Integrated Report 2023

Grow the township economy, build SMEs, create jobs

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Chairman's report

for the year ended 28 February 2023

Dear Shareholders

I'm pleased to present the 2023 Annual Financial Report and Financial Statements of The SA SME Fund Limited.

Against a global backdrop of geopolitical tensions, economic uncertainty, and a complex and challenging macro environment, the SA SME Fund is performing well – in fact, better than expected. The Fund was initially conceptualised and established to stimulate entrepreneurship and provide funding and support to help small and medium sized businesses flourish. Corporate South Africa provided the capital and support required for this – illustrative of the visionary and patriotic leadership role played by SA's private sector CEOs.

The original fund has done exceptionally well: the initial capital of R1,27 billion raised and allocated for investment has now been fully committed and allocated to 16 investment intermediaries. The Fund has been an anchor investor in 4 innovative Venture Capital (VC) funds - the University Technology Fund (UTF), OneBio, Savant and DAV – some of which are now raising second funds. This is a clear example of the SA SME Fund's role in helping to launch new VC funds and crowding in additional capital to this asset class. It is encouraging to see that an initial investment by the Fund has become a confidence-building signal to third-party investors.

The detail of these investments is outlined in the CEO Report and the Financial Statements.

What is equally exciting to see is that the model on which this Fund is based is replicable: it is particularly powerful as an anchor for catalytic capital raisings focused on innovative funding models. This is evident in the expansion into setting up new Funds: the SMME Crisis Partnership Fund – which at year-end had disbursed R230 million to 5 intermediaries, and the Fund of VC Funds that had its first close at R695 million (subsequent to year-end). These funds provide a layer of protection that de-risks investors exposure and helps crowd in additional private sector funding: for both funds, this is in the form of first loss, and additionally, in the case of the Fund of VC Funds, the SA SME Fund does not charge investors any fees, nor take any carry.

Through this anchoring mechanism which builds confidence in the underlying fund structures, an impressive additional R3 billion of capital has been raised by the SA SME Fund portfolio.

Creating change at a national or organisational level requires motivating people from different contexts to cooperate in pursuit of a collective vision. For this, positive frameworks and feedback loops that foster trust and collaboration are needed, not negative ones. Entrepreneurs understand this instinctively.

A key insight is that attitude, and more specifically, having an optimistic mindset that looks for positive signals, is a driving force behind the Fund's success. This may sound soft but it has hard outcomes. A study from the University of Chicago shows that in countries with less efficient capital markets, like SA, increases in consumer sentiment lead to increased economic growth and productivity. When sentiment is negative, people withdraw from the market, become risk-averse and growth slows – it generates a sense of apathy and cynicism that becomes a self-fulfilling cycle. Conversely, when individuals or institutions recognise the positives along with the negatives, and identify areas of potential, it creates an environment of agency and problem-solving, which creates progress, further opportunities, and improved sentiment.

Creating change at a national or organisational level requires motivating people from different contexts to cooperate in pursuit of a collective vision. For this, positive frameworks and feedback loops that foster trust and collaboration are needed, not negative ones. Entrepreneurs understand this instinctively.

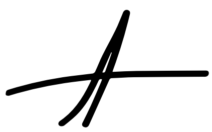
That's why recognising the country's prospects and reframing the narrative has been a central pillar of the SA SME Fund's mandate. For all the significant and complex problems we face, the funds we invest in and the entrepreneurs we back believe in South Africa's potential. And the impact we have had is testament to this. This is outlined in more detail in the Impact Report. Importantly, I want to highlight that the majority of the businesses our partner funds invest in are black owned, with more than 40% owned by women.

These achievements are the result of a maturing and flourishing ecosystem of entrepreneurs, investors, and fund managers. I believe that the SA SME Fund has played a pivotal role in helping this ecosystem flourish and is committed to continuing this role.

I would like to extend my gratitude to our shareholders, Board, and team for their ongoing commitment to our shared vision and ambition. In our quest to identify potential, create opportunities, and showcase what we can achieve, we're collectively creating hope and helping frame a more positive narrative. Thank you for your leadership in this.

Sincerely,

Adrian



Adrian Gore
Chairman

CEO's report

for the year ended 28 February 2023

I am pleased to present to you the CEO report for the year ended 28 February 2023. The year saw a return to normal after the previous years' pandemic challenges, although the economic climate remained difficult.

The company is presenting consolidated annual financial statements for the first time. This significant step in the company's growth path is testament to the ongoing support of our shareholders, for which I thank you.

During the year, the company entered into a partnership with the Township Economic Partnership (TEPF) to establish the SMME Crisis Partnership Fund, a R300 million debt fund focused on providing debt and related funding to, primarily township based, SME's based in Gauteng. This fund is a partnership between the Gauteng Provincial Government, the IDC and the SA SME Fund Limited, with the Gauteng Provincial Government providing first loss capital to the Fund and is evidence of the impact that the private sector can have when it collaborates with government. At year end a total R230 million had been disbursed to 5 intermediaries.

Economic headwinds remained challenging during the year under review. Despite this, the company disbursed a further R313m to its portfolio funds, resulting in approximately 70% of the fund's investable capital being deployed at year end.

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 R610 million to seven investments within its growth portfolio, including a R100m commitment to the SMME Crisis Partnership Fund.

PAPE Fund 3 (PAPE): R100 million

PAPE is an established black owned, boutique private equity manager that invests in cash generative unlisted mid-cap SMEs with growth and expansion attributes. PAPE reached final close with total commitments of R1.03 billion. As at 28 February 2023, PAPE had drawn down almost R84 million of the Company's committed capital and had invested in six portfolio companies, namely, Laser Group (Logistics), Singular Systems (Fintech), Angelo Kater (Automotive Conversion), Drinks Dispense Services (Beverage services), Entersekt (Fintech) and Scamont (Mining).

SummerPlace Equity Fund I (SummerPlace): R125 million

SummerPlace is a first-time women-owned and managed private equity fund that the Company has incubated. The investment focus is on investing in established, cash generative medium-sized businesses operating across various sectors. SummerPlace reached final close in July 2020 with total commitments of R250.5 million. SummerPlace has drawn down R60 million of the Company's committed capital and has two portfolio investments at the balance sheet date: 4PL (logistics) and Morgancoat (manufacturing).

Masisizane Franchise Fund I (Masisizane): 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 2023 Masisizane had provided eight loans totalling R45.4 million to five 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 2023, Spartan has provided loans totalling approximately R550 million to 40 SMEs. 85% 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 2023, A2Pay has utilised R10 million of the facility and has provided R33 million financing to 606 Black spaza shop merchants of which 246 are female.

ProfitShare Partners (PSP): R100 million

ProfitShare 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 the financing of SMEs. During the year, the short term working capital facility was repaid and a further R5m drawn down from the loan facility. At year end, PSP had drawn down R65 million of the loan financing and had financed 131 transactions totalling approximately R261 million to clients 79% 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. At year end, this facility has not yet been utilised.

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.

Venture Capital investments

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 2023, 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 2023. These include Quicket (Online ticketing), DataProphet (Machine learning), SkillUp (elearning), PharmaScout (Internet of Things), PURA (beverages), Cradle/Granite WMS (Warehouse SaaS), Snapplify (elearning), inQuba (AI driven Customer Journey Management software), Stone Three (Data analytics) and D6 Education (School management SaaS).

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

Savant Venture Fund I (Savant): R100 million

Additional R10 million provided as an Incubator loan facility

Savant is a hardware and engineering focussed early-stage VC fund focussed on investing in and partnering with highly skilled science and technology inventors for their start-up growth journey. As at 28 February 2023, Savant had drawn down R62.7 million of the Company's committed capital and had made 8 investments in addition to having utilised the full incubation facility to provide loans to a further six early stage companies. Savant is now the leading hardware technology investor in the VC industry in South Africa.

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 R65.7 million of the Company's committed capital and made investments in ten portfolio companies, including new investments into Talk360 (communications), Numida (Microfinancing), Sendmarc (Cybersecurity), Leta (supply chain and logistics software) and Bfree (Fintech).

OneBio Seed Investment Fund I (OneBio): R75 million

Additional R5 million provided as a Seed loan facility

OneBio is dedicated to investing in biotech companies and is the only biotech seed investor in Africa. OneBio provides early stage seed capital to biotech start-ups, focussing on those start-ups that are late in the research cycle and early in the product cycle. OneBio is well positioned to capitalise on the global growth in biotech investment opportunities driven by the falling costs of basic biology tools. At year end, OneBio has utilised nearly R30 million of the Company's committed capital and had made five portfolio investments in the biotechnology sector. In addition, OneBio have utilised an additional R0.5 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 was established with the aim of investing in and commercialising Intellectual Property (IP) developed within South African universities. It is the first fund of its kind in South Africa and is based on best practice from Oxford and Cambridge universities. The two universities that the Company partnered with initially are the University of Cape Town and Stellenbosch University. The UTF has subsequently worked with a further three universities, namely University of the Western Cape, University of Pretoria and Wits University. The UTF has drawn down R77.5 million of the Company's R145 million committed capital and has invested in eight portfolio companies, including investments in Hyrax Biosciences, Cape BioPharms and Stellenbosch Nanofiber Company. In addition, seed funding of R22 million has been drawn down for investment and pre-seed funding of R6.7 million has been provided to further develop early stage 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 find investing into seed and early-stage start-up technology companies with high growth potential. DAV has drawn down R21 million and invested in five portfolio companies at 28 February 2023.

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 2023, Endeavor has drawn down R15.2 million of the committed capital and invested in seventeen portfolio companies.

Grindstone Ventures Fund I (GSV): R10 million

The Company is the anchor investor in GSV. GSV is a small, seed and early-stage VC fund established to invest in companies that have successfully completed the Grindstone Accelerator programme. GSV is a female owned and managed fund and has invested in seven deals as at 28 February 2023.

REVIEW OF ECOSYSTEM INITIATIVES

The Company has largely completed its investment in ecosystem related initiatives in the SME sector, having supported two Fund Manager Development Programmes in conjunction with the South African Venture Capital and Private Equity Association as well as partnering with both Knife Capital and Endeavor to support their accelerator programmes, namely Grindstone Accelerator and the Endeavor Local Scale-up Programme. Through these programmes, the Company has impacted approximately 130 start ups.

FINANCIAL REVIEW

The Company's primary source of income continues to be 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. An increase in interest rates during the year resulted in higher interest income, with interest earned on excess cash in the current year amounting to R34.2 million, an increase of 4.1% over the prior year. The Company's investments returned a total of R58.8 million (2022: R44.2 million) in the current financial year, made up of interest on investments held at amortised cost of R19.6 million, net unrealised fair value gains of R28.7 million, a realised gain on investments of R7.2 million and dividends and interest received from underlying portfolio companies of R3.4 million. Income from investments increased to R65m on a consolidated basis, primarily as a result of the interest earned on the investments made by the SMME Crisis Partnership Fund that the Company manages.

Total expenses decreased in the year under review primarily due to lower impairment provisions in the Company. On a consolidated basis, the increase in impairment provisions is the result of the provisions in the SMME Crisis Partnership Fund which only commenced in the current year. Staff costs decreased due to a lower level of incentives being paid across the board.

Management and advisory fees are paid to the investee fund managers at rates between 2% per annum and 3.36% per annum. These fees form part of the capital commitments to the funds. It should be noted that, as at year end, a cumulative total of R101.1 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

Subsequent to year end, the SA SME Fund of VC Funds Partnership has reached first close with commitments of R695 million with a further R100m being committed after first close. The Fund is a limited liability partnership, 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 does not charge investors any fees, nor take any carry. It is anticipated that the 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.

SMME Crisis Partnership Fund

The ongoing economic headwinds have seen some of the investments in the SMME Crisis Partnership Fund suffer subsequent to year end, with two of the investments facing business rescue and liquidation. The first loss capital provided by the Gauteng Provincial Government will be utilised to protect the capital of third party investors and the Company's investment in the fund.

In conclusion, I would like to thank our shareholders for their continuing support, the board of directors for their strategic guidance, the Investment Committee for their commitment to helping us meet our investment goals and the team for their ongoing dedication and commitment to achieving our collective goals.

Ketan Gordhan

CEO

Report of the Nominations, Ethics, HR and Remuneration Committee

for the year ended 28 February 2023

The SA SME Fund Nominations, Ethics, HR and Remuneration Committee (the Committee) is pleased to present its report for the year ended 28 February 2023. Since the Committee presented its report in 2022 no material changes were made to the SA SME Fund's remuneration policies and the implementation thereof.

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

COMPOSITION AND RESPONSIBILITIES OF THE COMMITTEE

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

Ethical governance

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

Human Resources

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

Remuneration

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

Nominations

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

REMUNERATION POLICY

Introduction

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

Background

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

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

Components of remuneration

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

Benchmarking

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

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

IMPLEMENTATION OF THE REMUNERATION POLICY

Details of the remuneration of executive directors for the financial year ended 28 February 2023 are set out in note 15 of the Annual Financial Statements on page 130 of this report. The non-executive directors do not receive any remuneration or fees for their services to the Company.

Total compensation costs (base salary plus short term incentives) decreased from R29.59 million in 2022 to R25.92 million in 2023 (12.4%). This decrease is the result of lower short-term incentives being awarded while the company is in a consolidation phase of deploying the committed capital and managing the existing portfolio.

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

DIRECTORS RETIRING BY ROTATION

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

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

YG Muthien

Chairperson


OPEN

IMPACT REPORT

for the year ended 28 February 2023

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

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

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

OUR IMPACT GOALS

IMPACT GOAL 1: Leverage additional capital for SMEs and startups

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

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

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

IMPACT GOAL 5: Create and incubate new fund managers

IMPACT GOAL 6: Create and fund hundreds of new businesses

IMPACT GOAL 7: Transformation

As at 28 February 2023, the Company committed **R1,270 million to 16 investment intermediaries**. *Investments are focused on two core pillars – Growth and Venture Capital.*

The SA SME Fund *Journey*

2016

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

2017 – 2018

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

2019

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

R355m
committed

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

2020

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

R870m
committed

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

2021

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

R1,130m
committed

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

2022

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

R1,170m
committed

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

2023

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

R1,400m
committed

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

IMPACT GOAL 1

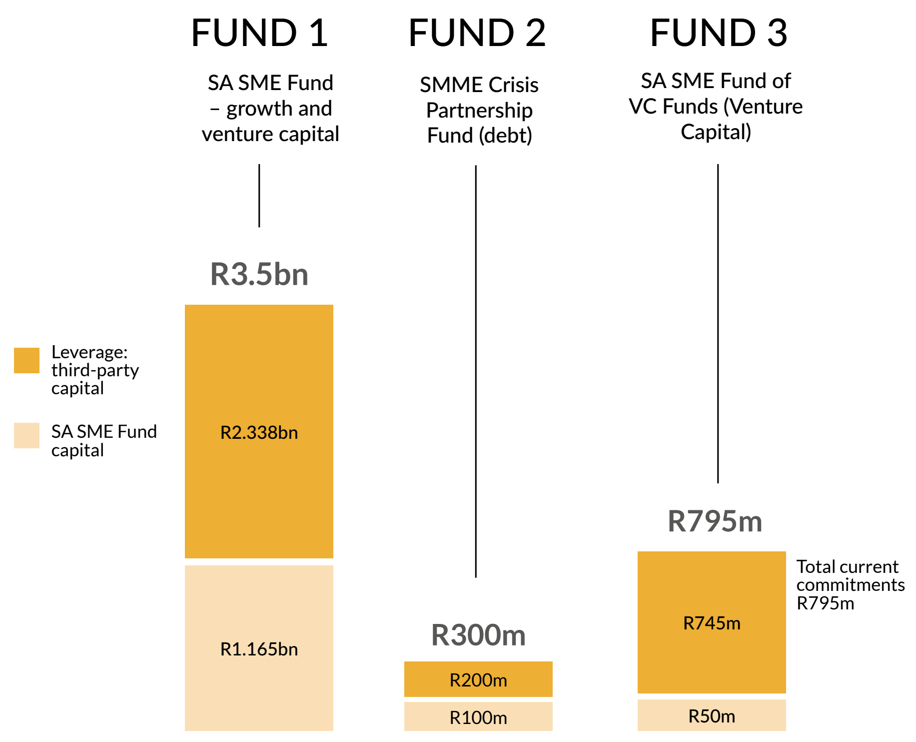
Leverage additional capital for SMEs and startups

Our network of investors means we can raise additional funds for investment in the SME sector.

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

R130m of government-related first-loss capital raised from USAID (Fund of VC Funds) and the Gauteng Provincial Government (SMME Crisis Partnership Fund)

A further R355m raised from the DSI and IDC for investment in the FoVCF and the SMME Crisis Partnership Fund



IMPACT GOAL 2

Catalyse investment into the Venture Capital asset class

Venture Capital investing is inherently impactful. Venture Capital is the driving force behind innovation and the digital economy. It also stimulates economic gains and supports the growth of SMEs in the real economy.

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

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

Knife Capital	4Di	OneBio	Endeavor South Africa
R 115 m	R 125 m	R 80 m	R 20 m
Digital Africa Ventures	University Technology Fund	Savant	Grindstone Ventures
R 25 m	R 175 m	R 110 m	R 10 m

IMPACT GOAL 3

Commercialise and showcase South Africa's intellectual property

Investment and exposure for local innovations and inventors

Anchor investor in:

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

IMPACT GOAL 4

Build the narrative of business as a national asset

Business is a force for social good.

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

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

A diverse portfolio of entrepreneurs:

- 42% black founders and 23% female founders

A strong pipeline of up-and-coming entrepreneurs.

- 33 businesses: 12 new joiners in 2023 and 7 teams of investees in Harvest Fund II

IMPACT GOAL 5

Create and incubate new fund managers

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

Partnered with FNB and SAVCA to launch South Africa's first Fund Manager Development Programme:

- 11 black-owned and managed Fund Managers completed the First Time Fund Managers Development Programme (FMDP).
- 8 of these funds were women-owned and -managed.

R1,5bn in capital commitments raised in 15 months.

A second programme was initiated with SAVCA and TIA, focused specifically on VC Fund Managers (VC FMs) to:

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

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

IMPACT GOAL 6

Create and fund hundreds of new businesses

High impact entrepreneurs deliver economic growth and job creation – fast.

SCALING SMES

The SA SME Fund has partnered with Knife Capital on the Grindstone Accelerator and with Endeavor on their Local Scale-up programme to support scaling of high-growth SMEs.

THE GRINDSTONE IMPACT STORY

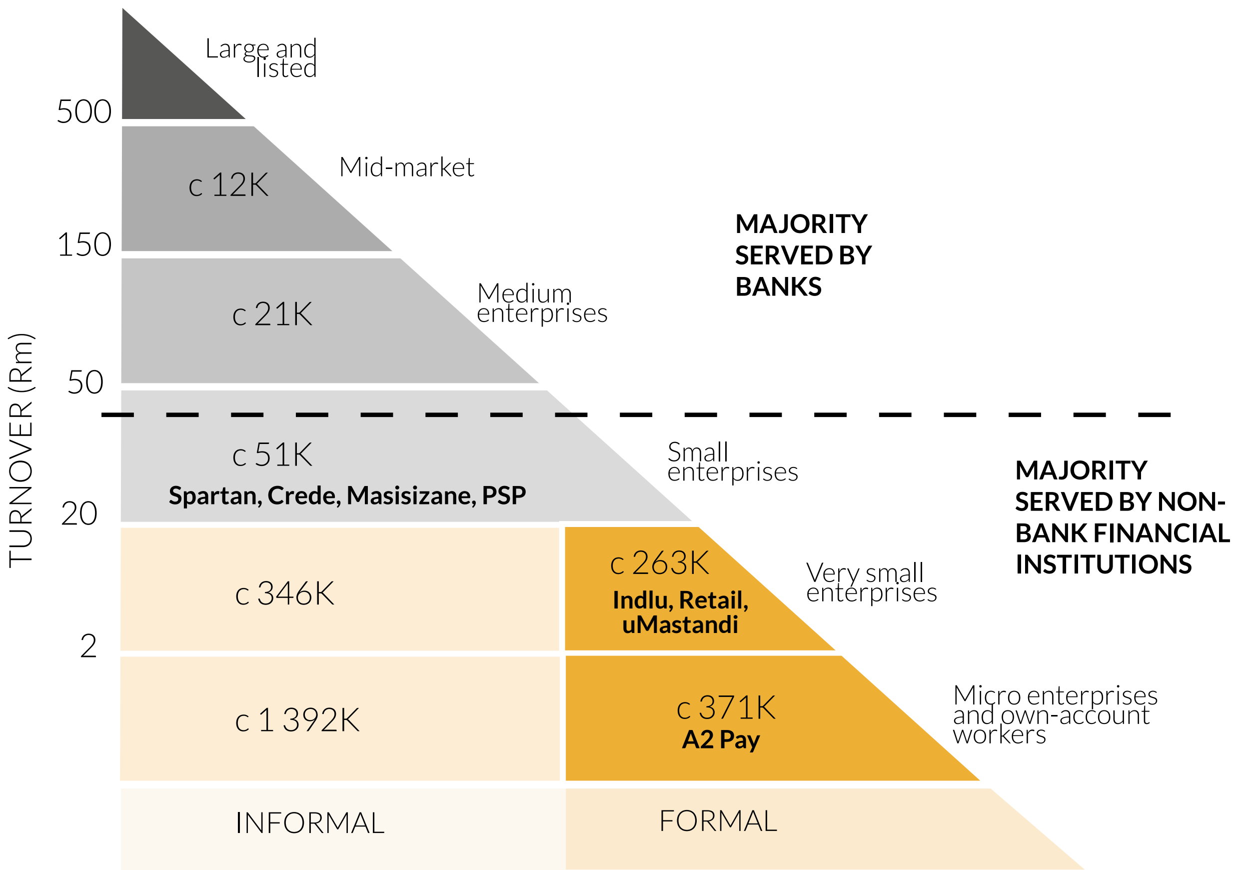
Total funds raised R149.5m	Revenue growth R323.1m	male:female 80:20	50% or more black owned 51.35%
Number of industries 13	97.3% still trading	146 jobs created	Compound annual growth rate 72%

MILESTONES FOR ENDEAVOR LOCAL SCALE-UP BUSINESSES

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

PROMOTING GROWTH OF SMES

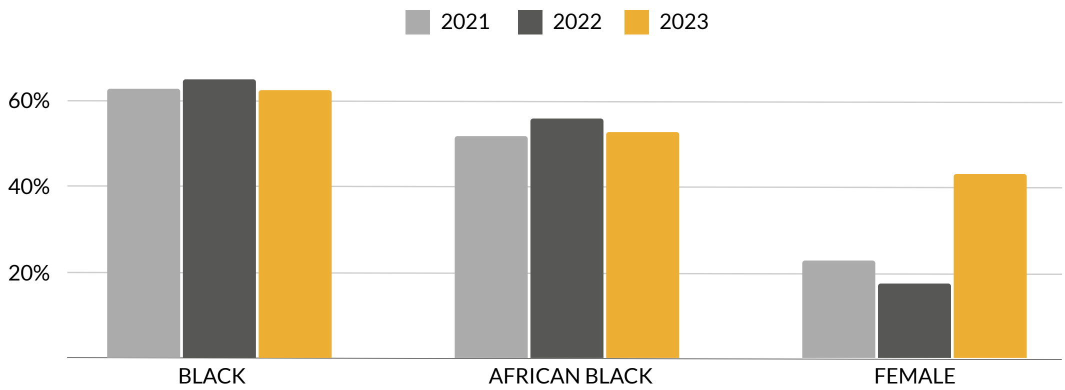
The SA SME Fund has partnered with a number of non-bank lenders to provide funding to SMEs for working capital, short term loans, specialised asset finance, project financing and expansion.



IMPACT GOAL 7

Transformation

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



SA SME Fund Portfolio Ownership Analysis March 2021 – March 2023

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

OUR IMPACT

Our portfolio companies align strongly with the Sustainable Development Goals

Financial inclusion through access to affordable finance

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

Affordable loans to informal sector businesses to enable them to compete

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

Grow businesses and enhance employment by supporting SMEs across markets

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

Enable access to **quality education**

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

Produce food sustainably by developing bio-based ingredients

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2023

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GENERAL INFORMATION

Country of incorporation and domicile:	Republic of South Africa
Company registration number:	2016/238385/06
Nature of business and principal activities:	Investment company
Registered office:	1 Discovery Place. Sandton, 2196
Postal address:	P.O. Box 786722. Sandton. 2146
Non-executive directors:	A Gore F Chothia NJ Dlamini LM Klein (appointed full director 18 August 2022) P Mahanyele-Dabengwa (appointed 18 August 2022) YG Muthien NG Payne
Executive directors	KM Gordhan CT Winter
Secretary:	CT Winter
Auditors:	Deloitte & Touche
Preparer:	CT Winter CA(SA)
Issue date:	31 August 2023

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 28 February 2023

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

The directors of The SA SME Fund are responsible for the preparation and fair presentation of the financial statements. These financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the financial statements in accordance with International Financial Reporting Standards and for keeping adequate accounting records in accordance with the Group's system of internal control. C Winter prepared the financial statements for the year ended 28 February 2023.

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

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

Based on the information and explanations given by management, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the financial statements in accordance with International Financial Reporting Standards and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Group, during the year ended 28 February 2023 and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the financial statements fairly present the state of affairs of the Group at the end of the year ended 28 February 2023, and the net income and cash flows for the year ended 28 February 2023.

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

It is the responsibility of the Group's independent external auditor, Deloitte & Touche, to report on the fair presentation of the financial statements. These financial statements have been audited in terms of Section 29(1) of the Companies Act 71 of 2008. Their report appears on pages 41 to 43.

The financial statements of the Group, which appear on pages 44 to 81, were approved by the Board of Directors on 31 August 2023 and are signed on its behalf by:

A Gore
Chairperson

KM Gordhan
CEO

COMPANY SECRETARY'S CERTIFICATE

for the year ended 28 February 2023

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

31 August 2023

REPORT OF THE VALUATIONS, AUDIT AND RISK COMMITTEE

for the year ended 28 February 2023

We are pleased to present our report for the year ended 28 February 2023. This report is made pursuant to the requirements of Section 94(7)(f) of the Companies Act (71 of 2008, as amended) of South Africa.

Composition of the Committee

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

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

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

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

During the year under review, four 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 auditor for the year ended 28 February 2023.
- Satisfied itself that Deloitte & Touche is independent of the Group.
- Agreed the terms of engagement of the external auditor.
- Ensured that the appointment of the auditor complies with the Companies Act.
- Noted and approved the non-audit services provided by the external auditor.
- Noted that it had not received any complaints, either from within or outside the Group, relating to the accounting practices, the content or audit of the Group's financial statements or any other related matter.

Risk management and oversight

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

Review of valuations

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

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

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

Review of the finance function

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

The Committee has furthermore considered and satisfied itself of the appropriateness of the expertise and adequacy of the resources of the SA SME Fund'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 small size of the finance function. In light of the growth of the Group and the funds under management, additional finance resources will be employed in the forthcoming year.

Compliance

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

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

External audit

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

Integrated reporting and the financial statements

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

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

The Committee notes, in particular, the significance of the phased drawdown of investment commitments over a three-to- 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 2023

The directors submit their report on the financial statements of The SA SME Fund and its subsidiaries for the year ended 28 February 2023.

Incorporation

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

Nature of business

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

Review of results

The year under review saw a return to normal after the COVID-19 pandemic although the economic headwinds remain challenging. Despite this, the Group's debt intermediaries have not seen a significant increase in non-performing loans or bad debts and, while a small number of investments in portfolio companies have been written down, the majority of the portfolio continues to achieve pre-investment targets. The Group has significant cash balances and has also benefited from the increasing interest rate environment.

Investment overview

The Group's initial investable capital was fully committed during the 2022 financial year. Legal agreements for the final two investments by the initial fund, Knife Capital (SA) Fund III and uMastandi Fund I were finalised during the current year.

During the year, the SA SME Fund entered into a partnership with the Township Economic Partnership (TEPF) to establish the SMME Crisis Partnership Fund, a R300 million debt fund with the purpose of providing loans to intermediaries who in turn provide debt and related funding to Gauteng based SMEs. The Gauteng Provincial Government provided R100 million of first loss funding to the fund through the TEPF, while the IDC and the SA SME Fund each committed a further R100 million. At year end, R230 million had been disbursed to 5 intermediaries.

As at 28 February 2023, the initial fund has committed R1,270 million to 16 investment intermediaries.

The initial fund has focused its investments into two core pillars, namely Growth and Venture Capital.

Growth

As at the balance sheet date, the Group has committed R610 million to 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. R100 million was committed to the SMME Crisis Partnership Fund during the year.

Venture Capital

The Group has committed R660 million to investments in the Venture Capital pillar of the mandate as at 28 February 2023.

Subsequent to year end the SA SME Fund of VC Funds has reached first close with commitments of R695 million.

This fund will further the Group's Venture Capital mandate by investing solely in Venture Capital Funds with a South African mandate.

Other initiatives

During the year the Group continued its partnership with Endeavor to support a local scale-up programme that provides 12 months of structured mentoring support to a cohort of 30 entrepreneurs. The Group's partnership with the Grindstone Accelerator was extended for a further 3 years. In addition, the second Fund Manager Development Programme, specifically for potential Venture Capital Fund managers, was launched in partnership with the South African Private Equity Association (SAVCA).

Financial review

The Group recorded a profit before tax of R14,365,150 in the current financial year (2022: R12,345,235 loss). A provision for tax of R17,241,634 (2022:R12,017,727) was recognised.

The Group's primary source of income during the financial year was interest earned on cash and cash equivalents. The Group takes a conservative approach to cash management and invests its excess cash in short term money market type facilities or notice deposits with the primary banking institutions. The Group also earned interest on its investments held at amortised cost as well as interest and dividends from its indirect investments in portfolio companies. A net unrealised fair value gain of R28,412,392 (2022: R29,608,771) was recorded on the Group's portfolio investments during the period. A realised fair value gain of R7,207,975 was recognised on the sale of portfolio assets to an offshore parallel investment entity by 4Di.

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 R101.1 million has been expensed in fund management and advisory fees that is recoverable in terms of the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds.

A further R1 million of share subscriptions was received during the year, relating to the subscription notice issued to shareholders in November 2019. An amount of R6.6 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.

Going concern

The directors have considered the financial position of the Group and are of the view that the Group remains a going concern. While the Group currently makes operating losses (before unrealised fair value adjustments) and is expected to do so for the foreseeable future, the Group has significant cash balances and its total assets exceed its total liabilities by R1.483 million (2022: R1,285 million). It is expected that the portfolio fund managers will start exiting investments in the next 2 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 R101.1 million (2022:R73.8 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Group has invested, subject to the performance of the underlying funds.

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

Contingent asset

The Company has incurred fund management fees and advisory fees totalling R101.1 million as at 28 February 2023 that are fully recoverable from the returns generated by the investee funds on the winding up of the partnership agreements, subject to the performance of the underlying funds.

Share capital and share premium

The Company was incorporated with authorised share capital of 3,000,000,000 ordinary no par value shares. The Company has issued 1,387,400,000 (2022: 1,386,400,000) shares of R1 each as at 28 February 2023.

Shareholding

An analysis of the register of members as at 28 February 2023 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	21.62%
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 2023. No dividend was declared during the year ended 28 February 2022 either.

Holding company

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

Directorate

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

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

Registered office: 1 Discovery Place, Sandton, 2196

Postal address: PO Box 786722, Sandton, 2146

Directors' remuneration

The 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 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 three 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

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

The Valuations, Audit and Risk Committee report is included on pages 32 to 34 of this report.

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

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

Investment Committee

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

The Investment Committee is an independent committee. In terms of the Delegation of Authority, the Board has delegated authority for the approval of acquisitions and disposals of investments to the Investment Committee. All investments are unanimously approved by the Investment Committee. During the year under audit the members of the Investment Committee are Mr M Jordaan (Chairperson), Mr N Martin, Mr E Mbuthia and Ms L Chiume. Mr A Roux resigned from the Investment Committee during the year. 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 Group has established the SA SME Fund of VC Funds I, an en-commandite partnership which will operate as a venture capital fund of funds. The Group has committed R50 million of first loss capital to the SA SME Fund of VC Funds I. In addition, the Group has received funding from the DSI and USAID for investment in the SA SME Fund of VC Funds. The funding received from USAID is a first loss facility of USD2 million.

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. The responsible audit engagement partner is Kelby Moothoosamy.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The SA SME Fund Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The SA SME Fund Limited Group set out on pages 44 to 81, which comprise the statement of financial position as at 28 February 2023, and 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 consolidated financial statements present fairly, in all material respects, the financial position of The SA SME Fund Limited Group as at 28 February 2023, 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 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.

MAKING AN IMPACT THAT MATTERS since 1845

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "The SA SME Fund Limited Audited Consolidated Financial Statements for the year ended 28 February 2023" 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.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the 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

Registered Auditor
Per: Kelby Moothoosamy
Partner

22 December 2023
5 Magwa Crescent
Waterfall City
2090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 28 February 2023

R	Notes	2023	2022
ASSETS			
Non-current assets			
Intangible assets	2	–	–
Property, plant and equipment	3	571,106	1,427,217
Unlisted investments related to government grant	10	25,500,000	18,000,000
Unlisted investments at fair value	4	569,736,469	383,129,334
Unlisted investments at amortised cost	4	425,946,519	185,243,003
Total non-current assets		**1,021,754,094**	**587,799,554**
Current assets			
Unlisted investments at fair value	4	3,978,979	3,978,979
Unlisted investments at amortised cost	4	7,642,455	4,578,520
Trade and other receivables	5	129,066	132,566
Prepayments	6	5,884,321	5,921,026
Cash and cash equivalents	7	625,747,082	739,611,075
Current tax receivable		1,181,290	-
Total current assets		**644,563,193**	**754,222,166**
Total assets		**1,666,317,287**	**1,342,021,720**
EQUITY			
Capital and reserves			
Share capital	8	1,387,400,000	1,386,400,000
Accumulated losses		(104,663,866)	(101,514,260)
Equity attributable to owners of the Company		1,282,736,134	1,284,885,740
Non-controlling interests		200,273,122	-
Total equity		**1,483,009,256**	**1,284,885,740**
LIABILITIES			
Non-current liabilities			
Deferred tax liability		19,909,390	13,635,662
Other liabilities	10	104,613,571	18,878,292
Deferred income (government grant)	10	48,161,727	6,503,592
Total non-current liabilities		**172,684,688**	**39,017,546**
Current liabilities			
Trade and other payables	11	3,124,534	2,226,599
Right-of-use lease liability	12	400,978	1,026,654
Provisions	13	7,097,831	11,661,098
Provision for current tax		-	3,204,084
Total current liabilities		**10,623,343**	**18,118,435**
Total liabilities		**183,308,031**	**57,135,981**
Total equity and liabilities		**1,666,317,287**	**1,342,021,721**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2023

R	Notes	2023	2022
REVENUE			
Interest earned on cash and cash equivalents		39,601,191	32,878,574
Interest earned on investments held at amortised cost		26,176,173	13,610,806
Realised gains on investments held at fair value		7,207,975	-
Unrealised gains on investments held at fair value		28,412,392	29,608,771
Other investment income		3,381,171	1,021,421
Government grant income		9,165,865	1,693,161
Other income		183,750	75,000
Total revenue		**114,128,517**	**78,887,733**
EXPENSES			
Ecosystem development and incubator costs		(12,875,182)	(11,550,428)
Impairment losses on investments held at amortised cost		(11,576,791)	(7,281,026)
Interest expense on lease liability		(56,314)	(46,734)
Interest expense on long term liability		(8,191,925)	(1,446,862)
Interest expense: SARS		-	(337,931)
Fund management fees		(33,336,393)	(34,399,220)
Loss on sale of fixed assets		-	-
Operating expenses	**14**	(33,726,762)	(36,170,767)
Total expenses		(99,763,367)	(91,232,968)
Operating profit / (loss)		14,365,150	(12,345,235)
Tax	**9**	(17,241,634)	(12,017,727)
Net loss for the year		**(2,876,484)**	**(24,362,962)**
Total comprehensive loss for the year		**(2,876,484)**	**(24,362,962)**
Attributable to:			
- Ordinary shareholders		**(3,149,606)**	**(24,362,962)**
- Non-controlling interest		**273,122**	**–**
Total comprehensive loss for the year		**(2,876,484)**	**(24,362,962)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2023

R	Share capital	Accumulated losses	Total	Non controlling interest	Total
Balance at 1 March 2021	1,367,400,000	(77,151,298)	1,290,248,702	-	1,290,248,702
Share capital issue	19,000,000	-	19,000,000	-	19,000,000
Total comprehensive loss for the year	-	(24,362,962)	(24,362,962)	-	(24,362,962)
Balance at 28 February 2022	1,386,400,000	(101,514,260)	1,284,885,740	-	1,284,885,740
Balance at 1 March 2022	1,386,400,000	(101,514,260)	1,284,885,740	-	1,284,885,740
Share capital issue	1,000,000	-	1,000,000	-	1,000,000
Partnership commitments received	-	-	-	200,000,000	200,000,000
Total comprehensive loss for the year	**-**	**(3,149,606)**	**(3,149,606)**	**273,122**	**(2,876,484)**
Balance at 28 February 2023	**1,387,400,000**	**(104,663,866)**	**1,282,736,134**	**200,273,122**	**1,483,009,256**

STATEMENT OF CASH FLOWS

for the year ended 28 February 2023

R	Notes	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	16	(75,307,151)	(69,016,247)
Interest received from cash and cash equivalents		39,601,191	32,878,574
Interest paid on lease liability	12	(56,314)	(46,734)
Tax paid		(15,353,279)	(8,381,254)
Net cash outflow from operating activities		**(51,115,553)**	**(44,565,661)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(8,478)	(416,631)
Payments to acquire unlisted investments at fair value		(176,382,607)	(69,595,883)
Payments to acquire unlisted investments at amortised cost		(259,000,000)	(15,000,000)
Payments to acquire unlisted investments iro Government grant		(7,500,000)	(18,000,000)
Proceeds from realisation of unlisted investments at fair value		18,187,865	29,225,170
Proceeds from realisation of unlisted investments at amortised cost		20,953,499	-
Interest received from unlisted investments		9,152,575	1,913,548
Dividends received from unlisted investments		3,107,027	446,948
Net cash outflow from investing activities		**(391,490,119)**	**(71,426,848)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	8	1,000,000	19,000,000
Partnership capital raised		200,000,000	-
Proceeds from long term liability issued		128,367,355	523,343
Capital portion of cash repayments of lease liability	12	(625,676)	(775,332)
Net cash inflow from financing activities		**328,741,679**	**18,748,011**
Net (decrease) / increase in cash and cash equivalents		**(113,863,993)**	**(97,244,498)**
Cash and cash equivalents at the beginning of the year		739,611,075	836,855,573
Total cash and cash equivalents at the end of the year		**625,747,082**	**739,611,075**

ACCOUNTING POLICIES

for the year ended 28 February 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of presentation

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

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

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

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

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

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

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

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

Investment	Control assessment	Measurement basis
4Di Capital Fund III	No control	Fair value through profit or loss
A2Pay Financial Services Proprietary Limited	No control	Amortised cost
Anatree Proprietary Limited	No control	Amortised cost
Bridge Taxi Finance No12 Proprietary Limited	No control	Amortised cost
Custos Media Technologies (RF) Proprietary Limited/CMT Research Proprietary Limited	No control	Amortised cost
Digital Africa Ventures Fund I	No control	Fair value through profit or loss
E4E Africa Fund I	No control	Fair value through profit or loss
Endeavor Harvest Fund II	No control	Fair value through profit or loss
Grindstone Ventures Fund I	No control	Fair value through profit or loss
KNF Ventures (RF) Proprietary Limited	No control	Fair value through profit or loss
Knife Capital (SA) Fund III	No control	Fair value through profit or loss
Mafami (Pty) Limited t/a Vula	No control	Fair value through profit or loss
Masisizane Franchise Fund I	Significant influence	Fair value through profit or loss
OneBio Seed Investment Fund I	No control	Fair value through profit or loss
PAPE Fund 3	No control	Fair value through profit or loss
ProfitShare Partners Proprietary Limited - loan	No control	Amortised cost
ProfitShare Partners Proprietary Limited – preference shares	No control	Fair value through profit or loss
Retail Capital	No control	Amortised cost
Savant Venture Fund I (A)	No control	Fair value through profit or loss
SME Contract Finance (RF) Proprietary Limited	No control	Amortised cost
Spartan SME Fund Proprietary Limited	No control	Amortised cost
SummerPlace Equity Fund I	No control	Fair value through profit or loss
The SA SME Fund Management Company Proprietary Limited	Control	Consolidated
The SMME Crisis Partnership Fund	Control	Consolidated
The SA SME Fund GP 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 has prepared consolidated financial statements for the first time in the current year. The Company is a significant shareholder in The SA SME Fund Management Company Proprietary Limited (the Manco) and is considered to control this entity. Furthermore, the Company has control of the SMME Crisis Partnership Fund, which was established in the current financial year. In prior years, due to the insignificant nature of the net asset value of the Manco, the company financial statements were considered to be consolidated financial statements for the SA SME Fund Limited and its subsidiaries. As a result of preparing consolidated financial statements in the current year, certain comparative information in the consolidated financial statements differs from the comparatives presented in the Company financial statements.

2.3 Fair value measurement of investments

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

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

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

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

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

2.4 Calculation of loss allowance

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

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

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

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

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

2.5 Tax

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

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

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

In years prior to the 2020 financial year, the revenue of the SA SME Fund 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 was finalised in March 2022. Income tax of R3,205,669 was payable in respect of the 2020 financial year, together with interest payable to SARS of R337,931. No penalties were payable.

3. Functional and presentation currency

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

4. Property, plant and equipment

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

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

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

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

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

5. Intangible assets acquired separately

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

Computer software:	33.33% per annum

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

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

6. Financial instruments

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

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

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

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

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

6.1 Financial assets

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

Classification of financial assets

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL

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

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of financial assets

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

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

6.2 Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

As at 28 February 2023, the Group does not have any financial liabilities that are measured at FVTPL.

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

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

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

7. Tax

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

Current tax

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

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

Deferred tax

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

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

8. Cash and cash equivalents

Cash and cash equivalents comprise:

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

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

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

9. Share capital

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

10. Employee benefits

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

10.1 Leave pay

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

11. Provisions

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

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

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

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

12. Trade and other payables

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

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

13. Revenue

13.1 Interest

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

13.2 Dividend income

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

13.3 Investment gains and losses

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

14. Leases

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the 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 Standards and interpretations effective and adopted in the current year

The adoption of the following new and amended standards and interpretations, which are effective for the 28 February 2023 reporting period, did not have any material impact on the amounts or on the disclosures reported in these financial statements:

- Annual Improvements to IFRS Standards 2018–2020;
- IFRS 3 amendment to reference to the Conceptual Framework;
- IAS 16 amendment to proceeds before intended use; and
- IAS 37 amendment to onerous contracts – Cost of fulfilling a contract.

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

The following new standards and interpretations, which are effective for reporting periods beginning on or after 1 January 2023, are not expected to have a material impact on the financial statements in future periods:

- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- Amendment to IAS 1 Classification of liabilities as current or non-current;
- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies;
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- IAS 12 amendment on deferred tax related to assets and liabilities arising from a single transaction
- 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 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 8 – Definition of accounting estimates.
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2023

1. Management of financial risk

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

1.1 Market risk

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

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

Interest rate risk

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

At 28 February 2023 the Group's total exposure to interest rate risk was as follows:

	2023	**2022**
	R	**R**
Investments measured at fair value through profit or loss	35,361,801	30,867,107
Investments measured at amortised cost	433,588,974	189,821,523
Cash and cash equivalents	625,747,082	739,611,075
	1,094,697,857	**960,299,705**

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.

		2023		**2022**
RATE VARIANCE:	+1%	10,946,978	+1%	9,602,997
	-1%	(10,946,978)	-1%	(9,602,997)

Currency risk

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

Equity price risk

As at 28 February 2023, the Group holds equity shares in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Group and Mafami Proprietary Limited t/a Vula. In addition, the Group is indirectly exposed to equity price risk through the valuation of the underlying portfolio investments held through its investments in Funds. The analysis below details the Group's sensitivity to a 1% increase and decrease in the fair value of the unlisted investments held at 28 February 2023 based on fluctuations in the price of its unlisted investments.

		2023		2022
Change in equity prices assumed:	+1%	5,737,154	+1%	3,871,279
	-1%	(5,737,154)	-1%	(3,871,279)

1.2 Credit risk

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

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

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

	2023	2022
	R	R
Investments measured at fair value through profit or loss	35,361,801	30,867,107
Investments measured at amortised cost	433,588,974	189,821,523
Trade and other receivables	129,066	132,566
Cash and cash equivalents	625,747,082	739,611,075
	1,094,826,923	**960,432,271**

The credit risk on investments that are utilised by intermediaries to provide finance to SMEs is mitigated by the cession of book debts of the investee. In addition, the Group has received guarantees totalling R20 million from companies that are related parties of the investees.

1.3 Liquidity risk

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

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

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

	0 – 3 months	4 – 12 months	>1 year	Total
R				
2023				
Trade and other payables	3,124,534	-	-	3,124,534
Right-of-use lease liability	175,369	233,825	-	409,194
Provisions	**7,091,362**	**6,469**	**-**	7,097,831
Other liabilities	-	-	154,046,600	154,046,600
Total	**10,391,265**	**240,294**	**154,046,600**	**164,678,159**
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**

1.4 Valuation risk

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

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

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

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

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

R	Level 1	Level 2	Level 3	TOTAL
2023				
Unlisted investments	-	35,361,801	538,353,646	573,715,447
Balance at 28 February 2023	**-**	**35,361,801**	**538,353,646**	**573,715,447**
2022				
Unlisted investments	-	30,867,106	356,241,207	387,108,313
Balance at 28 February 2022	**-**	**30,867,106**	**356,241,207**	**387,108,313**

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

	Unlisted investments	
R	**2023**	**2022**
Non-current assets		
Opening balance	356,241,207	289,611,782
Acquisitions	176,382,607	69,595,881
Realisations	(18,187,865)	(29,225,169)
Net gains included in the statement of comprehensive income	23,917,697	26,258,713
Balance at the end of the period	538,353,646	356,241,207

1.5 Capital risk management

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

2. Intangible assets

R **Cost**	**Computer software**	**TOTAL**
Balance at 1 March 2021	17,796	17,796
Additions	-	-
Disposals	-	-
Balance at 28 February 2022	**17,796**	**17,796**
Balance at 1 March 2022	**17,796**	**17,796**
Additions	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Accumulated amortisation		
Balance at 1 March 2021	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 28 February 2022	**17,796**	**17,796**
Balance at 1 March 2022	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Carrying amounts		
At 28 February 2023	-	-
At 28 February 2022	-	-

3. Property, plant and equipment

R Cost	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment	Right-of-use assets	TOTAL
Balance at 1 March 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**
Balance at 1 March 2022	**270,953**	**382,600**	**69,796**	**225,180**	**1,264,575**	**2,213,104**
Additions	-	6,579	1,899	-	-	8,478
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**270,953**	**389,179**	**71,695**	**225,180**	**1,264,575**	**2,221,582**
Accumulated depreciation						
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**
Balance at 1 March 2022	**56,449**	**278,031**	**49,666**	**138,288**	**263,453**	**785,887**
Depreciation	135,477	57,541	12,486	26,798	632,287	864,589
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**191,926**	**335,572**	**62,152**	**165,086**	**895,740**	**1,650,476**
Carrying amounts						
At 28 February 2023	**79,027**	**53,607**	**9,543**	**60,094**	**368,835**	**571,106**
At 28 February 2022	**214,504**	**104,569**	**20,130**	**86,892**	**1,001,122**	**1,427,217**

4. Investments

4.1 Unlisted investments at fair value

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

The Group becomes a Limited Partner of the Fund and the investments are made through commitments into the Funds. Additionally, the Group has invested directly in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Group and Mafami Proprietary Limited. The Group has also invested in convertible preference shares issued by ProfitShare Partners Proprietary Limited. As at 28 February 2023, the Group had the following investments:

	2023 R	2022 R
Investments measured at fair value through profit or loss		
Carrying amounts of:		
Unlisted investments	573,715,448	387,108,313
	573,715,448	**387,108,313**
Current	3,978,979	3,978,979
Non-current	569,736,469	383,129,334
	573,715,448	**387,108,313**
Consisting of:		
Cost	531,569,289	355,186,682
Realisations	(57,187,407)	(38,999,542)
Unrealised capital revaluation movement at the end of the year	90,089,771	65,868,382
Accrued income	9,243,795	5,052,791
	573,715,448	**387,108,313**

The investments consisted of the following:	% of fund / company	2023 R	2022 R
PAPE Fund 3	9.7%	80,094,191	54,903,494
KNF Ventures (RF) Proprietary Limited	16.1%	70,452,900	67,054,050
Savant Venture Fund I (A)	68.3%	60,653,157	31,742,810
OneBio Seed Investment Fund I	89.0%	24,691,073	8,384,191
4Di Capital Fund III	96.2%	51,290,688	44,080,807
Masisizane Franchise Fund I	70.4%	59,219,325	55,287,699
SummerPlace Equity Fund I	49.9%	59,671,956	31,294,331
Digital Africa Ventures	97.34%	15,979,682	3,620,830
University Technology Fund	72.8%	79,078,871	43,612,456
ProfitShare Partners preference shares	N/A	35,361,801	30,867,107
Endeavor Harvest Fund III	10.58%	16,428,880	12,281,559
Grindstone Ventures Fund I	73.26%	4,789,668	-
Knife Capital (SA) Fund III	25.42%	12,024,276	-
Mafami Proprietary Limited	6.1%	3,978,979	3,978,979
		573,715,447	**387,108,313**

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

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

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

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

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

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

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

	2023	2022
	R	**R**
Current assets	42,895,476	63,134,312
Non-current assets	41,258,301	24,543,162
Total assets	**84,153,777**	**87,677,474**
Current liabilities	-	9,110,743
Net assets	**84,153,777**	**78,566,731**
Partners' capital accounts	67,500,000	67,500,000
Retained earnings	16,653,777	11,066,731
Capital attributable to partners	**84,153,777**	**78,566,731**
Capital attributable to The SA SME Fund Limited	**59,219,325**	**55,287,699**
Revenue	5,746,657	5,112,546
Profit / (loss) for the year	5,587,046	5,030,640
Total comprehensive income	**5,587,046**	**5,030,640**

4.2 Unlisted investments at amortised cost

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

At 28 February 2023, the Company had the following investments:

	2023 R	2022 R
Investments measured at amortised cost		
Carrying amounts of:		
Investments measured at amortised cost	433,588,974	189,821,523
	433,588,974	**189,821,523**
Current	7,642,455	4,578,520
Non-current	425,946,519	185,243,003
	433,588,974	**189,821,523**
Consisting of:		
Cost	432,500,000	173,500,000
Realisations	(20,953,499)	-
Accrued income	42,413,974	25,116,233
Provision for expected credit losses	(20,371,501)	(8,794,710)
	433,588,974	**189,821,523**

The investments consisted of the following:

	2023 R Amortised cost	2023 R Fair value	2022 R Amortised cost	2022 R Fair value
Spartan SME Fund Proprietary Limited	**125,096,163**	**129,285,782**	**116,812,712**	**121,556,849**
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 totaling 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.				

	2023 R Amortised cost	2023 R Fair value	2022 R Amortised cost	2022 R Fair value
A2Pay Financial Services Proprietary Limited The loan bears interest at Prime less 2% per annum, compounded quarterly and is repayable in full, together with accrued interest, on 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.	**11,509,093**	**12,508,504**	**10,922,957**	**11,793,634**
ProfitShare Partners Proprietary Limited				
The loan is secured by a cession of book debts and bears interest at Prime plus 3%, compounded monthly and payable quarterly in arrears. The capital balance of the loan is repayable in full on 8 October 2025. During the year, a portion of the loan was converted into an unsecured short term working capital facility. Once the working capital facility is repaid in full, the funds will be credited to the loan facility. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**70,662,879**	**76,465,447**	**62,085,854**	**67,763,673**
The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 10 October 2024. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**40,087,646**	**42,081,086**	**-**	**-**
Anatree Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 29 November 2024. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**50,126,768**	**52,112,913**	**-**	**-**
Bridge Taxi Finance No. 12 Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 17 October 2024. The loan is secured by a cession of book debts. In addition, the Company has received guarantees from the holding company of Bridge Taxi Finance No.12. 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.	**70,996,872**	**74,284,007**	**-**	**-**

	2023 R Amortised cost	2023 R Fair value	2022 R Amortised cost	2022 R Fair value
SME Contract Finance (RF) Proprietary Limited The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 2 October 2024. The loan is secured by a cession of book debts. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**20,363,576**	**21,253,228**	-	-
Retail Capital The loan bears interest at the Prime rate of interest, compounded monthly and is repayable in full, together with the accrued interest, on 5 December 2024. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**44,745,977**	**52,401,815**	-	-
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.	-	-	-	-
	433,588,974	**460,392,782**	**189,821,523**	**201,114,156**

Movement in Expected Credit Losses

	2023 R	2022 R
Balance at the beginning 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**	-
Statement of comprehensive income charge	**11,576,791**	**7,281,026**
Stage 1 ECL allowance	11,812,089	601,407
Stage 2 ECL allowance	(235,298)	6,679,619
Balance at the end of the year	**20,371,500**	**8,794,709**
Stage 1 ECL allowance	13,927,179	2,115,090
Stage 2 ECL allowance	6,444,321	6,679,619

5. Trade and other receivables

	2023 R	2022 R
Financial assets:		
Deposits	129,066	132,566
	129,066	**132,566**

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

6. Prepayments

	2023 R	2022 R
Prepaid management fees	5,519,408	5,659,792
Other prepayments	364,913	261,234
	5,884,321	**5,921,026**

7. Cash and cash equivalents

	2023		2022	
		R		R
Bank and cash balances		**625,747,082**		**739,611,075**
Cash at bank and short term deposits	**Ave. interest rate**		**Ave. interest rate**	
First National Bank	5.61%	79,721,255	3.33%	17,136,798
Investec	6.11%	216,687,597	4.45%	211,007,523
Nedbank	6.43%	147,309,038	4.23%	144,095,472
Rand Merchant Bank 32 day notice index deposit	6.27%	182,029,192	4.18%	367,364,279
Rand Merchant Bank call deposit		-	3.14%	7,003
		625,747,082		**739,611,075**

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

8. Share capital

	2023 Number of shares	2022 Number of shares
Authorised		
Ordinary no par value shares	**3,000,000,000**	**3,000,000,000**

Issued	2023 R	2023 Number of shares	2022 R	2022 Number of shares
Ordinary no par value shares	1,387,400,000	1,387,400,000	1,386,400,000	1,386,400,000

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

During the year ended 28 February 2023 the Company increased its share capital and issued 1,000,000 (2022: 19,000,000) fully paid up new shares at a price of R1.00 per share.

9. Tax

	2023 R	2022 R
South African normal tax		
Current tax	**10,967,905**	**5,876,931**
Deferred tax	**6,273,729**	**6,140,796**
	17,241,634	**12,017,727**
Reconciliation of tax rate	%	%
Standard rate of tax	**28.00**	**28.0**
Non-taxable income	(88.77)	12.32
Unrealised gains on investments	(172.91)	61.73
Expenditure disallowed	383.83	(160.91)
Timing differences	(3.50)	(14.16)
Capital loss incurred on exit	-	2.12
Prior year overprovision	-	21.94
Deferred capital gains tax on unrealised gains on investments	(24.35)	(51.15)
Effective tax rate	**122.30**	**(100.11)**

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

10. Government grant assets and other liabilities

	2023 R	2022 R
Unlisted investments related to government grant		
Unlisted investments related to government grant	**25,500,000**	**18,000,000**
Other liabilities		
Grant liability in respect of DSI project funding agreement	100,130,010	18,878,292
Deferred income	35,209,062	6,503,592
	135,339,072	**25,381,884**
Grant liability in respect of USAID First Loss Facility Contribution agreement	4,483,561	-
Deferred income	12,952,665	-
	17,436,226	**-**
Total grant liabilities	104,613,571	18,878,292
Total deferred income	48,161,727	6,503,592
Current	-	-
Non-current	152,775,298	25,381,884
	152,775,298	**25,381,884**

During the year ended 28 February 2021, the Group 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. During the current year, the project funding agreement was extended and a further R105 million was received from the DSI for investment in the SA SME Fund of VC Funds. No investments have been made with the additional funding received at year end as the SA SME Fund of VC Funds has only reached first close subsequent to year end. The termination date of the project funding agreement was extended to 31 December 2026.

During the year under audit, the Group entered into a First Loss Facility Contribution Agreement with USAID whereby USAID has provided an amount of USD2 million as a first loss facility for investment in the SA SME Fund of VC Funds.

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

During the current year, the Group invested R7.5 million of the initial 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

	2023 R	2022 R
Trade payables	714,345	17,204
Other payables	**676,270**	**576,865**
Total financial liabilities	1,390,615	594,069
Accruals	1,733,919	1,632,530
Total financial and non-financial liabilities	**3,124,534**	**2,226,599**

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

	2023 R	2022 R
Movement in right-of-use lease liability		
Balance at beginning of the year	1,026,654	537,411
Lease renewal	-	1,264,575
Finance charges	56,314	46,734
Cash outflow for leases	(681,990)	(822,066)
	400,978	**1,026,654**
Current portion payable within one year	400,978	625,675
Long term portion	-	400,979
Total	**400,978**	**1,026,654**
Total cash outflow for leases		
Finance charges	56,314	46,734
Capital portion	625,676	775,332
	681,990	**822,066**
Contractual undiscounted cash flows		
Due in one year	409,194	681,990
Due thereafter	-	409,194
Total	**409,194**	**1,091,184**

The incremental cost of borrowing used to discount the value of the remaining lease payments is 8.433% (2022: 8.433%).

13. Provisions

	2023 R	2022 R
Employee benefits	7,097,831	11,661,098
	7,097,831	**11,661,098**
Current	7,097,831	11,661,098
Non-current	-	-
	7,097,831	**11,661,098**
Movement in provisions:		
Balance at the beginning of the year	11,661,098	1,032,009
Additional provision in the year	7,097,831	11,661,098
Utilisation of the provision	(11,661,098)	(1,032,009)
Balance at the end of the year	**7,097,831**	**11,661,098**

The provision for employee benefits represents annual leave and accrued bonuses in terms of employees' contracts of employment. An amount of R6,940,510 (2022: R11,030,760) in respect of employee benefits provisions has been paid subsequent to year end.

14. Operating expenses

	2023 R	2022 R
Operating expenses comprise:		
Amortisation of intangible assets	-	
Auditors' remuneration		
Audit fees	2,362,891	2,135,930
Remuneration for other services	211,750	-
Consulting fees	-	500,000
Depreciation	864,589	**947,836**
Fund II costs	**628,603**	370,645
Insurance	384,209	365,378
Investment Committee fees	-	218,750
Investment-related costs	600,311	164,692
Legal fees	906,283	814,657
Operating lease rentals – office equipment (Note 17)	67,199	71,731
Salaries, wages and short term incentives, including directors' emoluments disclosed in Note 15	25,919,367	29,594,186
Other operating expenses	1,781,560	986,624
	33,726,762	**36,170,767**

15. Directors' and prescribed officers' emoluments

	2023 (R) Salary	2023 (R) Short term incentive	2023 (R) Total	2022 (R) Salary	2022 (R) Short term incentive	2022 (R) Total
Ketan Gordhan	4,907,959	1,693,549	6,601,508	4,638,629	2,783,177	7,421,806
Caryn Winter	2,907,370	1,077,097	3,984,467	2,704,321	1,622,592	4,326,913
	7,815,329	**2,770,646**	**10,585,975**	**7,342,950**	**4,405,769**	**11,748,719**

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

16. Notes to the statement of cash flows

Cash utilised in operations	**2023 R**	**2022 R**
Operating profit / (loss) before tax	14,365,150	(12,345,235)
Adjustments for:		
Depreciation of property, plant and equipment	864,589	947,836
Interest earned on cash and cash equivalents	(39,601,191)	(32,878,574)
Income from government grant	(9,165,865)	(1,693,161)
Investment income recognised in the statement of comprehensive income	**(29,557,344)**	**(14,632,227)**
Interest expense – non cash	8,191,925	1,784,793
Interest expense on lease liability	**56,314**	**46,734**
Non cash deferred income on lease liability	-	-
Unrealised gains from fair value adjustments	(28,412,392)	(29,608,771)
Increase in expected credit loss provisions	11,576,791	7,281,026
Movement in provisions	(4,563,267)	10,629,089
Working capital changes:	40,204	1,853,057
Decrease / (increase) in prepayments and trade and other receivables	**897,935**	**(400,815)**
(Decrease) / increase in trade and other payables	**(75,307,151)**	**(69,016,247)**

17. Operating lease rentals

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

	2023 R	**2022 R**
Operating lease rentals due within one year	46,524	56,051
Operating lease rentals due thereafter	44,085	20,073
	90,609	76,124

18. Capital commitments

Undrawn capital commitments:	% of fund	Total capital commitment	2023 R Undrawn capital commitment
PAPE Fund 3	9.7%	100,000,000	16,385,197
SummerPlace Equity Fund 1	49.9%	125,000,000	65,473,537
Savant Venture Fund 1	68.3%	100,000,000	37,300,463
4Di Capital Fund III	96.15%	125,000,000	59,337,991
OneBio Seed Investment Fund I	89.02%	75,000,000	46,102,681
University Technology Fund	72.8%	145,000,000	67,537,920
Digital Africa Ventures Fund I	97.34%	25,000,000	3,903,489
Endeavor Harvest Fund II	10.58%	20,000,000	4,777,544
Grindstone Ventures Fund I	73.26%	10,000,000	4,710,502
Knife Series B Fund	25.42%	75,000,000	60,316,504
Umastandi Fund I		10,000,000	10,000,000
		810,000,000	**375,845,828**

Undrawn capital commitments:	% of fund	Total capital commitment	2022 R Undrawn capital commitment
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**

In addition to the above commitments, the Group 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 R250k and R1.5 million in potential portfolio companies. As at 28 February 2023, the full facility had been advanced to Savant Venture Fund I (2022: R10,000,000). The Group has also committed an additional R5 million to OneBio Seed Investment Fund I as a Seed loan facility as well as a total of R30 million (2022: R30 million) to the University Technology Fund for Seed and Pre-seed investments. As at 28 February 2023 an amount of R18 561 721 (2022: R18,561,721) has been utilised for this purpose.

19. Contingencies

There were no contingent liabilities at 28 February 2023

As at 28 February 2022, the Group had 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

Both agreements were signed during the year under audit.

20. Going concern

The directors have considered the financial position of the Group and are of the view that the Group remains a going concern. While the Group currently makes operating losses (before unrealised fair value adjustments) and is expected to do so for the foreseeable future, the Group has significant cash balances and its total assets exceed its total liabilities by R1,483 million (2022: R1,285 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 R101.1 million (2022:R73.8 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Group has invested, subject to the performance of the underlying funds.

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

21. Subsequent events

21.1 Investments subsequent to 28 February 2023

Subsequent to year end, the Group has established the SA SME Fund of VC Funds I, an en-commandite partnership which will operate as a venture capital fund of funds. The Group has committed R50 million of first loss capital to the SA SME Fund of VC Funds I. In addition, the Group has received funding from the DSI and USAID for investment in the SA SME Fund of VC Funds. The funding received from USAID is a first loss facility of USD2 million.

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

R	2022						
	Management fee %	Total income	Interest and dividends received	Total expenses	Management and advisory fees paid	Establishment costs and interest paid on equalisation	Fund operating expenses
Financial assets at fair value through profit or loss							
PAPE Fund 3	**2.00%**	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**

There were no amounts owing by or to related parties as at 28 February 2023 (2022: RNil).

22.2 Transactions with directors

There were no transactions with directors during the year ended 28 February 2023, nor during the year ended 28 February 2022.

The SA SME Fund Limited standalone financial statements

for the year ended 28 February 2023

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GENERAL INFORMATION

Country of incorporation and domicile:	Republic of South Africa
Company registration number:	2016/238385/06
Nature of business and principal activities:	Investment company
Registered office:	1 Discovery Place. Sandton, 2196
Postal address:	P.O. Box 786722. Sandton. 2146
Non-executive directors:	A Gore F Chothia NJ Dlamini LM Klein (appointed full director 18 August 2022) P Mahanyele-Dabengwa (appointed 18 August 2022) YG Muthien NG Payne
Executive directors	KM Gordhan CT Winter
Secretary:	CT Winter
Auditors:	Deloitte & Touche
Preparer:	CT Winter CA(SA)
Issue date:	31 August 2023

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 28 February 2023

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 and the requirements of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the financial statements in accordance with International Financial Reporting Standards and for keeping adequate accounting records in accordance with the Company's system of internal control. C Winter prepared the financial statements for the year ended 28 February 2023.

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

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

Based on the information and explanations given by management, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the financial statements in accordance with International Financial Reporting Standards and maintaining accountability for the Company's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Company, during the year ended 28 February 2023 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 2023, and the net income and cash flows for the year ended 28 February 2023.

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

It is the responsibility of the Company's independent external auditor, Deloitte & Touche, to report on the fair presentation of the financial statements. These financial statements have been audited in terms of Section 29(1) of the Companies Act 71 of 2008. Their report appears on pages 95 to 97.

The financial statements of the Company, which appear on pages 98 to 134, were approved by the Board of Directors on 31 August 2023 and are signed on its behalf by:

A Gore
Chairperson

KM Gordhan
CEO

COMPANY SECRETARY'S CERTIFICATE

for the year ended 28 February 2023

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
31 August 2023

REPORT OF THE VALUATIONS, AUDIT AND RISK COMMITTEE

for the year ended 28 February 2023

We are pleased to present our report for the year ended 28 February 2023. This report is made pursuant to the requirements of Section 94(7)(f) of the Companies Act (71 of 2008, as amended) of South Africa.

Composition of the Committee

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

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

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

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

During the year under review, four 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 auditor for the year ended 28 February 2023.
- Satisfied itself that Deloitte & Touche is independent of the Company.
- Agreed the terms of engagement of the external auditor.
- Ensured that the appointment of the auditor complies with the Companies Act.
- Noted and approved the non-audit services provided by the external auditor.
- Noted that it had not received any complaints, either from within or outside the Company, relating to the accounting practices, the content or audit of the Company's financial statements or any other related matter.

Risk management and oversight

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

Review of valuations

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

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

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

Review of the finance function

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

Compliance

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

External audit

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

Integrated reporting and the financial statements

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

The Committee has also reviewed a documented assessment by management of the going concern premise of the Company as well as the Directors' report and additional information to be included in the Integrated Report of the Company. The Committee notes, in particular, the significance of the phased drawdown of investment commitments over a three-to-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 2023

The directors submit their report on the financial statements of The SA SME Fund for the year ended 28 February 2023.

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 a return to normal after the COVID-19 pandemic although the economic headwinds remain challenging. Despite this, the Company's debt intermediaries have not seen a significant increase in non-performing loans or bad debts and, while a small number of investments in portfolio companies have been written down, the majority of the portfolio continues to achieve pre-investment targets. The Company has significant cash balances and has also benefited from the increasing interest rate environment.

Investment overview

The Company's investable capital was fully committed during the 2022 financial year. Legal agreements for the final two investments, Knife Capital (SA) Fund III and uMastandi Fund I were finalised during the current year. During the year, the Company entered into a partnership with the Township Economic Partnership (TEPF) to establish the SMME Crisis Partnership Fund, a R300 million debt fund with the purpose of providing loans to intermediaries who in turn provide debt and related funding to Gauteng based SMEs. The Gauteng Provincial Government provided R100 million of first loss funding to the fund through the TEPF. At year end, R230 million had been disbursed to 5 intermediaries.

As at 28 February 2023, the Company has committed R1,270 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 R610 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. R100 million was committed to the SMME Crisis Partnership Fund during the year.

Venture Capital

The Company has committed R660 million to investments in the Venture Capital pillar of the mandate as at 28 February 2023.

Subsequent to year end the SA SME Fund of VC Funds has reached first close with commitments of R695 million.

This fund will further the Company's Venture Capital mandate by investing solely in Venture Capital Funds with a South African mandate.

Other initiatives

During the year the Company continued its partnership with Endeavor to support a Local Scale-Up programme that provides 12 months of structured mentoring support to a cohort of 30 entrepreneurs. The Company's partnership with the Grindstone Accelerator was extended for a further 3 years. In addition, the second Fund Manager Development Programme, specifically for potential Venture Capital Fund managers, was launched in partnership with the South African Private Equity Association (SAVCA).

Financial review

The Company recorded a profit before tax of R14,098,021 in the current financial year (2022: R12,342,516 loss). A provision for tax of R17,241,634 (2022:R12,017,727) 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 unrealised fair value gain of R28,685,514 (2022: R29,608,771) was recorded on the Company's portfolio investments during the period. A realised fair value gain of R7,207,975 was recognised on the sale of portfolio assets to an offshore parallel investment entity by 4Di.

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 R101.1 million has been expensed in fund management and advisory fees that is recoverable in terms of the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds.

A further R1 million of share subscriptions was received during the year, relating to the subscription notice issued to shareholders in November 2019. An amount of R6.6 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.

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 unrealised 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 R1,282 million (2022: R1,285 million). It is expected that the portfolio fund managers will start exiting investments in the next 2 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 R101.1 million (2022:R73.8 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds.

The directors have reviewed the outstanding commitments relative to the Company's cash balances and note that the commitments will be drawn down by the investee funds over a period of three to 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 R101.1 million as at 28 February 2023 that are fully recoverable from the returns generated by the investee funds on the winding up of the partnership agreements, subject to the performance of the underlying funds.

Share capital and share premium

The Company was incorporated with authorised share capital of 3,000,000,000 ordinary no par value shares. The Company has issued 1,387,400,000 (2022: 1,386,400,000) shares of R1 each as at 28 February 2023.

Shareholding

An analysis of the register of members as at 28 February 2023 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	21.62%
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 2023. No dividend was declared during the year ended 28 February 2022 either.

Holding company

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

Directorate

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

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

Registered office: 1 Discovery Place, Sandton, 2196

Postal address: PO Box 786722, Sandton, 2146

Directors' remuneration

The 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 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 three 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

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

The Valuations, Audit and Risk Committee report is included on pages 86 to 88 of this report.

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

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

Investment Committee

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

The Investment Committee is an independent committee. In terms of the Delegation of Authority, the Board has delegated authority for the approval of acquisitions and disposals of investments to the Investment Committee. All investments are unanimously approved by the Investment Committee. During the year under audit the members of the Investment Committee are Mr M Jordaan (Chairperson), Mr N Martin, Mr E Mbuthia and Ms L Chiume. Mr A Roux resigned from the Investment Committee during the year. 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 has established the SA SME Fund of VC Funds I, an en-commandite partnership which will operate as a venture capital fund of funds. The Company has committed R50 million of first loss capital to the SA SME Fund of VC Funds I. In addition, the Company has received funding from the DSI and USAID for investment in the SA SME Fund of VC Funds. The funding received from USAID is a first loss facility of USD2 million.

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. The responsible audit engagement partner is Kelby Moothoosamy.

Deloitte.

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Gallo Manor 2052
South Africa

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The SA SME Fund Limited

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 98 to 134, which comprise the statement of financial position as at 28 February 2023, and 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 2023, 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 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.

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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 Audited Financial Statements for the year ended 28 February 2023" 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.

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: Kelby Moothoosamy
Partner

22 December 2023
5 Magwa Crescent
Waterfall City
2090

STATEMENT OF FINANCIAL POSITION

at 28 February 2023

R	Notes	2023	2022
ASSETS			
Non-current assets			
Intangible assets	2	–	–
Property, plant and equipment	3	571,106	1,427,217
Unlisted investments related to government grant	10	25,500,000	18,000,000
Unlisted investments at fair value	4	670,036,691	383,148,916
Unlisted investments at amortised cost	4	199,625,680	185,243,003
Total non-current assets		**895,733,477**	**587,819,136**
Current assets			
Unlisted investments at fair value	4	3,978,979	3,978,979
Unlisted investments at amortised cost	4	7,642,455	4,578,520
Trade and other receivables	5	129,066	132,566
Prepayments	6	5,884,321	5,921,026
Cash and cash equivalents	7	551,510,672	739,601,596
Current tax receivable		1,181,290	–
Total current assets		**570,326,783**	**754,212,687**
Total assets		**1,466,060,260**	**1,342,031,823**
EQUITY			
Capital and reserves			
Share capital	8	1,387,400,000	1,386,400,000
Accumulated losses		(104,647,771)	(101,504,158)
Total equity		**1,282,752,229**	**1,284,895,842**
LIABILITIES			
Non-current liabilities			
Deferred tax liability		19,909,390	13,635,662
Other liabilities	10	104,613,571	18,878,292
Deferred income (government grant)	10	48,161,727	6,503,592
Total non-current liabilities		**172,684,688**	**39,017,546**
Current liabilities			
Trade and other payables	11	3,124,534	2,226,599
Right-of-use lease liability	12	400,978	1,026,654
Provisions	13	7,097,831	11,661,098
Provision for current tax		-	3,204,084
Total current liabilities		**10,623,343**	**18,118,435**
Total liabilities		**183,308,031**	**57,135,981**
Total equity and liabilities		**1,466,060,260**	**1,342,031,823**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2023

R	Notes	2023	2022
REVENUE			
Interest earned on cash and cash equivalents		34,236,275	32,878,265
Interest earned on investments held at amortised cost		19,562,232	13,610,806
Realised gains on investments held at fair value		7,207,975	-
Unrealised gains on investments held at fair value		28,685,514	29,608,771
Other investment income		3,381,171	1,021,421
Government grant income		9,165,865	1,693,161
Other income		183,750	75,000
Total revenue		**102,422,782**	**78,887,424**
EXPENSES			
Ecosystem development and incubator costs		(12,875,181)	(11,550,428)
Impairment losses on investments held at amortised cost		(1,283,689)	(7,281,026)
Interest expense on lease liability		(56,314)	(46,734)
Interest expense on long term liability		(8,191,925)	(1,446,862)
Interest expense: SARS		-	(337,931)
Fund management fees		(33,336,393)	(34,399,220)
Loss on sale of fixed assets		-	-
Operating expenses	**14**	(32,581,259)	(36,167,739)
Total expenses		(88,324,761)	(91,229,940)
Operating profit / (loss)		14,098,021	(12,342,516)
Tax	**9**	(17,241,634)	(12,017,727)
Net loss for the year		**(3,143,613)**	**(24,360,243)**
Total comprehensive loss for the year		**(3,143,613)**	**(24,360,243)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2023

R	Share capital	Accumulated losses	Total
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
Balance at 1 March 2022	1,386,400,000	(101,504,158)	1,284,895,842
Share capital issue	1,000,000	-	1,000,000
Total comprehensive loss for the year	-	**(3,143,613)**	**(3,143,613)**
Balance at 28 February 2023	**1,387,400,000**	(104,647,771)	1,282,752,229

STATEMENT OF CASH FLOWS

for the year ended 28 February 2023

R	Notes	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	16	(74,161,647)	(69,013,220)
Interest received from cash and cash equivalents		34,236,275	32,878,265
Interest paid on lease liability	12	(56,314)	(46,734)
Tax paid		(15,353,279)	(8,381,254)
Net cash outflow from operating activities		**(55,334,965)**	**(44,562,943)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(8,478)	(416,631)
Payments to acquire unlisted investments at fair value		(276,390,126)	(69,598,478)
Payments to acquire unlisted investments at amortised cost		(29,000,000)	(15,000,000)
Payments to acquire unlisted investments iro Government grant		(7,500,000)	(18,000,000)
Proceeds from realisation of unlisted investments at fair value		18,187,865	29,225,170
Proceeds from realisation of unlisted investments at amortised cost		20,953,499	-
Interest received from unlisted investments		9,152,575	1,913,548
Dividends received from unlisted investments		3,107,027	446,948
Net cash outflow from investing activities		**(261,497,638)**	**(71,429,443)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	8	1,000,000	19,000,000
Proceeds from long term liability issued		128,367,355	523,343
Capital portion of cash repayments of lease liability	12	(625,676)	(775,332)
Net cash inflow from financing activities		**128,741,679**	**18,748,011**
Net (decrease) / increase in cash and cash equivalents		**(188,090,924)**	**(97,244,375)**
Cash and cash equivalents at the beginning of the year		739,601,596	836,845,971
Total cash and cash equivalents at the end of the year		**551,510,672**	**739,601,596**

ACCOUNTING POLICIES

for the year ended 28 February 2023

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 below.

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

2. 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. The directors have assessed the Company as having the characteristics of a venture capital organisation in light of the following criteria:

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

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

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

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

2.3 Calculation of loss allowance

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

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

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

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

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

2.4 Tax

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

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

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

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 was finalised in March 2022. Income tax of R3,205,669 was payable in respect of the 2020 financial year, together with interest payable to SARS of R337,931. No penalties were payable.

3. Functional and presentation currency

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

4. Property, plant and equipment

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

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

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

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

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

5. Intangible assets acquired separately

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

Computer software:	33.33% per annum

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

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

6. Financial instruments

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

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

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

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

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

6.1 Financial assets

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

Classification of financial assets

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL

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

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.

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

Credit-impaired financial assets

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

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

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of financial assets

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

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

6.2 Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

As at 28 February 2023, the Company does not have any financial liabilities that are measured at FVTPL.

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

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

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

7. Tax

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

Current tax

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

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

Deferred tax

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

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

8. Cash and cash equivalents

Cash and cash equivalents comprise:

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

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

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

9. Share capital

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

10. Employee benefits

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

10.1 Leave pay

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

11. Provisions

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

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

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

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

12. Trade and other payables

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

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

13. Revenue

13.1 Interest

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

13.2 Dividend income

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

13.3 Investment gains and losses

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

14. Leases

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

15. Related parties

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

16. New IFRS standards and amendments to published standards

16.1 Standards and interpretations effective and adopted in the current year

The adoption of the following new and amended standards and interpretations, which are effective for the 28 February 2023 reporting period, did not have any material impact on the amounts or on the disclosures reported in these financial statements:

- Annual Improvements to IFRS Standards 2018–2020;
- IFRS 3 amendment to reference to the Conceptual Framework;
- IAS 16 amendment to proceeds before intended use; and
- IAS 37 amendment to onerous contracts – Cost of fulfilling a contract.

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

The following new standards and interpretations, which are effective for reporting periods beginning on or after 1 January 2023, are not expected to have a material impact on the financial statements in future periods:

- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- Amendment to IAS 1 Classification of liabilities as current or non-current;
- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies;
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- IAS 12 amendment on deferred tax related to assets and liabilities arising from a single transaction
- 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 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 8 – Definition of accounting estimates.
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2023

1. Management of financial risk

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

1.1 Market risk

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

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

Interest rate risk

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

At 28 February 2023 the Company's total exposure to interest rate risk was as follows:

	2023	2022
	R	R
Investments measured at fair value through profit or loss	35,361,801	30,867,107
Investments measured at amortised cost	207,268,135	189,821,523
Cash and cash equivalents	551,510,672	739,601,596
	794,140,608	**960,290,226**

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.

		2023		2022
RATE VARIANCE:	+1%	7,941,406	+1%	9,602,902
	-1%	(7,941,406)	-1%	(9,602,902)

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 2023, the Company holds equity shares in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Company and Mafami Proprietary Limited t/a Vula. In addition, the Company is indirectly exposed to equity price risk through the valuation of the underlying portfolio investments held through its investments in Funds. The analysis below details the Company's sensitivity to a 1% increase and decrease in the fair value of the unlisted investments held at 28 February 2023 based on fluctuations in the price of its unlisted investments.

		2023		2022
Change in equity prices assumed:	+1%	5,737,425	+1%	3,871,279
	-1%	(5,737,425)	-1%	(3,871,279)

1.2 Credit risk

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

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

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

	2023	2022
	R	R
Investments measured at fair value through profit or loss	135,634,923	30,867,107
Investments measured at amortised cost	207,268,135	189,821,523
Trade and other receivables	129,066	132,566
Cash and cash equivalents	551,510,672	739,601,596
	894,542,796	**960,422,792**

The credit risk on investments that are utilised by intermediaries to provide finance to SMEs is mitigated by the cession of book debts of the investee. In addition, the Company has received guarantees totalling 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.

	0 – 3 months	4 – 12 months	>1 year	Total
R				
2023				
Trade and other payables	3,124,534	-	-	3,124,534
Right-of-use lease liability	175,369	233,825	-	409,194
Provisions	**7,091,362**	**6,469**	**-**	7,097,831
Other liabilities	-	-	154,046,600	154,046,600
Total	**10,391,265**	**240,294**	**154,046,600**	**164,678,159**
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**

1.4 Valuation risk

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

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

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

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

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

R	Level 1	Level 2	Level 3	TOTAL
2023				
Unlisted investments	-	35,361,801	638,653,869	674,015,670
Balance at 28 February 2023	**-**	**35,361,801**	**638,653,869**	**674,015,670**
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**

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

	Unlisted investments	
R	2023	2022
Non-current assets		
Opening balance	356,260,789	289,628,767
Acquisitions	276,390,126	69,598,478
Realisations	(18,187,865)	(29,225,169)
Net gains included in the statement of comprehensive income	24,190,819	26,258,713
Balance at the end of the period	638,653,869	356,260,789

1.5 Capital risk management

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

2. Intangible assets

R **Cost**	**Computer software**	**TOTAL**
Balance at 1 March 2021	17,796	17,796
Additions	-	-
Disposals	-	-
Balance at 28 February 2022	**17,796**	**17,796**
Balance at 1 March 2022	**17,796**	**17,796**
Additions	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Accumulated amortisation		
Balance at 1 March 2021	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 28 February 2022	**17,796**	**17,796**
Balance at 1 March 2022	**17,796**	**17,796**
Amortisation	-	-
Disposals	-	-
Balance at 28 February 2023	**17,796**	**17,796**
Carrying amounts		
At 28 February 2023	-	-
At 28 February 2022	-	-

3. Property, plant and equipment

R Cost	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment	Right-of-use assets	TOTAL
Balance at 1 March 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**
Balance at 1 March 2022	**270,953**	**382,600**	**69,796**	**225,180**	**1,264,575**	**2,213,104**
Additions	-	6,579	1,899	-	-	8,478
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**270,953**	**389,179**	**71,695**	**225,180**	**1,264,575**	**2,221,582**
Accumulated depreciation						
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**
Balance at 1 March 2022	**56,449**	**278,031**	**49,666**	**138,288**	**263,453**	**785,887**
Depreciation	135,477	57,541	12,486	26,798	632,287	864,589
Disposals	-	-	-	-	-	-
Balance at 28 February 2023	**191,926**	**335,572**	**62,152**	**165,086**	**895,740**	**1,650,476**
Carrying amounts						
At 28 February 2023	**79,027**	**53,607**	**9,543**	**60,094**	**368,835**	**571,106**
At 28 February 2022	**214,504**	**104,569**	**20,130**	**86,892**	**1,001,122**	**1,427,217**

4. Investments

4.1 Unlisted investments at fair value

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

The Company becomes a Limited Partner of the Fund and the investments are made through commitments into the Funds. Additionally, the Company has invested directly in KNF Ventures (RF) Proprietary Limited, a Section 12J Venture Capital Company and Mafami Proprietary Limited. The Company has also invested in convertible preference shares issued by ProfitShare Partners Proprietary Limited. As at 28 February 2023, the Company had the following investments:

	2023 R	2022 R
Investments measured at fair value through profit or loss		
Carrying amounts of:		
Unlisted investments	674,015,670	387,127,895
	674,015,670	**387,127,895**
Current	3,978,979	3,978,979
Non-current	670,036,691	383,148,916
	674,015,670	**387,127,895**
Consisting of:		
Cost	631,596,390	355,206,264
Realisations	(57,187,407)	(38,999,542)
Unrealised capital revaluation movement at the end of the year	90,362,892	65,868,382
Accrued income	9,243,795	5,052,791
	674,015,670	**387,127,895**

The investments consisted of the following:	% of fund / company	2023 R	2022 R
PAPE Fund 3	9.7%	80,094,191	54,903,494
KNF Ventures (RF) Proprietary Limited	16.1%	70,452,900	67,054,050
Savant Venture Fund I (A)	68.3%	60,653,157	31,742,810
OneBio Seed Investment Fund I	89.0%	24,691,073	8,384,191
4Di Capital Fund III	96.2%	51,290,688	44,080,807
Masisizane Franchise Fund I	70.4%	59,219,325	55,287,699
SummerPlace Equity Fund I	49.9%	59,671,956	31,294,331
Digital Africa Ventures	97.34%	15,979,682	3,620,830
University Technology Fund	72.8%	79,078,871	43,612,456
ProfitShare Partners preference shares	N/A	35,361,801	30,867,107
The SA SME Fund Management Company Proprietary Limited	31.9%	27,101	19,582
Endeavor Harvest Fund III	10.58%	16,428,880	12,281,559
Grindstone Ventures Fund I	73.26%	4,789,668	-
Knife Capital (SA) Fund III	25.42%	12,024,276	-
The SMME Crisis Partnership Fund	33.3%	100,273,122	-
Mafami Proprietary Limited	6.1%	3,978,979	3,978,979
		674,015,670	**387,127,895**

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

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

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

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

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

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

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

	2023 R	2022 R
Current assets	42,895,476	63,134,312
Non-current assets	41,258,301	24,543,162
Total assets	**84,153,777**	**87,677,474**
Current liabilities	-	9,110,743
Net assets	**84,153,777**	**78,566,731**
Partners' capital accounts	67,500,000	67,500,000
Retained earnings	16,653,777	11,066,731
Capital attributable to partners	**84,153,777**	**78,566,731**
Capital attributable to The SA SME Fund Limited	**59,219,325**	**55,287,699**
Revenue	5,746,657	5,112,546
Profit / (loss) for the year	5,587,046	5,030,640
Total comprehensive income	**5,587,046**	**5,030,640**

4.2 Unlisted investments at amortised cost

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

At 28 February 2023, the Company had the following investments:

	2023 R	2022 R
Investments measured at amortised cost		
Carrying amounts of:		
Investments measured at amortised cost	207,268,135	189,821,523
	207,268,135	**189,821,523**
Current	7,642,455	4,578,520
Non-current	199,625,680	185,243,003
	207,268,135	**189,821,523**
Consisting of:		
Cost	202,500,000	173,500,000
Realisations	(20,953,499)	-
Accrued income	35,800,033	25,116,233
Provision for expected credit losses	(10,078,399)	(8,794,710)
	207,268,135	**189,821,523**

The investments consisted of the following:

	2023 R Amortised cost	2023 R Fair value	2022 R Amortised cost	2022 R Fair value
Spartan SME Fund Proprietary Limited	**125,096,163**	**129,285,782**	**116,812,712**	**121,556,849**
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 totaling 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.				

	2023 R Amortised cost	2023 R Fair value	2022 R Amortised cost	2022 R Fair value
A2Pay Financial Services Proprietary Limited The loan bears interest at Prime less 2% per annum, compounded quarterly and is repayable in full, together with accrued interest, on 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.	**11,509,093**	**12,508,504**	**10,922,957**	**11,793,634**
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.	-	-	-	-
ProfitShare Partners Proprietary Limited The loan is secured by a cession of book debts and bears interest at Prime plus 3%, compounded monthly and payable quarterly in arrears. The capital balance of the loan is repayable in full on 8 October 2025. During the year, a portion of the loan was converted into an unsecured short term working capital facility. Once the working capital facility is repaid in full, the funds will be credited to the loan facility. The fair value has been calculated by discounting future cash flows at current market interest rates. The investment is regarded as a Level 2 instrument under the fair value hierarchy.	**70,662,879**	**76,465,447**	**62,085,854**	**67,763,673**
	207,268,135	**218,259,733**	**189,821,523**	**201,114,156**

Movement in Expected Credit Losses

	2023 R	2022 R
Balance at the beginning 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**	–
Statement of comprehensive income charge	**1,283,689**	**7,281,026**
Stage 1 ECL allowance	1,518,987	601,407
Stage 2 ECL allowance	(235,298)	6,679,619
Balance at the end of the year	**10,078,398**	**8,794,709**
Stage 1 ECL allowance	3,634,077	2,115,090
Stage 2 ECL allowance	6,444,321	6,679,619

5. Trade and other receivables

	2023 R	2022 R
Financial assets:		
Deposits	129,066	132,566
	129,066	**132,566**

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

	2023 R	2022 R
Prepaid management fees	5,519,408	5,659,792
Other prepayments	364,913	261,234
	5,884,321	**5,921,026**

7. Cash and cash equivalents

	2023		2022	
		R		R
Bank and cash balances		**551,510,672**		**739,601,596**
Cash at bank and short term deposits	**Ave. interest rate**		**Ave. interest rate**	
First National Bank	5.61%	5,484,845	3.33%	17,127,319
Investec	6.11%	216,687,597	4.45%	211,007,523
Nedbank	6.43%	147,309,038	4.23%	144,095,472
Rand Merchant Bank 32 day notice index deposit	6.27%	182,029,192	4.18%	367,364,279
Rand Merchant Bank call deposit		-	3.14%	7,003
		551,510,672		**739,601,596**

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

8. Share capital

	2023 Number of shares	2022 Number of shares
Authorised		
Ordinary no par value shares	3,000,000,000	3,000,000,000

Issued	2023 R	2023 Number of shares	2022 R	2022 Number of shares
Ordinary no par value shares	1,387,400,000	1,387,400,000	1,386,400,000	1,386,400,000

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

During the year ended 28 February 2023 the Company increased its share capital and issued 1,000,000 (2022: 19,000,000) fully paid up new shares at a price of R1.00 per share.

9. Tax

	2023 R	2022 R
South African normal tax		
Current tax	**10,967,905**	**5,876,931**
Deferred tax	**6,273,729**	**6,140,796**
	17,241,634	**12,017,727**
Reconciliation of tax rate	%	%
Standard rate of tax	**28.00**	**28.0**
Non-taxable income	(88.77)	12.32
Unrealised gains on investments	(172.91)	61.73
Expenditure disallowed	383.83	(160.91)
Timing differences	(3.50)	(14.16)
Capital loss incurred on exit	-	2.12
Prior year overprovision	-	21.94
Deferred capital gains tax on unrealised gains on investments	(24.35)	(51.15)
Effective tax rate	**122.30**	**(100.11)**

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

10. Government grant assets and other liabilities

	2023 R	2022 R
Unlisted investments related to government grant		
Unlisted investments related to government grant	**25,500,000**	**18,000,000**
Other liabilities		
Grant liability in respect of DSI project funding agreement	100,130,010	18,878,292
Deferred income	35,209,062	6,503,592
	135,339,072	**25,381,884**
Grant liability in respect of USAID First Loss Facility Contribution agreement	4,483,561	-
Deferred income	12,952,665	-
	17,436,226	**-**
Total grant liabilities	104,613,571	18,878,292
Total deferred income	48,161,727	6,503,592
Current	-	-
Non-current	152,775,298	25,381,884
	152,775,298	**25,381,884**

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. During the current year, the project funding agreement was extended and a further R105 million was received from the DSI for investment in the SA SME Fund of VC Funds. No investments have been made with the additional funding received at year end as the SA SME Fund of VC Funds has only reached first close subsequent to year end. The termination date of the project funding agreement was extended to 31 December 2026.

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

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

During the current year, the Company invested R7.5 million of the initial 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

	2023 R	2022 R
Trade payables	714,345	17,204
Other payables	**676,270**	**576,865**
Total financial liabilities	1,390,615	594,069
Accruals	1,733,919	1,632,530
Total financial and non-financial liabilities	**3,124,534**	**2,226,599**

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

	2023 R	2022 R
Movement in right-of-use lease liability		
Balance at beginning of the year	1,026,654	537,411
Lease renewal	-	1,264,575
Finance charges	56,314	46,734
Cash outflow for leases	(681,990)	(822,066)
	400,978	**1,026,654**
Current portion payable within one year	400,978	625,675
Long term portion	-	400,979
Total	**400,978**	**1,026,654**
Total cash outflow for leases		
Finance charges	56,314	46,734
Capital portion	625,676	775,332
	681,990	**822,066**
Contractual undiscounted cash flows		
Due in one year	409,194	681,990
Due thereafter	-	409,194
Total	**409,194**	**1,091,184**

The incremental cost of borrowing used to discount the value of the remaining lease payments is 8.433% (2022: 8.433%).

13. Provisions

	2023 R	2022 R
Employee benefits	7,097,831	11,661,098
	7,097,831	**11,661,098**
Current	7,097,831	11,661,098
Non-current	-	-
	7,097,831	**11,661,098**
Movement in provisions:		
Balance at the beginning of the year	11,661,098	1,032,009
Additional provision in the year	7,097,831	11,661,098
Utilisation of the provision	(11,661,098)	(1,032,009)
Balance at the end of the year	**7,097,831**	**11,661,098**

The provision for employee benefits represents annual leave and accrued bonuses in terms of employees' contracts of employment. An amount of R6,940,510 (2022: R11,030,760) in respect of employee benefits provisions has been paid subsequent to year end.

14. Operating expenses

	2023 R	2022 R
Operating expenses comprise:		
Amortisation of intangible assets	-	
Auditors' remuneration		
Audit fees	2,362,891	2,135,930
Remuneration for other services	211,750	-
Consulting fees	-	500,000
Depreciation	864,589	**947,836**
Fund II costs	**624,584**	369,955
Insurance	384,209	365,378
Investment Committee fees	-	218,750
Investment-related costs	449,799	164,692
Legal fees	69,368	814,657
Operating lease rentals – office equipment (Note 17)	67,199	71,731
Salaries, wages and short term incentives, including directors' emoluments disclosed in Note 15	25,919,367	29,594,186
Other operating expenses	1,627,503	984,624
	32,581,259	**36,167,739**

15. Directors' and prescribed officers' emoluments

	2023 (R) Salary	2023 (R) Short term incentive	2023 (R) Total	2022 (R) Salary	2022 (R) Short term incentive	2022 (R) Total
Ketan Gordhan	4,907,959	1,693,549	6,601,508	4,638,629	2,783,177	7,421,806
Caryn Winter	2,907,370	1,077,097	3,984,467	2,704,321	1,622,592	4,326,913
	7,815,329	**2,770,646**	**10,585,975**	**7,342,950**	**4,405,769**	**11,748,719**

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	**2023 R**	**2022 R**
Operating profit / (loss) before tax	14,098,021	(12,342,516)
Adjustments for:		
Depreciation of property, plant and equipment	864,589	947,836
Amortisation of intangible assets	-	-
Loss on disposal of fixed assets	-	-
Interest earned on cash and cash equivalents	(34,236,275)	(32,878,265)
Income from government grant	(9,165,865)	(1,693,161)
Investment income recognised in the statement of comprehensive income	**(22,943,403)**	**(14,632,227)**
Interest expense – non cash	8,191,925	1,784,793
Interest expense on lease liability	**56,314**	**46,734**
Non cash deferred income on lease liability	-	-
Unrealised gains from fair value adjustments	(28,685,514)	(29,608,771)
Increase in expected credit loss provisions	1,283,689	7,281,026
Movement in provisions	(4,563,267)	10,629,089
Working capital changes:	40,204	1,853,057
Decrease / (increase) in prepayments and trade and other receivables	**897,935**	**(400,815)**
(Decrease) / increase in trade and other payables	**(74,161,647)**	**(69,013,220)**

17. Operating lease rentals

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

	2023 R	**2022 R**
Operating lease rentals due within one year	46,524	56,051
Operating lease rentals due thereafter	44,085	20,073
	90,609	76,124

18. Capital commitments

Undrawn capital commitments:	% of fund	Total capital commitment	2023 R Undrawn capital commitment
PAPE Fund 3	9.7%	100,000,000	16,385,197
SummerPlace Equity Fund 1	49.9%	125,000,000	65,473,537
Savant Venture Fund 1	68.3%	100,000,000	37,300,463
4Di Capital Fund III	96.15%	125,000,000	59,337,991
OneBio Seed Investment Fund I	89.02%	75,000,000	46,102,681
University Technology Fund	72.8%	145,000,000	67,537,920
Digital Africa Ventures Fund I	97.34%	25,000,000	3,903,489
Endeavor Harvest Fund II	10.58%	20,000,000	4,777,544
Grindstone Ventures Fund I	73.26%	10,000,000	4,710,502
Knife Series B Fund	25.429%	75,000,000	60,316,504
Umastandi Fund I		10,000,000	10,000,000
		810,000,000	**375,845,828**

Undrawn capital commitments:	% of fund	Total capital commitment	2022 R Undrawn capital commitment
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**

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 R250k and R1.5 million in potential portfolio companies. As at 28 February 2023, the full facility had been advanced to Savant Venture Fund I (2022: R10,000,000). The Company has also committed an additional R5 million to OneBio Seed Investment Fund I as a Seed loan facility as well as a total of R30 million (2022: R30 million) to the University Technology Fund for Seed and Pre-seed investments. As at 28 February 2023 an amount of R18 561 721 (2022: R18,561,721) has been utilised for this purpose.

19. Contingencies

There were no contingent liabilities at 28 February 2023

As at 28 February 2022, the Company had 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

Both agreements were signed during the year under audit.

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 unrealised 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 R1,283 million (2022: R1,285 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 R101.1 million (2022:R73.8 million) that are fully recoverable in the returns waterfall on the winding up of the partnerships in which the Company has invested, subject to the performance of the underlying funds.

The directors have reviewed the outstanding commitments relative to the Company's cash balances and note that the commitments will be drawn down by the investee funds over a period of three to 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 2023

Subsequent to year end, the Company has established the SA SME Fund of VC Funds I, an en-commandite partnership which will operate as a venture capital fund of funds. The Company has committed R50 million of first loss capital to the SA SME Fund of VC Funds I. In addition, the Company has received funding from the DSI and USAID for investment in the SA SME Fund of VC Funds. The funding received from USAID is a first loss facility of USD2 million.

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

In addition to the above transactions, during the year ended 28 February 2023, the Company injected capital of R2,500 (2022: R1,906) into the SA SME Fund Management Company Proprietary Limited, a company that it controls.

R				2022			
	Management fee %	Total income	Interest and dividends received	Total expenses	Management and advisory fees paid	Establishment costs and interest paid on equalisation	Fund operating expenses
Financial assets at fair value through profit or loss							
PAPE Fund 3	**2.00%**	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**

There were no amounts owing by or to related parties as at 28 February 2023 (2022: RNil).

22.2 Transactions with directors

There were no transactions with directors during the year ended 28 February 2023, nor during the year ended 28 February 2022.

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

7 November 2024

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

C Winter
Company Secretary

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

NOTICE OF AGM

Notice is hereby given in terms of section 62(1) of the Companies Act, No. 71 of 2008 as amended ("the Companies Act") that the seventh Annual General Meeting of the Company ("AGM") will be held on Thursday 28 November 2024 at 11h00 which meeting will held entirely via a remote interactive electronic platform as contemplated by section 63(2)(a) of the Companies Act and clause 29.1 of the Memorandum of Incorporation of the Company ("MOI").

PURPOSE

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

1. Present the audited financial statements of the Company for the year ended 28 February 2023 (including the directors' report, the independent external auditor's report and the 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 7 November 2024.

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 11h00 on Tuesday 26 November 2024. Shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 11h00 on Thursday 28 November 2024 to join the meeting by accessing the meeting invitation provided by the Company, whose admission to the meeting will be controlled by a moderator.

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

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

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

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

The electronic platform to be utilised to host the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM. Forms of proxy (which form is included with this notice of AGM) must be lodged with the Company, no later than 11h00 on Tuesday 26 November 2024, being not less than 48 (forty eight) hours before the AGM, to be held on Thursday 28 November 2024 at 11h00, in accordance with clause 24.3.2 of the MOI. Forms of Proxy may be lodged with the Company by:

- Delivery to the Company at First Floor, Building 1, 5 Second Road, Hyde Park, 2196; or
- Email to 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 3 (including 1.1, 1.2 and 1.3 and 3.1, 3.2 and 3.3), contained in this Notice, require the approval by more than 50% (fifty percent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM.

In terms of the Companies Act and the MOI, the Special Resolution, contained in this Notice, requires the approval by at least 75% (seventy five percent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

- The audited financial statements of the Company for the year ended 28 February 2023
- Directors' Report
- Independent Auditors' Report
- Valuations, Audit and Risk Committee Chairman'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 28 to 81 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

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

Re-Election of directors

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

Ordinary resolution number 1.1
"Resolved that Mr A Gore is elected for appointment as a director of the Company."

Ordinary resolution number 1.2
"Resolved that Mr F Chothia is elected for appointment as a director of the Company."

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

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

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 Mr A Gore, Mr F Chothia and Dr NJ Dlamini and they are eligible and available for re-election. The Nominations, Ethics, HR and Remuneration Committee have considered the knowledge, skills and performance of the directors retiring by rotation, together with the composition of the Board in terms of age, gender and race and recommend that the eligible directors be proposed for re-election. The proposed Ordinary resolutions number 1.1, 1.2 and 1.3 are to elect Mr A Gore, Mr F Chothia and Dr NJ Dlamini for appointment as directors of the Company, in accordance with and as required by the Companies Act.

Ordinary resolution number 2

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 2

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 29 February 2024 is Mr Kelby Moothoosamy.

Ordinary resolution number 3 (comprising Ordinary Resolution numbers 3.1, 3.2 and 3.3)

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 3.1

"Resolved that Mr F Chothia is appointed as a member of the Company's Valuations, Audit and Risk Committee, subject to the approval and passing of Ordinary Resolution number 1.2."

Ordinary Resolution number 3.2

"Resolved that Dr YG Muthien is appointed as a member of the Company's Valuations, Audit and Risk Committee."

Ordinary Resolution number 3.3

"Resolved that Mr NG Payne is appointed as a member of the Company's Valuations, Audit and Risk Committee."

Explanatory note in respect of Ordinary Resolution numbers 3.1, 3.2 and 3.3

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.

ADVISORY VOTE

1. Advisory vote: Remuneration Policy and implementation report

Advisory vote number 1.1

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

Advisory vote number 1.2

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

Explanatory notes in respect of advisory endorsement

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

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

SPECIAL RESOLUTION

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

C Winter

Company Secretary

7 November 2024

Form of proxy

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

For use by registered shareholders of the Company at the Annual General Meeting of the Company ("AGM") to be held at 11h00 on Thursday 28 November 2024.

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

Please note the following:

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

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

I/We (please print) (name)

Of (address)

(contact number)

being the holders of ordinary shares in the Company, hereby appoint (see Note 1)

1. or failing him/her

2. or failing him/her

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

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

Ordinary Resolutions		For	Against	Abstain
1.	Ordinary Resolution number 1: Election of directors			
1.1.	Mr A Gore			
1.2.	Mr F Chothia			
1.3.	Dr NJ Dlamini			
2.	Ordinary resolution number 2: Re-appointment of external auditor			
3.	Ordinary resolution number 3: Re-appointment of independent Valuations, Audit and Risk Committee			
3.1.	Mr F Chothia			
3.2.	Dr YM Muthien			
3.3.	Mr NG Payne			
Advisory Votes		**For**	**Against**	**Abstain**
1.	Advisory endorsement of the remuneration policy and implementation report			
1.1.	Non-binding advisory vote on the remuneration policy			
1.2.	Non-binding advisory vote on the implementation of the remuneration policy			
Special Resolutions		**For**	**Against**	**Abstain**
1.	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 2024

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 no later than 11h00 on Tuesday 26 November 2024, being not less than 48 (forty eight) hours before the AGM to be held on Thursday 28 November 2024 at 11h00 in accordance with clause 24.3.2 of the MOI.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless waived by the Chairman of the AGM.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM via the electronic platform and speaking thereat to the exclusion of any proxy or proxies appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces on the form of proxy need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The Chairman of the AGM may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

ADMINISTRATION

The SA SME Fund Limited's directors

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

Non-Executive directors

A Gore

F Chothia

NJ Dlamini

LM Klein

P Mahanyele-Debengwa

YG Muthien

NG Payne

Executive directors

KM Gordhan

CT Winter

Auditors

Deloitte & Touche, 5 Magwa Crescent, Waterfall City, Waterfall, 2090

Company Secretary

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

Integrated Report 2023

Grow the township economy, build SMEs, create jobs