notice, require the approval by at least 75% (seventy-five per cent) 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 28 February 2022.
- 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 8 to 66 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.

ORDINARY RESOLUTIONS

For each ordinary resolution to be adopted, the support of more than 50% (fifty per cent) of the total number of votes per ordinary resolution is required.

1. ***Ordinary Resolution number 1***
   Re-election of directors
   To elect by way of separate resolutions the following non-executive directors:

   Ordinary Resolution number 1.1
   "Resolved that Dr YG Muthien is elected for appointment as a director of the Company."

   Ordinary Resolution number 1.2
   "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 and 1.2
   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 YG Muthien and Mr NG Payne and they are eligible and available for re-election. The proposed Ordinary Resolutions number 1.1 and 1.2 are to elect Dr YG Muthien and Mr NG Payne for appointment as directors of the Company, in accordance with and as required by the Companies Act.

2. ***Ordinary Resolution number 2***
   Election of additional directors
   To elect by way of separate resolutions the following non-executive directors:

   Ordinary Resolution number 2.1
   "Resolved that Ms LM Klein is elected for appointment as a director."

   Ms LM Klein has acted as an alternate director to Mr A Gore since 23 October 2017.

   Ordinary Resolution number 2.2
   "Resolved that Ms P Mahanyele-Dabengwa is elected for appointment as a director."

   The curriculum vitae of Ms P Mahanyele-Dabengwa is attached as Annexure A at the end of the Notice, before the proxy form.

   Explanatory note in respect of Ordinary Resolution numbers 2.1 and 2.2
   The directors have reviewed the Board composition, and in order to broaden the experience, knowledge and skills of the Board, the directors propose the elections of Ms P Mahanyele-Dabengwa and Ms LM Klein, for appointments as directors of the Company.

3. ***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 2023 is Mr Kelby Moothoosamy.

Notice of AGM *continued*

4. ***Ordinary Resolution number 4 (comprising Ordinary Resolution numbers 4.1, 4.2 and 4.3)***
   Appointment and re-appointment of the members of the Valuations, Audit and Risk Committee
   To re-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 F Chothia is appointed as a member of the Company's Valuations, Audit and Risk Committee."

   Ordinary Resolution number 4.2
   "Resolved that Dr YG Muthien is appointed as a member of the Company's Valuations, Audit and Risk Committee, subject to the approval and passing of Ordinary Resolution number 1.1."

   Ordinary Resolution number 4.3
   "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 1.2."

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

SPECIAL RESOLUTION

For the special resolution to be adopted, the support of at least 75% (seventy five per cent) of the total number of voting rights exercised on the special resolution is required.

1. ***Special Resolution***
   General authority to allot and issue shares
   "Resolved that, subject to the applicable provisions of the MOI and the Companies Act, the Board is authorised to allot and issue any authorised, but unissued shares at their discretion, in accordance with the provisions of the subscription agreement."

   ### Explanatory notes
   The Board is granted a general authority to allot and issue any authorised, but unissued shares, in terms of the subscription agreement. The Board must satisfy itself that the subscription price constitutes adequate consideration.

By order of the Board

CT Winter
Company Secretary

18 April 2023

ANNEXURE A: BIOGRAPHY – MS P MAHANYELE-DABENGWA

Phuthi Mahanyele-Dabengwa joined Naspers as South Africa CEO, in July 2019. Before joining Naspers, she was the cofounder and Executive Chairperson of Sigma Capital, an investment holding company formed in 2015. She held the position of CEO at Shanduka Group, an investment holding company from 2004 to 2015.

Prior, she was the Head of the Project Finance South Africa business unit at the Development Bank of Southern Africa. Early in her career, Phuthi worked in New York at Fieldstone, an international firm specialising in the financing of infrastructure assets. She later transferred to the South African office, where she served as a Vice President.

In 2020, Phuthi ranked number 42 in Fortune's Most Powerful Women International list. In May 2016 Phuthi became a member of the Rutgers University Hall of Distinguished Alumni. She has been awarded several accolades such as CNBC Africa's All Africa Business Leaders "Woman of the Year Award" in 2019 and the Forbes Woman Africa "Businesswoman of the Year" Award in 2014. In 2013, she was awarded a "Distinguished Achievement" Award by The Douglass Society, and the Africa Investors recognised her as a "Leading Africa Woman in Business of the Year" in 2012. In 2011, Rutgers University conferred on her the "Rutgers Vision of Excellence Award".

In 2009, she was awarded the "Most Influential Woman in Government and Business" by Financial Services. The Wall Street Journal counted her among the "Top 50 women in the world to watch". Phuthi was also selected as a Global Young Leader in 2007 by the World Economic Forum. She was awarded "Top in Project Finance, 2003" by the Association of Black Securities & Investment Professionals.

Phuthi completed a BA Economics from Rutgers University, USA in 1993, and an MBA from De Montfort University in the UK in 1996. She also completed the Kennedy School of Government Executive Education programme "Global Leadership and Public Policy for the 21st Century" at Harvard University in 2008.

She is the Vice Chairperson of the Cyril Ramaphosa Foundation and is an independent director of Vodacom Group. She serves on the advisory board of Stellenbosch University's business school. Phuthi also serves on the board of the United Nation's Global Compact Network SA. She is also a council member of the BRICS Business Council in South Africa.

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 13h00, on Thursday, 11 May 2023.

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 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) —

		For	Against	Abstain
1.	Ordinary Resolution number 1: Re-election of directors			
1.1.	Dr YG Muthien			
1.2.	Mr NG Payne			
2.	Ordinary resolution number 2: Election of additional directors			
2.1.	Ms LM Klein			
2.2.	Ms P Mahanyele-Dabengwa			
3.	Ordinary Resolution number 3: Re-appointment of external auditors			
4.	Ordinary Resolution number 4: Appointment and re-appointment of the members of the Valuations, Audit and Risk Committee			
4.1.	Mr F Chothia			
4.2.	Dr YG Muthien			
4.3.	Mr NG Payne			
5.	Special Resolution: General authority to allot and issue shares			

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 ____________________ 2023
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 caryn@sasmefund.co.za to be received by the Company by no later than 13h00 on Tuesday, 9 May 2023, being not less than 48 (forty-eight) hours before the AGM to be held on Thursday, 11 May 2023, at 13h00 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 this Notice:

Non-executive directors

A Gore
F Chothia (appointed 7 June 2021)
NJ Dlamini
LM Klein (appointed as full director 18 August 2022)
Ms P Mahanyele-Dabengwa (appointed 18 August 2022)
YG Muthien
NG Payne

Executive directors

KM Gordhan
CT Winter

Auditors

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Waterfall
2090

Company Secretary

C Winter

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

www.sasmefund.co.za

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