Annual Report 2024

Unlocking Potential by Investing in the Success of Small Businesses

sefa

Small Enterprise Finance Agency

TABLE OF CONTENTS

LIST OF ACRONYMS

AA	Automotive Aftermarket	**JVs**	Joint Ventures
ABSA	Amalgamated Banks of South Africa	**MTEF**	Medium-Term Expenditure Framework
AC	Audit Committee	**MTSF**	Medium-Term Strategic Framework
B-BBEE	Broad-Based Black Economic Empowerment	**NCA**	National Credit Act
BCIC	Board Credit and Investment Committee	**NCR**	National Credit Regulator
BDSP	Business Development Service Providers	**NDP**	National Development Plan
BEE	Black Economic Empowerment	**NGP**	New Growth Path
BRI	Barnes Reinforcing Industries	**OHS**	Occupational Health and Safety
CAR	Capital Adequacy Requirement	**PA**	Prudential Authority
CA(SA)	Chartered Accountant South Africa	**PCG**	Partial Credit Guarantee
CEO	Chief Executive Officer	**PD**	Probability of Default
CBDA	Co-operative Banks Development Agency	**PFIs**	Partner Financial Institutions
CIC	Credit and Investment Committee	**PFMA**	Public Finance Management Act
CIDB	Construction Industry Development Board	**PIM**	Post Investment Monitoring
CFIs	Co-operative Financial Institutions	**PIMC**	Post Investment Monitoring Committee
CLC	Client Liaison Centre	**QRR**	Qualitative Regulatory Return
COVID-19	Coronavirus Disease 2019	**QRT**	Quarterly and Annual Reporting Template
CRMPs	Compliance Regulatory Management Plans	**RC**	Risk Committee
DFI	Development Financial Institution	**RFIs**	Retail Finance Intermediaries
DL	Direct Lending	**SARB**	South African Reserve Bank
DoA	Delegation of Authority	**SBIF**	Small Business and Innovation Fund
DSBD	Department of Small Business Development	**SBSA**	Standard Bank of South Africa
EAD	Exposure at Default	**SEDA**	Small Enterprise Development Agency
ECL	Expected credit loss	**SEF**	Small Enterprise Foundation
ECRDA	Eastern Cape Rural Development Agency	**sefa**	Small Enterprise Finance Agency (SOC) Ltd
ERM	Enterprise Risk Management	**sefaLAS**	**sefa** Loan Application System
ESD	Enterprise and Supplier Development	**SEMSP**	Small Enterprise Manufacturing Support Programme
EWP	Employee Wellness Programme		
EU	European Union	**SFSs**	Structured Finance Solutions
FNB	First National Bank	**SICR**	Significant Increase in Credit Risk
FY	Financial Year	**SMEs**	Small and Medium Enterprises
GACP	Generally Accepted Compliance Practice Framework	**SMMEs**	Small, Medium and Micro Enterprises
		SSSP	Spaza Shop Support Programme
GDP	Gross Domestic Product	**TCBS**	Transaction Capital Business Solutions
GIBS	Gordon Institute of Business Science	**TEF**	Tourism Equity Fund
HCE	Household Consumption Expenditure	**TREP**	Township and Rural Entrepreneurship Programme
HCM	Human Capital Management	**UKZN**	University of KwaZulu-Natal
HPO	High-Performance Organisation	**UNISA**	University of South Africa
IDC	Industrial Development Corporation of South Africa	**Wits**	University of the Witwatersrand
		WL	Wholesale Lending
IFRS	International Financial Reporting Standards	**YCF**	Youth Challenge Fund
IoDSA	The Institute of Directors in South Africa	**YEP**	Youth Empowerment Programme
IPAP	Industry Policy Action Plan	**ZAR**	South African Rand
ISA	Instalment Sale Agreement		
IT	Information Technology		

sefa *Mobile Office*

Ms Stella Ndabeni-Abrahams
Member of Parliament
Honourable Minister of Small Business Development

FOREWORD BY THE HONOURABLE MINISTER OF SMALL BUSINESS DEVELOPMENT

The 2023/24 Annual Report outlines how **sefa** has contributed to Government's priority of achieving faster and more inclusive economic growth through the provision of enabling support to small enterprises.

sefa's mandate is directly aligned to the priority area of inclusive growth and job creation, which the Government of National unity has made their apex priority.

Through the provision of financial support to small enterprises from under-served demographic groups and geographic areas, **sefa** plays a critical role in advancing the broader socio-economic objectives of the South African government, including reducing inequality and fostering sustainable economic development across the country.

Below is the breakdown of **sefa's** activities and impact during the 2023/24 financial year:

- **Disbursements: sefa** disbursed R2.039 billion to MSMEs and cooperatives.
- **Impact on MSMEs: sefa's** efforts directly impacted 80,040 MSMEs during the year. This enabled these small enterprises to sustain and expand operations, invest in productivity-enhancing equipment and technology, and sustain and expand employment.
- **Job Creation:** The support provided by **sefa** resulted in the facilitation of 98,378 jobs in the economy.

Furthermore, during the year under review, **sefa** aligned with the government's transformation agenda by disbursing significant amounts of funding to under-served groups and locations:

- **Disbursements to Black-owned Enterprises: sefa** disbursed R1.6 billion to enterprises owned by Black South Africans. This allocation was aimed at empowering and supporting Black entrepreneurs to access the necessary capital to grow their businesses and contribute to the economic development of the country.
- **Disbursements to Women-owned Enterprises:** R811 million was disbursed to enterprises owned by women. This initiative focused on promoting gender equality and empowering women entrepreneurs who often face additional challenges in accessing finance and resources.
- **Disbursements to Youth-owned Businesses:** Youth-owned businesses received R327 million in funding from **sefa**. This investment targeted young entrepreneurs, aiming to foster youth employment, innovation, and entrepreneurship in South Africa.
- **Disbursements to Villages and Rural Towns:** Enterprises located in villages and rural towns received R728 million in disbursements. This support was crucial for stimulating economic activity and growth in underserved areas, contributing to regional development and job creation outside the major urban centres.
- **Disbursements to Township-owned Enterprises:** Township-owned enterprises benefited from R266 million disbursed by **sefa**. This funding was aimed at supporting economic development in townships, where there is a dire need for investment and infrastructure to enable business growth and sustainability.

As we start this 7th Administration under the National Government of Unity, we do so from a solid foundation.

We have amended our enabling legislation, the National Small Enterprise Act, with the amended act now enabling the establishment of the one-stop-shop small enterprise support agency, through integrating the Small Enterprise Finance Agency (**sefa**), the Co-operatives Bank Development Agency (CBDA) and the Small Enterprise Development Agency (Seda) to form the Small Enterprise Development and Finance Agency (SEDFA). The new entity becomes effective on the 01 October 2024.

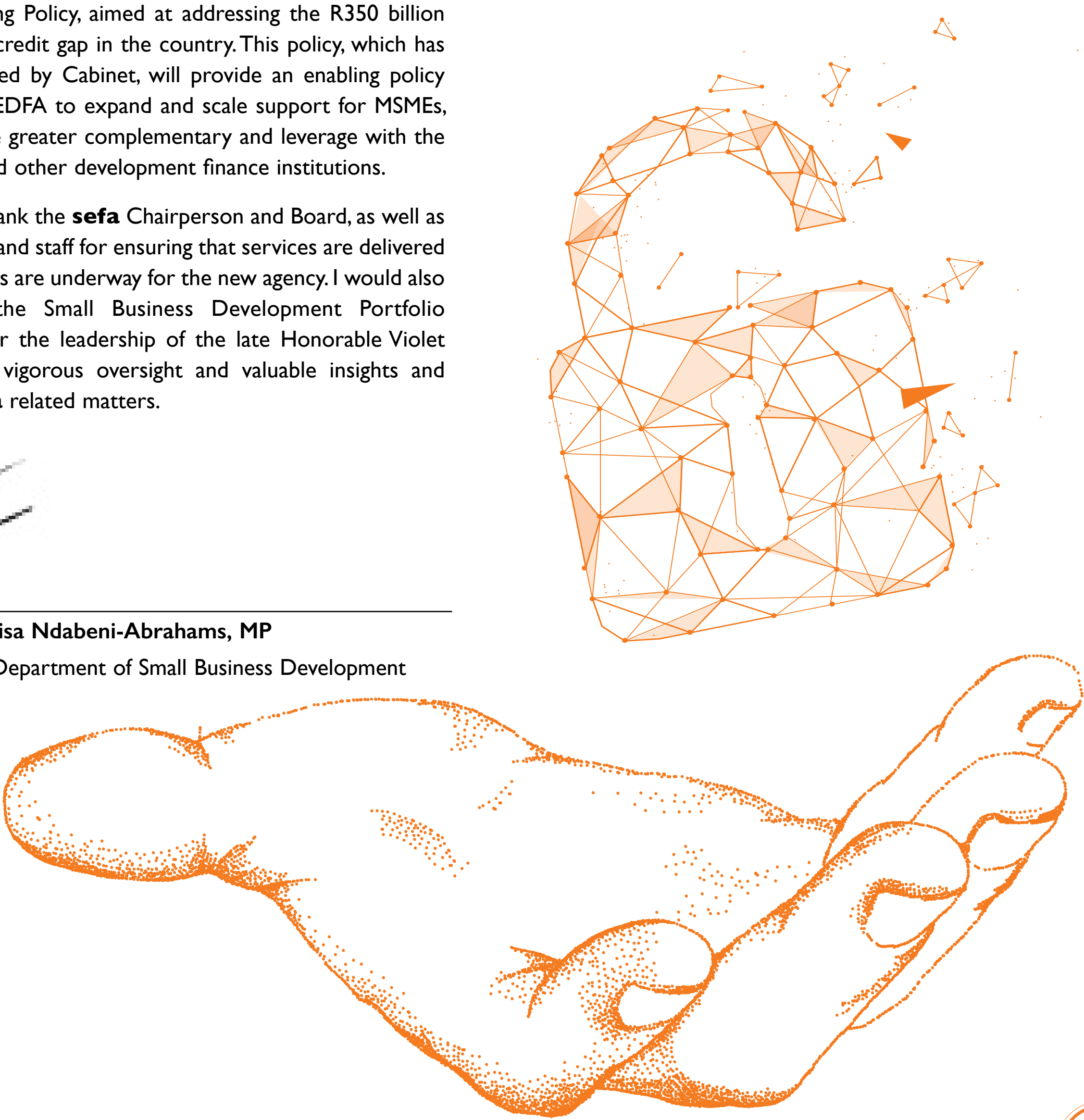
By combining their strengths, **sefa**, Seda and the CBDA can streamline services, reduce duplication, and enhance efficiency in delivering support programmes and financial services. We are confident that the integration of the non-financial business support provided by Seda with the financial support of **sefa** will result in improved support at the pre-investment or pre-credit stage of financial assistance, which should increase the success rate and turnaround times of applications. More support to enterprises at the post-investment or post-credit stage should decrease impairments and protect the loan book of the new agency. SEDFA has also committed to utilise digital platforms and systems for improved accessibility, efficiencies and integration.

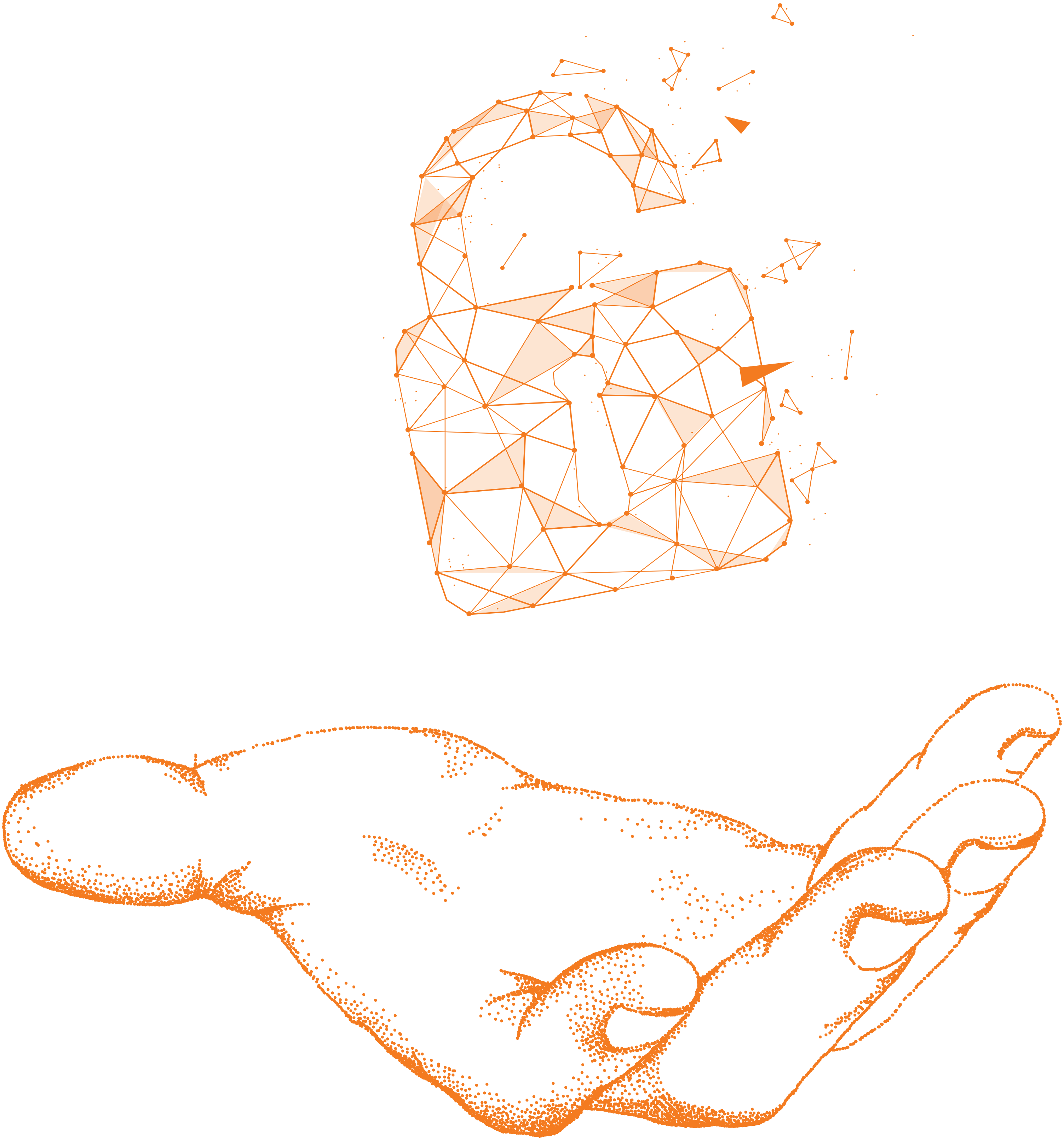
As DSBD, we have also just completed the MSME and Co-operatives Funding Policy, aimed at addressing the R350 billion small enterprise credit gap in the country. This policy, which has just been approved by Cabinet, will provide an enabling policy framework for SEDFA to expand and scale support for MSMEs, as well as achieve greater complementary and leverage with the private sector and other development finance institutions.

I would like to thank the **sefa** Chairperson and Board, as well as the management and staff for ensuring that services are delivered while preparations are underway for the new agency. I would also like to thank the Small Business Development Portfolio Committee under the leadership of the late Honorable Violet Siwela for their vigorous oversight and valuable insights and guidance on **sefa** related matters.

Ms Stella Tembisa Ndabeni-Abrahams, MP

Minister of the Department of Small Business Development





Honourable Minister of Small Business Development - Ms Stella Ndabeni-Abrahams

Mr Tembinkosi Bonakele

Chairperson of the Board

CHAIRPERSON'S STATEMENT

In the past decade, **sefa** has demonstrated that financial inclusion is vital in bridging the gap of access for finance to small businesses and cooperatives. **sefa** remains resolute in its purpose to provide access to finance in an efficient and sustainable manner to SMMEs and cooperatives throughout South Africa.

The global environment has been severely affected by the negative impacts of the Russia-Ukraine war, rising inflation and protectionism. It is a critical time for the South African economy to focus on promoting economic growth. Higher inflation and the rising cost of living have had a devastating effect on the lives and well-being of people in South Africa, further exacerbated by high rates of unemployment and increasing income inequality. **sefa's** purpose remains as critical in addressing some of these challenges.

In the past year, our work has made a meaningful contribution to the financial services industry in support of returning to growth in the South African economy. Particularly, the organisation has been actively involved in key initiatives focused on deepening financial inclusion. Our programmes have placed greater emphasis on interventions that promote economic development, employment and SMME development. During the year under review, **sefa** approved loans to the value of R1.271 billion (FY23: R1.7 billion) and disbursed R2.03 billion (FY23: R2.3 billion) into the South African economy. We disbursed R1.5 billion to black-owned businesses (FY23: R2.1 billion), R811 million to women-owned enterprises (FY23: R928 million), R327 million to youth-owned businesses (FY23: R565 million), R728 million to businesses in rural towns and villages (FY23: R953 million) and R27 million to entrepreneurs with disabilities (FY23: R37 million). The funding impacted 80 040 businesses and co-operatives that have created and sustained 98 378 jobs into the South African economy.

To navigate challenges, **sefa** implemented strategic measures such as operations efficiency, turnaround improvements, project optimisations, workforce reorganisation and enhancement. At the same time, restructuring programmes, including tightening criteria and supplier vetting, show **sefa's** commitment to fortifying positions amid challenging market dynamics.

Corporate governance

sefa is committed to implementing excellent governance processes that are based on honesty, competence, accountability, justice, and trust. The Board has considered the operational environment, material matters, risks, and opportunities facing the organisation and how they affect **sefa's** goals and strategy.

The Board has also established procedures to guarantee that, in carrying out its duties, it conforms with all applicable laws and rules while allowing for managerial flexibility within the organisation. Through our risk management function, which continues to support and oversee the organisation's implementation of risk management standards, adequate precautions are in place to mitigate the risks.

The constitution of the Board Committees and their related activities undertaken during the year under review are set out in the Corporate Governance Report on page 49.

Outlook

The merger process, aimed at advancing the development and financial inclusion agenda of small businesses and cooperatives in the country has begun, following the signing of the National Small Enterprise Bill into law in July 2024. This integration seeks to enhance service delivery to small businesses and cooperatives. The foundation of **sefa's** growth strategy is expanding financial inclusion for the small business sector through the transformation of townships and rural towns and villages.

During our loan programmes implementation, we identified gaps in various areas that **sefa** supported and have provided recommendations and roadmaps aimed at ensuring that the organisation would operate a cost-effective and efficient TREP loan programme distribution system. Although the project is on-going, **sefa** continues to collaborate with ecosystem stakeholders to provide support where possible and to ensure that the TREP project's recommendations are implemented, and the lessons learned will be heeded.

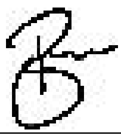
Appreciation

I would like to take this opportunity to thank the management of **sefa** and its personnel for their performance despite the challenges faced and their contributions to the institution's organic growth as a financing accelerator for small enterprises and cooperatives. Over the years, **sefa** has performed consistently well thanks in part to your dedication to service. The development of this platform is appreciated by the small business ecosystem as it will support their continued robust growth.

I wish to recognise the vital contributions of the Industrial Development Corporation (IDC) of South Africa, who continuously support and commit to **sefa's** mission.

I also want to express my gratitude to the Honourable Minister Stella Ndabeni-Abrahams for her guidance and support.

Lastly, to our clients, **sefa** remains dedicated to supporting your business growth and contributing to South Africa's economic development and reducing unemployment. We are committed to enhancing client engagement through technology to improve efficiency and service levels. **sefa** will continue to leverage and work with other small business ecosystem partners to ensure financial and economic inclusion to alleviate poverty in our communities.



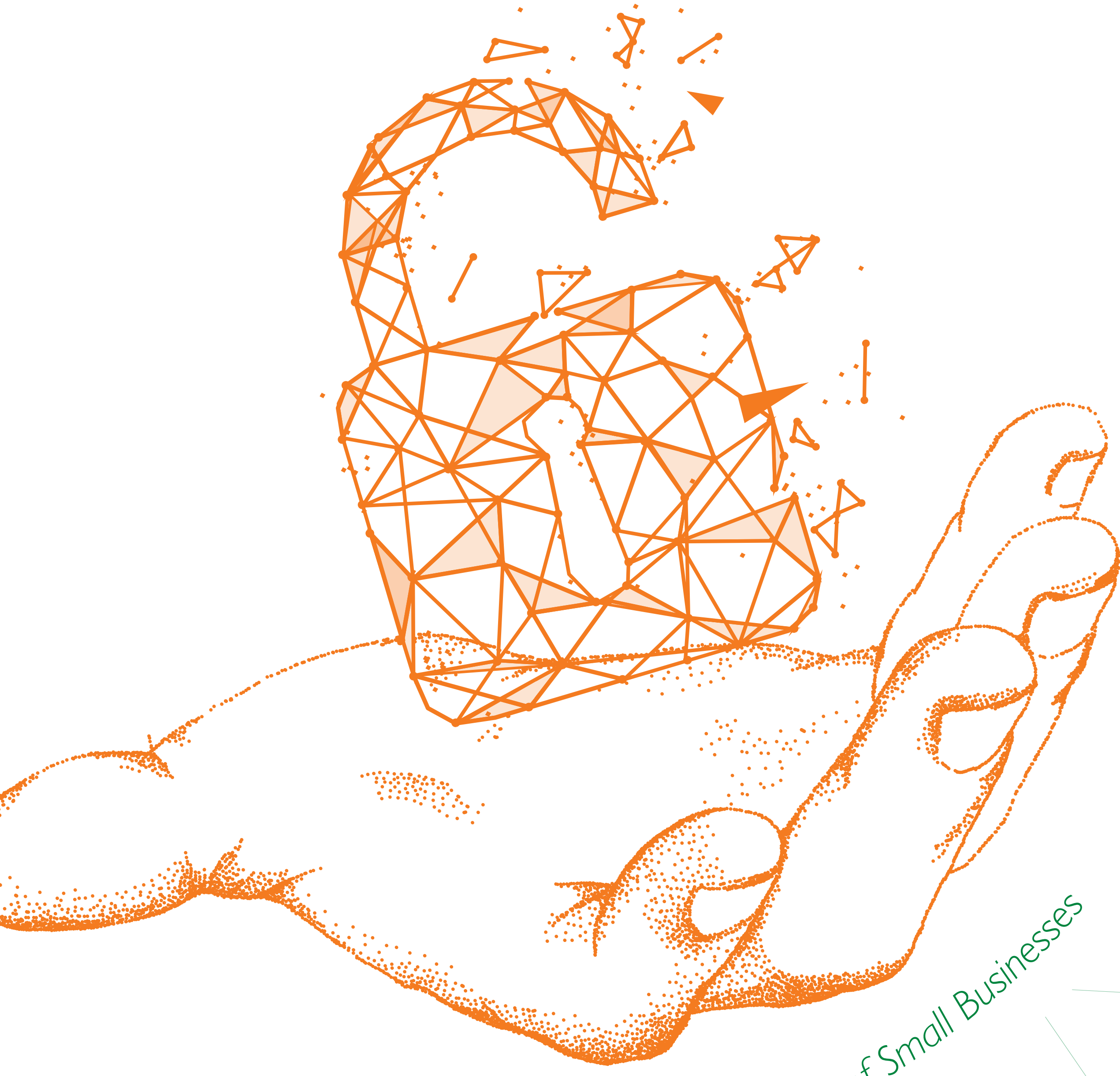
Mr Tembinkosi Bonakele
Chairperson of the Board

Couch Potatoe- Westen Cape


CAR SERVICE CITY

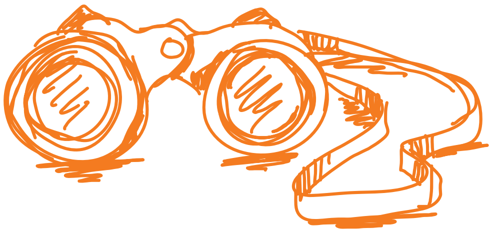
SECTION 1

Strategic Overview



Unlocking Potential by Investing in the Success of Small Businesses

VISION



sefa's vision is to be a leading catalyst for the development of sustainable small, medium, and micro enterprises and co-operatives through finance.

MISSION

sefa's mission is to provide accessible financing in an efficient and sustainable manner to SMMEs and co-operatives throughout South Africa by:

- Providing loan and credit facilities to SMMEs and co-operative enterprises;
- Providing credit guarantees;
- Supporting the institutional strengthening of financial intermediaries so that they can effectively assist SMMEs and co-operatives;
- Creating strategic partnerships with a range of institutions for sustainable SMME and co-operative enterprise development and support;
- Developing, through partnerships, innovative finance products, tools, and channels to speed up increased market participation in the provision of finance; and
- Monitoring the effectiveness and impact of our financing, credit guarantee and capacity development activities.

VALUES

sefa's values and guiding principles to deepen institutional culture and organisational cohesion are:

- **Kuyasheshwa!** We act with speed and urgency;
- **Passion for development**: Solution-driven attitude, commitment to serve;
- **Integrity:** Dealing with clients and stakeholders in an honest and ethical manner;
- **Transparency:** Ensuring compliance with best practices on the dissemination and sharing of information with all stakeholders; and
- **Innovation**: Continuously seeking new and better ways to serve our clients.

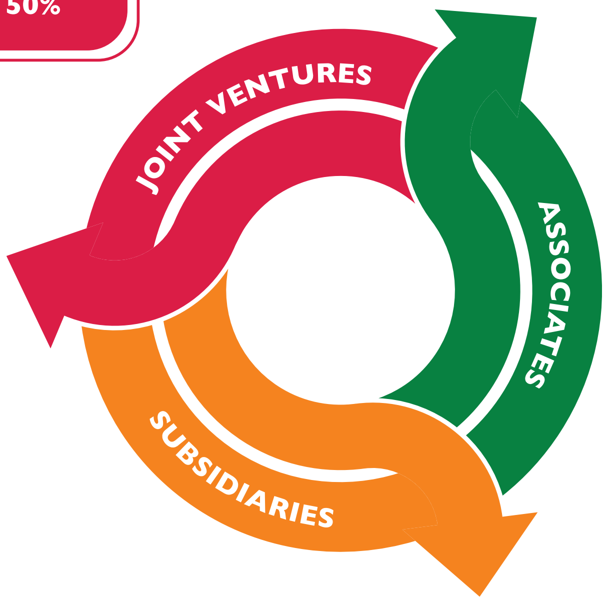
Policies and Legislation

sefa's operations are governed and guided by a wide range of legislative requirements and government policies. The table below outlines the most prominent policies and Acts that guide and influence **sefa's** operations.

Foundational Policies	Sector-Based Policies	Legislation
• The National Strategy on the Development and Promotion of Small Business in South Africa (1995) • Integrated Small Business Development Strategy (2004–2014) • The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	• Co-operative Development Policy (2004) • Integrated Strategy on the Development and Promotion of Co-operatives (2012) • National Informal Business Upliftment Strategy (2013) • Youth Enterprise Development Strategy 2013–2023 (2014)	• National Small Business Act 1996, revised 2004 • National Credit Act No. 24 of 2005 • Industrial Development Act No. 22 of 1940 • Financial Intelligence Centre Act (FICA) No. 38 of 2001, as amended • Consumer Protection Act 2008 • Companies Act No. 71 of 2008, as amended • Co-operatives Act No. 14 of 2005, as amended • Insurance Act No. 18 of 2017, as amended • Promotion of Access to Information Act No. 2 of 2000, as amended • Public Finance Management Act 1999, as amended

Group Structure

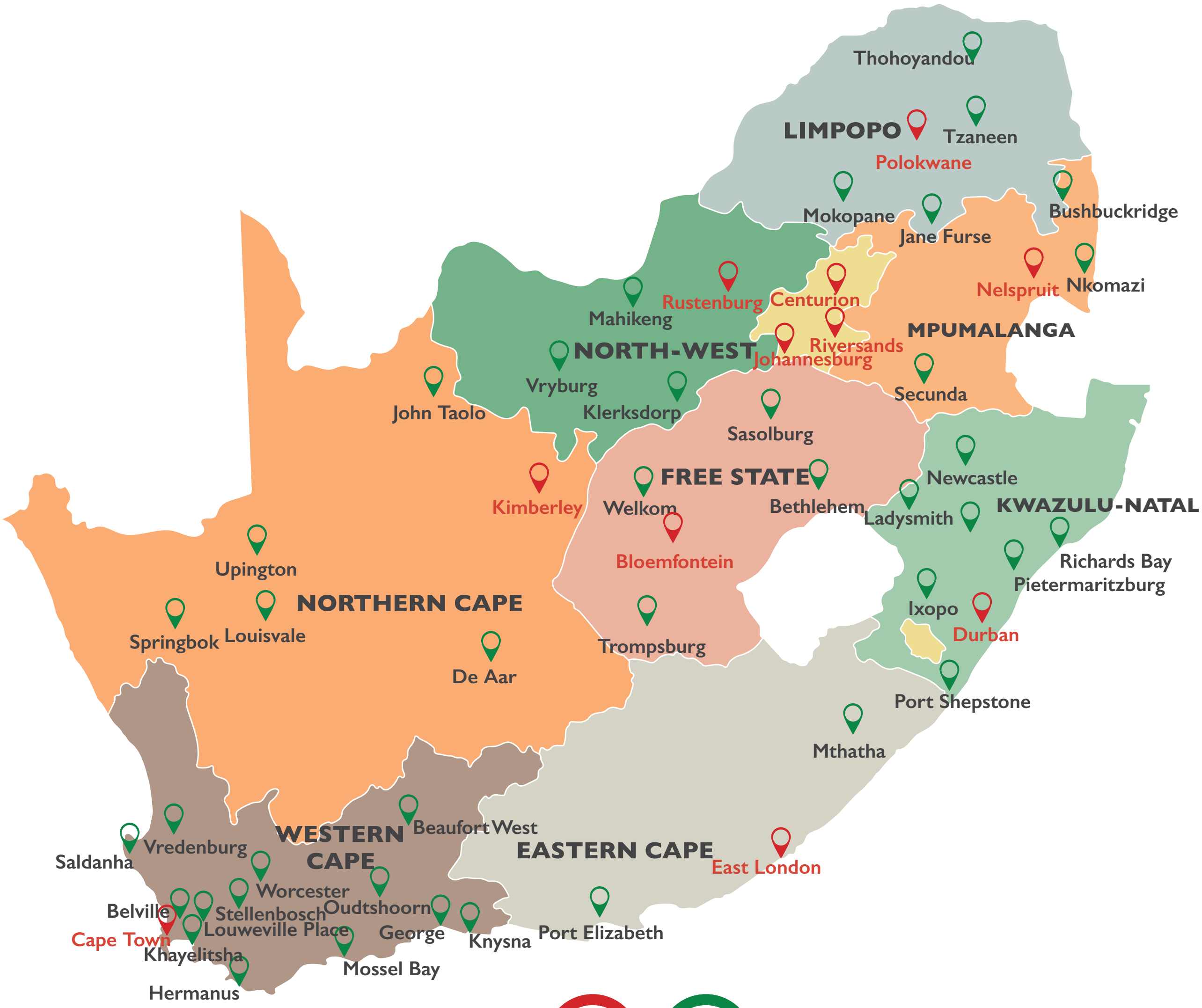
- Anglo American sefa Mining Fund (Pty) Ltd **50%**
- Cytobix (Pty) Ltd trading as Godisa **50%**
- sefa Awethu Youth Fund (Pty) Ltd **50%**



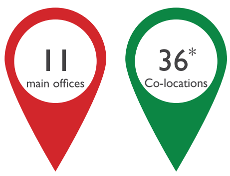
- Business Partners Limited **22%**
- Utho SME Infrastructure Fund **49%**

- Khula Business Premises (Pty) Ltd **100%**
- Khula Credit Guarantee SOC Ltd **100%**
- Khula Institutional Support Services NPC **100%**
- Identity Development Fund I (Pty) Ltd' **100%**
- Khula Akwandze Fund (Pty) Ltd **75%**

Geographic Footprint



sefa Offices
Co-locations



**Co-locations shared front office with Seda and IDC to facilitate application origination*

Specialised access points, and other access points are not indicated on the map.

sefa's Financial Intermediary Structure

10 Strategic Partners	7 Microfinance Institutions	18 Khula Credit Guarantee (SOC) Ltd (KCG) partners	37 Retail Finance Intermediaries	31 Land Reform Empowerment Fund (LREF) Partners

Loan Eligibility Criteria

Direct Lending Channel

- Natural persons: Applicants must be South African citizens, with valid South African identity documents or naturalised South Africans as defined in terms of BBBEE Act No 53 of 2003,
- Juristic persons: Applicants must be legally constituted including sole traders with a fixed physical address, partnerships, co-operatives, non-profit organisations that function as social enterprises, close corporations, private companies (PTY LTD) and public companies (LTD),
- The financed operations must be conducted within the borders of South Africa, and the controlling interest (100%) of the business enterprise must be held by a South African citizen with a valid South African identity document,
- The applicant shall ensure that the business maintains a staff compliment consisting of at least 95% South African citizens with a valid South African identity document throughout the duration of the loan tenure,
- At least one member/shareholder should be operationally involved in the business,
- The project must demonstrate an ability to generate the level of development impact as stated in the **sefa** Corporate Plan such as job maintenance and/or creation and economic empowerment
- The business should be sustainable and commercially viable with specific reference to loan repayability,
- For direct lending loan facilities, qualifying criteria will be > or = to 51% black ownership, and
- Risk taking by the entrepreneur can be reflected in own financial contribution, equity, and personal sureties.

Wholesale Lending Channel

- The applicant must be a juristic person legally constituted with a fixed physical address, partnerships, co-operatives, non-profit organisations that function as social enterprises, private companies (PTY LTD) and public companies (LTD),
- The business model should be sustainable and commercially viable, i.e., profit/surplus and performance,
- The entity should have a strong SMME and/or co-operative focus, with a strong developmental agenda, a bias towards women, youth, people with disability and rural development, and where possible, co-operatives and micro/informal business,
- The wholesale lender shall ensure that the businesses funded shall maintain a staff compliment consisting of at least 95% South African citizens with a valid South African identity document throughout the duration of the loan tenure,
- The project must demonstrate an ability to generate the level of development impact as stated in the **sefa** Corporate Plan such as job maintenance and/or creation and economic empowerment,
- Preference will be given to intermediaries with greater than or equal to 51% black ownership.
- The financed operations must be conducted within the borders of South Africa.
- The business must have a clearly defined target market in line with **sefa's** strategic objectives.

Target Market

sefa's loan financing programmes primarily focus on black people, women, youth, rural and township communities, and people with disabilities. These programmes are aligned with the New Growth Path (NGP), Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP).

sefa funds qualifying business ventures primarily in the following sectors:

- services (including retail, wholesale, and tourism);
- manufacturing (including agro processing);
- agriculture (specifically land reform beneficiaries and contract-farming activities);
- construction (small construction contractors);
- mining (specifically small-scale miners), and
- green industries (renewable energy, waste, and recycling management).

Operating Model, Distribution Channels and Products

sefa OPERATING MODEL

The 'What' - The impact of sefa's efforts

Sustainable, small, medium, micro, and cooperative enterprises; and increased economic participation, ownership, and access to resources and opportunities by PDIs prioritising women, youth, and persons with disabilities.

DEVELOPMENTAL FOCUS | COMMERCIAL FOCUS

The 'How' - sefa's operations

Post-Investment Management and Graduation
(Channels: Seda, Business Advisors, ***sefa*** *Post Investment Officers)*

FINANCIAL INCLUSION FOCUS: ENTREPRENEURSHIP AND ECONOMIC SECTOR

Wholesale Lending
(Channels: Financial and partner institutions)

Co-operatives and Micro Enterprises
- Asset Finance
- Bridging loans
- Revolving loans
- Term loans

Intermediaries
- Structured finance solutions
- Revolving loans
- Joint venture / equity funds
- Term loans

Direct Lending
(Channels: ***sefa*** *regional offices)*
- Asset finance
- Bridging loans
- Revolving loans
- Term loans

Credit Guarantees
- *(Channels: Financial and partner institutions,* ***sefa*** *regional offices)*
- Credit guarantees
- Wholesale credit guarantees
- Credit indemnities

Fund Management and Ancillary Services
- Leverage **sefa** capabilities to manage third-party funds

Property Portfolio Management
- Leverage property portfolio for sustainability

Discounted Risk-Based Pricing Model

Cost Recovery + Margin Model

User Pays / Cost Recovery + Margin Model

Credit Risk Management

The 'Foundation' - underpinning sefa's efforts

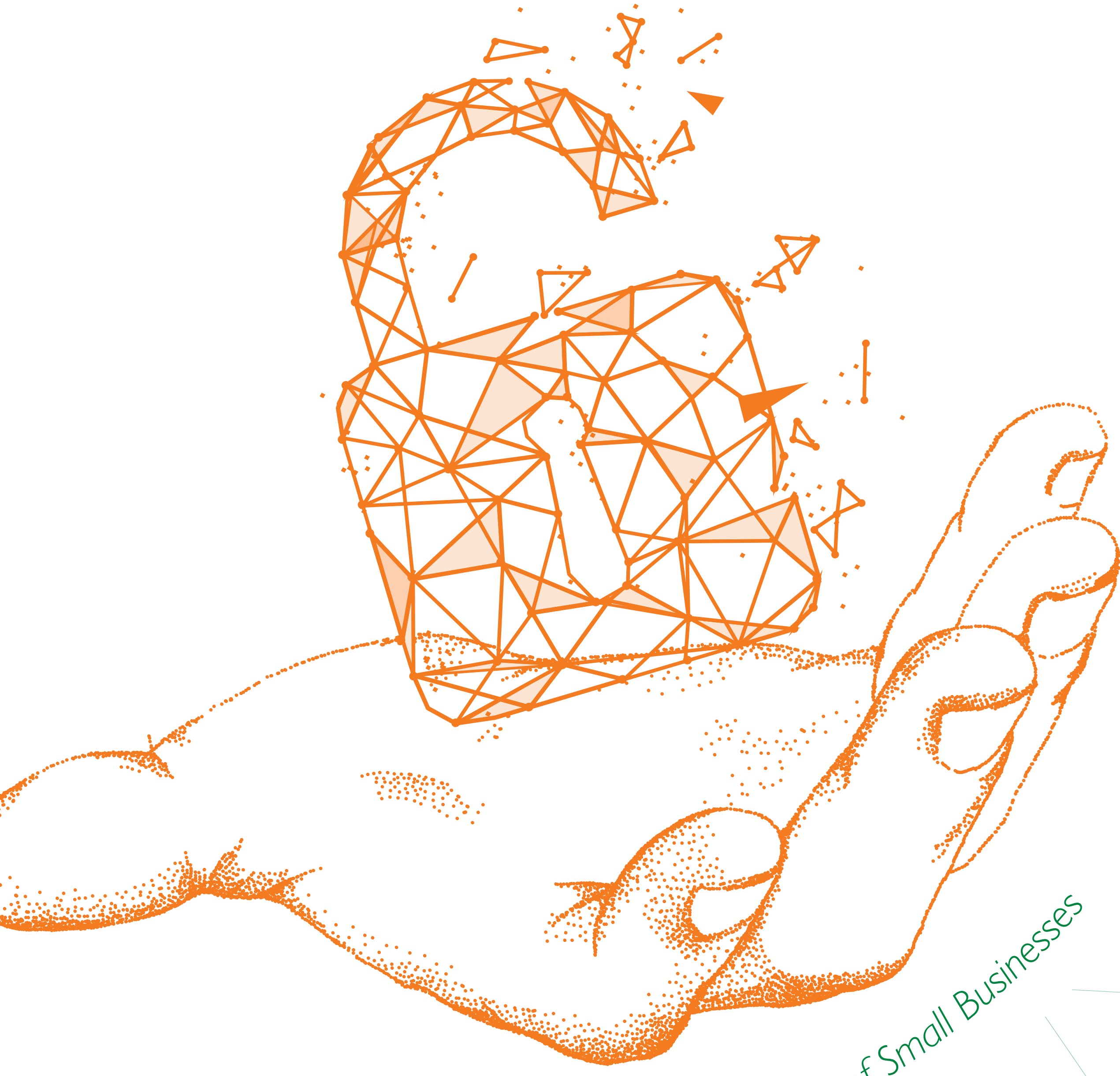
Sector Thought Leadership and Institutional Capacity Building

Stakeholder Partnerships and Mobilisation

Sound Governance, Financial Sustainability, and Organisational Effectiveness and Performance

Happi Shoes - Western Cape

SECTION 2
CORPORATE PERFORMANCE



Unlocking Potential by Investing in the Success of Small Businesses

CORPORATE PERFORMANCE OVERVIEW

Small, Medium, and Micro Enterprises (SMMEs) create enormous value for economies around the world and are meaningful job creators. SMMEs have faced structural barriers, such as the high cost of compliance and finance, that have tended to constrain their growth. This year's trajectory for the small business sector has been marked by softening demand, increased operating costs and high inflation, lack of reliable electricity supply, and slowing growth in the South African economy. These conditions created an unfavourable economic environment, which made it hard for existing businesses to survive and new ones to start.

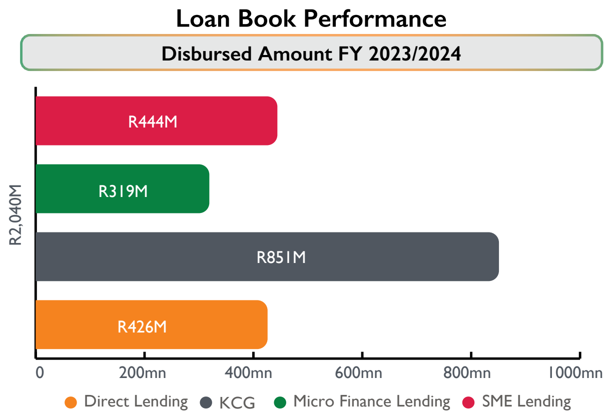
Businesses in South Africa are struggling due to the challenges in the economy as evidenced by the continually increasing number of liquidations. According to Statistics South Africa's statistical release on liquidations dated 26 February 2024, there was a 34.6% increase in the total number of liquidations in January 2024, as compared to January 2023. 30% of financially distressed companies could not continue operating on a solvent basis and filed for liquidation in the fourth quarter of 2023. Furthermore, the small enterprise development agency (Seda), SMME quarterly report indicates that there was a notable decline of 8.1% year-on-year in the total number of SMMEs. This decline was particularly concentrated in the third quarter compared to the second quarter. By the third quarter of 2023, the total number of SMMEs stood at 2.47 million.

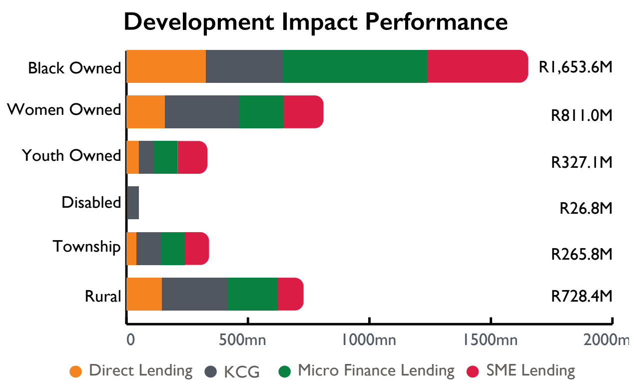
The tighter monetary policies in 2023 restricted consumer access to finance and raised debt-servicing costs. This had adverse effects on consumer confidence and spending behaviour. As a result, consumers have become increasingly conscious and cautious about their spending habits. Global nominal disposable income growth lagging behind inflation rates has exacerbated this trend, further constraining consumer purchasing power. As a result, the SMMEs sector experienced a challenging period marked by slow demand growth.

Despite the moderate and difficult economic conditions, **sefa** continued to provide support to the small business sector. Overall, **sefa** continued to advance financial inclusion through sustained investments in the small business sector. In 2023/24 financial year **sefa** approved loans worth R1,271 billion representing 83% of the annual target and disbursed R2 billion into the South African economy representing 93% of the annual target.

This financial support aided 80,040 businesses and facilitated the creation of 98,378 jobs in the economy. These numbers represented 110% of the target for businesses supported and 105% of the target for job creation. The overperformance in the number of SMMEs supported and jobs created was due to the uptake of programme funds in the Informal and Microfinance programme.

sefa's investment into the economy was through its different lending channels. Direct Lending loan programme disbursements were R426 million, Khula Credit Guarantee taken ups amounted to R851 million and Informal microenterprise finance R319 million and WL SME R443 million.





In February 2024, **sefa** conducted a survey[1] on customer business conditions. The findings revealed that 91% of respondents experienced an increase in operating costs, with 83% attributing this rise to fuel price hikes, impacting their input costs.

1 **sefa's** Research Department conducts surveys on funded clients through a standard questionnaire on the operating environment and how that impacts on their ability to honour their loan obligations.

Additionally, 91% noted inconsistent demand for goods and services, leading to irregular cash flows. Load-shedding effects were also evident, with reduced operating hours causing turnover loss. Among participants, 28% reported production decreases, and an equal percentage lacked strategies to address load-shedding impacts.

Due to challenging macroeconomic conditions such as high inflation, increased power outages, high fuel costs and high operating costs, economic growth has deteriorated. **sefa** has been adversely impacted by these unfavourable developments in the South African economy. This is evident from **sefa's** loan book performance during the year under review with increases in delinquencies, a sluggish volume growth, and higher costs.

To mitigate the effects of these challenges, **sefa's** Post Investment and Monitoring Division continues to monitor the funded businesses and implement support mechanisms that will assist the businesses to improve performance. **sefa** will continue to work with Productivity South Africa to implement the Business Turnaround and Recovery programme (BT&R). Productivity SA is set to assist **sefa** with restructuring and turning around of businesses.

This strategy is aimed at improving collection rates, and in turn, improve the declining performance of the loan portfolio.

Given these factors, there is a basis for cautious optimism in the near term, especially for well-positioned businesses (those that can successfully be turned around) to repay their loans and will reduce overall impairment.

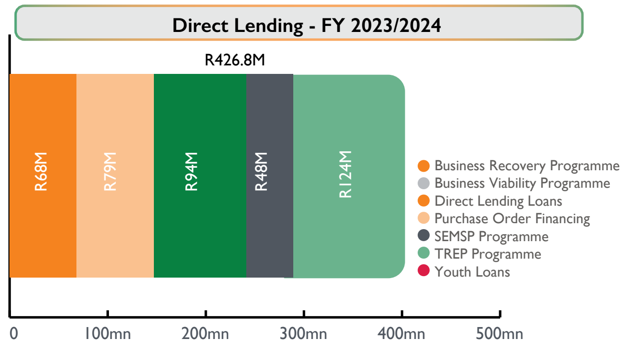
No SMME operates in a vacuum. Its prospects are shaped by its interactions with other companies. These interactions can be mutually beneficial, creating a "win-win" for businesses. When the economic fabric surrounding companies of all sizes enables them to interact productively with one another and grow, the overall economy attains the greatest benefits. With these points in mind, the small business ecosystem players need to evaluate their participation and capabilities to create the necessary environment for the small businesses and co-operatives in South Africa to grow.

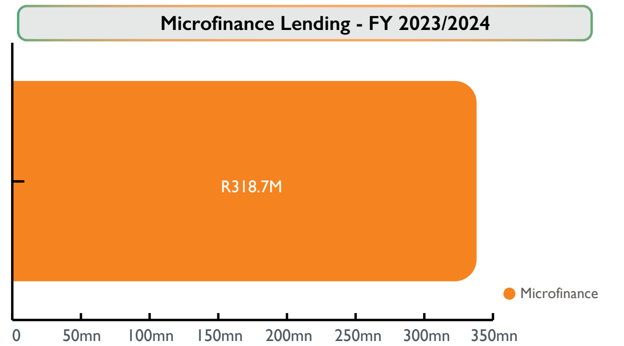
Although there is some improvement relative to the recent past, a major upswing is needed in collaborative partnerships to increase productivity of small businesses to reach new customers, improve their cash flow, and streamline their logistics. Now is the time to ensure businesses are meeting their full potential, repositioning for the next decade (including considerations regarding circular economies and decarbonisation (climate change) and can meet the objectives of the National Development Plan of creating employment and reducing inequality.

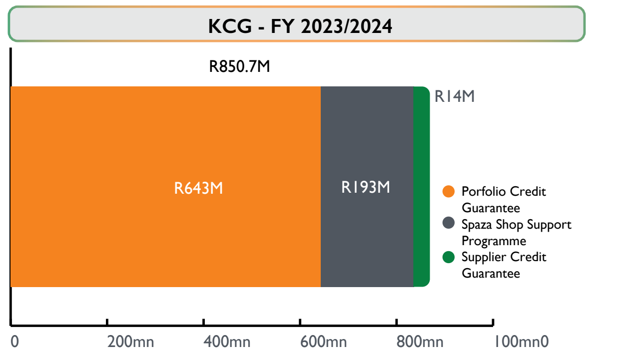
A continued focus on increasing loan process efficiencies and cost optimisation is expected, and as the organisation heads into the expected merger, the core focus to support and fund sustainable businesses will remain key. It is expected that the new institution, the small enterprise development finance agency (SEDFA) will look for more extensive programmes. Thus, small businesses can derive additional value which will be unlocked through a fundamental rethinking of their operating model. Digital and generative Artificial Intelligence (AI) also present emerging opportunities to increase support to small businesses and co-operatives in a cost-effective way.

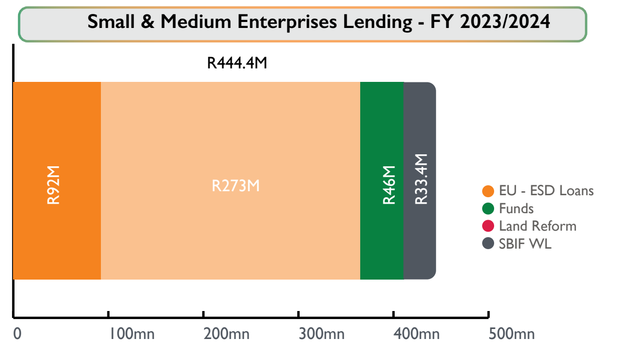
Loan Book Performance by Lending Channel – FY2023/24

The diagram below depicts a summary of **sefa's** disbursements per loan portfolio and the loan sub programmes.

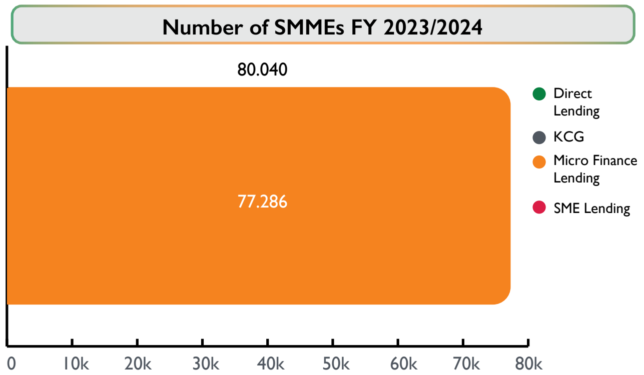


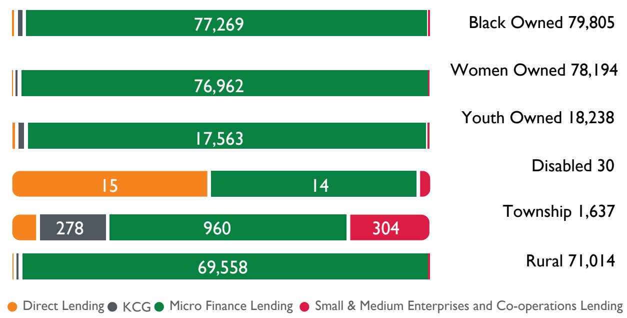




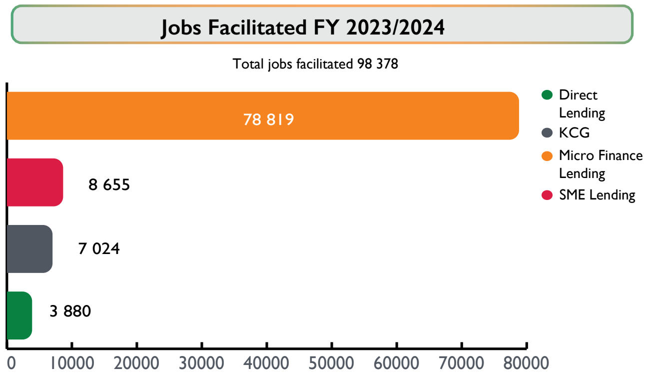


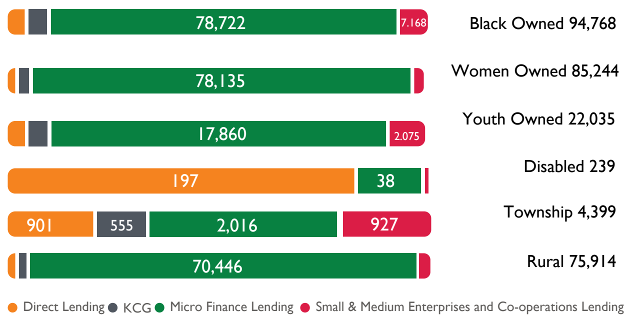
The different loan channels contributions to **sefa's** development impact is as follows:





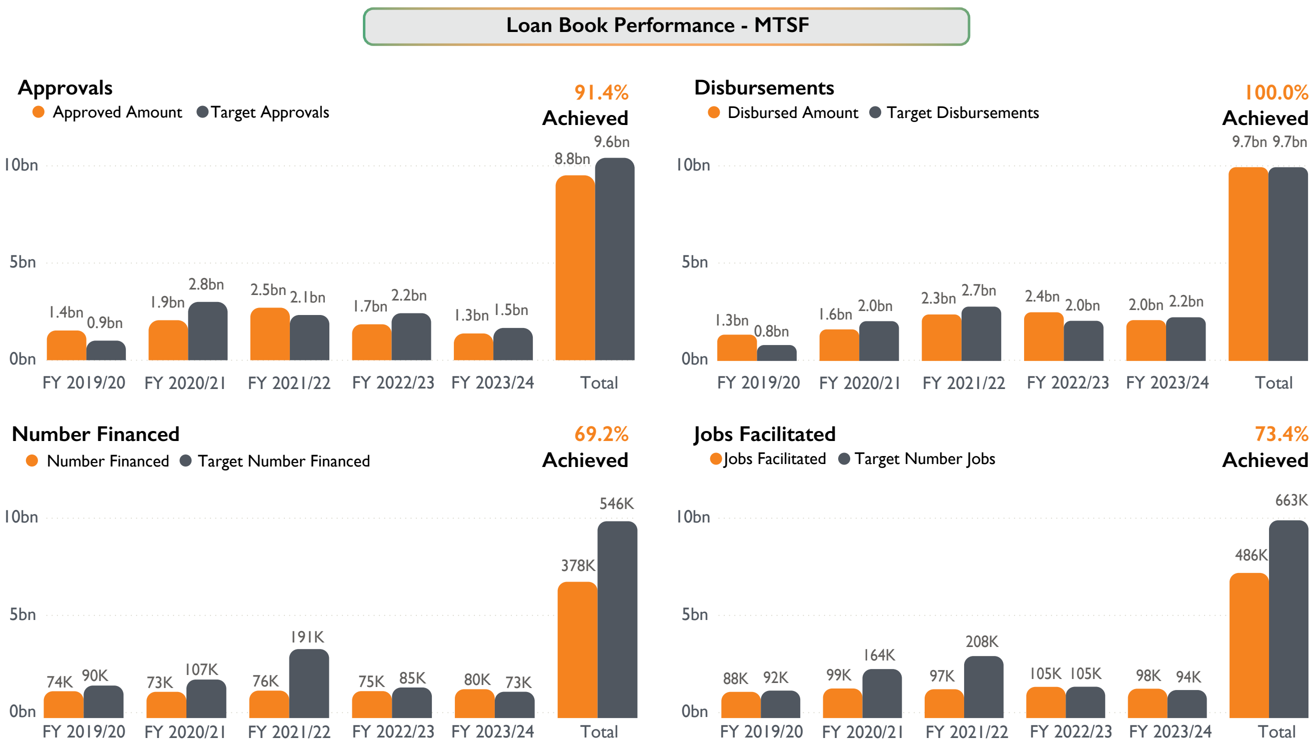
The diagram below shows the jobs facilitated per different loan programmes and their development impact.



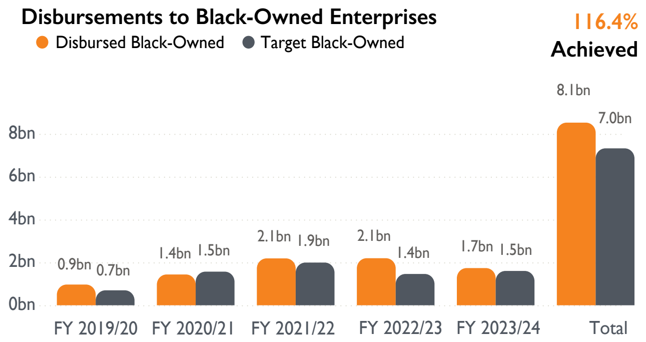


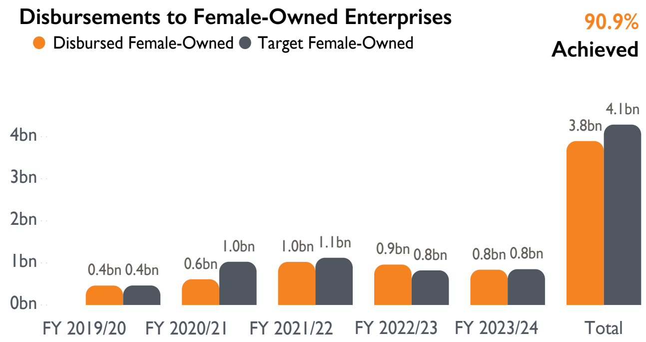
Loan Book Performance Trends over the Medium-Term Strategic Framework Period

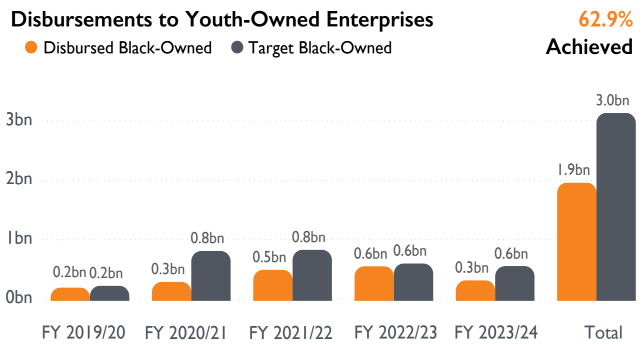
The dashboard below depicts **sefa** performance over the Medium-Term Strategic Framework (MTSF).

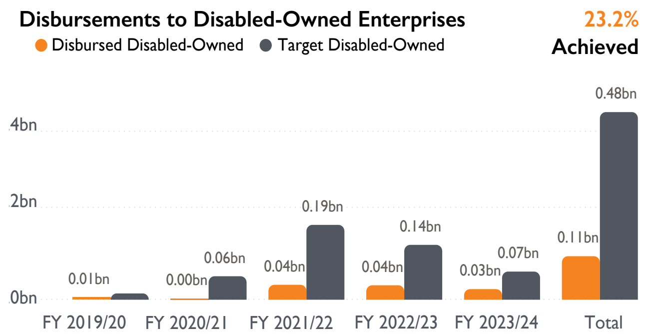


Loan Book Performance - MTSF

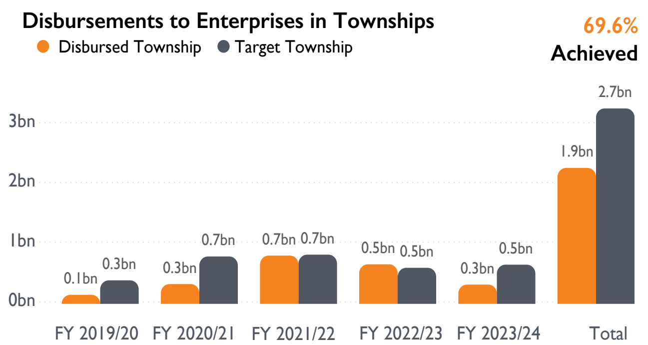


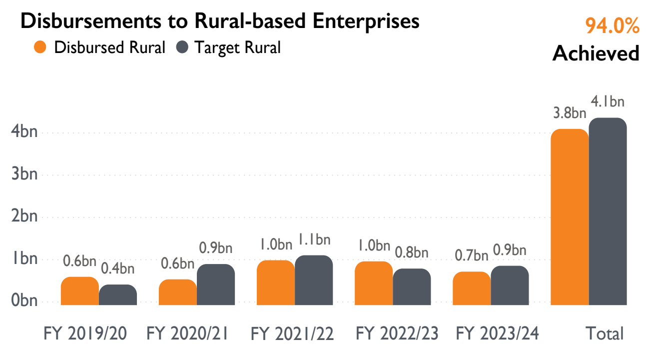






Loan Book Performance - Mid Term Progress





Loan Book Performance Trends

The **sefa** management team recognises the need to balance the contradictory and sometimes competing priorities that occupy the unlimited demands of the organisation's mandate while deploying limited fiscal resources. The table below provides an analysis of **sefa's** loan book performance against key metrics.

Inception to FY 2023/2024	
Approved Amount	R14,620,211,554
Disbursed Amount	R16,527,925,075
Number Financed	709,169
Jobs Facilitated	929,353
Black Owned	R13,115,323,517
Women Owned	R6,381,173,306
Youth	R3,244,562,308
Disabled Owned	R125,809,161
Township	R2,072,422,880
Rural	R4,884,526,421

MTSF Period	
Approved Amount	R8,784,700,961
Disbursed Amount	R9,680,217,979
Number Financed	378,201
Jobs Facilitated	486,436
Black Owned	R8,121,164,837
Women Owned	R3,766,379,063
Youth	R1,886,626,375
Disabled Owned	R110,407,292
Township	R1,873,457,695
Rural	R3,835,882,683

FY 2023/2024	
Approved Amount	R1,271,254,673
Disbursed Amount	R2,039,189,553
Number Financed	80,040
Jobs Facilitated	98,378
Black Owned	R1,653,631,404
Women Owned	R811,043,079
Youth	R327,050,082
Disabled Owned	R26,836,184
Township	R265,755,019
Rural	R728,357,253

	FY2019/2020	FY2020/2021	FY2021/2022	FY2022/23	FY2023/2024
Collection Rate	87.0%	123.0%	86.9%	74.3%	73.3%
Portfolio At Risk	-	-	-	48.6%	65.1%
Accumulated Impairments	41.0%	39.4%	35.4%	45.5%	60.4%
Blended First Default Rate	-	-	-	6.00%	8.00%
Cost To Income Ratio	79.0%	93.0%	56.3%	71.0%	59.4%
Capital Leverage	-	-	6.38	6.32	6.61

Since its inception, **sefa** approved loans to the value of R14,6 billion and disbursed into the South African economy R16,5 billion to 709 169 SMMEs. These businesses in turn helped create and sustain 929 353 jobs across various economic sectors of the economy. These investments have contributed significantly to the financial inclusion, especially of previously disadvantaged individuals, those being, women, youth and persons with disabilities.

sefa's Provincial Spread

The diagram below depicts **sefa's** provincial disbursements, number of SMMEs financed and jobs facilitated for the FY2023/24.

Province	Regional Offices	Co-Locations	SMMEs Financed	Disbursements	Jobs Facilitated
EASTERN CAPE	East London, Umtata	Port Elizabeth	22,183	R195M	23,159
FREE STATE	Bloemfontein	Welkom, Trompsburg, Bethlehem, Sasolburg	975	R30M	1,256
GAUTENG	Johannesburg	Riversands, Ekurhuleni	2,863	R637M	10,652
KWAZULU NATAL	Durban	Port Shepstone, Ladysmith, Richards Bay, Newcastle, Pietermaritzburg, Ixopo	11,210	R337M	14,326
LIMPOPO	Polokwane	Thohoyandou, Tzaneen, Mokopane, Jane Furse	23,566	R229M	26,127
MPUMALANGA	Nelspruit	Secunda, Nkomazi, Bushbuckridge	10,892	R182M	11,775
NORTHERN CAPE	Kimberley	John Taolo Gaetswe, Upington, De Aar, Springbok	88	R23M	146
NORTHWEST	Rustenburg	Klerksdorp, Vryburg, Mahikeng	7,330	R100M	7,953
WESTERN CAPE	Cape Town	Belville, Khayelitsha, Mossel Bay, Knysna, George, Oudshoorn, Beaufort West, Hermanus, Stellenbosch, Worcester, Vredenberg, Saldanha	630	R302M	2,681

Corporate Performance against Pre-Determined Targets

sefa's corporate performance is measured against the Balanced Scorecard (BSC). During the year under review, **sefa's** performance against its targets was as follows: 55% of the measurement indicators achieved 100% and above, 29% achieved between 75% and 99%, and 16% achieved below 75%.

Balanced Scorecard - FY2023/24				
Customer Perspective		Annual		
		Target	Actual Achieved	% Achieved
Broadened access to finance	Value of approvals to SMMEs & Co-operatives (R'000)	R 1 533 232	R1 271 255	83%
	Value of disbursements to SMMEs & Co-operatives (R'000)	R 2 181 375	R2 039 190	93%
	Number of SMMEs and Cooperatives Financed	72 973	80 040	110%
	Number of Jobs Facilitated and sustained	93 923	98 378	105%
	Disbursements to black-owned enterprises (R'000)	R 1 526 295	R1 653 631	108%
	Disbursements to women-owned enterprises (R'000)	R 822 688	R811 043	99%
	Disbursements to youth-owned enterprises (R'000)	R 554 047	R327 050	59%
	Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)	R 43 627	R26 836	62%
	Disbursements to township-based enterprises (R'000)	R 540 352	R265 755	49%
	Disbursements to enterprises located in rural towns and villages (R'000)	R 856 336	R728 357	85%
Strategic stakeholder relations with key constituencies	Number of leads generated	120	107	89%
Enhanced **sefa** brand visibility	Annual brand visibility index	60%	70%	116%
Customer satisfaction	Annual customer satisfaction index rating	60%	67%	112%

Financial Perspective		Annual		
		Target	Actual Achieved	% Achieved
Enhanced financial management & performance	Cost to income ratio (excluding impairments on loans, advances, and KCG claims provision I/S movement relating to the SSSP and Autobody programmes)	74%	59%	125%
Capital raising	Rand value of additional capital raised (R'000)	R85 000	R250 572	294,8%
	Lettable area vacancy rate	30%	33%	92%
	Rental collections rate	50%	66%	132%
	KCG capital leverage ratio	6,25	6,61	106%
	Percentage growth in revenue (excl. grant income and MTEF)	11%	32%	291%
Enhanced loan portfolio performance	Accumulated Impairment provision as a percentage of total loans and advances	50%	60%	83%
	Portfolio at Risk	50%	65%	77%
	Collections rate (all-in-cash collections)	75%	73%	98%
Improved credit risk assessment and mitigation	Blended first default rate	10%	8%	125%
sefa B-BBEE facilitator status	**sefa** B-BBEE level	B-BBEE baseline established	100%	100%

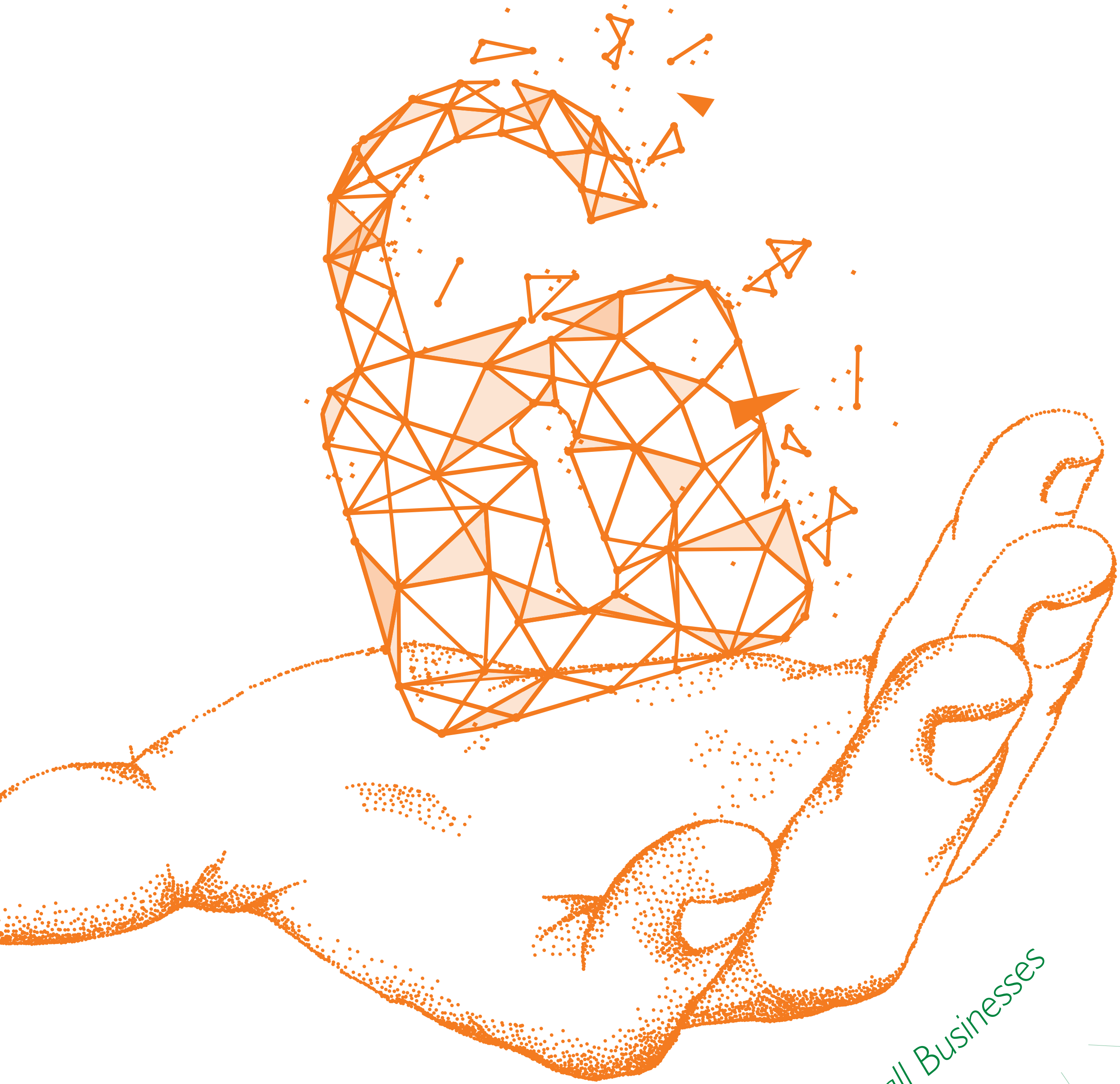
Business Process Perspective		Annual		
		Target	Actual Achieved	% Achieved
Efficient and effective lending	Turnaround time for Direct Lending (days)	30	88	34%
	Turnaround time for Wholesale Lending (days)	50	131	38%
Automation / digitisation of **sefa** business processes	Progress in automation of **sefa** business processes	Maintenance and enhancement of the PIMWR system	100%	100%
	Progress in implementation of the **sefa** Enterprise Content Management System	Phase 2 implementation of the ECM system	100%	100%
Electronic crowd-funding platform for early-stage start-ups	Progress in implementation of an electronic crowd-funding platform for early-stage start-ups	Specification for electronic crowdfunding early-stage start-ups developed	100%	100%
SMME and intermediary institutional capacity building	Number of client and funding partner interventions (mentors)	190	202	106%
	Number of **sefa** clients improving turnover by 5%	35 clients	71	237%
Enhanced risk maturity	**sefa** risk maturity level	4,00	3,00	75%

sub-total Organisational Business Processes Perspective				
People, Learning And Growth Perspective		Annual		
		Target	Actual Achieved	% Achieved
Monitoring and evaluation of **sefa** loan programme performance and commissioning of strategic research projects	Number of publications produced	Six sector and value chain analysis reports	8	133%
		Loan Programme Performance Report	3	150%
		Bi-annual business conditions survey	2	100%
Improved employee engagement	Employee Engagement Index (EEI)	65% employee engagement index	66%	102%
Improvement of organisational performance	Percentage of staff that scores 3.5 or more in the annual performance assessment	55% staff that scores 3.5 or more in the 2023/24 annual performance assessment	46%	82.8%
Productivity improvement	Productivity Index	Productivity Index increases by 5% from baseline	24.97%	89%

Sterkspruit Shopping and Fuel Centre- Eastern Cape

SECTION 3

Governance



Unlocking Potential by Investing in the Success of Small Businesses

sefa Board of Directors

Mr Tembinkosi Bonakele
Board Chairperson

Appointment Date: 01 Sep 2023

Academic Qualifications

- MBA (Gordon Institute of Business Science - (GIBS)- University of Pretoria)
- Admitted Attorney
- Practical Legal Training (Law Society of SA, Port Elizabeth)
- LLB (University of Fort Hare)
- B Juris (University of Fort Hare)

Area of Expertise/ Skills Matrix

- Competition law
- Compliance
- Organisational development
- Strategy development and implementation
- Leadership
- Public sector and institution development

BCIC – Board Credit and Investment Committee
NOMCO – Nominations Committee
BC – Board Chairperson

Mr Nkosikhona Mbatha
ACEO – Executive Director

Appointment Date: 10 May 2024

Academic Qualifications

- Post Graduate Diploma in Finance, Banking and Investment Management with distinction (University of KwaZulu Natal)
- Regulatory Exam - Part I
- Business rescue decision-making course
- Bachelor of Commerce in Accounting (University of KwaZulu Natal)

Area of Expertise/ Skills Matrix

- Strategy development
- Leadership
- Business management
- Deal origination structuring and restructuring
- Business performance analysis and Management
- Report writing
- Credit assessment

KBP – Khula Business Premises (Pty) Ltd
KCG – Khula Credit Guarantee Ltd
BP – Business Partners Ltd
SEC – Social and Ethics Committee

Board Committees

BC – Board Chairperson
AC – Audit Committee
BCIC – Board Credit and Investment Committee
HCRC – Human Capital and Remuneration Committee
NOMCO – Nominations Committee
BDSC – Business Development and Support Committee
RC – Risk Committee
SEC – Social and Ethics Committee
BP – Business Partners Ltd
BC – Khula Institutional Support Services NPC
KCG – Khula Credit Guarantee Ltd
KBP – Khula Business Premises (Pty) Ltd

C – Chairperson

Ms Xoliswa Daku

Appointment Date: 01 May 2024

Academic Qualifications

- Executive MBA (University of Cape Town Graduate School of Business
- UCT School of Legal Practice
- LLM (University of the Western Cape)
- B. Proc (University of Transkei)
- Post Graduate Diplomas in Human Resources and Project Management - (Varsity collage)
- Management Development Programme (University of Stellenbosch)
- Post Graduate Project Management and Advanced Project Management - (Cranefield Collage)
- MSC Real Estate (University of Manchester)

Area of Expertise/ Skills Matrix

- Legal and business leadership
- Strategy design and development
- Public speaking
- Trade and investment
- FDI and LED
- Integrated property development and management
- Strong programme and project management
- Infrastructure development

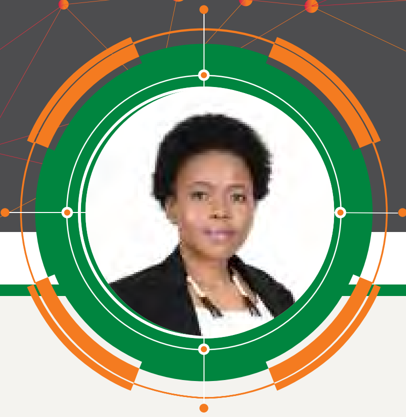
C

SEC – Social and Ethics Committee

AC – Audit Committee

NOMCO – Nominations Committee

KCG – Khula Credit Guarantee Ltd



Ms Nonzuzo Makanda

Appointment Date: 03 May 2022

Academic Qualifications

- M Com Economics (University of KwaZulu-Natal)
- BCom Honours: Business Management specialising in Investments (University of South Africa)
- BCom Economics (University of South Africa)

Area of Expertise/ Skills Matrix

- Economics
- Finance
- Business management
- Investments
- Financial services (mining, agriculture, financial technology, construction)
- SMME and co-operative development
- Fund origination and management
- Investment analysis and financial modelling
- Transaction advisory and capital raising
- Public Private Partnerships (PPP) projects
- Financial technology strategist
- Content developer for SMME training
- Corporate finance
- SMME training and research
- Project finance

C

AC – Audit Committee

NOMCO – Nominations Committee

RC – Risk Committee

BCIC – Board Credit and Investment Committee

sefa Board of Directors

Mr Patrick Makape

Appointment Date: 01 Sep 2023

Academic Qualifications

- MBA (Gordon Institute of Business Science - (GIBS)- University of Pretoria)
- Admitted Attorney
- Practical Legal Training (Law Society of SA, Port Elizabeth)
- LLB (University of Fort Hare)
- B Juris (University of Fort Hare)

Area of Expertise/ Skills Matrix

- Competition law
- Compliance
- Organisational development
- Strategy development and implementation
- Leadership
- Public sector and institution development

AC – Audit Committee

SEC – Social and Ethics Committee

BDSC – Business Development and Support Committee

HCRC – Human Capital and Remuneration Committee

Mr Motse Mfuleni

Appointment Date: 03 May 2022

Academic and Professional Qualifications

- King III Corporate Governance: Institute of Directors (IOD)
- King IV Corporate Governance: Institute of Directors & Companies Act Law (IOD)
- Financial Insights for Non-Finance Directors: Institute of Directors (IOD)
- IT Governance: Institute of Directors (IOD)

HCRC – Human Capital and Remuneration Committee

RC – Risk Committee

SEC – Social and Ethics Committee

Ms Keabetswe Mogorosi

Appointment Date: 01 May 2024

Academic and Professional Qualifications

- MBA (Gordon Institute of Business Science (University of Pretoria)
- BCom Economics (University of Cape Town)

Area of Expertise/ Skills Matrix

- Investment banking
- Property finance
- Property investment
- Development finance
- Transaction advisory
- Deal origination, structuring, capital raising,

RC – Risk Committee
BCIC – Board Credit and Investment Committee
KBP – Khula Business Premises (Pty) Ltd

Mr Sifiso Mtsweni

Appointment Date: 01 May 2024

Academic and Professional Qualifications

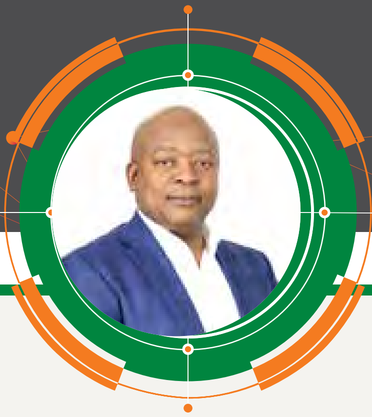
- Sport Management (Nelson Mandela Metropolitan University)
- Small Business Management Certificate (UNISA)
- Project Management Certificate (IMSIMBI Training Institute)

Area of Expertise/ Skills Matrix

- Youth development
- Economic development (SMME)
- Business advisory services
- Capacity building
- Fundraising
- Communication

AC – Audit Committee
NOMCO – Nominations Committee
RC – Risk Committee
BCIC – Board Credit and Investment Committee
BDSC – Business Development and Support Committee

sefa Board of Directors



Mr Pumezo Mqingwana

Appointment Date: 01 May 2024

Academic and Professional Qualifications

- BPhil Maritime Studies (University of Stellenbosch)
- Bachelor of Science (Honours) (University of Transkei)
- Advanced Project Management (University of South Africa)
- Tourism and Travel Diploma (Technikon South Africa)
- Bachelor of Arts (University of Transkei)
- Secondary School Teachers Diploma (University of Transkei)

Area of Expertise/ Skills Matrix

- Compliance
- Organisational development
- Strategy development and implementation
- Leadership
- Public sector and institution development

sefa Committee membership and Subsidiary/ Investee Companies Directorship

- Project budget and finance
- Stakeholder management
- Leadership

RC – Risk Committee
SEC – Social and Ethics Committee
HCRC – Human Capital and Remuneration Committee

Ms Phelisa Nkomo

Appointment Date: 01 Sep 2023

Academic and Professional Qualifications

- Executive Leadership Programme (Gordon Institute Business School) (GIBS)
- Honours Degree in Economics (University of Western Cape)
- Post Graduate Diploma in Economic Policy (University of Western Cape)
- Diploma in Public Relations (Cape Peninsula University of Technology)
- Advanced Certificate in Community Development & Project Management (Beit Bell Collage (Israel)

Area of Expertise/ Skills Matrix

- Economic research
- Economic analysis
- Macro-economic analysis
- Social policy
- Media analysis on development issues
- Gender-based violence
- Intersectional analysis
- Report writing
- Systemic risk analysis
- Strategy development
- ESG (CSI)
- Partnership strategy
- Stakeholder engagement

C
HCRC – Human Capital and Remuneration Committee
SEC – Social and Ethics Committee
BDSC – Business Development and Support Committee
BCIC – Board Credit and Investment Committee
NOMCO – Nominations Committee

Mr Luyanda Ntuane

Appointment Date: 01 May 2024

Academic and Professional Qualifications

- Fundamentals of Cybersecurity (Certificate) (University of Cape Town)
- Chief Information Officer (CIO): Professional Practice (University of Witwatersrand)
- Postgraduate Diploma in Management (Distributed Commercial Information Systems) University of Cape Town)
- Advanced Diploma in Project Management (Cranefield College)
- Applied Project Management in an IT Environment (University of South Africa)
- Bachelor of Commerce (Economics and Business Information Systems) (University of KwaZulu Natal)

Professional Certification

- Certified Information Security Manager (CISM®),
- Certified in Risk and Information Systems Control (CRISC™)
- Certified in the Governance of Enterprise IT (CGEIT®)

Area of Expertise/ Skills Matrix

- Business and IT strategy development
- Corporate and IT governance
- Driving organisational performance
- Digital transformation
- Project and programme Management
- Information Technology Management
- People leadership
- Governance, risk, and compliance
- Enterprise architecture
- Cybersecurity management

C

RC Risk Committee
AC Audit Committee
NOMCO Nominations Committee
KCG Khula Credit Guarantee Ltd
AC Audit Committee
BCIC Board Credit and Investment Committee

Mr Bonolo Ramokhele

Appointment Date: 05 May 2023

Academic and Professional Qualifications

- Charted Accountant (CA) SA
- HDipAcc (University of Witwatersrand)
- BAccSci (University of Witwatersrand)

Area of Expertise/ Skills Matrix

- Corporate finance and deal advisory
- Financial modelling
- Due diligence
- Strategy drafting and implementation
- Investment appraisals
- External auditing
- Internal auditing
- Financial statement preparation
- Risk management
- Accounting

RC Risk Committee
AC Audit Committee
BCIC Board Credit and Investment Committee

sefa Board of Directors

Mr Siyakhula Simelane

Appointment Date: 15 Aug 2023

Academic and Professional Qualifications

- Charted Accountant (CA) SA
- Advanced Certificate in Financial Management (APT)
- B Comm Accounting - (University of KwaZulu Natal)
- B Comm Accounting Honours
- MDP on B-BBEE – University of South Africa
- Financial Services Board Regulatory Exams (RE1 and RE5)

Area of Expertise/ Skills Matrix

- Treasury functions
- Forensic audit
- Financial and management reporting
- Internal auditing, system audit
- Strategy formulation
- Forecasting and budgeting
- Project management
- Risk management
- Policy formulation
- Strategy implementation
- Accounting standards
- National Treasury Regulations
- B-BBEE

C

BCIC – Board Credit and Investment Committee
AC – Audit Committee
RC – Risk Committee
NOMCO – Nominations Committee
KBP – Khula Business Premises (Pty) Ltd

Ms Hilda-Marie Tsoadi

Appointment Date: 01 Oct 2020

Academic and Professional Qualifications

- Charted Accountant (CA) SA
- Honours in Accountancy (CTA Equivalent): (University of Johannesburg)
- Bachelor in Accounting Degree (Rand Afrikaans University now University of Johannesburg)

Area of Expertise/ Skills Matrix

- Industry experience (Development Funding)
- Knowledge of the sector (Small Business Development)
- Accounting
- Development/Corporate Finance/ Fund Management / Investment
- Operations
- Certified Director (IoDSA)

RC – Risk Committee
BCIC – Board Credit and Investment Committee
BDSC – Business Development and Support Committee
KCG – Khula Credit Guarantee Ltd

Mr Avuyile Xabadiya

Appointment Date: 01 May 2024

Academic and Professional Qualifications

- Master of Commerce in Economics and Agriculture Cum Laude (Chinese Academy of Agricultural Sciences, Beijing China)
- BSc Honours Agricultural Economics Cum Laude (University of Fort Hare)
- BSc Economics Cum Laude (University of Fort Hare)

Area of Expertise/ Skills Matrix

- Economics
- Research

RC
Risk Committee

BDSC
Business Development and Support Committee

HCRC
Human Capital and Remuneration Committee

sefa *Board Member*

sefa Executive Management

Mr Nkosikhona Mbatha
Acting Chief Executive Officer

Appointment Date: 01 November 2020

Academic Qualifications

- Post Graduate Diploma in Finance, Banking and Investment Management with distinction (University of KwaZulu Natal)
- Regulatory Exam - Part 1
- Change Management Certificate
- Business rescue decision-making course
- Bachelor of Commerce in Accounting (University of KwaZulu Natal)

Ms Candice Williams
Acting Chief Financial Officer

Appointment Date: 01 April 2020

Academic Qualifications

- Chartered Accountant South Africa
- BCompt Accounting Honours CTA, (UNISA)
- BCom Accounting, (University of Johannesburg)

Mr Tsakani Chauke
Acting Executive Manager: Post Investment Monitoring, Workout and Restructuring

Appointment Date: **07 January 2014**

Academic Qualifications

- MPhil Financial Management, (University of South Africa
- University of Stellenbosch)
- PGD Development Finance (USB)
- BCom Risk Management, (UNISA)

Mr Lwandiso Makupula
Executive Manager: Wholesale Lending

Appointment Date: **01 February 2023**

Academic Qualifications

- BCom (University of Natal Durban)
- Honours Bachelor of Commerce (University of Natal)

sefa Executive Management

Mr Xolani Meva
Acting Executive Manager: Direct Lending

Appointment Date: 01 December 2018

Academic Qualifications

- B Compt, Walter Sisulu (University of Technology)
- Post-graduate Diploma in Accounting, (University of KwaZulu-Natal)
- B Compt Honours, (University of KwaZulu-Natal)
- Management Development Programme, (University of Pretoria)
- Master of Business Leadership (MBL), (Unisa School of Business Leadership)

Ms Nokonwaba Shwala
Executive Manager: Human Capital Management

Appointment Date: 01 January 2015

Academic Qualifications

- Management Advancement Programme, (University of the Witwatersrand)
- BA Economics, (University of KwaZulu-Natal)
- Executive Leadership Programme, (Thunderbird School of Global Management, Switzerland)

Monate Coffee - Gauteng

Mr Nkosikhona Mbatha

Acting Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Operating Environment

The South African economy grew by a mere 0.7% in 2023, after expanding by 1.9% in 2022. The key contributor to the 2023 Gross Domestic Product (GDP) growth was the finance, real estate and business services sector, which contributed 0.4 percentage points to the overall GDP growth. The primary and secondary sectors continued to face challenges that adversely impact their performance. These include disruptions from loadshedding, challenges in the transport and logistics sector, increasing operating costs, persistently high interest rates, and low consumer and business confidence levels.

The local economic performance deteriorated further in the opening quarter of 2024, with the real GDP contracting by 0.1% as six economic sectors recorded negative growth between the fourth quarter of 2023 and the first quarter of 2024.

The official unemployment rate increased to 32.9% in Q1 2024 from 32.1% during the fourth quarter of 2023. With youth unemployment significantly higher at 45.5% as of Q1 2024.

sefa has a critical role to play in the promotion of financial inclusion among previously disadvantaged individuals, with a specific focus on women, youth and persons with disabilities, with the ultimate goal of contributing to addressing numerous challenges faced by the small business sector countrywide. To this end, in the past financial year, we increased our reach to deserving small businesses despite the capacity challenges that the organisation faced.

We continued to provide financial and non-financial interventions to help businesses realise their goals.

Key Highlights

At the end of the 2024 financial year, **sefa's** loan book stood at R4.5 billion including funds. This represented 7.6% growth relative to what was achieved in the 2023 financial year. In terms of customer perspective output indicators, **sefa** approved loans to the value of R1.271 billion and disbursed R2.03 billion into the South African economy by funding 80 032 small businesses. These businesses managed to facilitate 98 281 jobs through various **sefa** channels.

With regard to developmental impact, **sefa** disbursed loans to the value of R1.6 billion to businesses owned by black entrepreneurs (against the target of R1.5 billion), R811 million to women-owned businesses (relative to the target of R822 million), R327 million to enterprises owned by youth (against the target of R554 million), R27 million to enterprises owned by persons with disabilities (relative to the target of R43 million), R266 million to township-based businesses (against the target of R540 million), and R728 million to businesses based in the rural towns and villages (relative to the target of R856 million).

Medium-Term Strategic Framework (MTSF) Performance Review

During the MTSF period starting from 01 April 2019 to 31 March 2024, **sefa** had targeted to approve loans to the value of R10.5 billion. The actual achievement on this target was R8.8 billion or 91.4%. The targeted disbursements over the same period were R9.7 billion and as of 31 March 2024, **sefa** had disbursed R9.7 billion (or 100% of the five-year target) into the South African economy. These disbursements were to 378 000 SMMEs and cooperatives (or 69.2% of the five-year target) and facilitated 486 000 jobs (representing 73.4% of the targeted jobs over the MTSF period).

Post-Investment Monitoring, Workout and Restructuring (PIM-WR) and Collections

sefa continued to play a counter-cyclical role of availing funds to assist small businesses to finance their ventures. This was done also through targeted programmes that **sefa** implements on behalf of DSBD, namely, the Small Enterprise Manufacturing Programme (SEMSP), Township and Rural Entrepreneurship Programme (TREP), and Youth Challenge Fund (YCF). However, due to sluggish economic growth, loadshedding, and high operational costs, some of our clients could not meet their projected cash flows and thus were unable to honour their loan obligations.

Through its risk management processes, Post Investment Monitoring-Workout and Restructuring PIM-WR was able to proactively identify and mitigate some risks associated with investments and restructured the relevant accounts. This risk assessment is an on-going exercise to ensure that proactive interventions are put in place to assist businesses to remain operational. In terms of collections, the capacity of the collections team was enhanced, and collections improved throughout the year.

Human Capital Management

During the financial year ending 31 March 2024, our organisation continued to prioritise human capital management as a key driver of our achievement. Despite the hiring moratorium due to the pending merger, **sefa** managed to attract talent and filled strategic and critical vacancies to enhance our workforce. Furthermore, the training and development initiatives implemented helped enhance employee engagement and productivity.

During the year under review, we implemented a third round of the **sefa** Management Development Programme (MDP), that is aimed at enhancing management and leadership skills of **sefa's** management. Fifteen (15) employees participated in the programme.

In our effort to accelerate work readiness for interns, particularly those experiencing the world-of-work for the first time. An initiative preparing them for Work-Readiness and Entrepreneurship programme, was implemented, in collaboration with the University of Pretoria. This intervention saw twenty-seven (27) interns participating and completed the programme during the year under review.

Outlook

The operating environment remains unfavorable for businesses and consumers alike, given the inflation and interest rates that are expected to remain high in the year ahead. On a positive note, **sefa** has established strategic partnerships in the past financial year, which are expected to start bearing fruit in the financial year ending March 2025. This means that **sefa** will continue to extend its reach to the targeted groups by leveraging funds from these strategic partners. **sefa** anticipates that the European Union funds that were suspended in the review year will be released and the eligible applicants will be given the financial support they need.

Acknowledgements

My gratitude goes to the Honourable Minister, Ms Stella Ndabeni-Abrahams (MP) for her continuous guidance. The Acting Director General, Ms Thulisile Manzini for her support and DSBD colleagues at large for their commitment to SBD Portfolio's goals. A warm welcome to the Chairperson of the Board, Mr Tembinkosi Bonakele for his leadership and guidance. We look forward to your valuable input as we transition towards the merger with our sister agency Seda and the Co-operative Banks Development Agency.

A word of thanks goes to the members of the Portfolio Committee on Small Business Development and the Select Committee for their oversight role, as well as their guidance and support throughout the year as we implement our crucial mandate.

Furthermore, I would like to extend my gratitude to Mr Mxolisi Matshamba for his leadership of the organisation over the past three (3) years. His term of employment came to an end on 30 April 2024. Working together with the executive team, senior management and the employees of **sefa,** he worked tirelessly to execute our mandate of advancing the financial inclusion of the small business sector. For this, I am grateful to everyone.

To all our stakeholders, we thank you for your continued support, dedication, and commitment, that has contributed significantly to our performance as reported. We look forward to more engagements with you in the years to come.

Mr Nkosikhona Mbatha

Acting Chief Executive Officer

Ms Candice Williams

Acting Chief Financial Officer

CHIEF FINANCIAL OFFICER'S STATEMENT

Overview

In the 2024 financial period, **sefa** was impacted by the budget reprioritisations which were implemented by National Treasury and the Department of Small Business Development as part of the Adjusted Estimates of National Expenditure (AENE) process. This has resulted in reduction in funding allocation of R524.5 million for TREP and the reduction of MTEF allocation of R43.4 million in the financial year.

As detailed in the annual financial statements, **sefa's** financial statements are prepared based on International Financial Reporting Standards, except for the going concern assumption.

The President assented The Bill into Law on 18 July 2024. The Bill was proclaimed and published in the Government Gazette the (National Small Enterprise Amendment Act, 2024) on 23 July 2024.

sefa's assets and liabilities will, through the The Bill, be merged with those of Seda and CBDA to form The Agency, SEDFA. As a result, management has assessed that **sefa** is no longer a going concern due to the progress made in finalising the enabling legislation that will result in the formation of the Agency, SEDFA.

As a result of the limited funding from **sefa's** own funds, **sefa** was required to review its internal processes and look into other funding programmes in order to implement its loan book targets. In addition to this, partnerships were established as a way of raising additional funds for on-lending to SMMEs and improving the overall financial sustainability of **sefa** through loan book growth over the MTEF period.

For the FY2024, **sefa** managed to facilitate disbursements of R2.04 billion and approved funding to the amount of R1.3 billion. Disbursements of R493.7 million were made through the Township and Rural Entrepreneurship Programmes (TREP). These programmes are designed to offer relief to SMMEs through a blended structure (loan and grant), while also offering concessionary interest rates and initial payment moratoriums.

In pursuit of fulfilling its mandate to develop sustainable SMMEs and co-operatives through the provision of various sources of funding, **sefa** has made the following disbursements from the balance sheet during the financial year:

Disbursements (R'000)	31-Mar-24	31-Mar-23
Wholesale SME Lending	45 000	78 195
Wholesale Micro Lending (excluding TREP Micro)	30 000	25 000
Direct Lending – Loans	171 994	373 710
SBIF	28 957	60 847
Business Viability	13 037	53 426
Economic Recovery Programmes (ERP/TREP) (Including TREP Micro Lending)	365 385	539 744
Youth Challenge Fund	67 901	62 276
EU ESD Fund	17 558	-
Disbursements from **sefa's** balance sheet	**739 832**	**1 193 198**

Financial Position

sefa's financial position has shown an improvement in the financial period under review when looking at the overall growth in net asset value for the group. The net asset value increased by R250 million in the current financial year. The carrying value of loans and advances have decreased by R496 million to a carrying amount of R1.1 billion at year end. The net decrease was a result of the new disbursements, interest, capital repayments and increase in the expected credit loss provision. The liquidity of the balance sheet improved during the year as reflected by cash balances of R4.3 billion at year end.

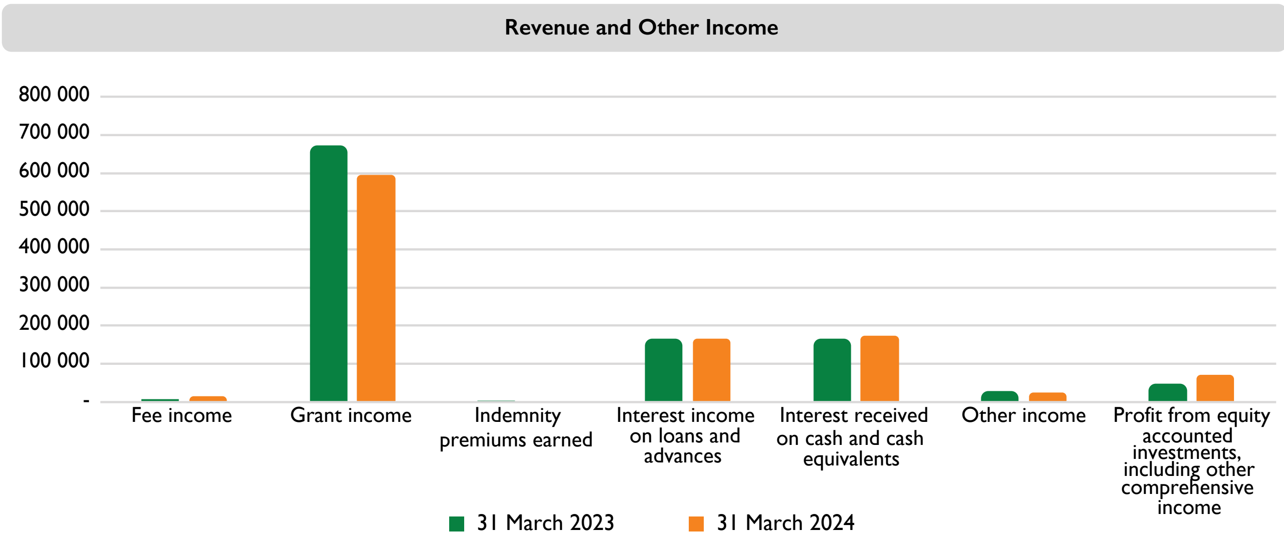
The financial performance and operational efficiency of **sefa** in the current year showed an improvement from the previous year and budgets. This was reflected in the improved cost-to-income ratio of 59% (2023 Restated: 71%, budget 2024: 74%). The improvement in the cost-to-income ratio was a result of growth in revenue and investment income achieved in the current year of 32% in addition to the operational cost savings realised during the year when compared to budget. **sefa** continues to monitor its operational costs closely to ensure operational efficiency while also continuing to fulfil its mandate of developing sustainable SMMEs and co-operatives through the provision of various sources of funding.

Financial Performance

The group reported a net loss for the year of R43 million (2023: R243 million). The factors contributing to the net loss for the year are explained further in the following paragraphs.

Revenue

Interest on loans and advances remained consistent with the prior year at R165 million (2024: R165 million).



Other Revenue and Interest Earned

Interest on cash and cash equivalents has increased by R159 million from the previous year due to higher average cash balances held during the 2024 financial year. This was driven mainly by the various funding allocations received under the economic recovery programmes from the Department of Small Business Development and Tourism Equity Funds (TEF) from the Department of Tourism.

sefa's share of net profits and other comprehensive income from equity-accounted investments was lower in the current year compared to the previous year. The main contributor was the R24 million decline in net profits from Business Partners Limited as a result of the reduction in the fair value of their listed investments.

Other income of R62 million is made up of management fees earned, insurance revenue, investment property rental income and other recoveries.

Grant Income and Expense

Grant income and expense are recognised for certain programmes in the **sefa** group in accordance with the IAS20 – Accounting for Government Grants standard. The recognition of grant income is mainly from the COVID-19/ERP/TREP programmes in line with the disbursements in these programmes over the past two financial years.

Grant Income and grant expense (R'000)	31 March 24	31 March 23
Grant received: Blended Finance	10 323	10 857
Grant received: Small Business and Innovation Fund	42 931	45 799
Grant received: COVID-19 relief and Economic recovery programmes	421 099	430 749
Grant Received: European Union	7 530	6 840
Grant Received: Youth Challenge Fund	29 132	15 195
Grant Received: Micro Finance	161 806	85 000
Total Grant Income	**672 821**	**594 439**
Grant Expense: Blended Finance	(10 323)	(10 857)
Grant Expense: Small Business and Innovation Fund	(14 257)	(48 661)
Grant Expense: COVID-19 relief and Economic recovery programmes	(107 764)	(79 477)
Grant Expense: Youth Challenge Fund	(4 810)	(2 573)
Total Grant Expense	**(137 154)**	**(141 568)**

Expenses

Other operating expenses include depreciation, computer expenses, audit fees, director's fees and consulting fees and technical reserves movement in KCG amongst others.

Savings in operating costs when compared to budgets were realised during the year, with a bulk of the savings derived from property investment expenses (R22.6 million) and consulting fees (R10 million).

Personnel expenses amounted to R284.2 million for the period against a budgeted amount of R291.2 million, resulting in 98% of the budget spent for the financial period. The savings are mainly due the vacancies which have been filled later than budgeted due to the short-term nature of fixed-term contracts which are not attractive for new hires (due to the merger and limits placed on hiring beyond short term). The net loss of investment properties was R31 million. (2023: R112 million). The net loss reduction was mainly due to the increase in fair value adjustments on the property portfolio. KCG's prior year balances were restated as a result of IFRS 17 implementation. The net profit for the year amounted to R30 million (2023: 28 million), after taking into account Insurance Revenue of R11 million (2023:R7 million) and Insurance expenses of R23 million (2023: R59 million).

Loans and Impairments

The year-on-year decrease in net loans and advances amounts to R496 million. This is due to the net result of the new disbursements, interest, capital repayments and increase in the expected credit loss provision.

Loans and Advances (R'000)	31 March 2024	31 March 2023
Loans and advances to clients	3 498 506	3 290 769
Less: Credit loss allowance	(2 379 586)	(1 675 976)
Total loans and advances net of credit losses	1 118 920	1 614 793
Impairment Ratio - Loans and advances (incl. direct lending legacy book*)	**68%**	**51%**
Impairment Ratio - Loans and advances (excl direct lending legacy book*)	**67%**	**49%**

Legacy book refers to loans granted before 01/04/2016

Investments and Funds (R'000)	31 March 2024	31 March 2023
Total investments and funds	1 104 191	1 156 931
Less: Credit loss allowance	(182 700)	(208 282)
Total investments and funds net of credit losses	**921 491**	**948 649**
Impairment Ratio - Investments and Funds	17%	18%

Total investment in funds refers to equity investments: investments in associates, investments in joint operations, investments in joint ventures and investments in subsidiaries and Khula Land Reform.

Overall Impairment Ratio **sefa** group (excluding Direct Lending legacy book and the impact of capitalisation of KCG)	60.4%	45.5%

The gross loans and advances increased by R208 million to R3.5 billion at year end as a result of the new disbursements in the loan portfolio.

Overall impairments write-off and bad debt provisions on loans and advances have increased by a net amount of R704 million from the previous year due to the increase in loans that increased in credit risk and moved to Stage 3 in the Expected Credit Loss model. At year end, the impairment provision was R2.4 billion (2024: R1.7 billion).

Cash and Cash Equivalents

sefa cash and cash equivalents increased significantly from the previous financial year to R4.3 billion at the end of financial year as a result of the funding voted for **sefa** through the Department of Small Business Development and the additional funds raised through capital raising initiatives, as detailed below.

Included in these cash balances for the group are funds that have been ring-fenced for the following programmes:

Programmes	R'000
Economic recovery programmes / TREP (incl. COVID-19, SBIF, Co-operatives, Youth Challenge Fund, Blended Finance)	2 626 587
European Union (EU) ESD Funds	141 436
European Union (EU) - Youth Challenge Fund	87 134

For the financial year ending 31 March 2024, sefa received the following funds:

Programmes	R'000
Economic Recovery Programme/TREP	384 951
Small Enterprise Manufacturing Programme	264 475
Youth Challenge Fund (from DSBD and EU)	30 039
Tourism Equity Fund	189 384
sefa (dtic) MTEF Allocation through the IDC	217 818
Direct Lending - bpSA	36 188
Direct Lending - Eastern Cape Rural Development Agency (ECRDA)	25 000
Total Funds Receipts	**1 147 855**

International Financial Reporting Standard 17 (IFRS 17)

The Group is required to adopt IFRS 17 Insurance Contracts for its accounting period starting 1 April 2023, which replaces IFRS 4 Insurance Contracts.

IFRS 17 is effective for annual periods beginning on or after 01 January 2023, therefore this is applicable to Khula Credit Guarantee (SOC) Ltd ("KCG") and **sefa** for the financial year FY24 (i.e. 01 April 2023 – 31 March 2024).

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

The new standard brings greater comparability and transparency about the profitability of new and in-force business and gives financial statements users more insight into an insurer's financial health.

IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and consider any uncertainty related to insurance contracts.

The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims.

Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums.

Separate presentation of underwriting and financial results is required and will therefore give added transparency about the sources of profits and quality of earnings of insurers.

The Group has restated comparative information for the adoption of IFRS 17. The impact of the implementation of the new standard (IFRS 4 vs IFRS 17) has been summarised in the table below.

	FY2022 R'000	FY2023 R'000	FY2024 R'000
IFRS 4 retained earnings / (accumulated loss)	7 605	(16 467)	16 373
IFRS 17 retained earnings / (accumulated loss)	5 066	(23 342)	6 827
Reduction in retained earnings	2 539	6 876	9 546

The FY2025 strategic priorities, as highlighted in the **sefa** Corporate Annual Performance Plan, include building a sustainable loan book and reducing impairments, improving performance on key development indicators and improving the cost structure.

A financially sustainable organisation is one of **sefa's** outcomes in the Corporate Plan. This would be measured by the net asset value of R1.3 billion by FY2025 for the **sefa** group, while also improving the overall impairment ratio to at least 45% by FY2025. **sefa** also aims to achieve a budgeted cost to income ratio of 87% in FY2025.

Key projects that would require financial resources include IT front-end automation, consultation costs, marketing and advertising, repairs and maintenance in the properties' portfolio.

Ms Candice Williams

Acting Chief Financial Officer

CORPORATE GOVERNANCE REPORT

Governance

Our vision to be the leading catalyst for the development of sustainable Small, Medium and Micro-Enterprises (SMMEs) and cooperative enterprises, through simple access to finance, efficiently and sustainably throughout South Africa, is executed through ethical and good governance practices that continue to evolve to counter any challenges in our economy.

The Board is the custodian of ethical governance with the collective responsibility of setting an ethical tone at the top and ensuring that high ethical standards and governance practices are cascaded to the different levels of the organisation, thus improving **sefa's** reputation and service to its valued clients, whilst balancing the needs of its stakeholders.

The period under review faced challenges of unethical conduct by **sefa** clients and some officials. Several engagements were held to manage the reputational risks, whilst ensuring that matters are thoroughly investigated, reported to law enforcement agencies and consequence management executed. Fraud and related matters are reported on page 69.

sefa continues to improve and strengthen the application of best governance practices and, as such, is committed to the principles of Integrity, Competency, Responsibility, Accountability, Fairness, and Transparency. The Board ensures accountability for **sefa** performance and oversees the implementation of the approved strategy, thus ensuring that the company delivers on its mandate.

Key Governance activities

Ongoing support to our clients

The socio-economic challenges faced by the country, (rising interest rates and electricity challenges) have had an adverse impact on the SMMEs. These challenges inadvertently impact **sefa's** business as SMMEs are challenged with keeping their businesses running optimally and therefore unable to meet their loan repayment obligations to **sefa**, as can be deduced from the high impairment rates. In response to these challenges, **sefa** and the Executive Authority, DSBD have considered alternative measures to assist the SMMEs.

Merger

The focus in the year under review included the impending merger of **sefa** with Seda and CBDA, for consolidated services for the benefit of the SMMEs. Activities included joint meetings of the Boards of the merging agencies to identify and align on areas of collaboration, including the establishment of a joint agencies' governance structure to oversee the merger matters.

Oversight and statutory approvals

The following key decisions were taken by the Governance Structures, amongst other related matters and governance instruments:

Item	Decision Taken
Corporate Plan and Budget	Approved the Corporate Plan for the period 2024/25 to 2024/2026 and the Annual Performance Plan for FY2024/25.
Shareholders Compact	Approved and Recommended the Shareholders Compact for FY2024/25.
Board Oversight	Approved the Q4FY2022/23; Q1FY2023/24; Q2FY2023/24; and Q3FY2023/24 Performance Reports for submission to the Executive Authority, DSBD.
Delegation of Authority Matrix	Approved the revised Delegation of Authority Matrix for adequacy and improved effectiveness.
Governance Instruments	Reviewed and Approved the Board and Committee Charters for adequacy.

sefa GOVERNANCE STRUCTURE

The Role of the Board

The Board is responsible for the strategic leadership, governance, oversite and effective control of **sefa**, as well as providing sound judgement in directing the Company to achieve its mandate and growth in the best interests of all its stakeholders. The Board functions in accordance with governance principles and ensures compliance with the PFMA, the Companies Act No 71 of 2008 (the Companies Act) and all applicable laws and regulations.

The Board Charter regulates the parameters of the Board in line with good corporate governance practices, which includes amongst others, reporting to the Executive Authority and the Shareholder on the direction, governance, and performance of the company, including any matter that needs reporting or disclosures in accordance with related prescripts. The Board, represented by the Chairperson of the Board, reports to the Parliamentary Portfolio Committee on Small Business Development. It is responsible for the review and approval of strategic plans, budgets, quarterly and annual performance plans, and all policies, as proposed by management through the Board Committees, processes for the identification, determination and management of business risk and processes for compliance with key regulatory and legal requirements. The Board provides oversight on organisational performance against targets and objectives.

The Board has achieved its governance outcomes for the FY2023/24 and has identified actions to be implemented in FY2024/25, as part of ongoing governance enhancements, notwithstanding the impending merger.

Composition of the Board

The Board has a unitary structure comprising the Board Chairperson, Chief Executive Officer and an adequate number of Directors, the majority of whom are Non-Executive Directors. The Board comprises fifteen (15) directors, thirteen (13) of whom are independent non-executive directors. A majority of the directors are appointed by the Executive Authority, the Minister of Small Business Development, whilst the Shareholder, IDC, nominates two Members. The composition of the Board comprises the requisite balance of skills to execute its oversight mandate. The Board Composition was revised on 01 September 2023, and 01 May 2024, respectively. The Profiles of the Board Members are provided on page 30 -37

The non-executive Directors are principally free from any business relationship that could hamper their objectivity or judgement in terms of the business and activities of the Company. All the Non-executive Directors have unrestricted access to the Company's information, documents, records, and property in the interest of fulfilling their responsibilities, in line with an agreed Board process. The non-executive Directors have unfettered access to the Company's employees, external auditors, professional advisors, and internal auditors, in line with the process defined in their respective Charters. The non-executive Directors act in the best interest of the Company, using a range of governance instruments in the execution of their fiduciary duties. The Board has approved a Directors Code of Conduct, Declarations of Interest and Ethics Policy to guide its members.

Board Chairperson

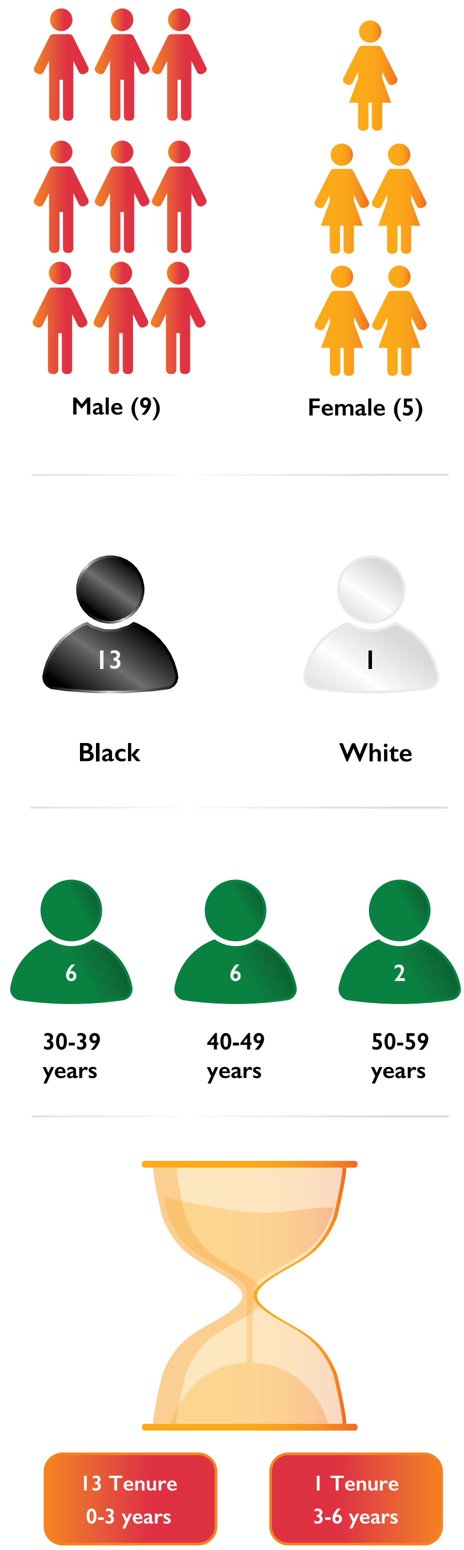
The Chairperson of the Board is an independent Non-Executive Director and provides leadership to the Board to ensure the effective discharge of its responsibilities. No individual director has unfettered powers in relation to decision-making. The Chairperson presides over the Board meetings and facilitates sound decision-making, ensuring that discussions are focused, whilst members are encouraged to air their views on matters brought before the Board.

Chief Executive Officer

The CEO is appointed by the Board in consultation with the Shareholder and the Executive Authority and is responsible for the day-to-day operations of the Company assisted by Executive Management Committees. Mr Matshamba was appointed as the CEO of the **sefa** on a three-year contract effective from 1 November 2020, and as an Executive Director of the Company, in accordance with the Company's Memorandum of Incorporation. The CEO's contract requires a 3-month notice. The CEO's contract was extended from 01 November 2023 and expired on 30 April 2024.

The Shareholder and Executive Authority appointed Mr Nkosikhona Sydney Mbatha as **sefa** Acting CEO on 10 May 2024.

Board Tenure and Demographics



*Note: Excludes the **sefa** Acting CEO and is based on the Board composition at the reporting stage*

Board Skills Matrix

The non-executive Directors contribute a variety and balance of skills, business acumen, independent judgement, and experience on various matters, including strategy, corporate governance, performance, leadership and varied personalities thus ensuring robust engagements. The individual directors' expertise is set out on pages 30- 37.

Board Committees

In line with the provisions of the Companies Act, the Board established the Audit Committee and the Social and Ethics Committee as statutory committees. The Audit Committee's constitution, functioning and reporting adhere firmly to the PFMA requirements. The Board has delegated certain of its functions to the six Committees set out below, without abdicating any of its responsibility. Committee members were nominated by the Board amongst the Directors based on experience and expertise. These Committees also serve the **sefa** subsidiary entities.

The Audit Committee is constituted in accordance with section 94 of the Companies Act No. 71 of 2008 (Companies Act), the primary role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, systems of internal control, audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct. It provides independent advice and guidance to the Board regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

The Social and Ethics Committee is constituted in accordance with section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011. The role of the Committee is to assist the Board with oversight on social and ethical matters relating to the Company.

The Board Credit and Investment Committee's primary role is to provide oversight and monitoring of all **sefa** investment portfolios and to ensure that **sefa** effectively provides finance, and where appropriate, institutional strengthening and business support. Together with consideration and approval of transactions within its delegated authority and recommending those above its limit to the Board for approval, it further ensures that all funding is provided in line with credit and other relevant policies, and statutory requirements, being cognissant of the developmental imperatives.

The Human Capital and Remuneration Committee assists the Board in discharging its responsibilities for setting and administering human capital and remuneration policies and practices, considering all relevant legislation, regulatory requirements, and codes of best practice, in the interest of **sefa**. The Committee also annually considers the Board fees for the ultimate approval by the Shareholder at the Annual General Meeting.

The Risk Committee assists the Board in identifying, assessing, prioritising and management of key risks inherent in all **sefa** Group business activities, whilst the Nominations Committee assists with overseeing the governance processes including nominating members to the Subsidiary Boards and Board Committees based on related skills requirements.

Committees may co-opt specific expertise to enhance its composition, although such co-opted members do not have voting rights. There were no co-opted Members during the year under review by any of the Committees. All Board Committees have charters that guide the execution of their respective mandates, which are achieved through effective meetings, execution of the annual work plans, deep dive sessions and periodic Board workshops. The Board workshops focus on strategic planning and review of the Corporate Plan, which incorporates five-year budgets. Deep dive sessions are held to discuss specific matters as part of ongoing development and understanding of the Company, as and when required.

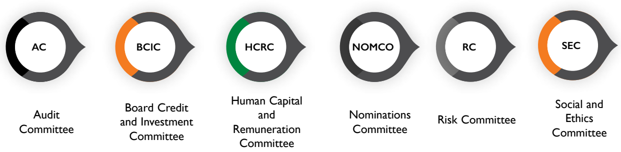
Board and Committee Meetings and Attendance

Board and Committee meetings are held quarterly, with additional meetings scheduled for out-of-cycle reporting and other related activities. Since the COVID-19 pandemic which saw the Board successfully shift from in-contact meetings to electronic meetings, via Microsoft Teams, all meetings were held electronically.

	Board	AC	BCIC	HCRC	NomCo	RC	SEC
No. of meetings held:	15 (SM)	11 (SM)	04 (SM)	06 *(SM)*	06 *(SM)*	05 (SM)	04 (SM)
KT Bonakele*	8		2		3		
NG Khumalo	15	11			6		3
N Makanda	15	11	4		6	5	
MD Matshamba	15						3
MM Mfuleni	15					5	3
C Motale	13		2			5	4
ZF Ngcobo	11			2	4	2	4
P Nkomo*	8			2			1
BM Ramokhele	13	9	4		5	5	
MG Ramusi*	8	2				1	
TG Shiviti*	7			2			
SP Simelane**	10	3	4		2		1
H Tsoadi	14		3			4	
M Zvobwo*	8						
MJ Qobo *(resigned 31 Aug 2023)*	7	1			4		
S Siwisa *(resigned 29 Apr 2023)*	2						
MJ Kganyago *(resigned 11 Apr 2023)*	N/A						

Notes
*Appointed in September 2023
**Appointed in August 2023

Board Committees



Performance Appraisal

The Board views assessments of its performance as a vital tool to enhance its effectiveness. In August 2023, the Board of Directors conducted a performance appraisal facilitated by an independent service provider. The Report from the appraisal process was shared with the Directors, for consideration and implementation of remedial action.

Directors' Induction and Continuous Development

As part of enhancing the Directors' skills, the Company Secretariat arranges membership and/or renewal for all the Directors with the Institute of Directors Southern Africa (IoDSA). Individual Directors are encouraged to identify any training events they may wish to attend, through recognised training institutes, including the IoDSA, as part of ongoing development as a Director. In-house sessions, where possible, are also arranged as part of a scheduled meeting agenda.

In the year under review, two directors enrolled for the IoDSA training on Being a Director Part 1 to 4, and the training is ongoing.

Executive Authority and Shareholder Engagements

To facilitate effective performance monitoring by the Executive Authority, and in line with Treasury Regulation 29.3.1, the Minister meets with the Board as and when necessary. The Board concluded a Shareholder's Compact with the Executive Authority and the Shareholder. A Governance Framework has been concluded and governs the relationship between **sefa** and the Shareholder.

The Minister held engagements with the **sefa** Board and bilateral meetings with the Board Chairperson on different Company matters during the period under review. The Board invited the representatives from the Shareholder, IDC, and Executive Authority to the **sefa** Board Strategy Session in November 2023, to ensure alignment on the crafting of the **sefa** Corporate Annual Performance Plan for FY2024/25.

Conflicts of Interest

The Board recognises the importance of acting in the best interests of the Company and therefore adheres to the provisions of the Companies Act and the Directors' Code of Conduct, Declaration of Interest and Ethics Policy, by disclosing, and avoiding, conflicts of interest. Directors have a fiduciary duty to disclose the nature of their interests and are required to declare their general interests annually, by 30 April, and at each meeting in respect of matters on the agenda.

Conflicts of interest identified and/or declared, are dealt with in line with the Policy provisions.

Board Remuneration

sefa Non-Executive Directors are remunerated for meetings attended. Other ad hoc non-meeting duties performed on behalf of the company, and approved by the Chairperson, are payable at an hourly rate based on the Board or Committee Fees as approved by the Shareholder. The Shareholder approved the applicable Board Fees at the AGM held on 29 March 2022. No performance-based remuneration or retainer fees are paid to directors.

Directors' remuneration is reported on page 231 of the Annual Financial Statements

Delegation of Authority

The Board has delegated certain of its functions to the Committees and Management. In line with Section 56 of the PFMA, the Board has reduced to writing all powers that have been delegated. The Delegation of Authority Matrix is reviewed annually to ensure adequacy. The Board duly reviewed and approved the **sefa** Delegation of Authority Matrix during the period under review.

Company Secretary

The Company Secretary is independent of the Board and is not a director of the company. The Company Secretary reports administratively to the CEO and functionally to the Board and is responsible to the Board for, amongst others, ensuring and facilitating compliance with Board procedures, applicable statutes, and regulations. To enable the Board to function effectively, all directors have full and unrestricted access to the Company Secretary. The Company Secretary makes the Board Members aware of any contraventions to policies and applicable legislation, as and when such matters arise.

RISK AND COMPLIANCE

Enterprise Risk Management

Enterprise risk management in **sefa** includes the methods and processes used to manage risks and realise opportunities related to the achievement of **sefa's** objectives. Principle 11 of King IV report on Corporate Governance for South Africa of 2016, states that the Governing Body (Board) should govern risk in a way that supports the organisation in setting and achieving its strategic goals.

Enterprise Risk Management Governance

In line with **sefa's** three lines of assurance approach to risk management, risks are identified, owned and managed within the business units (first line of assurance) and reviewed at least quarterly. Governance teams (second line of assurance) review risks and controls, including those relating to information security, compliance, and business continuity. Internal Audit, as the third line of assurance, reviews risks and controls independently and objectively.

The Board is responsible for maintaining and reviewing the effectiveness of **sefa's** risk management activities from a strategic, financial, and operational perspective. These activities are designed to identify and manage the risk of failure to achieve business objectives or to successfully deliver our business strategy.

Enterprise Risk Management Framework

The enterprise risk management framework places an emphasis on **sefa's** ERM programmes and provides structure, consistency, and the assurance that **sefa** has covered all the necessary issues. The framework aims to enable the organisation to proactively anticipate risks, to ensure that appropriate responses are developed and implemented, thereby ensuring achievement of strategic objectives and long-term sustainability.

The risk management process is designed to identify, assess, and respond to, report on, and monitor the risks that threaten the ability of **sefa** to achieve business strategy and objectives.

Governance & Culture	Strategy & Objective-Setting	Performance	Review & Revision	Information, Communication, & Reporting
1. Exercises Board Risk Oversight	6. Analyzes Business Context	10. Identifies Risk	15. Assesses Substantial Change	18. Leverages Information and Technology
2. Establishes Operating Structures	7. Defines Risk Appetite	11. Assesses Severity of Risk	16. Reviews Risk and Performance	19. Communicates Risk Information
3. Defines Desired Culture	8. Evaluates Alternative Strategies	12. Prioritizes Risks	17. Pursues improvement in Enterprise Risk Management	20. Reports on Risk, Culture, and Performance
4. Demonstrates Commitment to Core Values	9. Formulates Business Objectives	13. Implements Risk Responses		
5. Attracts, Develops, and Retains Capable Individuals		14. Develops Portfolio View		

2017 COSO Enterprise Risk Management - Integrating with Strategy and Performance

Key Organisational Risks

sefa's annual risk identification process follows a dual approach:

- A bottom-up approach at a business unit level. This identifies risks that threaten an individual business unit's activity. These risks were consolidated at the Executive Committee.
- A top-down approach at a strategic level. This identifies risks that threaten the delivery of strategy. This includes the analysis of the **sefa** market, the trends and strengths, weaknesses, opportunities, and threats (SWOT) analysis.
- **sefa's** strategic outcomes are the main drivers of the organisation's mandate and objectives. Even though the strategic outcomes remained static, the **sefa's** top ten

strategic risk exposures changed slightly from the previous year. The adopted mitigation plans upon implementation are geared to reduce the internal and external risk exposures.

IMPACT						
	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very rare	Unlikely	Possible/likely	Probable/likely	Almost certain
	LIKELIHOOD					

Rank	Risk Description	Inherent Exposure	Residual Risk Exposure 31 March 2024
Strategic Outcome: A financially sustainable organisation			
1.	Going concern risk	20,00	16,00
2.	Inadequate debt management	16,00	16,00
Strategic Outcome: Enhanced service delivery			
3.	Inadequate responsiveness to changes in the environment (volatile global climate changes and disrupting client's businesses, prevalence of recent socio-economic factors i.e. loadshedding, building explosions etc.)	16,00	16,00
Strategic Outcome: Leveraged strategic assets and capital raising.			
4.	Unmet targets in leveraging assets and raising capital (limited asset base, property portfolio sustainability, regulatory limitations)	16,00	12,00
Strategic Outcome: Enhanced access to finance by SMMEs and co-operatives			
5.	Inability to generate the desired uptake of loan financing by new and existing clients: attraction & retention	16,00	12,00
6.	Inadequate customer centricity, stakeholder focus and brand visibility	16,00	9,00
Strategic Outcome: Sound governance and a high- performance organisation			
7.	Impaired ICT security and cyber-attacks (cyber, hacking and phishing, lack of ethical and responsible use of information by staff)	16,00	12,00
8.	Non-adherence to good corporate governance standards (financial crimes and unethical business conduct).	16,00	12,00
9.	Non-compliance with legal, contractual, and regulatory obligations	12,00	12,00
10.	Sub-optimal business performance (changes in leadership, human capacity, and capability)	9,00	9,00

Compliance Management

sefa is defined as an accountable institution in terms of Schedule 1 of the Financial Intelligence Centre Act (FICA) No. 38 of 2001 and a registered credit provider in terms of the National Credit Act No 34 of 2005.

sefa as a lending institution, continues to operate in an environment that is highly regulated and many of the activities and services are subject to legal and regulatory influences. New laws, new interpretations of existing laws, changes to existing regulations and heightened regulatory scrutiny could affect how **sefa** operates.

Following the annual review and approval of the regulatory universe, the following legislation, however not limited to, remains important in respect of work performed by **sefa**:

- Consumer Protection Act 68 of 2008
- Occupation for Occupational Injuries and Disease Act, 1993 (Act 130 of 1993)
- Companies Act 71 of 2008
- Financial Advisory and Intermediaries Services Act 37 of 2002
- Financial Intelligence Centre Act 38 of 2001
- Financial Sector Regulation Act 9 of 2017
- Income Tax 58 of 1962
- Insurance Act 18 of 2017
- Labour Relations Act 66 of 1995
- National Credit Act 34 of 2005 - (National Credit Amendment Act 7 of 2019))
- Occupational Health and Safety Act 85 of 1993
- Preferential Procurement Policy Framework Act 5 of 2000
- Protection of Personal Information Act 4 of 2013
- Public Finance Management Act 1 of 1999
- Cybercrimes Act 19 of 2020
- Industrial Development Act 22 of 1940 (Amendment Act 49 of 2001)
- Protection of Constitution Democracy against Terrorist and Related Activities Act 33 of 2004

Compliance monitoring is performed on completed compliance risk management plans and, where necessary, escalated to governance structures. Following the assessment of **sefa's** Broad-Based Black Economic Empowerment initiatives and its status, a level 6 was achieved.

Financial Intelligence Centre Act (FICA)

As an accountable institution in terms of the Financial Intelligence Centre (FIC) Act, **sefa** has the obligation to screen, risk rate, and monitor its clients on an ongoing basis and provide relevant training relating to initiatives to combat money laundering and terrorist financing.

Fostering a compliance culture remains one of the critical objectives of any compliance function and at **sefa** it is no different. Our annual compliance training programme focused on providing the necessary training to business, with key focus on the Risk and Compliance Management Programme (RMCP), which was reviewed and approved by the Board in November 2023.

sefa is not precluded from conducting business with a politically exposed person (PEP) or a prominent influential person (PIP). The identification of a PEP/PIP does not on its own provide reason to decline or reject an application for funding. An approved PEP/PIP Guide is in place for the management of identified PEPs. This requirement by the FIC is met through the implementation of the PEP/PIP procedure guide that ensures **sefa** appropriately manages any legal and reputational risks associated with conducting business with PEPs. Quarterly reporting in respect of all PIP/PEP approved deals was submitted to the Social and Ethics Committee.

Khula Credit Guarantee (KCG)

Regulatory reporting to the Prudential Authority at SARB in respect of Khula Credit Guarantee (KCG) was done in terms of its regulatory requirement to submit the returns - Quarterly Solo Quantitative Reporting Template (QRT), annual Quantitative Reporting Template (QRT) and annual Qualitative Regulatory Return (QRR). The Own Risk and Solvency Assessment (ORSA) Report, approved by the Board, was also submitted. The annual supervisory meeting by the PA was held in February 2024.

Internal Audit and Fraud Risk Management

Management has a zero-tolerance approach against fraudulent activities caused by unethical behaviour. In the current year, significant gains were made to assert **sefa's** fraud management strategy to prevent, detect, and respond to reported fraud incidents.

During FY2023/24 the following documents were approved to enhance fraud management:

- Fraud Management Framework;
- Fraud Investigation Procedure;
- KCG Insurance Fraud Risk Policy;
- Anti-Fraud and Corruption Policy;
- Fraud Risk Management Plan; and
- Whistleblowing Policy.

Cases Resolved that Included Management Action

During FY2023/24, twelve (12) forensic investigations involving allegations of fraud, corruption and financial misconduct were finalised. Three (3) of these cases were referred to the South African Police Service (SAPS) for further criminal investigation. Management undertook disciplinary action and civil recovery against officials implicated in wrongdoing, in line with addressing report recommendations.

Reporting Fraud and Corruption

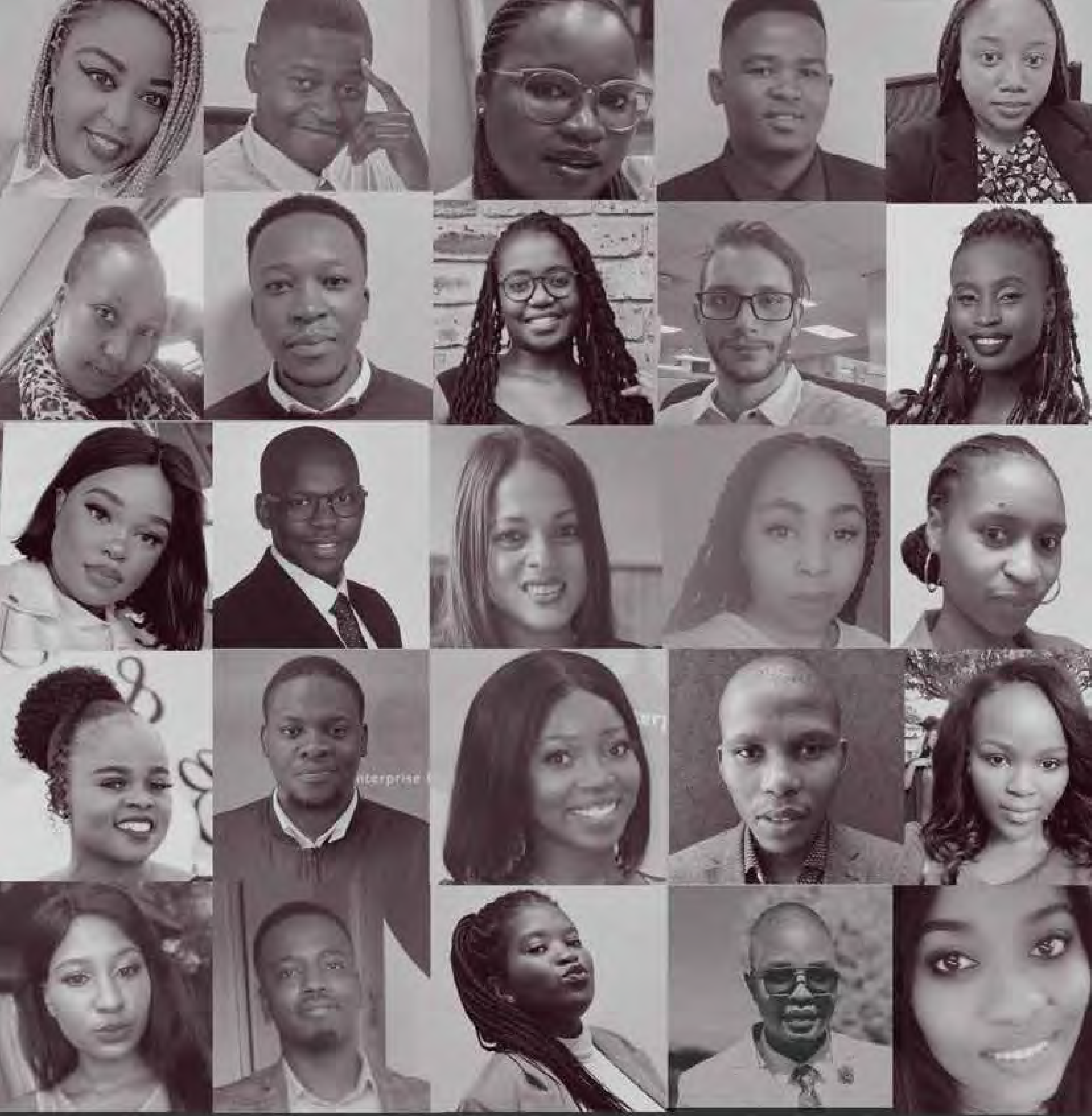
In line with good ethical management practices, **sefa's** fraud hotline is independently managed by Vuvuzela Hotline. The Hotline renders an anonymous whistleblowing platform for officials and members of the public to anonymously report fraudulent activity and unethical behaviour. Whistle-blowers may choose to remain anonymous to protect their identity. Internal Audit advises Vuvuzela of the outcomes of an investigation. In turn, Vuvuzela advises the complainant of our communication with a complainant who has elected or chosen to remain anonymous.

Training and Awareness

Nexus Forensics Academy, Vuvuzela Hotline and IDC delivered six fraud and ethics awareness training sessions to **sefa** employees from May 2023 to March 2024. The training was designed to educate, create awareness, boost employee awareness of fraud and corruption and enhance **sefa's** knowledge of fraud framework and policies.

In Summary

The control environment during the year showed room for improvement to adequately manage identified operational risks though assurance work. This was evidenced by **sefa's** audit findings log register. This is an indicator that keeps track of managements' commitment to enhance the control environment where weaknesses were identified by both internal and external audit.

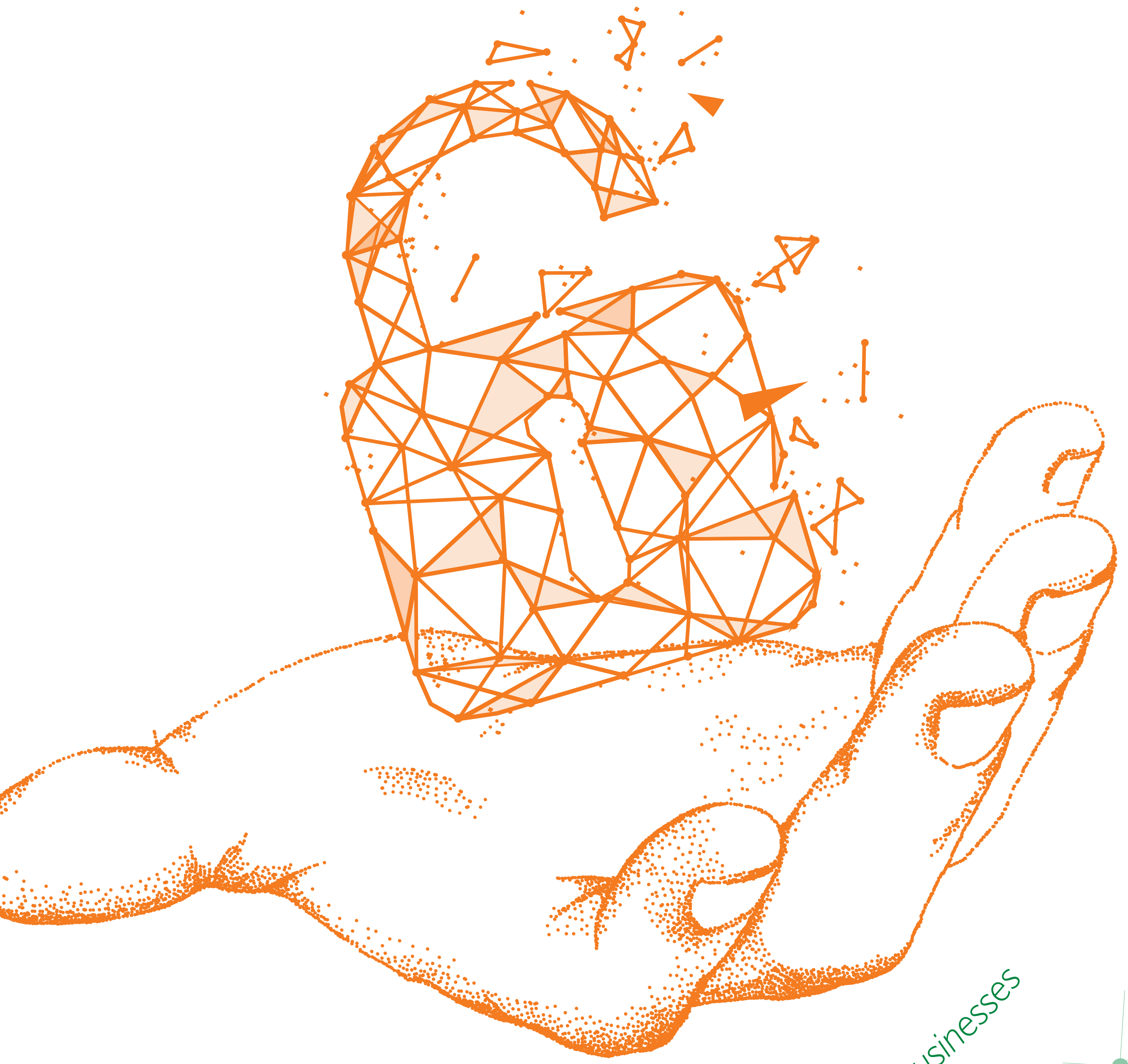


GET INFORMED . GET INVOLVED

THE sefa ZEN

MAY/ JUNE 2023 | **ISSUE 15**

SECTION 4
Performance



Unlocking Potential by Investing in the Success of Small Businesses

Ms Nokonwaba Shwala
Executive Manager
Human Capital Management

Human Capital Management

The Human Capital Management (HCM) Division is the key custodian of all people-related matters within the organisation. The role of the HCM Division is to drive organisational excellence through provision, development, and retention of fit-for-purpose employees within a healthy and safe working environment. The HCM Division plays a critical role in enabling the organisation to execute its strategic mandate, whilst striving to attain the status of being a high-performance organisation (HPO).

Execution of the human capital strategic work plan for the FY2022/23 focused on the implementation of interventions geared at transitioning **sefa** through the growth phase of the HPO journey. The focus during the reporting period was on the improvement of employee engagement, productivity, and performance. The HCM Division continued to play a critical role in supporting the organisation to navigate the organisation's people agenda post the COVID-19 pandemic.

Overview of Performance Achievements

As **sefa** continues its journey in the growth phase of the HPO journey, the following were the performance highlights during the reporting period:

- HCM focused on the filling of strategic and critical vacancies during the reporting period in compliance with the recruitment moratorium conditions posed by the planned **sefa**/Seda/CBDA merger.
- The third round of the **sefa** Management Development Programme (MDP) has commenced. Fifteen managerial employees are participating in the programme.
- A work readiness and entrepreneur programme were implemented in partnership with the University of Pretoria and 27 interns participated in and completed the programme.
- An employee engagement survey was conducted and yielded a 66% engagement index, which was a slight increase from 65% recorded in the FY2022/23.
- Several employee engagement interventions were conducted during the reporting period and included a virtual Youth Day event, a **sefa** Women's Month Gala Dinner and Heritage Month celebrations that were hosted across all **sefa** offices.
- The culture transformation project initiated in FY2019/20 also continued with the implementation of culture workshops that were attended by approximately 70% of **sefa** staff. The purpose of the culture workshops was to unpack the existing culture challenges, whilst mapping a new culture vision aimed at driving a high-performance organisation.

sefa partnered with Life Health Solutions to facilitate its employee wellness programme (EWP). The implementation of employee wellness interventions such as webinars and digital campaigns were continued to support and enhance the overall wellbeing of employees.

Implementation of occupational health and safety interventions continued, aiming to ensure the provision of a safe, healthy and secure working environment.

Renewal of office leases, procurement of additional office space, shared office spaces with Seda and establishment of new office spaces.

HCM's Strategic Work Plan

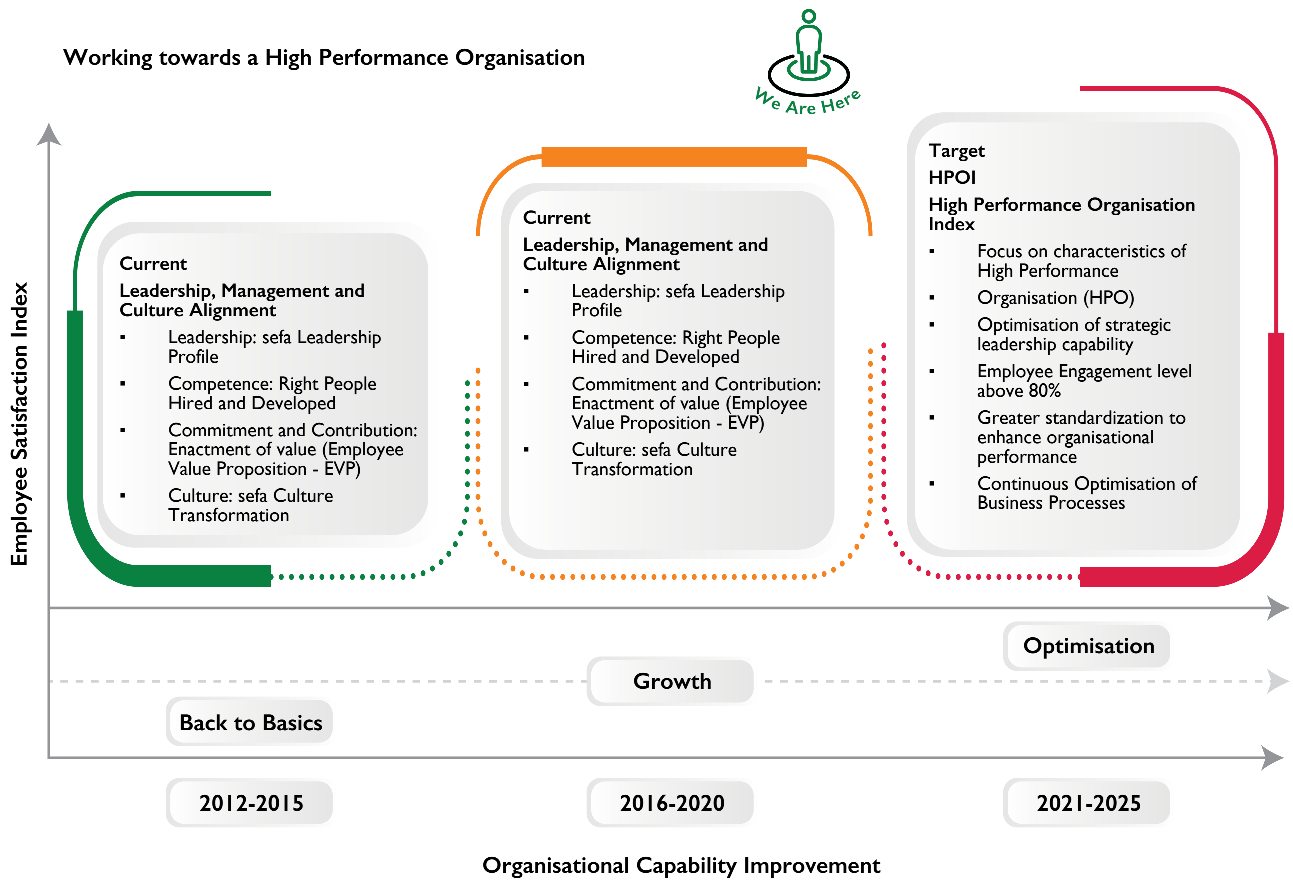
The Human Capital Strategic Work Plan execution for the 2023/24 financial year was centred on interventions geared towards transitioning **sefa** through the growth phase of the HPO status by focusing on leadership development and culture transformation.

The following were the key strategic objectives for the 2023/24 financial year:

Human Capital Management
A strategic business partner for the delivery of people focused interventions in support of the sefa mandate

sefa's HPO Journey

The HCM's execution plan is centred on the vision of achieving an HPO organisational status. **sefa's** journey towards the achievement of an HPO status started in 2014 and the organisation is currently in the growth phase. The FY2023/24 strategic work plan execution was centred on transitioning on the improvement of leadership capability, employee engagement and organisational performance. The strategic initiatives delivered during the reporting period were aimed at driving the organisation towards the HPO optimisation stage. The progress on the HPO journey has been negatively impacted by the restrictions on the filling of vacancies resulting from **sefa**/Seda/CBDA merger project. Some of the challenges the organisation faced included the inability to attract or retain talent due to the short-term employment options available.



sefa Employee Profile

The **sefa** employee profile reflects a diverse workforce that continues to drive the delivery of the organisation's mandate. Our talent acquisition processes during the reporting period were primarily aimed at capacitating the critical business functions to ensure continuity and performance excellence as the organisation navigates through various challenges such as the post COVID-19 transition and the **sefa**/Seda/CBDA merger process.

Talent Acquisition and Retention

The talent acquisition efforts sought to prioritise the filling of vacant strategic and critical positions, where the required skills are available to enable the organisation to make the correct investment decisions and to execute its mandate.

Our talent acquisition processes have aligned strategically with our business objectives throughout the reporting period. We have focused on bolstering critical business functions to ensure continuity and enhance performance excellence, particularly as we navigate various challenges such as the ongoing **sefa**/Seda/CBDA merger process and appointing only fixed-term contractors.

Our commitment to maintain a diverse workforce remains unwavering as we adapt to evolving circumstances and industry dynamics. We recognise the importance of leveraging diverse talents and perspectives to drive innovation, foster resilience, and deliver sustainable impact within the small enterprise ecosystem.

Headcount

During the period under review, **sefa's** headcount was 375 employees, including fixed-term contractors, interns and learners. The organisation continued to keep a flexible component of its workforce at a minimum in alignment with the moratorium on recruitment due to the planned **sefa**/Seda/CBDA merger.

The following graph depicts the **sefa** headcount for the period under review.

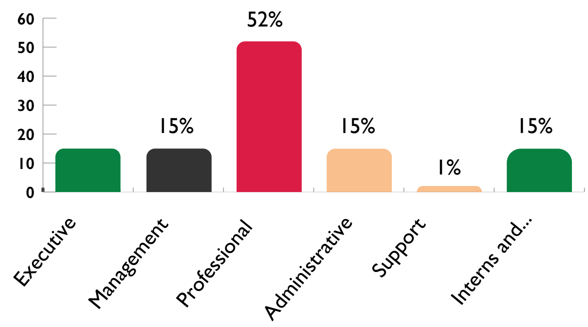
Headcount: Front-end vs Services Profile

Front End vs Services Business Functions Report

sefa has maintained a steady staff profile reflecting 60% of the staff compliment in front-end business functions, whilst 40% is in support services. Front-end business functions include direct lending, wholesale lending, credit risk management, properties, post investment monitoring and workout. Services business functions include human capital management and facilities, finance and procurement, strategy, legal services, enterprise risk, compliance, IT, company secretary, marketing, and communications, and internal audit.

sefa's employee job category profile as at March 2024 reflects the following job category representation: 1% executive management, 15% management, 52% professionals, 15% administrators, 1% support staff and 15% interns and learners. The professionals job category had the highest representation during the reporting period as this category includes key roles that are critical to the execution of **sefa** front-end business. Examples of typical roles in the professional's category includes investment officers, credit analysts, programme managers and post investment officers.

Job Categories Profile

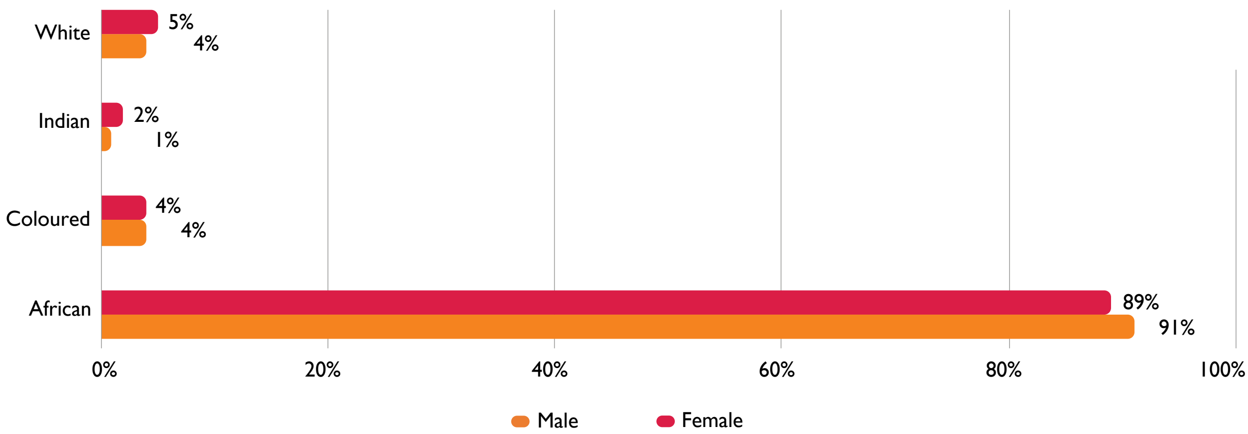


During the reporting period, the HCM Division's resourcing efforts continued to be negatively impacted by the recruitment freeze resulting from the planned **sefa**/Seda/CBDA merger. Fixed-term contract employees were utilised to fill critical vacancies that arose during the reporting period. The year under review included the implementation of various **sefa** programmes such as the township, rural entrepreneurship programme (TREP) resulting in the recruitment of additional resources in the form of interns and fixed-term contractors to provide capacity, especially in the front-end business functions.

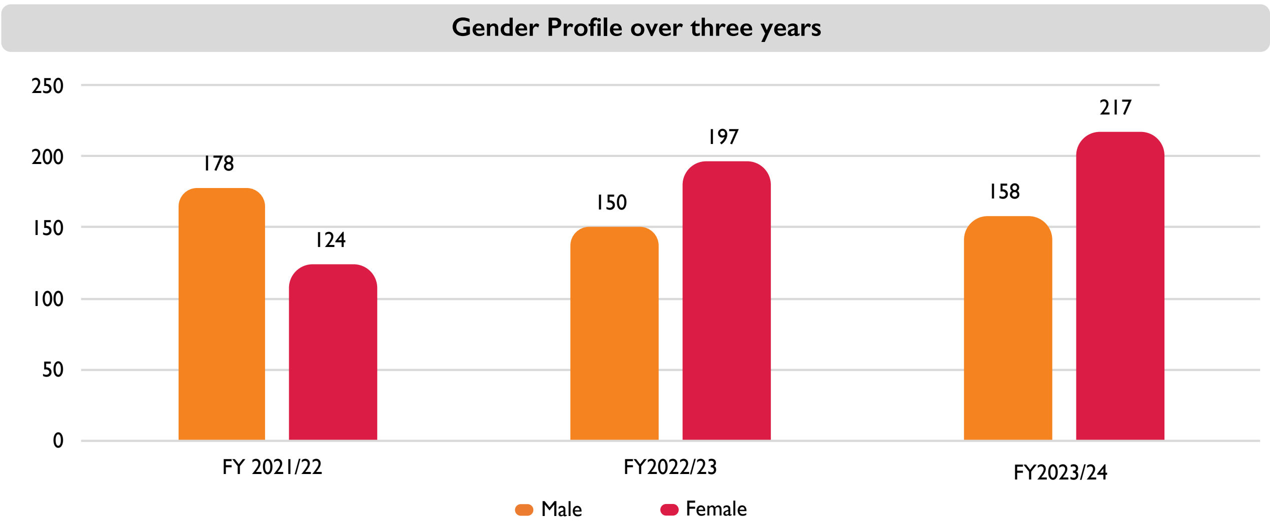
Employment Equity Profile

The **sefa** employee race profile for the reporting period reflected a 96% black representation (African, Coloured, and Indian). A comparison of the actual employee profile for the 2023/24 financial year against the numerical target as per the employment equity plan reflects a slight over-representation of African employees and future efforts are to drive the increase of Coloured, Indian, and White representation where opportunities arise.

Comparison of Race Profile of Employment Equity Targets



sefa Gender Profile



The gender profile shows an increase to the overall female representation from the previous reporting period

Talent for the Future

Learning and development initiatives have been delivered in support of the HCM's strategic objectives of transitioning the organisation to an HPO status through focus on leadership development, employee, and performance improvement. The focus for learning and development included leadership capability and technical skills training that includes upskilling and reskilling of employees.

The HCM Division strengthened its learning and development delivery through the provision of digital learning platforms to offer diverse developmental programmes. The provision of digital learning platforms allowed for increased engagement with learning content thus improving employee capabilities.

Developing Future Leaders

The FY2023/24 reporting period included a continuation of our flagship Management Development Programme (MDP), a formal programme delivered in partnership with the University of Pretoria. Fifteen employees at senior management level participated in the six-month long programme that focused on improving management capability skills. The MDP that commenced in December 2023 will conclude in June 2024. This cohort included the practical application of management skills that had a strong business integration element, bringing the learning into the business in real time. The chart below depicts the demographics of the programme beneficiaries, namely, five females and four males.

MDP Candidates FY2023/24

Department		Female	Male	Grand Total
MDP 23/24 15 Beneficiaries	Company Secretary	1		1
	Direct Lending	2	4	6
	Information Technology		1	1
	Micro Finance	1		1
	Wholesale Lending	1	2	3
	Workout & Restructuring	1	2	3
Total		6	9	15

Middle and Junior Management Development Programme

During the FY2022/23 reporting period, leadership development interventions were extended to middle and junior manager employees. In December 2022, 19 beneficiaries commenced with the programme and the group finished in July 2023.

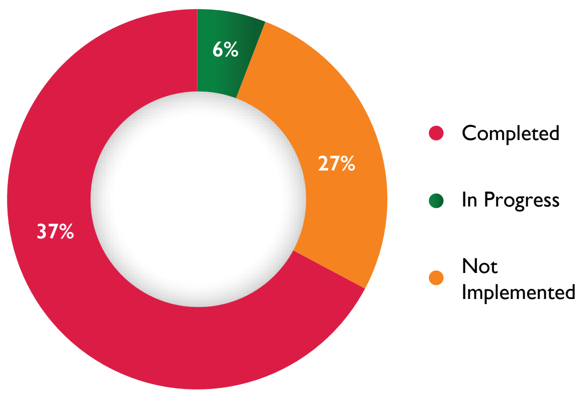
The programme was delivered in partnership with the University of Pretoria and is aligned to the **sefa** Management Competency Framework.

The table below illustrates the demographics of the beneficiaries of the middle and junior management development programme.

Department		Female	Male	Grand Total
Junior Managers 19 Beneficiaries	Direct Lending	7	3	10
	Finance	1		1
	Credit		1	1
	Properties	1	3	4
	Internal Audit	1		1
	Legal		1	1
	Stakeholder, Marketing & Communications	1		1
Total		11	8	19

Targeted Learning Interventions

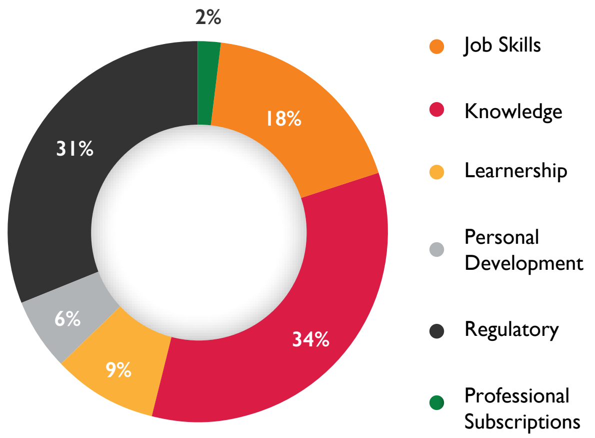
Targeted learning programmes implemented during the reporting period were aligned to the business requirements as outlined in the Workplace Skills Plan (WSP) for FY2023/24. 67% of planned programmes and added learning interventions, as per the WSP, were implemented.



The implemented interventions are as per the following categories:

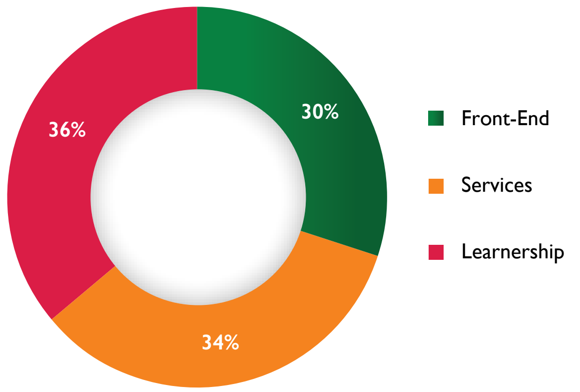
- Jobs
- Personal development
- Regulatory

Types of Learning Interventions Implemented



Front-end vs Services Training Expenditure

Training expenditure for front-end, services, and learnership category was 30%, 36%, and 34% respectively and depicted in the graph below.



Study Assistance Programme (SAP)

sefa continued to offer financial assistance to employees who wish to study further to enhance their skills through the study assistance programme. During the reporting period, 15 beneficiaries were awarded financial assistance for part-time studies. The SAP beneficiaries were financed for a range of formal qualifications with special focus on the following skills areas:

- Financial accounting
- Supply chain management
- Credit management
- Development finance
- Business management
- Law
- Marketing management

sefa Learnership for Unemployed Youth

sefa launched a learnership as part of its youth development initiatives. This learnership aimed to provide learners with valuable work experience and the opportunity to acquire a Certificate in Banking qualification, through Cornerstone Performance Solutions®, an accredited institution. The learnership was a 12-month programme and 14 learners participated in the programme that commenced in March 2023. The learners were placed in both front-end and services business functions. The learners rotated in various departments, wherein they were exposed to the various aspects of the **sefa** business, whilst gaining knowledge and experience. The table below shows the demographics of the learners who have been placed in various departments across the organisation:

Department and Regions	Number of Learners
Direct Lending – Regional Offices	5
Strategy – Centurion Office	1
Human Capital – Facilities – Centurion Office	2
Legal - Centurion Office	1
OPSHub - Centurion Office	2
Wholesale Lending - Centurion Office	3
Grand Total	**14**

All the Learners completed the programme and acquired the Qualification.

sefa *Learners are seen here with the Chief Executive Officer, Mr Mxolisi Matshamba, and the HCM Executive Manager, Ms Nokonwaba Shwala at the Learnership graduation.*

Integration of Organisational Development and Change Management into a High-Performance Culture

A key component of the growth phase of the HPO journey includes culture and values integration, employee engagement and change management. The following interventions were implemented during the reporting period:

- **sefa** continued with the implementation of the culture change project aligned to the investors in people standard. Culture and values alignment workshops were implemented during the reporting period. Approximately 70% of staff attended the sessions that were aimed at soliciting employee's inputs on culture redefinition and the key interventions envisaged to support a high-performance organisation.
- The FY2023/24 employee engagement survey was implemented during the reporting period. The Employee Engagement Index is currently at 65%, a slight increase on the 63% during the previous reporting period. The survey results reflected highlights and key challenges that employees experience in the organisation and some of the action plans recommended such as culture transformation, improvement on leadership and management capability, and implementation of recognition programmes will be prioritised in the FY2023/24 period.
- A productivity measurement framework was designed to establish a culture of measuring productivity towards the improvement of employee performance. The framework defined the key productivity factors to be considered and a productivity baseline was established for front-end business functions.
- Change management support continued for strategic projects ensuring that the 'people' side of change is structured and effectively implemented when introducing new projects or new ways of working. A change management framework has been developed to support business with a methodology to effectively implement operational changes.

Improved Employee Relations and Discipline

The focus during the reporting period was on strengthening constructive workplace relations through the implementation of the following initiatives:

The effective resolution of labour disputes and disciplinary cases within a reasonable time, to avoid disruption of productivity.

Consultative forums and bilateral discussions with stakeholders helped in improving the relationships between relevant stakeholders.

Provision of an Adequate, Safe and Secure Working Environment

The HCM division is the custodian of the occupational health and safety (OHS) function, that is responsible for the implementation of all health, safety, and facilities management matters. The OHS and facilities function seeks to ensure a safe, healthy, and conducive work environment across all **sefa** offices. The focus during the reporting period was a safe transition post COVID-19 through the delivery of health and safety protocols to ensure a safe working environment. Such protocols included the continuation of COVID-19 screening measures across all **sefa** offices.

The following are the key occupational health and safety achievements for the reporting period:

Health and Safety

- No incidents were recorded during the 2023/24 financial period due to the safe and secure working environment provide in line with the Occupational Health and Safety Act, No. 85 of 1993 (OHSACT).
- Fire drill conducted during the period.
- OHS Committee appointed, operational and trained.
- Ongoing implementation of COVID-19 measures in all **sefa** offices in line with the OHSACT.

Facilities Management

- Management of all leased office space to ensure the provision of adequate, secure and well-maintained office space.
- Refurbishment of Mthatha office completed during the period.
- In collaboration with Information Technology (IT), three (3) generators were installed in Gauteng North, Eastern Cape and Mthatha offices to mediate the risk of loadshedding.

sefa continued to support the promotion of physical and mental health and overall employee well-being through its Employee Wellness Programme (EWP). Employee well-being remained a central focus area due to increased stress and anxiety from the social and economic challenges resulting from the anticipated merger process, increased workload and ability to recruit longer term resources.

During the reporting period, the focus was on the delivery of interventions to create awareness and prevent critical psychosocial challenges such as mental health challenges. The **sefa** Employee Wellness Policy was approved in June 2023 to provide a framework on all aspects of wellness. The essential problems reported during the FY2023/24 period included psychosocial employee support on mental health, trauma, and loss issues. Employee wellness campaigns were also implemented to improve employee health, well-being, motivation, and productivity.

Strategic Outlook for the year ahead

The human capital strategic work plan for the year ahead will be centred on the execution of a sound leadership capability pipeline and improvement of productivity levels towards a high-performance organisation. **sefa** will continue to implement a culture of transformation and performance enhancement programmes to support a high-performance culture. Learning programmes for front-end employees will also continue. The strategic focus in the new year will primarily support culture transformation through increased productivity and leadership capability. The year ahead will also focus on the implementation of interventions aimed at ensuring that **sefa** has a solid resource pool with fit-for-purpose employees geared to increase **sefa's** performance.

STAKEHOLDER MARKETING AND COMMUNICATIONS DEPARTMENT

Overview

The **sefa** Stakeholder, Marketing and Communications departments activities in the financial period focused on media, public relations, advertising, marketing, branding, digital campaigns, stakeholder engagements, to enhance public engagement and exposure.

Collaborative efforts with DSBD, Seda, and municipalities streamlined support for SMMEs at grassroots level, underscored by strategic partnerships that showcased **sefa's** proactive approach to forming critical alliances. Stakeholder engagements were pivotal in fostering relationships and support for SMMEs, with **sefa** hosting a total of 40 events.

Throughout the year, **sefa** executed a comprehensive media strategy, leveraging both traditional and digital channels to highlight its impact on SMMEs. Strategic partnerships and campaigns such as TREP and the Tourism Equity Fund underscored **sefa's** proactive approach to forming critical alliances.

Extensive engagement through 417 radio slots, 13 newspaper advertisements, and other media channels like TV, and online platforms, effectively amplified **sefa's** visibility and outreach.

In the realm of marketing, branding, and digital campaigns, **sefa** expanded its digital footprint and increased brand visibility through engaging social media initiatives. Metrics across platforms such as Facebook, Twitter, LinkedIn, Instagram, and YouTube demonstrated significant growth and audience engagement. Internal workshops and campaigns successfully aligned stakeholders with **sefa's** mission and objectives.

With 183,000 users and 738,647 page views, **sefa's** website had a high level of engagement, highlighting its function as a vital information hub and platform for user interaction through its chatbot. Comprehensive demographic information from the Client Liaison Centre demonstrated **sefa's** dedication to providing exceptional customer care and individualised client support.

Overall, **sefa's** strategic initiatives in media, marketing, stakeholder engagements, and digital presence have solidified its position as a key supporter of SMME growth and economic development in South Africa.

Maximising Exposure: sefa's Strategic Media and PR Successes

Throughout the FY2023/24 financial period, the department showed a dynamic and effective strategy implementation that greatly increases **sefa's** exposure and public involvement through targeted media, public relations, and advertising campaigns.

In close cooperation with GCIS, **sefa** carefully used print media advertising to reinforce its message and contact prospective SMMEs through a network of community radio stations. By ensuring that **sefa's** efforts were well received by a wide audience on traditional (newspapers, radio, TV) and digital platforms, this all-encompassing media strategy helped to enhance **sefa's** public profile and fortify its brand.

The department was able to strengthen its position as a major promoter of SMMEs and increase **sefa's** visibility and participation.

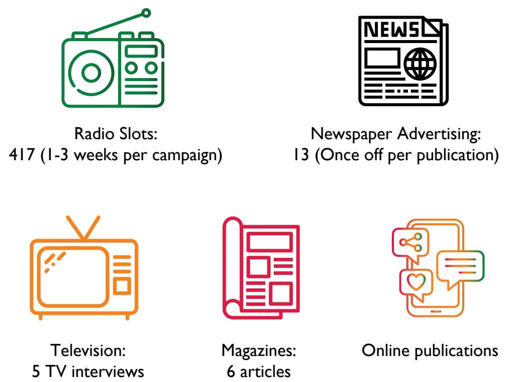
Media Coverage

The impact of initiatives like TREP, Spaza shop programme and the YCF, as well as the success stories of **sefa's** clients were highlighted in the media coverage. This emphasised **sefa's** dedication to offering opportunities and resources to enable prospective business owners in addition to celebrating the accomplishments of entrepreneurs.

sefa used varied media coverage in its involvement in SMME focused programmes, as a platform to spread its message and connect with more people who are interested in economic growth and entrepreneurship. One of the key platforms that **sefa** used with a wide reach to **sefa's** target market was the SABC TV and Radio stations.

Media Engagement and Publicity

The department executed a series of strategic media engagements and publicity campaigns aimed at enhancing **sefa's** visibility and information dissemination. These activities collectively contributed to a stronger public presence and enhanced media coverage for **sefa** throughout the year.



Elevating sefa: Unleashing Success Through Marketing, Branding, and Digital Triumphs

The marketing, branding, and digital campaigns report highlights the substantial progress and accomplishments of the department in boosting the organisation's digital presence and brand visibility during the 2023/24 financial period.

These campaigns played a pivotal role in elevating **sefa's** brand awareness and fostering widespread public engagement. Through steadfast dedication to strategic marketing and communication initiatives, the department reinforced **sefa's** position as a leading advocate for SMMEs nationwide.

Additionally, the report provides a concise overview of various campaigns and social media projects implemented to support **sefa's** objectives and facilitate effective stakeholder communication. It also highlights the outcomes of the Brand Index Survey, that assessed **sefa's** brand nationally and underscores the department's efforts in creating brand visibility.

Regional Office Signage

The Marketing Department successfully completed the signage installation at our two new regional offices in Eastern Cape (Umthatha) and KwaZulu-Natal. These new signs enhance our brand visibility and ensure a consistent and professional appearance at both locations.

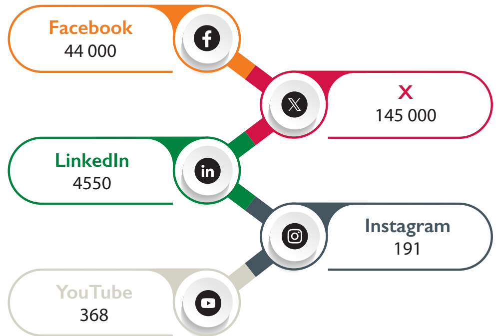
Enhancing Engagement: Social Media

sefa implemented significant activity and engagement across various social media platforms. The data demonstrates positive audience growth and engagement, attributed to a strategic focus on success stories, attractive visuals, educational content, and interactive surveys. These efforts have collectively enhanced **sefa's** social media presence and effectively engaged its audience.

Some of the highlights that were featured were youth focused video content of the **sefa** funded clients, August we turned the attention to **sefa** funded women and December we put the spotlight to clients with disabilities.

We also observed themed South African calendar holidays such as World AIDS Day. In November, we celebrated National Entrepreneur's Month. Each quarter, we ran three campaigns centred on customer satisfaction surveys, fraud awareness, and success stories.

Social media followers



*Instagram ,YouTube were only introduced in Q3 of the year being reported on hence the low following number

social media Campaigns

- ### Customer Satisfaction survey campaign

  Four (4) social media surveys and polls where conducted to gauge customer satisfaction.

- ### sefa Client Success stories campaign

  Our continuous effort to raise brand awareness includes frequently sharing client success stories on social media. Twenty-six (26) client videos were featured, which improved **sefa's** brand recognition and audience appeal.

Annual Brand Index Survey

The department conducted its annual Brand Index Survey to evaluate various aspects of **sefa's** brand. This included assessing the impact and brand visibility and accessibility of **sefa**.

The survey revealed an overall performance of 70%, indicating that SMMEs are increasingly recognising the **sefa** brand and understanding what it offers.

Internal Stakeholders

While external stakeholder communication is vital, the engagement of our internal stakeholders, our staff, is equally essential. The following activities were undertaken to foster effective communication and engagement within **sefa**:

- ## Brand and Corporate Identity Workshops

  Employees participated in a professional writing workshop and the proper application of brand elements internally.

- ## Internal Campaigns

  To improve the **sefa** culture, several internal brand campaigns were facilitated during the review period mainly in collaboration with the Risk department, HCM department and other departments. These campaigns served to inform, engage, and support **sefa's** internal stakeholders, fostering a culture of communication, awareness, and participation within the organisation. **sefa** implemented 14 internal campaigns, addressing various issues crucial to staff engagement and organisational alignment.

- ## The **sefa**Zen Digital Magazine

  The **sefa**Zen digimag remained a cornerstone communication tool, providing updates on **sefa's** activities, and achievements. Six (6) issues were published during the year.

Forging Connections: Strengthening Stakeholder Engagement

The department has undertaken extensive initiatives to enhance stakeholder relations and foster engagements with SMMEs. This section outlines the department's strategic efforts and achievements in collaboration with various partners and key stakeholders, the Department of Small Business Development (DSBD), Small Enterprise Development Agency (Seda), and numerous municipalities across the country.

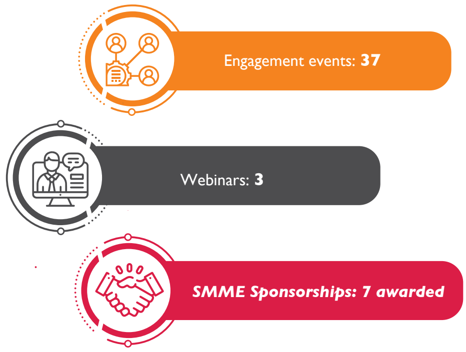
Key Initiatives and Partnerships

- Launch of the **sefa**/bpSA partnership: This significant partnership garnered substantial media attention, showcasing **sefa's** proactive approach to building strategic alliances.
- Launch of **sefa**/ECRDA partnership to ensure that **sefa** has extensive reach in rural areas.
- Relaunched Tourism Equity Fund (TEF) Addressing funding challenges faced by enterprises in the tourism sector.

sefa organised and participated in a total of forty (40) events, which included a diverse range of activities such as national awards, regional roadshows, webinars, exhibitions, and sponsored events. These engagements aimed to strengthen relationships with small businesses and ensure that **sefa's** initiatives were effectively communicated and implemented at the grassroots level.

An interesting collaboration between **sefa** and the South African Disability Alliance (SADA) resulted in a Gala Dinner event in celebration of Human Rights Day. This event aimed to strengthen relationships with the disability sector.

The DSBD Minister and Deputy Minister placed significant emphasis on SMME engagement sessions, collaborating extensively with its agencies **sefa**, Seda and local municipalities. These sessions aimed to foster stronger connections and provide valuable support to small, medium, and micro enterprises (SMMEs).



Introduction of **sefa** Mobile Office

The mobile office plays a crucial role in **sefa's** mission to empower SMMEs across South Africa by ensuring that businesses in rural areas and townships can apply effortlessly. It expands **sefa's** reach to even the most remote regions. In addition to providing essential services, it also enhances **sefa's** brand visibility at key events, reinforcing the commitment to inclusive economic development.

Annual Customer Satisfaction survey

sefa conducted an Annual Satisfaction survey, focusing on accessing how interactions were managed from application to disbursement. This survey gathered feedback from both successful and unsuccessful applicants about their overall experience. The organisation overall performance score was 67%.


FUNDING UNIVERSE
seda
sefa

seda
GANU

National Presidential
SMME & Cooperatives
Awards 2023

THE TOURISM
EQUITY FUND
The Tourism Equity Fund Applications are officially open!
sefa

sefa will be participating in The South African Future Trust Summit, a transformative two-day experience for entrepreneurs.
Gallagher Convention Centre
Learn from industry experts.
sefa

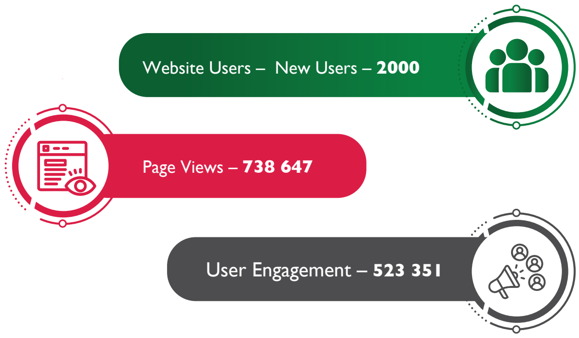
Take advantage of the Eastern Cape Rural Blended Finance Scheme to grow your business!
Send your applications to:
ECRDA
sefa




sefa

Powering progress: sefa website surges ahead

sefa's website acts as an essential channel for information sharing, resource provision, and stakeholder interaction and has shown a significant increase in terms of activity during the fiscal year under review. There was an increase in interaction showing a need for **sefa** product information and how to apply for funding. To build on this quest for information and reach even bigger milestones in the upcoming years, the **sefa** website will concentrate on retention methods, content optimisation, and improving user engagement.



Page Views: The total number of page views amounted to 738,647, signifying extensive engagement with the website's content and resources.

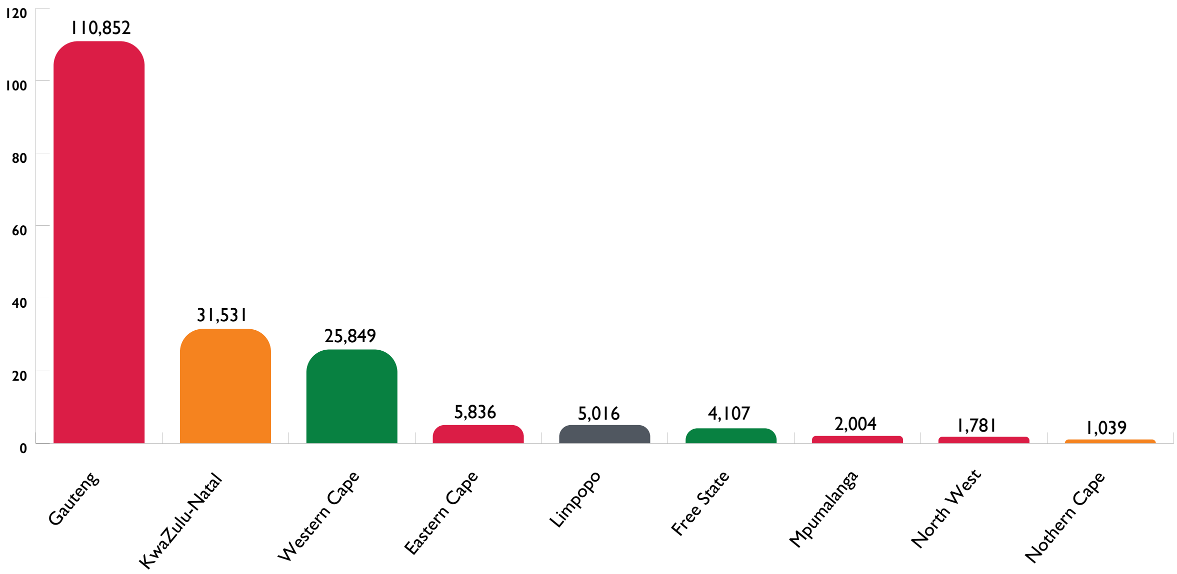
User Engagement: User engagement metrics, totalling 179,404, highlight active interaction with the website, indicating that visitors are not only browsing but also engaging with the content in meaningful ways.

These figures underscore the importance of **sefa's** online presence in reaching and engaging stakeholders, complementing offline engagement efforts.

sefa Website Traffic

Page title and screen class	Views	Users	Views per user	Average engagement time	Event count All events
Small Enterprise Finance Agency	195,957	104,973	1.87	55s	679,444
Tenders	56,476	15,968	3.54	2m02s	153,796
Township and Rural Entrepreneurship Programme (TREP)	49,913	26,019	1.92	1m51s	159,998
Direct Lending Products	43,250	25,316	1.71	44s	104,622
Youth Challenge Fund	30,803	17,933	1.72	1m06s	97,801
Landing page	27,187	15,367	1.77	9s	91,881
Vacancies	22,608	12,619	1.79	27s	71,581
Spaza -Shop Support Programme	15,984	10,061	1.59	1m47s	53,559
Wholesale Lending Products	14,617	9,507	1.54	48s	34,032
Asset Finance	14,499	9,166	1.58	50s	38,990

User engagement per province



Personalised excellence: Insights from sefa's Client Liaison Centre

The Client Liaison Centre received a total of 5,362 calls, showcasing significant achievements and overcame various challenges.

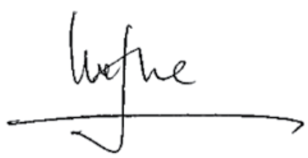
Major achievements include the implementation of an enhanced interactions portal for better understanding of enquirer patterns and expectations, as well as enhanced training programmes focusing on technical and soft skills.

In addition, the Client Liaison Centre started utilising a live Chatbot, manned by an Officer, for live communication with enquirers as they navigate **sefa's** website.

Part of the Client Liaison Office's activities included an instrumental role in direct engagement with the public through face-to-face consultations and public exhibitions. Rapid technological advances prompted re-alignment of technology in telephony and recording devices for hardware and software.

Received call gender split

Male: 3110 **Female: 1848** **Unspecified: 413**



Ms Nokonwaba Shwala
Executive Manager Human Capital Management

Irwing 310 t/a Top Steel - Western Cape

LENDING OVERVIEW

Direct Lending

The primary role of Direct Lending is to supplement **sefa's** delivery model and position **sefa** to finance SMMEs and Cooperatives using a hybrid model (i.e. wholesale and direct lending).

The Unit is geared towards supporting entrepreneurs that own and manage potentially viable businesses but find it difficult to attract commercial credit. During the FY2023/24 financial year, Direct Lending approved a total of R516 million facilities and disbursed R426 million. A total of 312 SMMEs were supported, and these enterprises created and/or maintained a total of 3880 job opportunities. An average loan size under Direct Lending is R1.5 million per enterprise.

Financing programmes used by Direct Lending are primarily blended finance instruments (combination of loans and grants). The rationale for the provision of blended finance to SMMEs is to reduce the cost of finance and improve the equity of the funded enterprises. For the FY2023/24, blended finance programmes accounted for 68% of the approval value (disbursement – 56%). Blended finance programmes created and/or maintained a total of 2649 sustainable jobs.

The following are the blended finance programmes under Direct Lending:

- **Small Enterprise Manufacturing Support Programme** supports enterprises in the manufacturing sector and promote localisation.
- **Township and Rural Entrepreneurship Programme** targets businesses operating in township and rural areas.
- **Youth Challenge Fund** provides funding to SMMEs that are managed and owned by the youth.

The main challenges facing direct lending is the onboarding process as well as high level of impairments.

Onboarding process – given the nature of direct lending offerings, there is huge demand from aspiring entrepreneurs. Majority of applicants are not funding ready and need some pre-loan support before they can access **sefa's** funding. To address this challenge a pre-investment unit has been established. This Unit works with other players in the SMME ecosystem **Seda**.

Impairments – **sefa** as a Development Finance Institution (DFI) is positioned to address market failures and be counter-cyclical in its approach. This primarily means that the institution will assume calculated risk that the commercial sector is not able to take. The high level of impairments is mainly in enterprises that operate in township and rural areas/villages. The strategy is to ensure that there is proper monitoring of these enterprises as they are critical for economic development and innovation in those areas (townships and rural areas). The pending merger with Seda will enhance the monitoring and support of these enterprises (as Seda has representation in all Municipalities).

Wholesale Lending

Wholesale lending is premised on high impact and high penetration into the markets by funding SMEs/SMMESs through meaningful partnerships. It is divided into four main components namely Retail Funding Intermediaries (RFIs), Micro Finance Institutions (MFIs) and Funds Management.

Retail Funding Intermediaries (RFIs)

sefa looks to fund subject matter expertise intermediaries who are then contracted to on lend SMMEs in their value chains or core business. This is expected to have a wider reach and broader impact on financial capacitation of SMEs while linking them with clearly defined value chains. Currently **sefa** has 37 RFIs domiciled in five provinces. Although domiciled in five provinces most of the beneficiaries under these RFIs are spread across all provinces. Of the 37, six were approved during the reporting period to the value of R235 million.

sefa policy allows **sefa** to purchase and hold equity in other privately held entities within South Africa. This is limited to a maximum equity of 19%. **sefa** is currently crafting an Equity Purchase Framework that will be divided into ***Patient Capital*** (long term investment into business with growth potential over time), ***Partnerships*** (focusing on inclusivity of economic participation by the previously marginalised) and ***Innovation*** (where investment looks to propel innovative products and services with systemic change potential). During this reporting period wholesale concluded equity partnership with Nisa Finance - a black youth owned financial transaction technology business which is expected to assist the market and some of **sefa** RFIs with an innovative credit enablement system.

Micro Finance Wholesale

The Micro Finance portfolio once again achieved the high performance standard that has now become expected, marked by exceptional leverage of **sefa's** funding disbursed for every Rand disbursed by **sefa** to the micro finance intermediaries R1.44 were disbursed to the end users. The loans outstanding to MFIs increased by 28%, whilst the income from interest and fees from MFIs increased by 41%, this at the same time as impairments halving. All this illustrates the effectiveness of the wholesale model to reach marginalised entrepreneurs that would ordinarily be very difficult to reach.

The emergence and grow or new MFIs are limited by the security requirements for entrepreneurs and relative short repayment period of loan facilities as well as the need to look at other investment instruments such as equity investments.

Fund Management

sefa has begun enhancing its in-house fund management capacity to deliver third-party funds, a strategic move aimed at extending its development impact. Recognizing the need for strategic partnerships and leveraging private sector resources, **sefa's** Fund Management Services stretch limited financial resources to reach underserved SMEs. This new service progressed significantly with the launch of four key initiatives during the financial period: the Tourism Equity Fund (TEF), the Construction Fund (CIDB), **sefa** CrowdFund, and the Enterprise Supplier Development (ESD) Funds. These initiatives aim to address funding challenges, stimulate job creation, and promote growth and transformation in various key economic sectors.

Mr Lwandiso Makupula

Executive Manager

Wholesale Lending

INFORMAL AND MICROFINANCE OVERVIEW

Operating Environment

The current business environment presents significant challenges for micro-entrepreneurs. Traditionally, sectors like spaza shops served as entry points for local entrepreneurs; however, these are now largely dominated by foreign traders. Additionally, micro-entrepreneurs face isolation, limiting their ability to leverage economies of scale and opportunities for aggregation through cooperation.

Lingering Impact of Economic Downturn

Despite a gradual recovery post COVID-19, the formal economy has remained sluggish, leading to a slow uptake of formal jobs among low skilled, low paid workers. These workers constitute a primary customer base for micro-entrepreneurs or are themselves entering the market as new entrepreneurs. As a result, demand from low-income consumers has been subdued, mirroring trends in more affluent market segments. This suppressed demand has led to lower loan uptake among micro-entrepreneurs, reflected in flat growth curves across **sefa's** Microfinance Institutions (MFIs).

From 2020 to 2023, the growth of MFIs was negative; however, there has been some stabilisation and slow growth in 2024.

Achievements of sefa's Microfinance Programme

In the past four years, **sefa** has made significant strides in supporting micro-entrepreneurs:

- Strengthened Partnerships: Consolidated and stabilised relationships with the two largest MFIs in the country.
- Fostering New Growth: Supported the growth of new MFIs.
- Innovation: Initiated the development of a Microfinance Fintech solution aimed at simplifying financial processes for MFIs and micro-entrepreneurs.
- Co-operatives Programme: Revived our co-operatives programme to empower more community-driven businesses.

The table below present the impact results over a four-year period starting in April 2020

Performance Area	2020/21	2021/22	2022/23	2023/24	Total
Value of Approvals: small & medium enterprises (R'000)	R55 000	R150 000	R158 100	R30 000	R393 100
Value of Disbursements: small & medium enterprises (R'000) - end user disbursements	R249 489	R269 847	R293 916	R319 000	R1 132 252
Number of SMMEs and cooperatives financed	65 574	62 348	71 096	77 286	276 304
Number of Jobs facilitated	65 668	64 087	74 547	78 819	283 121
Disbursements to black-owned enterprises (R'000)	R249 489	R188 893	R292 973	R315 000	R1 046 355
Disbursements to women-owned enterprises (R'000)	R241 922	R107 939	R289 498	R303 000	R942 359
Disbursements to youth-owned enterprises (R'000)	R43 963	R80 954	R42 830	R49 000	R216 747
Disbursements to enterprises owned by entrepreneurs with disability (R'000)	R0	R6.50	R41.50	R100	R148
Disbursements to township-owned enterprises (R'000)	R10 144	R67 462	R9 964		R87 570
Disbursements to enterprises located in rural towns and villages (R'000)	R230 026	R107 939	R262 925	R272 000	R872 890
No of MFIs contributing to the development statistics	3	4	6	7	20

Performance Analysis

The overall performance across the four-year period ending in FY2023/24 showed a year-on-year improvement. From April 2020 to March 2024, **sefa** approved R235 million in facilities. As these are mostly revolving facilities of term loans over five years, with short-term on-lending over four to six years to micro-entrepreneurs, the multiplier effect of these facilities is substantial. This is reflected in the disbursements totalling R1.132 billion over the four years. The Microfinance programme supported 276,304 SMMEs, which in turn facilitated the creation and support of 283,121 jobs.

However, the support provided to entrepreneurs with disabilities, youth, and township-based entrepreneurs remained below target. The long lead time required to prepare MFIs for investment readiness has affected approvals. During this time, MFIs are supported with business plan development, market research, product development, financial planning, and modelling. For start-ups, this process may also include guidance in setting up boards and obtaining National Credit Regulator (NCR) registration. The development of capacity within the microfinance department to provide institutional support to emerging MFIs is a crucial element in the establishment of the Fintech solution. Unfortunately, the acquisition of the Fintech system faced a setback due to the inability to appoint a suitable software provider.

Addressing Specific Challenges

To better support entrepreneurs with disabilities, a structured finance agreement was established with a partner organisation. This agreement ensures that the partner procures, supports, develops, and monitors disabled entrepreneurs throughout the life of the loan with **sefa**. This partnership was approved in March 2024, and the disbursements will occur in the 2024/25 financial year.

Addressing Challenges

One of our biggest challenges remains staffing and internal capacity. Our team is working diligently to fill these gaps, particularly in areas like relationship management, financial analysis, and capacity development. These efforts are crucial to ensuring that we continue to support the growth and impact of MFIs.

Looking Ahead

As we move into the 2024/25 financial year, our priorities include fully operationalising the Fintech solution and expanding our training and support programs for both existing and new MFIs. Additionally, we will continue to prioritise institutional development for co-operatives, ensuring that these vital community organisations receive the support they need to thrive.

SMALL AND MEDIUM ENTERPRISES WHOLESALE LENDING

sefa, through SME Wholesale Lending, provides funding to intermediaries and specialised funds that share **sefa's** objective of increasing access to finance for SMEs. **sefa** also enters joint ventures and other strategic partnerships to crowd-in financial and business support. as well as technical resources of the public and private sector strategic partners. The SME Wholesale Lending channel is complementary to Direct Lending and focuses on intermediaries with a niche offering, typically with expertise to provide non-financial support to SMEs. Through these partnerships, **sefa** can extend its reach to underserved SMEs.

During the period under review, R431 712 986 was disbursed to end users. A total of 707 SMEs have been financed, facilitating 8 655 jobs from April 2023 to March 2024 as a direct result of the funds deployed to SMEs into the economy. The disbursement also emanates from approvals done in the previous financial year 2022/23, which rolled over into the reporting financial year.

The following table outlines the transactions approved in the financial year.

Tables Name of Intermediary	Tables Date Approved	Tables Amount
Tender Capital Cape (Pty) Ltd	29-Sep-23	R30 000 000
Servicios Empresaviales Holdings (Pty) Ltd	18-Oct-23	R30 000 000
iDladla Investments	31-Oct-23	R15 000 000
A2Pay	04-Mar-24	R75 000 000
Tebfin	04-Mar-24	R70 000 000
		R235 000 000

Tender Capital Cape (Pty) Ltd

Tender Capital Cape (Pty) Ltd ("Tender Capital") is a majority black woman owned company with 60% shares owned by Mrs. Athena Mpitsang.

The business was established in 2017 to provide supply chain finance through purchase order funding to SMME's across various sectors. The business is registered and regulated by the National Credit Regulator, certificate number NCR: CP16505

The facility will be utilized to provide working capital to SMME's who predominantly are awarded purchase orders by state owned enterprises, government departments and private corporates.

Servicious Empresaviales Holdings t/a SE Holdings (Pty) Ltd

Servicious Empresaviales Holdings (Pty) Ltd ("SEH") is a 100% black-owned and 100% black woman-owned entity which is mainly operating in Agri-business sector. The company was established in 2014 by Ms. Nompumelelo Maesela.

It is a registered and regulated company by the National Credit Regulator (NCR), certificate number NCRCP17283. SEH is an aggregator which provides emerging commercial farmers and professional farmers with support to create sustainable farming enterprises through financial support and non-financial support.

sefa's facility of R50 million from the Small Business Innovation Fund (SBIF) facility will be utilised to provide production input loans to farmers to meet the current offtake requirements for 2023/2024.

iDladla Investments (Pty) Ltd

iDladla Investments (NCR: CP162479) is 76% black owned with a BBBEE Level 2. The entity was founded in 2016 by Messers Malesela Mothiba, Mark Ford, Chad Aitken, and Shawn Govender. The company target market is SMEs predominately within the retail, agriculture and manufacturing industries among others (sector agnostic).

sefa loan facility of R15 million will be utilized to provide purchase orders, term loans as well as asset finance. Targeted

SMEs will be harvested from Equate Financial Services (Pty) Ltd which provides financial services to around 120 SMEs a month (mainly urban and peri-urban) as well as from Lulodumo linkages to the township and rural markets.

A2Pay financial services (Pty) Ltd

A2Pay is a South African (FinTech) company that uses (ICTs) to produce innovative solutions to socio economic challenges, aimed at supporting and growing informal retailers. A2Pay focuses on supporting informal retailers by providing them with access to markets, financial inclusion, and digital transformation. This ensures sustainability and resilience in their business operations. This is done through POS system.

This system enables them to manage their stock, bill payments, utilize barcoding for inventory tracking, generate stock reports, receive low stock alerts, place orders, make supplier payments, collect donations, stokvel payments, facilitate lay-byes and access detailed sales reports. This leads to operational efficiency and long-term resilience making locals more competitive.

sefa's facility of R75 million from the Township Rural Entrepreneurship Programme (TREP) facility will be utilised to provide merchants with the option to apply for either short-term or long-term loans. Short-term credit can be used for purchasing stock, while a long-term loan can be utilized for acquiring equipment, hardware, alternative energy solutions, renovating backrooms, expanding stores, or opening new outlets.

Tebfin

Tebfin has operated for 12 years as a tier two funder within the SMME space and have disbursed over R2bn during this time period.

Tebfin's product offering is founded on trade finance (PO and Invoice discounting).On average Tebfin sit with a ±R 60m loan book and currently have a pipeline of R 76m. 90% of this pipeline is made of up of Black, woman and youth owners who are based in the rural and township areas of South Africa. Tebfin was approved for a loan facility of R 70 million. This Facility will be utilised to fund rural, and township based SMME's across South Africa with a trade finance facility.Tebfin estimate they will be able to assist 1707 SMME's on average, on a yearly basis. The SMMEs are all to be based in the townships and rural areas of South Africa.

Fund Management

Tourism Equity Fund (TEF)

The Tourism Equity Fund (TEF) is implemented by **sefa** on behalf of the Department of Tourism, with a total fund size of R1.25 billion. Capitalized by the Department R600m and R120 million from **sefa**, the fund is on track in crowding in private sector capital. The TEF provides blended finance solutions to address funding challenges in the tourism sector, aiming to stimulate job creation, growth, and transformation in line with the Tourism B-BBEE sector codes. This initiative is crucial for enhancing the competitiveness and inclusivity of the tourism industry.

Construction Fund

The Construction Fund, a collaboration between the Construction Industry Development Board (CIDB) and **sefa**, focuses on providing developmental funding to SMMEs in the construction sector. With a combined contribution of ZAR300 million (ZAR150 million each from **sefa** and CIDB), the fund aims to address funding challenges and promote the growth and transformation of the construction sector nationally over the next two years. This support will enable SMMEs to play a more significant role in the industry.

Crowdfund

A **sefa** Crowdfund platform has been initiated this year. It aims to democratize access to finance by connecting SMMEs with investors through debt-based, donation-based crowdfunding, and individual credit guarantees. This innovative and digital platform focuses on supporting youth-led projects in technology and innovation, particularly in townships and rural areas.

Enterprise Development (ED) and Enterprise Supplier Development (ESD)

Fund management is looking to leverage and develop on **sefa's** existing and new Enterprise Development and Enterprise Supplier Development (ESD) initiatives. These initiatives are designed to integrate SMMEs into larger corporate value chains, fostering economic inclusivity. These programs will enhance access to private sector finance and markets, supporting the sustainable growth of small businesses across various sectors.

Challenges

The freeze on **sefa** committees for over two quarters (no BCIC chair until September 2023) and leadership gap and changes (in the last twelve months three HODs) at Wholesale Lending for nearly three quarters has had an impact on efficient deal movement and approval. By quarter three only R90 million worth of deals had been approved. The pipeline that had been started in the first quarter did not move as per expectation due to lack of leadership and staff movements.

New acting HOD was appointed in December 2023 and since then the team has had a deal pipeline of over R600 million with R145 million worth of deals approved by end of quarter 4 against a target of R82, 531,500. Slow approval of deals has had a ripple effect in meeting the rest of the developmental impact indicators.

No new deal approvals meant no disbursements from newly approved money could be on lent to end users which impacted indicators such as jobs to be created by SMEs of all demographics. Short term contract nature of employment by **sefa** also means wholesale lending staff movement will continue to be an imminent risk. The HOD is acting on year's contract and 90% of wholesale staff is on a year's contract. Institutional knowledge has a high risk of continued drain.

Way forward

Wholesale Lending will focus on:

- Proactive deal pipeline work;
- Identifying new partnership;
- Fund management partnerships; and
- Solidifying staff arrangements (movement from 1-year contracts).

Mr Lwandiso Makupula
Executive Manager: Wholesale Lending

Mr Protas Phili
Chairperson
Khula Credit Guarantee

KHULA CREDIT GUARANTEE (KCG)

Operating Environment

In the face of the adverse economic environment, credit guarantees emerged as a beacon of hope for South African Small Medium and Micro Enterprises (SMMEs) and Co-operatives. The financial landscape for SMMEs remains difficult with challenges relating to lack of collateral, lack of information and liquidity issues. Credit guarantees can be used as a tool to cultivate growth, especially for Black-owned, women-owned and youth-owned businesses.

The Khula Credit Guarantee (KCG) remains an important pillar in the SMME's financial ecosystem. Its role extends beyond just being a risk mitigator and more of a catalyst for financial inclusion for small businesses by democratizsing access to finance and narrowing inequality. KCG continues to explore innovative ways to channel funds into SMMEs strategically. That is, it needs to counterbalance the scarcity of resources and propel the entrepreneurial ecosystem to thrive during this challenging fiscal period. The quest is for efficient use of scarce resources to foster inclusive financing that will empower SMMEs.

Organisational Performance

KCG's business model is to crowd-in funding in support of SMMEs who lack the necessary collateral to access loan funding. In this regard, we offer a credit insurance guarantee product to commercial bank institutions, non-commercial bank financial institutions and any other corporate entity that seeks funding for participants in its value chain.

For the FY2023/24, KCG achieved a leveraging effect of 6.34, through a statutory capital reserve of R92.5 million, thus extending credit and trade guarantee facilities of R850.7 million to 1 735 SMMEs. 7 024 jobs were facilitated via 11 partner institutions that are inclusive of commercial financial institutions, corporate Enterprise and Supplier Development Funds, and Suppliers (trade credit) during the financial year ending 31 March 2024. The KCG development impact achievements are reported on Page 87.

Corporate Governance

KCG remains committed to good governance practices and has implemented structures and policies to ensure that the organisation upholds its fiduciary responsibilities and delivers on its mandate. Appropriate measures have been implemented to mitigate non-compliance. Our risk management function continues to facilitate and monitor the implementation of risk management measures across the organisation. Our latest Own Risk and Solvency Assessment (ORSA) report reflects that KCG is well capitalised to sustain and grow the business over the next 3 years.

During the year under review, the KCG Board composition changed as follows:

- The former Chairperson, Mr LF Mosupye resigned from the Board effective from 07 August 2023.
- Mr PT Phili, an independent non-executive director was appointed as Chairperson on 08 August 2023.
- Mr BI Mkhize was appointed as an independent non-director on 11 August 2023.

During the year under review, the KCG Board held six (6) meetings, two (2) of which were special. The following key decisions were made:

- **APPROVED** the FY2023/24 Annual Targets.
- **APPROVED** the KCG Own Risk and Solvency Assessment FY2023/24.
- **APPROVED** the revised and updated Khula Credit Guarantee Delegation of Authority Matrix.
- **APPROVED** the Quarterly Quantitative Reporting Template for Q4FY2022/23; Q1FY2023/24; Q2FY2023/24 and Q3FY2023/24 for submission to the Prudential Authority.

- **APPROVED** the Khula Credit Guarantee Annual Financial Statements for FY2022/23, ended 31 March 2023.
- **APPROVED** the FY2022/23 Khula Credit Guarantee Annual Quantitative Reporting Template for the year ended 31 March 2023.
- **APPROVED** the Khula Credit Guarantee Corporate Plan targets for FY2024/25.

Strategic Partnerships

In pursuit of KCG vision of expanding access to funding for SMMEs, we recognise the need to improve our strategic partnerships and further increase stakeholder satisfaction. In the year under review, the remarkable partnership that was achieved amongst the commercial banks, wholesale retailers, the Department of Small Business Development (our Executive Authority) and **sefa** (our Shareholder) to provide a unique product offering to Spaza shops, is what we aim to continue achieving into the future.

Subsequent Events After Year-end

Subsequent to year-end, the following Board changes occurred:

- Mr L Ntuane was appointed on 10 June 2024
- Mr NS Mbatha was appointed on 25 June 2024
- Ms XE Daku was appointed on 9 July 2024.

On 30 April 2024 Adv NG Khumalo was rotated from the **sefa** Board and accordingly from the KCG Board. We extend our gratitude for her contributions during her tenure.

Appreciation

I would like to give special thanks to our employees for their commitment in delivering innovative products to support SMMEs.

I thank the Board of **sefa**, our shareholder for the continued support given to KCG to ensure that notwithstanding our limited operational capacity, KCG continues to maintain good corporate governance and adhere to the principles and requirements of the Prudential Authority Standards in terms of the Insurance Act.

I extend my heartfelt gratitude to the Department of Small Business Development and the Honourable Minister Stella Ndabeni-Abrahams, for her leadership and guidance during the difficult economic climate. With her support, KCG was elevated to another level to participate in an innovative solution for the challenges that township businesses face.

Finally, to our clients and stakeholders, we appreciate and thank you for your continued support.

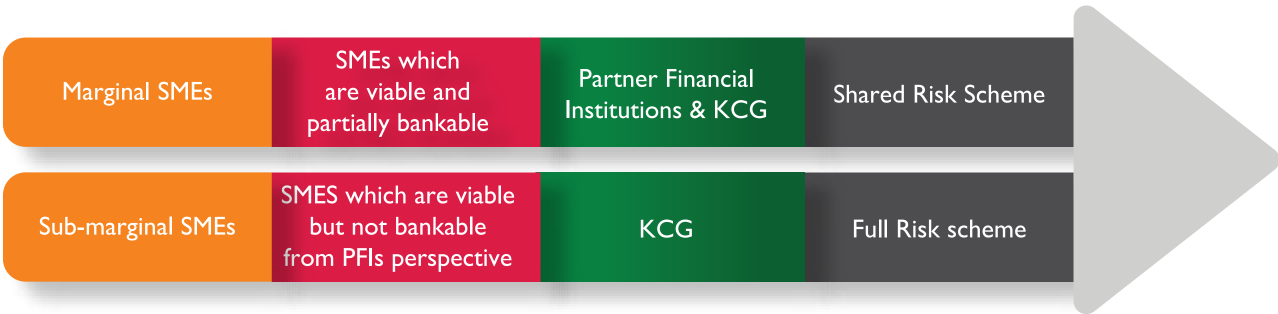
Mr Protas Phili
Chairperson, Khula Credit Guarantee

Khula Credit Guarantee (SOC) Ltd

Khula Credit Guarantee (SOC) Limited is a wholly owned subsidiary of Small Enterprise Finance Agency (SOC) Limited. It is a non-life insurer licensed by the SARB Prudential Authority to conduct insurance business in the classes of Guarantee and Trade Credit. KCG was established to house a fund, which would operate an indemnity scheme aimed at assisting SMMEs to obtain financing from financial institutions to enable them to establish, expand or acquire new or existing businesses in circumstances where they would not, without the support of an indemnity cover, qualify for such financing in terms of the participating financial institution's SMME lending criteria. Under the scheme, the targeted clients are the marginal and sub-marginal Small and Medium Enterprises (SMEs).

The objective of the Khula Credit Guarantee scheme is to issue partial credit guarantees to lenders for SMME borrowers, whose access to finance is impeded by the lack of collateral required by lenders. The scheme was set up as a risk-sharing facility with Partner Financial Institutions (PFIs) such as commercial banks, non-bank financial institutions (NBFIs), corporate ESDs and providers of incidental credit, for the purpose of facilitating access to finance for SMMEs with insufficient or unacceptable collateral for the acquisition, establishment, or expansion of a business.

Types of SMMEs



KCG offers the following products to PFIs:

- Individual credit guarantees
- Portfolio credit guarantees
- Supplier credit guarantees
- Hybrid guarantees

FY 2023/24 Performance

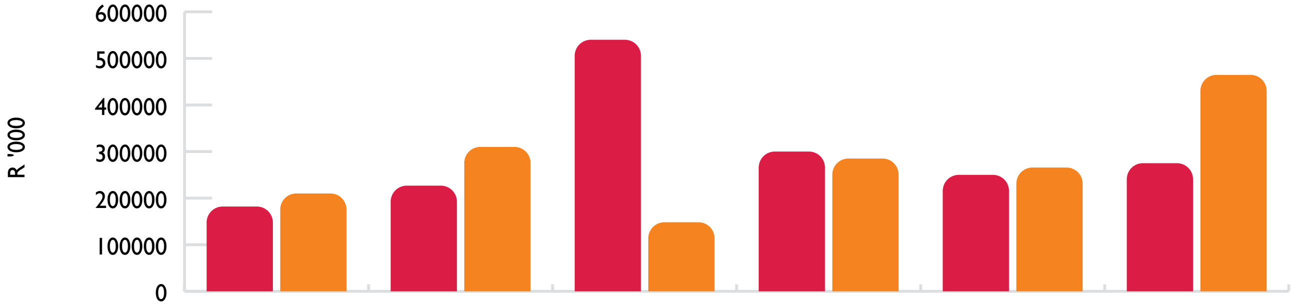
KCG Strategic Indicators Performance for the 2023/24 financial year is shown below.

Key Performance Area	FY2023/24		
	Target R'000	Actual R'000	% Achieved
Value of approvals: Financial institutions	275 000	464 560	163.6%
Value of guarantees taken up: Financial institutions	376 750	850 689	225.8%
No. of SMMEs and co-operatives financed through KCG	686	1 735	253.0%
No. of jobs facilitated (created and sustained)	8 744	7 024	80.3%
Value of guarantees taken up by black-owned enterprises	263 725	597 079	226.4%
Value of guarantees taken up by women owned enterprises	150 700	182 792	121.3%
Value of guarantees taken up by youth owned enterprises	113 025	108 024	95.6%
Value of guarantees taken up by township owned enterprises	94 188	99 891	105.1%
Value of guarantees taken up by enterprises located in rural areas	150 700	205 782	136.6%
Capital leverage effect	6.25 times	6.34 times	101%

KCG has achieved 163.6% of annual target for approvals largely due to KCG core business being commercial banks and NBFIs contributing 96.9% of actual, whilst the remainder came from TREP – Spaza Shop Support Programme (SSSP). The total approvals for the year under review was R464.6 million. This exceeded the targeted approvals of R275 million by 63%. The portfolio guarantees approvals largely came from ABSA ALS (R300 million), Bizcash (R75 million) and Preference Capital (R75 million).

The total value of guarantees taken up was R850.7 million, representing 225.8% of the yearly target. This was largely due to portfolio guarantees achieving 129.8% of annual target, which was strengthened by high performance of supplier credit and SSSP at R347.2 million.

Value of Approvals



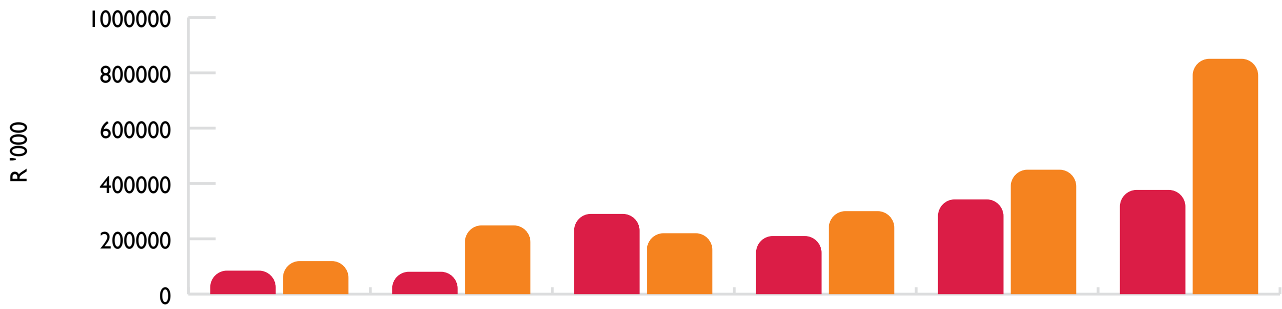
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Target	R182 000	R226 800	R540 000	R300 000	R250 000	R275 000
Actual	R210 000	R310 000	R148 224	R285 000	R265 696	R464 560

Financial Year End

The review period was an active year for KCG that resulted in two major clients increasing their facilities by R375 million due to utilisation of the credit guarantees by end users seeking loans from PFIs. This resulted in improved approvals of 74.8% year-on-year growth to R464.6 million during the financial period.

The approvals included Portfolio Guarantees to ABSA ALS (R300 million), Preference Capital (R75 million) and Bizcash (R75 million). The inclusion of Non-Bank Financial Institutions shows the confidence of credit lenders to the KCG product.

Value of Taken-Ups



	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Target	R84 994	R80 850	R290 037	R210 000	R342 500	R376 750
Actual	R119 510	R248 531	R220 176	R300 039	R449 814	R850 689

Financial Year End

The KCG taken ups grew by 89% year-on-year to R850.7 million from R449.8 million (FY2023). For the period ended 31 March 2024, Supplier Credit Guarantee from Barnes Reinforcing Industries (BRI) (R182.6 million and Praxis (R154 million) had the largest indemnities taken up followed by ABSA ALS (R194.2 million), FNB Agribusiness (R92.2 million) and ABSA Agriculture (R92.1 million).

The taken ups are dominated by commercial banks at R385.7 million and supplier credit at R347.2million. Suppler Credit revolving nature of the product has benefited from the addition of Praxis that extends credit to the emerging motor body repairers.

Portfolio Performance for the period 01 April 2023-31 March 2024

Institution	Guarantee Type	No. SMMEs	Jobs	Status	Taken - up	Indemnity Value (R)
Sasol Siyakha	Portfolio	9	45	Taken up	Active	R 24 084 510
TCBS	Portfolio	1	7	Taken -up	Active	R 1 002 898
Mr Price Group	Portfolio	0	0	Taken up	Active	-
ABSA Agriculture	Portfolio	39	867	Taken up	Active	R 115 595 918
FNB Agriculture	Portfolio	10	234	Taken up	Active	R 64 743 200
ABSA ALS	Portfolio	94	3730	Taken up	Active	R 172 313 606
BIZCASH	Portfolio	50	1851	Taken up	Active	R 55 020 838
ABSA AA	Portfolio	9	91	Taken up	Active	R 7 219 772
PRAXIS	Portfolio	6	47	Taken up	Active	R 62 986 000
ASISA	Portfolio	1	21	Taken up	Active	R 3760000
Portfolio Guarantees						R 506 726 742
Macsteel	Supplier Credit	10	222	Taken up	Active	R 2851722
BRI	Supplier Credit	5	71	Taken up	Active	R 79 135 000
Total		**234**	**7186**			**R 588 713 464**

Taken up Facilities for the period 01 April 2023-31 March 2024

Institution	Guarantee Type	No. SMMEs	Jobs	Status	Taken up	Indemnity Value (R)
Sasol Siyakha	Portfolio	7	39	Taken up	Active	R 27 456 669
TCBS	Portfolio	0	0	Taken -up	Active	-
Mr Price Group	Portfolio	0	0	Taken up	Active	-
ABSA Agriculture	Portfolio	34	636	Taken up	Active	R 92 136 576
FNB Agriculture	Portfolio	8	228	Taken up	Active	R 92 234 000
ABSA ALS	Portfolio	84	2 474	Taken up	Active	R 194 194 239
BIZCASH	Portfolio	46	1 577	Taken up	Active	R 71 093 035
ABSA AA	Portfolio	7	65	Taken up	Active	R 7 123 702
PRAXIS	Portfolio	2	15	Taken up	Active	R 154 040 000
ASISA	Portfolio	0	0	Taken up	Active	R 4 700 000
Portfolio Credit Guarantees		188	5 034			R 642 978 221
Macsteel	Supplier Credit	16	321	Taken up	Active	R 10 550 447
BRI	Supplier Credit	6	99	Taken up	Active	R 182 600 000
Supplier Credit Guarantees		22	420			R 193 150 447
TREP SSSP		1 525	1 570			R 14 560 000
Total		**1 735**	**7 024**			**R 850 688 668**

The approvals that have not yet been drawn and are available for utilisation are shown in the table below:

Indemnities authorised but not yet taken-up, for the year ended 31 March 2024

RFI	Status	Approval date	Active	Facility Not-taken-up (R)	Facility Limit Approved (R)
Sasol Siyakha Enterprise & Development Trust 1	**Approved**	**23-May-16**	**Active**		**20 000 000,00**
Sasol Siyakha Enterprise & Development Trust 2	Approved	26-Mar-18	Active	19 894 362,65	30 000 000,00
Sasol Siyakha Enterprise & Development Trust 3	Approved	31-Mar-23	Not activated yet	150 000 000.00	150 000 000.00
Transaction Capital Business Solutions	Approved	15-Aug-16	Active	48 746 376,98	50 000 000,00
FNB Agriculture	Approved	27-Feb-17	Active	79 071 000,00	160 000 000,00
Mr Price Group	Approved	27-Mar-19	Active	30 000 000,00	30 000 000,00
ABSA Agriculture	Approved	05-Jun-18	Active	15 505 102.69	160 000 000.00
Mercantile Bank Limited	Approved	27-Mar-19	Not activated yet	150 000 000,00	150 000 000,00
ABSA Alternative Lending 1	Approved	27-Mar-20	Active	-65 392 007.77	150 000 000,00
ABSA Alternative Lending 2	Approved	30-Nov-23	Active	300 000 000,00	300 000 000,00
Praxis Financial Services	Approved	24-Jun-22	Active	-59 980 000.00	30 000 000,00
BRI	Approved	03-Jun-19	Active	-63 100 000,00	30 000 000,00
Ubank	Approved	19-Mar-21	Not activated yet	30 000 000,00	30 000 000,00
Macsteel Service Centres SA	Approved	30-Aug-21	Active	56 435 347,91	60 000 000,00
ABSA Automotive Aftermarket	Approved	01-Jan-22	Active	141 978 031.18	150 000 000,00
Bizcash 1	Approved	09-Mar-22	Active	6 223 952,73	75 000 000,00
Bizcash 2	Approved	30-Nov-23	Active	75 000 000,00	75 000 000,00
Standard Bank	Approved	22-Feb-22	Active	150 000 000,00	150 000 000,00
Asisa	Approved	08-Mar-23	Active	70 300 000,00	75 000 000,00
Preference Capital	Approved	30-Nov-23	Active	75 000 000,00	75 000 000,00
				1 209 682 166.37	**1 950 000 000,00**

The table above depicts KCG potential liability (R1,950 million) if all approved transactions were to be fully taken up. It also reflects the growth of the guaranteed book that has an impact on how the technical provisions are reserved in KCG Balance Sheet in line with implied ORSA risk exposure in the planning period.

The total of facilities not taken up includes settled transactions, newly approved and facilities with legal challenges such as Ubank which has been taken over by African Bank and Mercantile bank taken over by Capitec Bank.

Growth outlook

The SARB Monetary Policy Review – April 2024 states that the intensity of load shedding subsided in the final quarter of 2023 and remained muted through the first quarter of 2024. Nonetheless, the grid remains fragile as demonstrated by the ramp-up in load shedding in the middle of February 2024. Despite remaining a serious risk to growth, electricity supply is expected to gradually improve, as alternative energy sources expand and are added to the grid by Eskom. SARB projects load shedding to shave 06, 02 and 0.04 percentage points from growth in 2024,2025 and 2026 respectively.

This level of confidence in the projected growth that will result in economic growth is seen by the increase in approvals of portfolio credit guarantees sought by commercial banks and non-bank financial institutions reflecting an increase in lending and is further compounded by a quantum leap in loans extended to end users by KCG partner financial institutions.

Summary of the transactions approved

Preference Capital (R75 million)

The Preference Capital facility of R75 million Portfolio Credit Guarantee is a new facility aimed at providing access to finance to marginalised SMMEs who ordinarily would not get funding from commercial banks. Preference Capital provides bespoke financial solutions to SMMEs across various industries and business sizes.

A brief description of Preference Capital's product offerings is contained in the table below:

Product	Description
Merchant Cash Advances	Short term unsecured funding for businesses older than six months.
Trade Finance	Provides finance that bridges the gap between purchase and sale.
Asset Finance	Finances assets over a 36 to 48 months term. Asset finance covers assets such as trailers, yellow equipment, trucks, caterpillars, excavators, vehicles.

Alternative Financial Solutions T/A Bizcash (R75 million)

A portfolio Credit Guarantee of R75 million for Bizcash was initially approved in the 2022 financial year, and the facility has been fully utilised. The facility has been increased by another R75 million bringing the full facility to R150 million. The purpose of this facility is to encourage and facilitate the provision of loans to SMMEs via the purchase of transferable instruments in the form of invoices and purchase orders by offering to absorb 80% of Bizcash' s irrecoverable loss in the event of a default.

Bizcash offers more than one working capital solution to the SMME community, providing the client the ability to look at alternative solutions for their working capital requirements rather than boxing the client into a single offering. Bizcash, as a financial services company, specialises in business loans and financial services to SMMEs in a variety of sectors including logistics, manufacturing, renewable energy, transport, fleet management, engineering, plastic, recycling and waste management to name a few.

Bizcash' s working capital product offering includes the following:

- **Selective Invoice Discounting** (Disclosed / Undisclosed - 1 to 6 months)
- **Business Loan** (1 to 12 months)
- **Term Loan** (1 to 24 months)
- **Business Overdraft** (on demand, followed by annual renewal)
- **Supply Chain Finance/Purchase Order Finance** (1 to 6 months

For the year under review, Bizcash has extended loans to 59 SMMEs to the value of R71.1 million thus creating and maintaining 1 577 sustainable jobs.

ABSA Alternative Lending Solutions (ABSA ALS) (R300 million)

ABSA Alternative Lending Solutions (ALS) was initially approved in March 2020 at R150 million. The facility has been fully taken up and due to high demand of the product at ABSA. It has, therefore, been increased by R300 million making the full facilityR450 million. Absa Group Limited (AGL) has over the years implemented enterprise development programmes that focus on stimulating economic growth by providing emerging small and medium enterprises with access to finance, products, services, and business opportunities.AGL enables their growth and development by providing entrepreneurs with training, business development support, and access to markets.

Key initiatives at AGL include:

- **Alternative Lending Solutions:** AGL establishes strategic partnerships that allow the Bank to offer credit to SMMEs who would not qualify through conventional credit.
- **Corporate value chain lending to emerging SMMEs**: AGL provides SMMEs within corporate and government value chains with access to innovative cash-flow-based finance.
- **Preferential procurement and supplier development with qualifying SMMEs**: AGL has inclusive procurement practices and supply chain development programmes that provide entrepreneurs with access to business opportunities, addressing the challenges they have, such as being unable to access markets.
- **Business Development Support**: AGL provides aspirant entrepreneurs and small business owners with non-financial business development services to start and grow their businesses.

This facility enables access to finance opportunities to prospective and existing SMMEs who require lending facilities from ABSA ALS but cannot qualify due to lack of/or inadequate security. This facility provides collateral cover and/or shortfalls for SMMEs which, other than security, would qualify for ABSA ALS lending criteria.

For the year under review, ABSA ALS has extended loans to 89 SMMEs to the value of R194.2 million thus creating and maintaining 2,474 sustainable jobs.

Summary of the transactions approved prior financial period FY23 (recently approved)

Association for Savings and Investment South Africa (ASISA) (R75 million)

A portfolio guarantee of R75 million for the Association for Savings and Investment South Africa (ASISA) Enterprise and Supplier Development Trust (ESD) was approved.

The purpose of this portfolio credit guarantee facility is to provide access to finance by enabling and facilitating the provision of loans by lenders to Small, Medium and Micro Enterprises ("SMMEs") in the following sectors: Automotive, ICT, Healthcare, Green Economy and general SMMEs. Moreover, these sectors are in alignment with the EU Budget Support Programme (EU Innovation Fund).

ASISA ESD emerges from 'Foster the Future' initiative formed by ASISA. It consists of three independent entities, namely, ASISA Enterprise and Supplier Development (ESD), the ASISA Foundation, and the ASISA Academy. The objective of the ASISA initiative is to address two (2) of the key social shortfalls currently plaguing South Africa and constraining economic growth, namely, unemployment and education.

The initiative's objectives are as follows:

ASISA Enterprise and Supplier Development (ESD)

- Grow the black-owned SMME segment, not only through business development and funding, also by providing access to market through ASISA members' supply chains therefore increasing job creation.

ASISA Foundation

- Helps young black people, workers, and economically vulnerable citizens onto the road of financial literacy.

ASISA Academy

- Helps young people entering the financial services industry or considering it as a career (facilitation of employment for black graduates).

The purpose of the initiative is to fast-track job creation by unlocking the growth potential of South Africa's small and medium enterprise (SMMEs) sector. The sustainable development of potential black owned SMMEs is achieved through an innovative combination of tailored business support, access to market and financial support structured according to the specific needs of each SMME and the market. Eligible black owned SMMEs are carefully selected from the supply chain of ASISA member companies.

The two funds (ED Trust 1 and SD Trust 2) are currently managed by **Edge Growth Ventures** (Pty) Ltd as the Fund Manager, which is an enterprise and supplier development firm that focuses on strategic partnerships that connects businesses and SMME development, commercial leadership, and enterprise development strategy. Edge Growth's services include strategy and advisory, SMME growth support, programme management and fund management.

For the period under review, ASISA approved one transaction (1 SMME) amounting to R4.7 million which created and maintained 21 jobs.

Sasol Siyakha Enterprise and Supplier Development Trust (ESD) (R150 million)

A portfolio credit guarantee of R150 million for Sasol Siyakha ESD was approved in the period under review. The purpose of this portfolio credit guarantee facility is to provide cover to SMMEs who apply for financial assistance from Sasol Siyakha through the Enterprise and Supplier Development programme to establish, expand or acquire new or existing businesses but lack sufficient collateral.

Sasol Siyakha Enterprise and Supplier Development function was established to ensure focused and integrated delivery of Sasol's programmes aimed at contributing to the development of SMMEs and the diversification of Sasol's supplier pool. Sasol Siyakha is a vehicle employed to stimulate economic growth, transformation, and the creation of jobs in the energy sector.

This was in recognition that a growing small, medium, and micro-sized enterprise (SMME) sector is vital for broadening economic participation and delivering on the country's economic development objectives. While the focus of SMME development activities is primarily within the communities in which Sasol operates, it is expected that this programme will contribute positively and more broadly to economic development and transformation. The ESD remains a strategic business partner that champions customer's localisation requirements to create competitive value for the business.

Sasol Siyakha' s primary objectives are as follows:

- Identifying and nurturing entrepreneurial talent and capability
- Accelerate development of transformed SMMEs by:
    - supporting them with relevant resources including funding; and
    - creating meaningful opportunities to enable participation in commercial supply chains, including Sasol's.
- Ensure transformation of Sasol supply chain and apply responsible sourcing and procurement principles
- Sasol's approach to enterprise and supplier development is to nurture, grow and sustain SMMEs by providing:
- technical and business development support, through mentoring and coaching, and
    - loan funding to qualifying SMME suppliers through the Sasol Siyakha Enterprise and Supplier Development Trust.

Sasol ESD funding products

Funding Vehicles

Grant Funding	Tysis Fund	Siyakha Fund
Up to 100k Non-Sasol supplier (ED)	Up to 250k	From 250k and above
Fund Offerings	**Fund Offerings**	**Fund Offerings**
Grant fund as part of ED development: Acquire Tools, Equipment; Technical Accreditation and Software Management Programmes	Purchase order funding Working Capital Asset Financing	Asset Financing Loan Consolidation Working capital

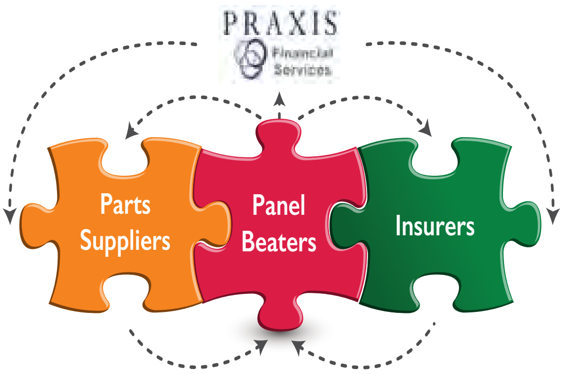
For the period under review, Sasol Siyakha approved R27.4 million that assisted seven SMMEs, creating and maintaining 39 jobs.

Praxis Financial Services (R30 million)

This supplier credit guarantee facility of R75 million was approved in FY2023 to be utilised to provide a credit guarantee cover to Praxis Financial Services to enable access to credit facilities by emerging black owned motor body repairers. This facility will assist Praxis to provide a funding solution to the black insurance approved panel beaters for the full working capital cycle. The main purpose of this facility is to have a supplier credit guarantee managed by Praxis that can be availed to motor part suppliers (Original Equipment Manufacturers – (OEM) parts suppliers) so that they can extend larger credit facilities to black emerging insurance approved panel beaters.

Praxis is a leading provider of short-term finance to the panel beating industry that provides a unique offering to address the working capital requirements of motor body repairers. This is achieved primarily through the funding of parts for repairs to consumers' insured vehicles. The business also provides an information technology platform to enable the seamless interaction between motor body repairers, parts suppliers, and insurers within the industry, and it aims to ultimately institutionalise this funding market in South Africa

Praxis' value proposition is to bring together the parts suppliers with panel beaters who have insurance approved jobs and enable credit facilities to the panel beaters. Insurers are seeing the value Praxis brings to the value chain. With Praxis as an independent intermediary in the process, insurers can achieve a lot of their objectives around transparency, participating in funding without directly procuring themselves or imposing burdensome unique processing requirements on panel beaters who are not equipped to deal with it.



Praxis' opportunity is embodied in it being the independent owner of the information exchange across the sector, and in doing so it has enabled the following:

- Access to funding the full working capital cycle for Panel Beaters.
- It synchronises and modernises the information exchange across all participants in the value chain; and
- It captures the eroded value and re-distributes it across the value chain based on common incentives for all players i.e., parts suppliers, panel beaters and insurers.

For the period under review, Praxis approved R154.0 million that assisted 74 SMMEs and created 15 jobs.

Township and Rural Enterprises Economy Programmes (TREP)

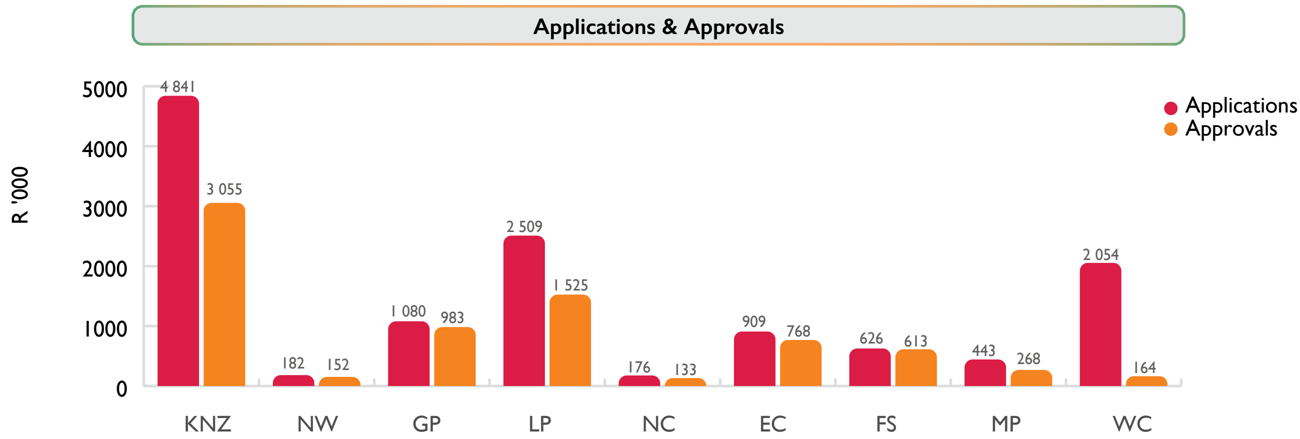
Spaza Shop Support Programme (SSSP)

The Spaza Shop Support Programme offering has been increased to R15 000 (R10 500 grant and R4 500 credit). Nedbank has completed rolling out the bulk disbursement of the R7000 top ups for previously approved clients and the R10 500 grant for the new applications.

The R7 000 top-ups with Nedbank concluded in Quarter 4 FY2024 with a few remaining (61) from SBSA and thereafter the focus has mostly been on new applications with the initiatives KCG has with two wholesalers as strategic partners: Vuleka Platform and Tucssys. These partners have been chosen because they already offer incidental credit to Spaza Shop owners so they would be able to access the additional spaza owners in the respective areas. These two wholesalers assist spaza owners with delivery, applying for the funds, CIPC, municipal permits and completing the Nedbank-**sefa** forms for SSSP.

For the period under review, R14.5 million was approved making the total approval from inception to date of R80 million against a total budget of R87.5 million.

The Spaza Shop Support Programme (SSSP) has received the following applications cumulatively.



Spaza	Shop Support	Programme	Provincial	Budget	Allocation
Province	No of approvals R3500	No of approvals R10500	No. of top ups R7000	Amount committed to Spazas (R)	Budget balance (R)
Total EC	716	52	704	7 980 000	3 242 445
Total FS	232	381	227	6 401 500	- 1 386 470
Total GP	322	661	324	10 335 500	8 497 165
Total KZN	2 473	582	2 448	31 902 500	- 14 367 430
Total LP	1 224	301	1 238	16 110 500	- 6 676 632
Total MP	197	71	174	2 653 000	4 746 800
Total NC	72	61	72	1 396 500	1 549 392
Total NW	105	47	106	1 603 000	4 849 906
Total WC	99	65	86	1 631 000	7 031 325
TOTAL	**5 440**	**2 221**	**5 379**	**80 013 500**	**7 486 500**
			7 661		

The amount that has been spent by spaza shop owners at approved wholesalers amounted to R52.9 million.

A breakdown of card and funds movement is shown below:

Number of cards linked to control/detail	9 870
Transactions - Total Quantity	43 540
Spend (Purchases) - Total Value	R52 826 832
Remaining on Cards - Total value	R26 431 320
Remaining on KCG Control Account	R5 999 966
Total Remaining Value	**R32 431 287**

Wholesaler Spending as at 31 March 2024			
	Amount - Rand		
Wholesaler	**Nedbank**	**SBSA**	**TOTAL**
Ohlanga, TFS, Favours, Desa	11 029 817	20 150	11 049 967
Makro Stores	12 532 472	20 905	12 553 377
Premjee 'n Sons	8 476 040		8 476 040
Jumbo Cash 'n Carry	3 112 997	3274	3 116 271
Jock Morrison	2 155 933		2 155 933
Devland	2 215 139		2 215 139
Big Save	464 815		464 815
Kit-Kat	831 970		831 970
Junk Shop	1 177 374		1 177 374
Overland	406 285		406 285
Phoenix	2 249 994		2 249 994
Bibi Cash'n Carry	303 364		303 364
Goldfields	35 352		35 352
SA Cash'n carry	52 023	26 767	78 790
Makwa	20 856		20 856
Max	20 792		20 792
Tradeport		3 410	3 410
One up Wholesalers	157 106		
Total	**45 242 329**	**74 506**	**45 159 729**
Not Specified	**R7 584 503**		
	52 826 832	**74 506**	**52 901 338**

The Automotive Aftermarket Programme (AA)

During the period under review the Automotive Aftermarket facility under ABSA had taken ups of R5.8 million with 6 SMMEs funded creating and maintaining 53 jobs. KCG is the recipient and administrator of a development funding programme sponsored by the DSBD.

Following the outbreak of COVID-19, DSBD has allocated funds to the value of R112.5 million. Absa is the current implementation partner in the roll out of the Scheme and grant access to the facilities to qualifying SMMEs which are automotive workshops, motor body repairers, fitment centres and glaziers. KCG provides Absa with a portfolio aimed at indemnifying Absa's irrecoverable loss which may incur in the event that there is default in respect of end users failing to meet their obligations.

The programme is also covered by the EU Budget Support KCG Innovation Fund which has increased the guarantee cover to be 90%.

ASISA – Association for Investment and Savings South Africa currently managed by Edge Growth, has a recently approved facility for R75 million which, amongst others, has a panel beater book in their portfolio that will also be a partner in disbursing funds under Automotive Aftermarket Programme.

The AA Programme is aimed at:

- Supporting qualified motor body repairers (panel beaters) to operate accredited small /independent panel beaters (motor body repairers) centres.

Supporting qualified motor mechanics to operate authorised service centres

- Supporting the small/independent auto-spares shops to serve as distributors of automotive aftermarket spare parts centres.
- Supporting the formalisation of informal fitment centres into formal fitment centres.

Performance of other existing facilities

ABSA Agriculture

ABSA Agriculture portfolio credit guarantee was approved in May 2018 to assist black small-holder farmers to enable equity acquisitions by workers' trust funds or B-BBEE investors in the farming enterprises of ABSA's top 20% agriculture clients. The purpose of the facility is to enhance delivery of agriculturally based financial solutions towards acquisition, expansion, and joint venture initiatives where there is a strong business case, but there is lack of sufficient collateral.

The ABSA Agribusiness indemnity facility of R160 million provides cover to clients predominantly in the following four categories: small-holder farmers, stand-alone black commercial farmers, B-BBEE joint ventures (with established commercial farmers) and B-BBEE in secondary agriculture.

Small-holder farmers	These are small holdings as individuals or as groups (co-operatives), who mostly cultivate short-term crops (vegetables, cotton, grains) and tree crops on communal land. They have limited production assets. There are ESD opportunities and have potential to be sustainable. Borrowing requirements: R1 million from the bank, (more is required for long-term crops).
Black commercial farmers	Most lease land from government and few own the land acquired from former homeland governments and in current dispensation. They are involved in various commodities and technical assistance is usually provided by commodity associations, co-operatives, input suppliers and off-takers. Some are in ESD programmes of corporates. Borrowing requirements: R10 million for production, assets, and land.
B-BBEE joint ventures with established white commercial farmers	These are joint ventures between existing bank clients and empowering partners (usually workers' trusts) in response to requirements for B-BBEE compliance to access government services such as export licences, water rights and fishing permits. JVs may be with communities to expand onto unutilised land.
B-BBEE in secondary agriculture	Banks need to develop B-BBEE clients and service providers in supply and distribution chains (e.g., supply agri products for processing, BEE entities in allied activities such as packing, transport, chilling, storage, labour brokerage, etc.) These may need BEE shareholders.

For the year under review, ABSA agriculture had a taken-up value of R92.1 million worth of loans extended to farmers. The facility has assisted 40 farmers with an average transaction size of R15 million thus creating and maintaining sustainable 636 jobs.

FNB Business Agriculture

The facility was approved in 2017 and later increased by R100 million in March 2020 to make a total facility to be R160 million. FNB Business Agriculture facility exists to proactively promote black economic empowerment in the agriculture sector. The facility focuses on emerging black farmers in the entire agricultural value chain, who are producers of inputs, primary and secondary production, as well as agri-businesses. FNB, due to its national footprint, leverages its existing network and customer base to identify possible transactions.

For the period under review, the FNB agriculture facility assisted 12 farmers with funding of R92.2 million that created and maintained 228 sustainable jobs.

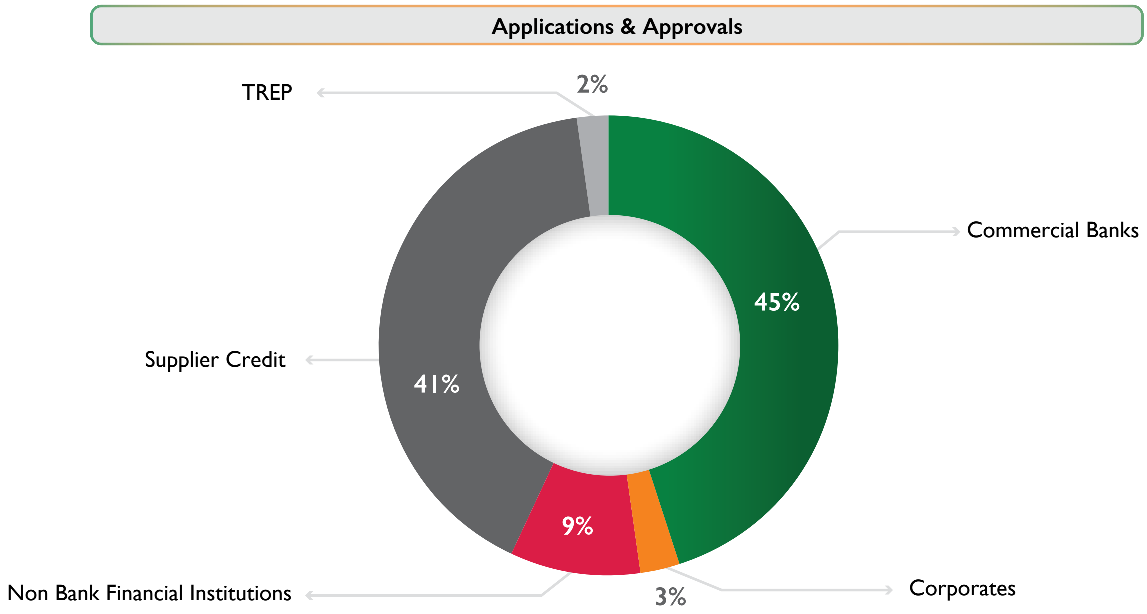
Barnes Reinforcing Industries (BRI)

The facility was approved in July 2016 for R30 million with the purpose of providing guarantees to encourage and facilitate the provision of credit by the supplier to SMMEs who intend purchasing goods and materials from BRI by offering to insure 85% of BRI's irrecoverable loss in the event of default.

The main purpose of the facility is to encourage suppliers of "input goods" to SMMEs, by indemnifying suppliers against possible default by the SMMEs. It also enables access to affordable credit for SMMEs, especially those enterprises that do not have access via traditional banking facilities. Moreover, it supports and strengthens relationships between "input goods" suppliers that represent a key resource in most of South Africa's small business activity by reducing the cost and shortening the supply chain.

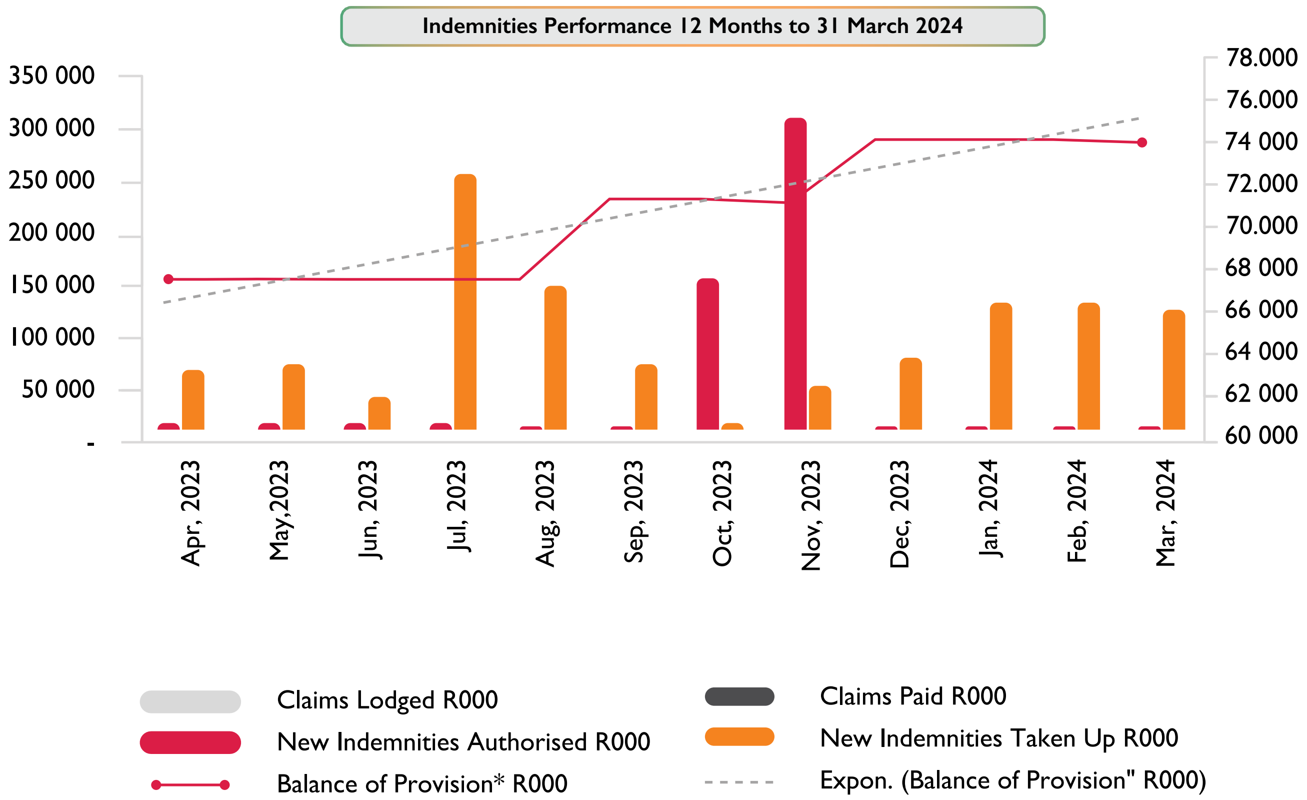
The BRI supplier credit guarantee facility assisted 38 SMMEs in the steel supply business to maintain 99 jobs with a revolving taken up facility of R182.6million utilised during the year under review.

Portfolio split for the period 01 April 2023 – 31 March 2024



Claims Provisioning

For year ended 31 March 2024, the balance of total technical provision in relation to claims lodged and claims paid is depicted in the graph below:



The new indemnity taken ups have an upward trigger to the movement of technical provision whereas claims have an inverse relation to the balance of provision. The provision is adjusted on quarterly basis to reflect the new upward/ downward movement on business. At year end, all movements are matched to financial statements and are adjusted to match the anticipated growth in business as per the approved budget.

The taken ups have increased largely coming from ABSA ALS, ABSA Agri, Praxis and BRI. The balance of provision has been increased to R74.6 million in response to the emerging defaults and claims paid in the period under review.

The Township and Rural Empowerment Programmes (TREP) was introduced by DSBD at the height of the COVID-19 pandemic to assist small businesses recover from the adverse effects of COVID-19, especially in respect of the financial support availed to spaza shop owners and the entrepreneurs participating in the automotive aftermarket. In summary, TREP supports informal, micro, and small enterprises and co-operatives in rural and township economies.

It further provides blended finance and business development support to various sectors with a view to promoting their participation in the mainstream economy. **sefa** has several funding products available specifically to assist SMMEs and co-operatives in need of finance. KCG has the following programmes to implement as part of the TREP.

TREP offerings

Product	Amount per applicant	Partner Bank
Automotive Aftermarket	Up to R1 million blended finance (80% loan and 20% grant), grant limited to R100 000 per transaction	ABSA ASISA
Spaza Shop Support Programme	R15 000 (70% grant (R10 500) and 30% (R4 500) credit) through a closed loop purchasing card at participating wholesalers.	Nedbank

Automotive Aftermarket

The automotive aftermarket business support scheme supports and develops small and independent automotive aftermarket enterprises, including informal businesses located in townships and villages.

The scheme was developed in response to the increased demand for services from the motor industry, insurance companies and uninsured vehicle owners, and it is geared towards businesses located in townships and rural areas. The objective of the AA is to support motor body repairers (panel beaters) to operate accredited small or independent panel beating (motor body repairs) businesses, and motor and other mechanics to operate authorised service centres.

Spaza Shop Support Programme

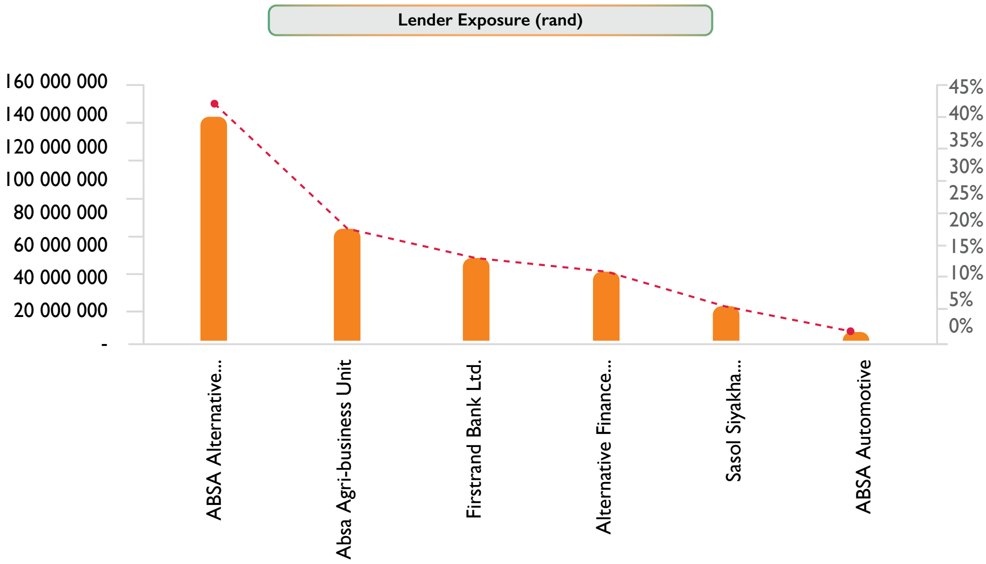
The Spaza Shop Support Programme is targeted at township and rural entrepreneurs who own spaza shops, general dealers, or grocery stores. It is offered in partnership with Nedbank and through KCG. The objectives of this scheme are to formalise informal businesses into micro enterprises, facilitate the banking of the unbanked and to build a reliable database for future government planning and support.

Concentration of Insurance Risk

Whilst KCG partners with PFIs to provide guarantee for risk of default, KCG's ultimate risk lies at the underlying SMME borrower level, and therefore the concentrated exposure to specific SMMEs would be the greatest source of concentration risk. There are other secondary concentration risks such as economic sectors, geographical locations, as well as practices of the lenders.

Risk Across Funders

The credit guarantee risk split is indicated in the diagram below. The bars represent the exposure in absolute amounts, whereas the black line shows the proportional contribution of exposure to the book.

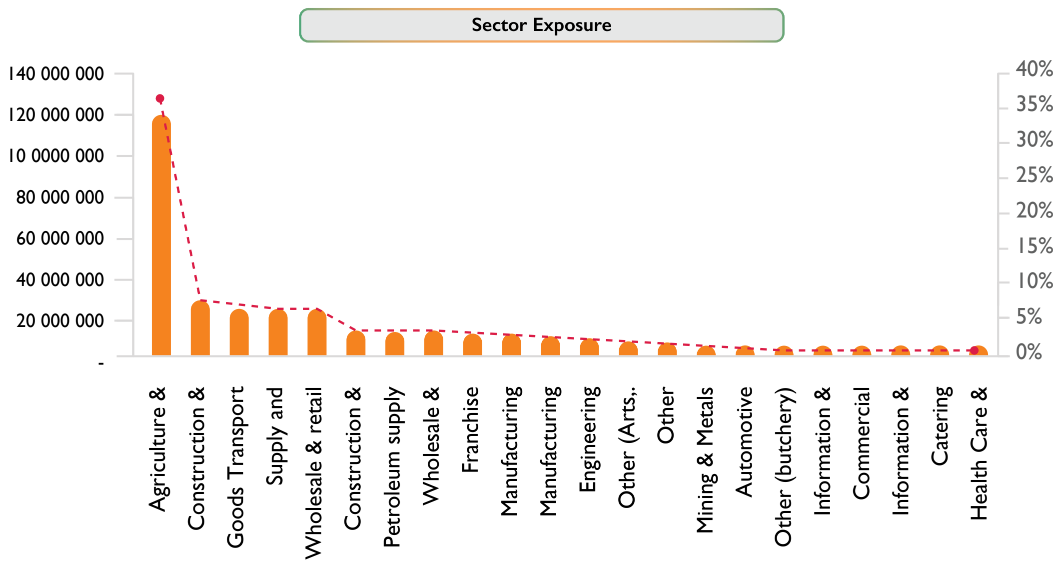


ABSA (ALS, Agri, AA) at 63% followed by FNB Agriculture at 15% and AFS (Bizcash) at 14% account for the largest share of the risk, whereas Sasol Siyakha and others account for the remainder below 10%.

Business Sector Spread

The following graph shows the concentration in exposure by business sector.

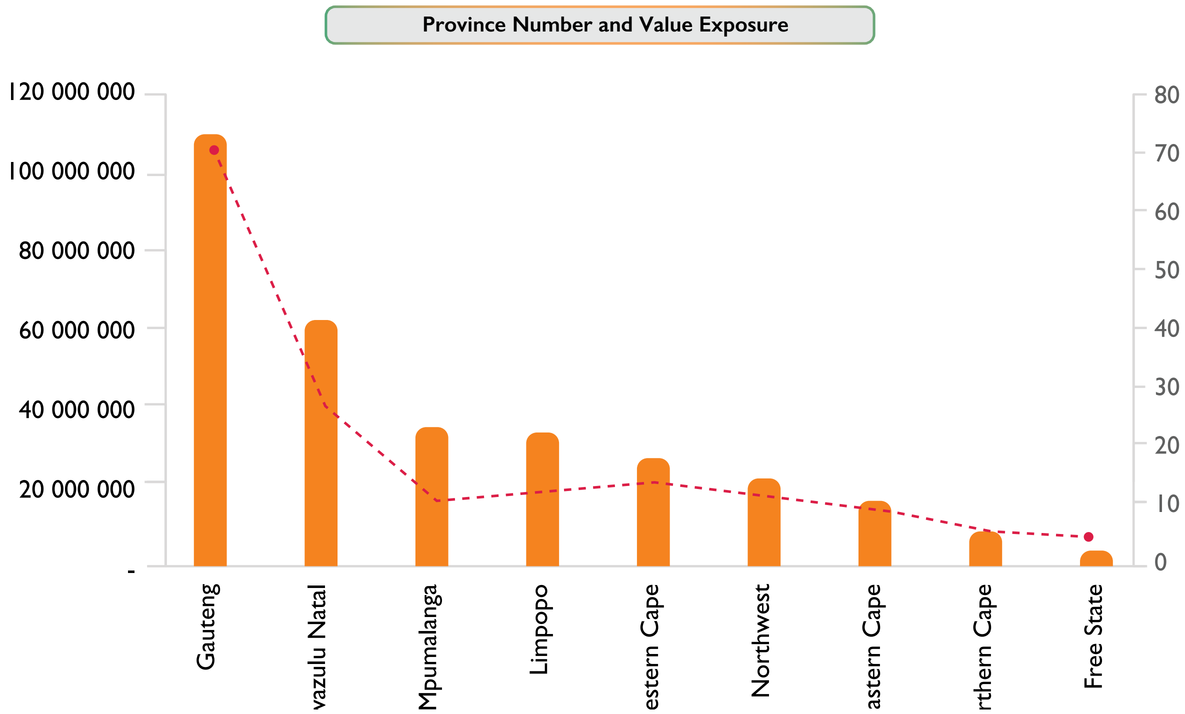
- The graph below illustrates the exposure in absolute amounts and the dotted line illustrates the proportional contribution of risk.



Agriculture has the largest exposure at 38% of the book, followed by construction at 15%, with wholesale and retail businesses that has dropped to just below 5%. Other sectors such as manufacturing, mining, transport, automotive, catering, and other sectors all have the lowest exposure.

Risk Spread Across the Provinces.

The graph below shows the concentration in exposure by province. The bars represent exposure in absolute amounts, whereas the dotted line illustrates the number of taken ups (risks).



Gauteng has the highest exposure in current indemnity, and number of policies (taken ups). This means that there are larger individual loans covered in Gauteng than in any other province.

KCG Partner Financial Institutions

Challenges

- Lengthy approval process within the banking partners for the use of the guarantee
- Low visibility of KCG
- Capitalisation of the scheme

For KCG to be successful in addressing the challenges it faced, the planned strategy required that the current form under which KCG operated was changed. This required KCG to be a more efficient operation in line with best international practices so that the revamped institution could manage to shed its legacy problems and reputation.

A range of financial products that meet the needs of SMMEs will be developed in the forthcoming years. KCG is planning to develop several products, such as working capital loans, trade finance and start-up loans that target professional and vocational graduates.

The guarantee is kept invisible to the end beneficiary to reduce moral hazard. This has been widely accepted by the Partner Financial Institutions.

Success stories

Libloy Trading (Pty) Ltd

Location: Gauteng
Job Creation: 12
Funder: Alternative Finance Solutions
Sector: Construction

Summary:

Mokgadi Letsoalo-Melwa, founder of Libloy Trading, 100% black female owned construction company that focuses on property restorations, maintenance for insurance companies and banks for their property portfolios. The business also supplies innovative building material solutions called BUILDKIT as well as electrical and plumbing material kits.

COVID-19 had a significant impact on the business and delayed expansion plans, Bizcash provided an Invoice Discounting facility as well as an Overdraft for the purchase of materials and equipment to expand the business into other provinces and be able to service other geographic locations.

The funding extended to Libloy Trading was achieved through the backing of the KCG Facility.

Acetech Towers (Pty) Ltd

Location: Gauteng
Job Creation: 6
Funder: Alternative Finance Solutions T/A Bizcash
Sector: Manufacturing

Summary:

AceTech Towers, 100% black owned, the business is developing a project to roll out for rural telecoms infrastructure. The business offers structural and metal fabrication products in the FMCG, telecoms and industrial environment space, specialising in telecom towers, mechanical and process equipment as well as renewable energy structures mainly in the solar energy space.

AceTech has set up a factory in Wadeville, Gauteng and Bizcash has assisted the business with a working capital facility for operational expenses. The funding to Acetech Towers is backed by the guarantee facility from KCG.

Clowdy (Pty)

Location: Johannesburg
Job Creation: 8 Permanent, 1 Contractual Consultant, 3 Interns.
Funder: Alternative Finance Solutions
Sector: Information and Communication

Summary:

Founded in 2019 and 100% black owned, the business specialises in technical support guiding clients through the digital landscape, crafting tailored strategies and providing innovative tools to ensure success.

Clowdy has rapidly transformed from providing diverse tech support to pioneering cloud-focused business solutions shifting its mission to drive digital transformation.

The Bizcash funding backed by KCG facility has assisted in scaling services, growth, and expansion.

Mr Xolani Meva

Acting Executive Manager

Direct Lending

Direct Lending

Since inception in 2012, Direct Lending has approved a total of R6.8 billion in support of SMMEs and Cooperatives. During this period, a total of R5 billion was disbursed – which reflects real investment into the economy. A total of 5561 enterprises were supported and these enterprises with businesses created and maintained a 70 294 jobs.

Province	Approvals	%	Disbursements	%
Eastern Cape	R765 068 266	11%	R509 831 702	10%
Free State	R364 831 322	5%	R279 384 847	6%
Gauteng	R2 735 843 088	40%	R2 065 439 249	41%
Kwazulu Natal	R824 718 492	12%	R640 802 821	13%
Limpopo	R726 239 512	11%	R593 604 125	12%
Mpumalanga	R422 490 489	6%	R276 744 187	5%
Northern Cape	R186 471 376	3%	R131 790 261	3%
Northwest	R286 602 675	4%	R219 159 802	4%
Western Cape	R526 706 992	8%	R350 639 935	7%
Total	**R6 838 872 194**	**100%**	**R5 067 565 318**	**100%**

Annual Operational Performance

During the 2023/24 financial year, Direct Lending approved a total of R516 million facilities and disbursed R426 million into the economy. A total of 312 SMMEs were supported during this period and these enterprises created and/or maintained a total of 3880 sustainable jobs.

Province	Approvals	%	Disbursements	%
Eastern Cape	R86 108 569	17%	R57 409 502	13%
Free State	R9 437 315	2%	R6 655 628	2%
Gauteng	R195 882 504	38%	R163 090 315	38%
Kwazulu Natal	R77 611 876	15%	R84 308 157	20%
Limpopo	R48 030 732	9%	R43 863 842	10%
Mpumalanga	R19 021 055	4%	R11 523 438	3%
Northern Cape	R27 526 190	5%	R15 047 008	4%
Northwest	R22 257 184	4%	R18 781 692	4%
Western Cape	R30 727 923	6%	R25 645 795	6%
Total	**R516 603 347**	**100%**	**R426 325 376**	**100%**

Economic Recovery Programme Performance

The table below illustrates the allocation of approvals, as well as disbursements according to the various programmes.

Loan Programme	Approvals	%	Disbursements	%
Blended Finance Programme		0%	-R492 400	0%
Business Recovery Programme		0%	R581 006	0%
Business Viability Programme		0%	R13 037 139	3%
Direct Lending Loans	R111 151 996	22%	R123 692 938	29%
Purchase Order Finance Loans	R56 795 401	11%	R48 301 285	11%
SEMSP Programme	R108 370 104	21%	R94 497 362	22%
TREP Programme	R123 531 436	24%	R78 806 569	18%
Youth Loans	R116 754 410	23%	R67 901 478	16%
Total	R516 603 347	100%	R426 325 376	100%
Total	**R516 603 347**	**100%**	**R426 325 376**	**100%**

* The negative amount of R492 400 is the insurance payout and is reflected as a reversal for the clients since this client is currently in **sefa's** legal book.

Industry Classification

Direct Lending is not sector specific and provides funding across all sectors of the economy. The following tables outlines approvals as well as disbursements covering all sectors.

Manufacturing, as well as wholesale and retail trade, accounts for the larger allocation. This can be attributed to the Small Enterprise Manufacturing Support Programme (manufacturing) as well as the Township and Rural Entrepreneurship Programme (retail trade). These are blended finance programmes that are having an impact in supporting SMMEs that are in the manufacturing sector as well as those that operate in township and rural areas.

Industry	Approvals	%	Disbursements	%
Accommodation and food service activities	R34 491 959	6.7%	R32 213 713	7.6%
Activities of households as employers	R2 329 657	0.5%	R1 983 000	0.5%
Administrative and support activities	R1 354 932	0.3%	R649 280	0.2%
Agriculture, forestry and fishing	R9 187 099	1.8%	R7 282 325	1.7%
Arts, entertainment and recreation		0.0%	R601 215	0.1%
Construction	R44 998 863	8.7%	R44 534 899	10.4%
Education	R1 123 205	0.2%	R818 020	0.2%
Electricity, gas	R14 539 542	2.8%	R26 132 711	6.1%
Financial and insurance activities	R322 820	0.1%	R7 977 821	1.9%
Human health and social work activities	R18 046 531	3.5%	R22 730 229	5.3%
Information and communication	R10 246 563	2.0%	R11 603 488	2.7%
Manufacturing	R179 285 854	34.7%	R149 909 700	35.2%
Mining and quarrying	R24 070 392	4.7%	R4 075 596	1.0%
Other service activities	R18 293 511	3.5%	R21 127 936	5.0%
Professional, scientific and technical activities	R4 208 012	0.8%	R2 689 979	0.6%
Public administration and defence	R2 656 393	0.5%		0.0%
Real estate activities	R459 594	0.1%		0.0%
Transportation and storage	R16 857 583	3.3%	R5 833 046	1.4%
Water supply; sewerage, waste management	R2 914 211	0.6%	R1 657 538	0.4%
Wholesale and retail trade	R131 216 629	25.4%	R84 504 881	19.8%
Total	**R516 603 347**	**100.0%**	**R426 325 376**	**100.0%**

Success stories

Siyanda Food Distributors (Pty) Ltd t/a Roman's Pizza

Location: Kimberly

Job Creation: 38

Sector: Retail

Summary:

Siyanda Food Distributors (Pty) Ltd was established in 2023 with the sole purpose of acquring a Romans Pizza franchise. The business has two (2) outlets located at the Caltex Garage Complex as well as Diamond Pavilion Mall in Kimberley (Northern Cape).

The company shareholders are Louw (34%), Leroy Kasper (33%) and Thembakazi Twala (33%). 2 (two) of the shareholders fall under the youth category and previously worked for Romans Pizza as cashiers and later promoted to store managers.

The three directors of Siyanda Food Distributors (Pty) Ltd, have been a part of the Romans Pizza franchise for more than 6 years.

Gadifele Civils and Projects

Location: North West

Job Creation: 10

Sector: Services

Summary:

Gadifele Civils and Projects (Pty) Ltd is a private company that is 100% youth-owned and managed by Mr. Nteseng Molema. The business operations are based in rural Kroondal, just outside Rustenburg in the North-West Province. Gadifele Civils and Projects operates in the supply and maintainance of prducts and services in the mining sector.

The company was awarded a 5-year contract by Samancor Chrome Limited for the provision of cleaning services at the Millsell Plant. The services entail housekeeping of the plant in areas where the loading of material by a front-end loader cannot be performed due to access restrictions of confined spaces and where there are no dedicated operators manning the sections. The contract also entails the provision of surface mobile equipment (Skid Steer/ Bobcat), the provision of labour and fuel.

Gadifele Civils and Projects (Pty) Ltd approached **sefa** for financial assistance to purchase the skid steer, which is a requirement for the cleaning services that is provided to the mine as per the contract.

Ndungane Construction

Location: Kwazulu Natal

Job Creation: 17

Sector: Construction

Summary:

Ndungane Construction was established in 2015 and initially 42% black owned. In 2023, **sefa** funding the buy out of the majority shareholder, making the business 100% black owned. The business is owned by Odwa Ndungane and Musa Dlamini, and is based in Kwa-Zulu Natal.

The company is a grade 7CE construction and civil engineering business that has delivered civil engineering and construction projects throughout South Africa and built a reputation for delivering quality services.

The business has a contract with Lafarge for hauling of crushed stone inside the mine. The crushed stone is moved from demolished areas within the mine to the crushing plant where Lafarge then crushes these stones for use in other products. Whilst the business has to date been concentrating mainly on work for Lafarge, they have also started getting work from other construction companies like WBHO and construction companies to supply crusher stone.

Ganu Group (Pty) Ltd

Location: Flagstaff, Eastern Cape

Job Creation: 6

Sector: Construction

Summary:

Ganu was established in June 2020 by Mr Bathandwa Ntswane. The entity is 100% black youth owned South African business and its head office is based in Flagstaff, under OR Tambo District Municipality in the Ingquza Hill Local Municipality. Mr Ntswane serves as the operations manager, and has knowledge and experience in strategy, sales, technical expertise and business management. He is a qualified Civil Technician with Diploma in Civil Engineering.

Ganu is rregistered with the Construction Industry Development Board ("CIDB") level 1 GB 1, CE 3 and ME 2 and also registered as a member of Borehole Water Association. Ganu Group operating services entail drilling of water boreholes, yield testing and mechanical services such as installation. The business has three departments that focus on service offerings such as drilling services; testing of water yield services; mechanical services and maintenance services.

Mr Xolani Meva
Acting Executive Manager
Direct Lending

Umbilo Express Plant Hire, KwaZulu Natal

CREDIT RISK MANAGEMENT

Our efforts to attain financial sustainability are largely dependent on our ability to manage credit risk in a responsible manner and to manage the resultant exposure to credit risk effectively. **sefa's** credit risk is impacted and influenced by a number of factors outside **sefa's** control, including wider economic conditions. Credit risk, South Africa's credit recovery remained strained with high inflation, tighter credit conditions, a weaker rand, interest rate increases, and an increase in unemployment. Subsequently, high input costs, constricted clients' incomes have led to clients' affordability pressures and subsequent increase in impairment provisions.

Credit risk represents a significant risk and mainly arises from exposures to Direct and Wholesale Direct and Wholesale Lending loans and advances as well as Khula and Supply Credit Guarantee commitments. It is defined as the risk of loss arising from the failure of a counter party to fully honour their financial or contractual obligations to **sefa** when due, including the whole and timely collection of principal, interest, collateral and other receivables. The Credit Risk **sefa** faces across its business and portfolios is a key area of management focus.

sefa is subjected to risks arising from changes in credit quality and recovery rates for loans and advances due from borrowers and counterparties. Additionally, it is subject to a concentration of those risks where it has significant exposures to borrowers and counterparties in specific sectors, or to particular types of borrowers and counterparties. Any deterioration in the credit quality of such borrowers and counterparties could lead to lower recoverability from loans and advances, and higher impairment charges. Accordingly, any of the following areas of uncertainty could have a material adverse impact on **sefa's** business, operating results, financial condition, and prospects. **sefa** acknowledges that it operates in a volatile and uncertain environment characterised by low economic growth, elevated inflation and interest rates, growing infrastructural challenges and skills shortages, amongst others.. **sefa** is fully cognisant of these challenges, yet its sights remain on a brighter future, one where our bold credit and investment decisions make a difference.

Client affordability: this remains a key area of focus, particularly in our unsecured lending, as cost of living pressures persist. Macroeconomic factors, such as unemployment, high interest rates or broader inflationary pressures, which impact a customer's ability to service debt repayments, could lead to increased arrears in both unsecured and secured products.

The credit risk disclosures in this report include many of the recommendations as contained in Pillar 3 of Basel 3 on market discipline through prescribed public disclosures about expected credit losses (ECL) and it is expected that relevant disclosures will continue to be developed in future periods. Impairment is calculated in line with the requirements of IFRS9. Loss allowances, based on ECLs, are measured on a forward-looking basis using a broad range of financial metrics, and application of complex judgement.

Overview

The credit risk that **sefa** faces arises mainly from providing finance to survivalist, micro, small and medium businesses, and financial Intermediaries across South Africa. In situations where **sefa** holds equity in funds, **sefa's** position could suffer losses arising from the decline in the value of **sefa's** investment.

sefa's credit risk management objectives are to:

- maintain sound credit granting standards;
- identify, assess, and measure credit risk clearly and accurately across the **sefa's** loan portfolio within each separate business unit, from the level of individual facilities up to the total portfolio;
- control and plan credit risk taking into consideration external stakeholder expectations and avoid undesirable concentrations; and
- monitor credit risk and adherence to agreed controls.

Credit risk management decisions are made against the backdrop of **sefa's** purpose to improve the financial lives of our clients and create value for our stakeholders in line with our mandate.

sefa as a DFI faces a unique challenge in maintaining a sustainable balance between maximising development returns and minimising financial loss in its lending and investment activities. As such, **sefa's** credit granting activities are informed by the strategic acceptance by the Board, that a higher risk appetite than entities driven by a purely commercial objective is essential to fulfil the mandate given by government in relation to its small business development and job creation objectives.

Wholesale and direct (retail) lending portfolios are managed separately to reflect the differing nature of the assets. Wholesale lending is managed through intermediaries, whereas direct lending is directly to the end user.

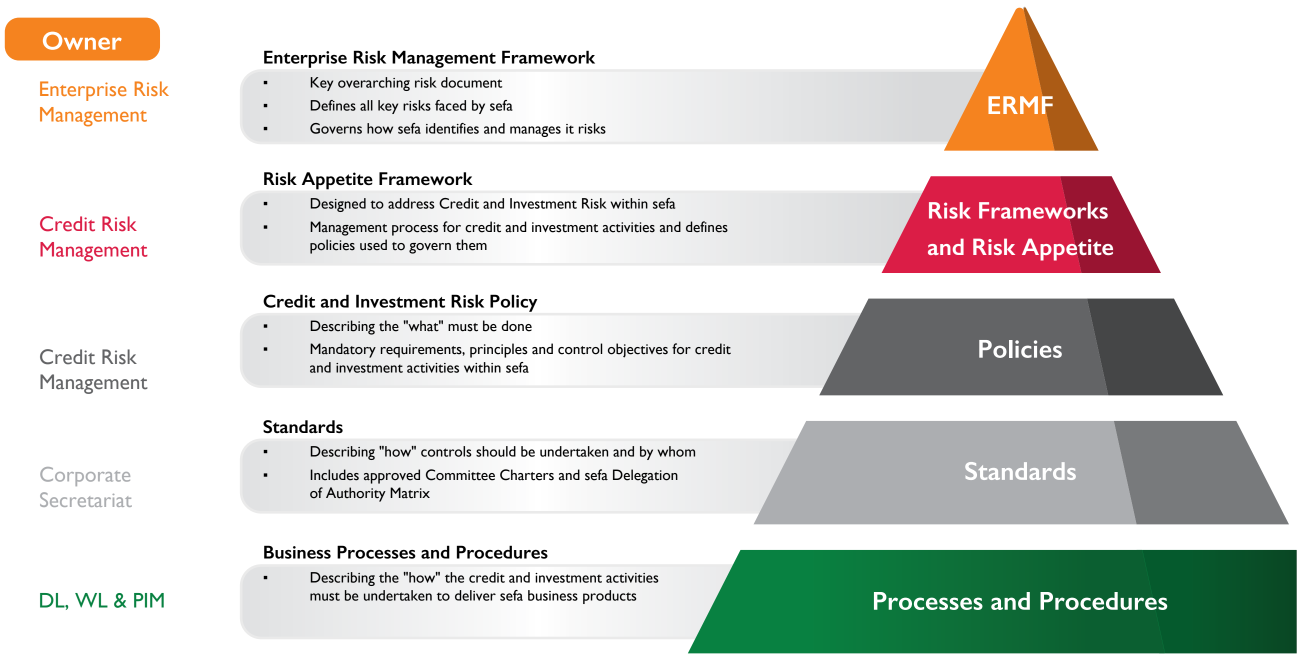
Wholesale lending balances tend to be larger in value, while direct lending balances are greater in number, but lesser in value.

In the year under review, various loan schemes **sefa** continued with government support initiatives like the Township and Rural Empowerment Programmes (TREP), Business Recovery Package (BRP) and Business Viability Programme. These programmes which were initiated in the 2021/22 financial year were deployed to provide financial support and to stimulate the economy impacted by the COVID-19 pandemic and other macro-economic events. During the year under review the Credit Risk Management Unit had to address ongoing operational issues related to their implementation and refine its decision-making tools for the respective schemes and related reporting tools.

Approach to Credit Risk Management

The granting of credit is **sefa's** major source of income and its most significant risk arises from both direct (retail) and wholesale loans, as well as Khula and supply credit guarantee commitments. The management of credit risk is therefore fundamental to **sefa's** core business activities, as well as its planning and decision-making processes. **sefa** therefore dedicates considerable resources to its control and management. Credit risk management encompasses the process of identification, measuring, monitoring, and controlling of all credit decisions and exposures within **sefa**.

The diagram below gives an overview of **sefa's** credit and investment risk framework and policy model.



The management of credit risk is aligned to **sefa's** three lines of defence framework. The business functions own the credit risk assumed by **sefa** and as the first line of defence, it is primarily responsible for its management, control, and optimisation during business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while ensuring risk, is undertaken with integrity.

The Board holds the ultimate approval and oversight responsibility for ensuring that strategies are set in which the underlying risk is identified, understood, and responded to in a proactive and coherent manner. The Board as part of their oversight duties, sets the tone for the management of risk and defines the level of risk that **sefa** is willing to assume.

Furthermore, the Board requires that risk assumed is assessed, measured, mitigated, managed, and reported on an ongoing basis and with due regard to the monitoring overlapping nature of risks, and that the necessary tools and IT systems for overall risk management and monitoring are in place.

The Board of Directors has delegated the operational responsibility for managing credit to its Credit and Investment Committee (CIC), Executive Credit and Investment Committee, Management Credit, and Investment Committee (MANCOM) and the Small Medium Enterprise Credit and Investment Committee (SME). The primary objective of **sefa's** credit risk management and these credit committees is to ensure that **sefa's** risk is in line with the institution's risk appetite and threshold, and that all risk issues inherent in **sefa's** lending decisions are mitigated and managed.

The ongoing governance of **sefa's** risk-taking activities is devolved by management. For credit risk management, **sefa** has Board and corporate level risk committees that are mandated to maintain credit risk and investment policies. The Chief Executive Officer (CEO) therefore has functional responsibility for managing credit risk across the institution, through structures such as the

Management Credit and Investment Committee (MANCOM), the Small, Medium Enterprise Credit Committee (SME) and the Post Investment Monitoring Committee (PIMC). The CEO chairs the Executive Credit and Investment Committee (ECIC). These structures provide both management and the Board with the appropriate forums to evaluate credit risk and evaluate how effectively it is being managed.

Organisation, Roles, and Responsibilities

The quality of credit risk management is assured through a centralised Risk Assurance Division, responsible for the development of policy, models, and standards in support of the efficient and effective management of credit risk. The Credit Risk Management Unit is therefore a dedicated resource within the Risk Assurance Division. Its role is to assist the CEO in setting and maintaining best credit risk management practices, by providing analytical and advisory services in respect of risk taking, control, measuring and reporting on credit risk exposures, trends, and quality of assets at portfolio level.

The primary objective of the Credit Risk Management Unit is therefore to enhance shareholder value by facilitating **sefa's** management to take appropriate credit risk in the attainment of its business objectives within acceptable levels of risk tolerance and with appropriate financial returns and development impact.

The Credit Risk Management Unit performs an independent credit risk assessment of all transactions and indicate support or no support and the basis thereof. Credit risk managers, therefore, provide an objective view of the quality of individual investments and transactions under consideration. The credit team works closely with the frontline. The risk assessment critically identifies and assesses the risks and proposes appropriate additional mitigations by analysing the entrepreneur's commitment, skills, knowledge and experience, project, and market risk, as well as cashflow projections. Since most of **sefa's** loan transactions are of limited to non-recourse bases, the focus is to determine if projected cash flows, using realistic assumptions, are sufficient to meet the client's operational needs and repay all liabilities in a timely manner. Assumptions made in arriving at the projected cash flows are scrutinised for and stress tested against key performance drivers.

Credit Risk Control and Governance: Committee Structure

The primary management level governance committees overseeing credit risk and evaluating all transactions are as follows:

- Credit and Investment Committee (Board);
- Executive Credit and Investment Committee;
- Management Credit and Investment Committee (MANCOM); and
- Small Medium Enterprise Credit and Investment Committee (SME).

These credit and investment committees have clearly defined mandates and members. Additionally, delegated authorities are reviewed regularly.

Responsibilities include:

- Providing oversight of governance and risk appetite;
- Ensuring that all transactions under consideration are within **sefa's** mandate and meet our financing criteria;
- Evaluating and specifying terms and conditions of credit and lending proposals;
- Providing guidance on transactions to credit risk teams on matters to be followed up and incorporated in the further design and origination of credit and investment proposals; and
- The largest credit exposures above the defined amounts are approved at the Board Investment Committees.

Credit Risk Management Enhancements

During the period under review there were minor changes done to the revised Credit and Investment Risk policy. These minor changes were recommended by Exco and approved by the **sefa** Board.

The standards and principles reflected in the revised Credit and Investment Risk policy are, dynamic, and proactive. They are transparent and developed with close involvement of the executives, divisional heads and in consultation with external stakeholders such as the Ecosystem Development for Small Enterprise (EDSE) and True North Partners LLP. The revised Policy is further based on feedback from **sefa's** Credit Committees and incorporates changes for the better and sound management of Credit and Investment risk within **sefa**.

The revised Credit and Investment Risk Policy reflects the realities of the prevailing business environment in which **sefa** operates and strengthens the governance of **sefa's** credit granting and investment operations within **sefa's** lending division in line with **sefa's** mandate and objectives.

Credit Risk Rating and Expected Credit Loss Models

sefa continuous to increase the predicative powers of its bespoke Credit risk rating models. **sefa** completed the implementation and migration to IFRS 9 in the financial year ending 31 March 2021. The standard replaced the superseded accounting standard for financial instruments (IAS 39). The standard contains requirements for a new impairment model, which is aimed at the early recognition of losses on a more forward-looking basis and on a broader scope of financial instruments. **sefa** recalibrated and validated its internally developed credit risk rating models in the financial year under review, to increase their respective predictive powers and robustness regarding the recalibration of the expected credit loss

(ECL) model. The assumptions incorporated in the model need to be recalibrated and validated to ensure ECL estimates are reliable and accurate each year.

Governance and oversight of ECLs under IFRS 9

The Credit Analytics oversee the estimation of ECL across several areas, including:

- setting requirements in policy, including key assumptions and the application of key judgements;
- the design and execution of models; and
- review of ECL results. Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards. Key judgements inherent in impairment policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the significant increase in credit risk (SICR), are separately supported by analytical study. In particular, the quantitative thresholds used for assessing SICR are subject to a number of internal validation criteria.

On the part of the credit risk rating models, the main objectives of the rule sets are to rank **sefa's** client base according to risk and to estimate the probability of default (PD) for each client and to price transactions in line with the pricing methodology approved by the **sefa** Board. The institution will ensure that it continues to comply with Basel standards in the development of credit risk models. It is also the aim of the Credit Risk Management Unit to continue refining these models in the coming financial year. The risk classification process within **sefa** ensures that there is a shared understanding across the institution of the credit risk that clients pose.

These models quantify and rank the credit risk profile of **sefa's** clients as well as our ECL provisions. They also assist in frontline credit decisions on new transactions, the management of the existing portfolios and ensuring that **sefa** has a credit risk rating for each client.

Having adopted IFRS 9 which came into effect for the financial year commencing on or after 01 January 2018, **sefa** applies a three-stage approach to the measuring of ECL on debt instruments accounted for at amortised cost.

The diagram below depicts sefa's stage approach with regards to IFRS 9:

Stage 1 Performing (Not impaired)

- Performing loans with no significant deterioration in credit quality since origination.
- Accounts in current status.
- 30 days past due (dpd) back stop.

Stage 1 ECL allowance reflects the total losses associated with defaults that are expected to occur within 12 months of the reporting date.

Stage 2 Performing (Credit deteriorated)

- Arrears >30 dpd <90 dpd
- PD deterioration rules since origination.
- High Risk (12 months minimum cure period).
- Watch list framework applied to wholesale lending portfolio, to determine clients with significant shift in credit risk i.e. where there are grounds for concern regarding their financial health.

Stage 2 exposures reflect an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

Stage 3 Non-performing (Credit impaired)

- Credit impaired on origination or subsequent to initial recognition.
- Regulatory default being:
- 90 days past due
- Unlikeliness to pay indicators
- Distressed restructures (cure period = forbearance plan period).
- Workout and recovery.

Stage 3 exposures reflect an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

The measurement of ECL involves increased complexity and judgement, including estimation of probabilities of default (PD), loss given default (LGD) a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default (EAD) and assessing significant increases in credit risk. Assets migrate through the following three stages based on the

Change in credit quality since initial recognition:

Stage 1: Includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECLs are recognised, and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECLs are the expected credit losses that result from default events that are possible within 12 months after reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: Includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of an impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default (PD) as the weight.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For the assets, lifetime ECL is recognised, and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Approach to Credit Modelling

Credit risk ratings have become increasingly critical to the credit risk management function in **sefa**. Their importance has been enhanced by the migration to IFRS 9, that prompts the entity to recognise future credit losses at inception. According to the impairment standard, entities are required to measure expected credit losses over the expected remaining lifetime of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information about past events, and current conditions; and
- reasonable and supportable forecasts of future events and economic conditions at the reporting date.

The principal objective of **sefa's** credit modelling is to produce the most accurate possible quantitative assessment of credit risk to which **sefa** is exposed from the level of individual facilities up to the total portfolio. **sefa** Credit Risk Rating Systems also ensure that **sefa** prudently classifies loans in terms of their riskiness as a basis for determining the appropriate pricing and loan loss provisioning.

The key credit parameters used in **sefa's** quantitative assessment of expected credit loss (ECL) and by implication in setting risk-adjusted pricing are:

- Probability of default (PD), that determines the likelihood that an individual obligor will not be able to meet its debt repayment based on creditworthiness,
- Exposure at default (EAD), that calculates an estimate of the credit exposure and thus potential loss at the point of default,
- Loss given default (LGD) represents an estimate of the percentage of EAD that will not be recovered, should the obligor default, and
- Maturity represents the remaining time until the maturity date of the loan or other credit facility.

Although **sefa** is not subjected to Basel III, the objective of **sefa** is to adopt best practices in terms of the quantification of its assets and funding. As part of the credit process, **sefa** has undertaken extensive research on second-generation PD and LGD credit risk models and has developed these models for both direct (retail) and wholesale lending.

Credit Risk Exposures

The financial sustainability of **sefa** is critical. **sefa** therefore dedicates resources to gain a clear and accurate understanding of credit risk across its portfolios. During the reporting period the **sefa** continued with the Further enhancements at both divisional (wholesale and direct lending) reporting levels, on the reporting of the credit portfolio, including the measurement of the quality of the loan book. This resulted in more consistent and insightful portfolio analysis, evaluation and reporting using improved metrics. In the coming financial years, it is envisaged that portfolio reporting will be enhanced further as more granular data becomes available. It is imperative that the asset portfolio be comprehensively reviewed and significant risk indicators impacting the valuation and impairment of the portfolio, be reflected timeously and adequately in the financial results. The table below indicates the asset classifications of the Direct (Retail) Lending total loan book.

The Approach to Management and Representation of Credit Quality

sefa continues to use an Advance Internal Rating Based (AIRB) approach to credit risk measurement. **Sefa's** internal credit rating scale makes use of 17 performing rating grades and a default grade. **sefa's** credit quality distribution is therefore based on the IFRS 9 12-month probability of default for the reporting period. The diagram below provides an indicative mapping of the internal grades to rating description.

sefa's Internal risk grading and PD mapping scale

DG	Risk Segment	PD	DG	Risk Segment	PD
0	Low	0%	10	High	56%
1	Low	6%	11	High	61%
2	Low	11%	12	High	67%
3	Low	17%	13	High	72%
4	Medium	22%	14	High	78%
5	Medium	28%	15	High	83%
6	Medium	33%	16	High	89%
7	Medium	39%	17	High	94%
8	Medium	44%	18	Default	100%
9	High	50%			

The credit quality descriptions above can be summarised as follows:

- Low: indicates that there is a very high likelihood of the asset/loan being recovered in full.
- Medium: indicates that while there is likelihood that the asset might be recovered, there is evidence of credit deterioration and, as such, clients within this range require careful monitoring; and
- High: indicates that there are serious concerns over the obligor's ability to make payments when due.

Risk Performance

Credit Exposures by Internal PD Description as at 31 March 2024

Asset Class	Total Outstanding Balance	ECL	Net Carrying amount	% Balance Outstanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Low	570 813	67 411	503 402	13.5%	11.8%
Medium	592 018	129 439	462 579	14.0%	21.9%
High	254 452	156 809	97 643	6.0%	61.6%
Default	2 823 323	2 621 544	201 779	66.6%	92.9%
Grand Total	**4 249 607**	**2 975 203**	**265 404**	**100.0%**	**70.16%**

Credit Exposures by Internal PD Description as of 31 March 2023

Asset Class	Total Outstanding Balance	ECL	Net Carrying amount	% Balance Outstanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Low	799 454	82757	716 697	20.3%	10.4%
Medium	587 211	100 287	486 924	14.9%	17.1%
High	543 299	190 113	353 187	13.8%	35.0%
Default	2 009 585	1 647 058	362 527	51.0%	82.0%
Grand Total	**3 939 549**	**2 020 215**	**1 919 334**	**100.0%**	**51.28%**

Note: Loan balance exclude equity investment in financial intermediaries

12-month PDs by Product Description as at 31 March 2024

Asset Class	0 Days	12m 0 30 Days	PD 31-60 Days	61 - 90 Day
	%	%	%	%
Co-Operative loans	63.5%	71.3%	81.1%	97.9%
Direct lending loans-MEDIUM	38.6%	65.6%	83.6%	93.5%
Land Reform	12.4%	17.2%	37.1%	57.3%
Micro loans	6.3%	41.4%	77.8%	93.9%
Wholesale	15.3%	30.4%	56.5%	81.9%

12-month PDs by Product Description as at 31 March 2023

Asset Class	0 Days	12m PD 30 Days	31 - 60 Days	61- 90 Days
	%	%	%	%
Co-Operative Loans	34.2%	43.0%	69.1%	97.5%
Direct Lending Loans	31.6%	58.2%	83.7%	96.2%
Government Support Loans	49.8%	93.4%	99.8%	100.0%
Land Reform	6.7%	10.8%	40.7%	48.8%
Micro Loans	17.5%	59.9%	84.3%	93.8%

Asset Classification of Direct Lending Loan Book as at 31 March 2024

Loan Type	Total Outstanding Balance	Arrears	No. of Accounts
	R'000	R'000	#
Default	**2 124 432**	**1 511 513**	**3 503**
Bridging Loan	108 156	99 874	66
Grant	1 692	1 692	1
Instalment Sale	567 009	366 699	479
Revolving Credit	30 721	30 721	10
Term Loan	1 416 855	1 012 527	2 947
Special Mention	**224 639**	**17 738**	**395**
Instalment Sale	102 519	8 760	188
Term Loan	122 120	8 978	207
Standard	**599 008**	**21**	**856**
Bridging Loan	13 948	-	5
Instalment Sale	219 731	15	352
Revolving Credit	920	-	2
Term Loan	364 409	6	497
Substandard	**79 400**	**12 099**	**159**
Instalment Sale	41 636	6 476	81
Term Loan	37 764	623	78
Total	**3 027 479**	**1 541 371**	**4 913**

Note: Included in Direct Lending are Government Support Loans with a total outstanding balance of R675 463 954 and arrears of R307 802 382.

Standard: Clients with no missed payment and are considered good and low-risk clients.

Special Mention: Clients with one missed payment and are considered average risk clients.

Substandard: Clients with two missed payments and showing well defined weakness.

Default: Clients with three or more missed payments.

Asset Classification of Direct Lending Loan Book as at 31 March 2023

Loan Type	Total Outstanding Balance	Arrears	No. of Accounts
	R'000	R'000	#
Default	**334 603**	**329 857**	**178**
Bridging Loan	45 676	45 676	32
Grant	6 983	5 318	5
Instalment Sale	83 259	81 960	54
Revolving Credit	30 679	30 679	9
Term Loan	168 005	166 224	78
Special Mention	**86 920**	**38 054**	**115**
Instalment Sale	27 093	10 724	37
Term Loan	59 827	27 330	78
Standard	**2 318 454**	**602 161**	**4 614**
Bridging Loan	31 887	26 979	29
Instalment Sale	663 426	133 442	745
Revolving Credit	2 339	71	3
Term Loan	1 620 803	441 668	4
Substandard	**5 551**	**549**	**5**
Instalment Sale	133	133	1
Term Loan	5 418	416	4
Total	**2 745 527**	**970 621**	**4 912**

Direct Lending Loan Book Expected Credit Losses and Coverage Ratio as at 31 March 2024

Loan Type	Total Outstanding Balance	ECL	Net Carrying amount	% Balance Oustanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Bridging Loan	105 140	88 742	16 398	3.5%	84.4%
Instalment Sale	812 684	581 512	231 172	26.8%	71.6%
Revolving Credit	31 641	31 464	178	1.0%	99.4%
Term Loan	2 078 210	1 646 912	431 298	68.6%	79.2%
Total	**3 027 676**	**2 348 630**	**679 046**	**100.0%**	**77.57%**

Direct Lending Loan Book Expected Credit Losses and Coverage Ratio as at 31 March 2023

Asset Class	Total Outstanding Balance	ECL	Net Carrying amount	% Balance Oustanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Bridging Loan	69 991	61 992	8 000	2.5%	88.6%
Instalment Sale	658 206	340 587	317618	24.0%	51.7%
Revolving Credit	33 018	30 868	2 150	1.2%	93.5%
Term Loan	1 984 378	118 441	865 937	72.3%	56.4%
Total	**2 745 593**	**1 551 888**	**1 193 705**	**100.0%**	**56.52%**

Expected Credit Losses and Coverage Ratio as at 31 March 2024

Asset Class	Total Outstanding Balance	ECL	Net Carrying amount	% Balance Outstanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Co-Operative Loans	6 200	6 200	.	0.1%	100.0%
Direct Lending Loans	3 027 676	2 348 630	679 046	71.4%	77.6%
Micro Loans	211 931	80 114	131 817	5.0%	37.8%
Wholesale Loans	747 081	536 923	210 158	17.6%	71.9%
Sub Total	**3 992 888**	**2 971 867**	**1 021 021**	**94.2%**	**74.4%**
Land Reform Loans	247 719	3 336	244 383	5.8%	1.3%
Total	**4 240 607**	**2 975 203**	**1 265 404**	**100.0%**	**70.16%**

Expected Credit Losses and Coverage Ratio as at 31 March 2023

Asset Class	Total Outstanding Balance	ECL	Net Carrying amount	% Balance Outstanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Co-Operative Loans	5709	5 709	-	0.1%	100.0%
Direct Lending Loans	2 745 593	1 551 888	1 193 705	69.7%	56.5%
Micro Loans	167 250	96 279	70 971	4.2%	57.6%
Wholesale Loans	711 434	361 177	350 258	18.1%	50.8%
Sub Total	**3 629 987**	**2 015 053**	**614 934**	**92.1%**	**55.5%**
Land Reform Loans	309 562	5 161	304 400	7.9%	1.7%
Total	**3 939 549**	**2 020 215**	**1 919 334**	**100.0%**	**51.28%**

The above tables demonstrate **sefa's** total ECLs by business unit, the total net carrying amount as well as the coverage ratio per business unit.

Wholesale Lending realised a coverage ratio of 71.9% (2023: 50.8%). The Direct (Retail) Lending loan book has a coverage ratio of 77.6% (2023: 56.5%). The increase in the coverage ratio was largely attributed to the increase in the TREP and SEMSP initiatives amongst other Government Support Programmes, we note that most of these facilities have since came out of interest moratoriums with capital repayments due.

Stage Approach of the Total Loan Outstanding Balances on Debt Instruments as at 31 March 2024

Asset Class	Total Outstanding Balance	Stage 1	Stage 2	Stage 3
	R'000	R'000	R'000	R'000
Co-Operative Loans	6 200	-	-	6 200
Direct Lending Loans	3 027 676	518 918	302 324	2 206 434
Micro Loans	211 931	130 933	26 312	54 686
Wholesale Loans	747 081	56 731	190 038	500 312
Sub Total	**3 992 888**	**706 582**	**518 674**	**2 767 632**
Land Reform Loans	247 719	190 841		56 879
Total	**4 240 607**	**897 423**	**518 674**	**2 824 510**

The table above illustrates the total loan outstanding balances on debt instruments over the three stages in line with IFRS 9 per business unit. Funds are not included in the table above.

Stage Approach of the Total Loan Outstanding Balances On Debt Instruments as at 31 March 2023

Asset Class	Total Outstanding Balance	Stage 1	Stage 2	Stage 3
	R'000	R'000	R'000	R'000
Co-Operative Loans	5 709			5 709
Direct Lending Loans	2 745 593	793 656	499 869	452 068
Micro Loans	167 250	70 810	5 068	91 373
Wholesale Loans	711 434	226 555	186 048	298 831
Sub Total	**3 629 987**	**091 021**	**690 986**	**847 981**
Land Reform Loans	309 562	188 323	29 746	91 493
Total	**3 939 549**	**1 279 344**	**720 732**	**1 939 473**

Stage Approach to the Measuring of ECLs on Debt Instruments Accounted for at Amortised Cost as at 31 March 2024

Asset Class	Expected Credit Losses	Stage 1	Stage 2	Stage 3
	R'000	R'000	R'000	R'000
Co-Operative Loans	6 200			6 200
Direct Lending Loans	2 348 630	97 170	176 892	2 074 568
Micro Loans	80 114	4 969	20 459	54 686
Wholesale Loans	536 923	4 694	48 098	484 131
Sub Total	**2 971 867**	**106 833**	**245 449**	**2 619 584**
Land Reform Loans	3 336	492		2 844
Total	**2 975 203**	**107 325**	**245 449**	**2 622 428**

The table above demonstrates the expected credit loss according to the three stages of IFRS 9. Funds are not included in the table above.

Stage Approach to the Measuring of ECLs on Debt Instruments Accounted for at Amortised Cost as at 31 March 2023

Asset Class	Expected Credit Losses	Stage 1	Stage 2	Stage 3
	R'000	R'000	R'000	R'000
Co-Operative Loans	5 709			5 709
Direct Lending Loans	1 551 888	131 035	227 442	1 193 411
Micro Loans	96 279	4 934	4 005	87 340
Wholesale Loans	361 177	19 308	49 291	292 577
Sub Total	**2 015 053**	**155 278**	**280 737**	**1 579 038**
Land Reform Loans	5 161	294	293	4 575
Total	**2 020 215**	**155 572**	**281 030**	**1 583 613**

Stage Approach according to Net Carrying Amount as at 31 March 2024

Asset Class	Carrying Amount	Stage 1	Stage 2	Stage 3
	R'000	R'000	R'000	R'000
Co-Operative Loans				
Direct Lending Loans	679 046	421 748	125 432	131 866
Micro Loans	131 817	125 964	5 853	
Wholesale Loans	210 158	52 038	141 940	16181
Sub Total	**1 021 021**	**599 749**	**273 224**	**148 047**
Land Reform Loans	244 383	190 348		54 035
Total	**1 265 404**	**790 098**	**273 224**	**202 082**

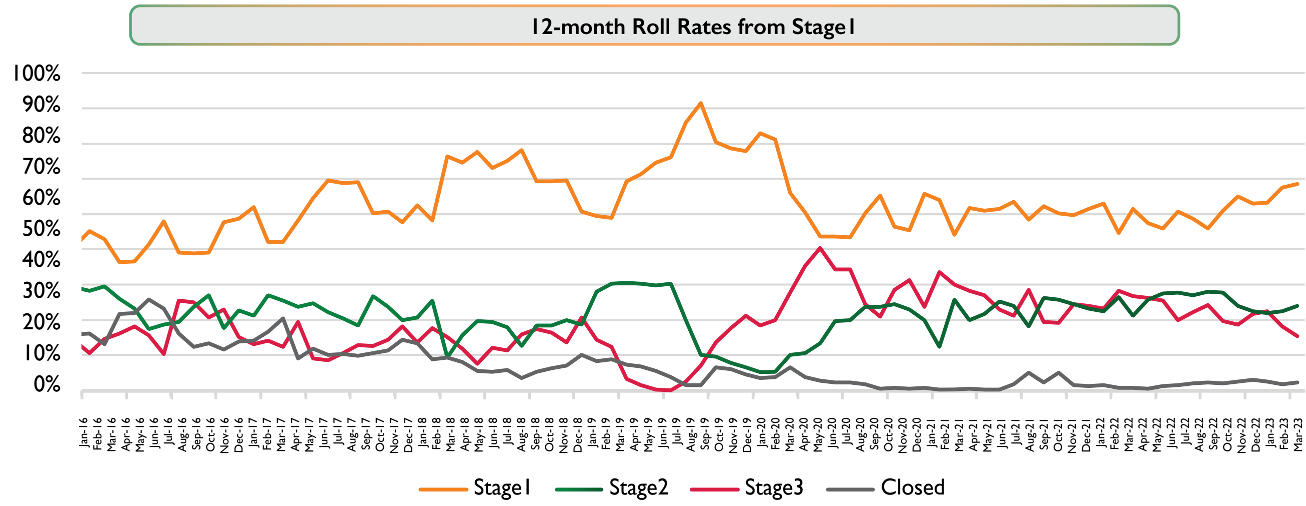
The table above demonstrates the net carrying amount of **sefa's** loan book according to the three stages of IFRS 9. Funds are not included in the table above.

sefa's 12-months Roll Rates from Stage 1

sefa utilises the roll rates analysis method, which shows the proportion of exposures transitioning from the IFRS 9 stage 1 into the other various IFRS 9 stages over a 12-month period.

The roll rate depicted below are from Stage 1 into Stage 1 (Current and not yet due), Stage 2 (0–90 days in arrears), Stage 3 (90+ days in arrears) and Closed (Written-off or paid-up).

As at 31 March 2024, on average over the last 12 months around 59% of accounts in Stage 1 remain in Stage 1 after 12 months, 15% of the accounts transitioned upwards into Stage 2, 24% transitioned into Stage 3 and while 2% were closed.



The table below indicates the different industry exposures of the direct lending loan book as at 31 March 2024.

Sector Exposures of the Direct (Retail) Lending Loan Book as at 31 March 2024

Industry	Total Outstanding Balance	Expected Credit Losses	Net Carrying Amount	% Balance Outstanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Agriculture hunting forestry and fishing	83 071	66 894	16 177	2.7%	80.5%
Community, social and personal services	382 162	308 158	74 004	12.6%	80.6%
Construction	214 775	204 831	9 944	7.1%	95.4%
Electricity, gas and water supply	55 848	46 952	8 897	1.8%	84.1%
Financial intermediation, insurance, real	127 869	96 540	31 328	4.2%	75.5%
Manufacturing	1 336 206	938 442	397 763	44.1%	70.2%
Mining and quarrying	88 493	79 224	9 269	2.9%	89.5%
Transport, storage and communication	286 752	245 805	40 946	9.5%	85.7%
Wholesale and retail trade	452 501	361 783	90 717	14.9%	80.0%
Total	**3 027 676**	**2 348 630**	**679 046**	**100%**	**77.57%**

Sector Exposures of the Direct (Retail) Lending Loan Book as at 31 March 2023

Industry	Total Outstanding Balance	Expected Credit Losses	Net Carrying Amount	% Balance Outstanding	Coverage Ratio
	R'000	R'000	R'000	%	%
Agriculture. hunting forestry and fishing	81 576	52 435	29 141	3.5%	64.3%
Community. social and personal services	398 419	232 264	166 155	17.2%	58.3%
Construction	228 753	173 303	55 450	9.9%	75.8%
Electricity. gas and water supply	67 881	41 921	25 960	2.9%	61.8%
Financial intermediation insurance real estate and business services	102 703	63 097	39 606	4.4%	61.4%
Manufacturing	799 116	448 690	350 426	34.5%	56.1%
Mining and quarrying	85 400	49 770	35 630	3.7%	58.3%
Transport. storage and communication	256 242	69 773	186 469	11.1%	27.2%
Wholes ale and retail trade	298 346	182 176	116 170	12.9%	61.1%
Total	**2 318 436**	**1 313 429**	**1 005 007**	**100%**	**56.65%**

The book is mainly concentrated in four industries: manufacturing at 44.1% (2023: 34.5%); wholesale and retail trade at 14.9% (2023: 12.9%); community, social and personal services at 12.6% (2023: 17.2), as well as transport, storage and communication at 12% (2023: 11%). Wholesale and retail trade encompasses a wide variety of sub sectors which explains the large distribution of the book in the sector. The economic outlook prior to COVID-19 was already dire for the construction and Manufacturing industry.

Credit Risk Mitigation

sefa takes collateral on transactions if and when they are available, otherwise, **sefa** relies on the generation of cash flows for repayments. In circumstances where business assets are financed under Instalment Sale Agreement (ISA), such assets are deemed as collaterals to the transaction until the loan is fully amortised. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants. In view of the lessons learnt and the increasing level of impairments, collateral has now become an important instrument to enhance credit quality and mitigate the credit risk inherent in **sefa's** lending transactions. The business units in **sefa** pursue the procurement of acceptable collateral on credit transactions on a case-by-case basis. The decision to which kind of collateral can be acceptable will depend on the circumstances of a particular transaction and it is taken only after a thorough credit appraisal process.

Where collateral is offered or deemed to be prudent, consideration is given to the eligibility of collateral in terms of the economic value of the underlying assets and the enforceability of **sefa's** legal rights or entitlement to the asset. The main types of collateral taken comprise notarial bonds over existing plant and equipment (business assets), instalment sale agreements on the underlying moveable assets financed, cession of debtors' book and collateral mortgage bonds over secondary and investment properties if available. In addition, **sefa** takes personal suretyships to demonstrate clients' commitment.

The security coverage required is determined by the risk profile, the materiality of the loan and the sustainability and repayment of the funds' application. Financial and behavioural covenants are also an important tool for credit risk mitigation within **sefa**.

INFORMATION AND COMMUNICATION TECHNOLOGY

Overview

The Information Technology Department is the internal Information and Communication Technology (ICT) Service Provider to **sefa** and the institution's central ICT department. It has the task to deliver enterprise ICT services for all **sefa** staff, clients, and partners.

With responsibility to take on digital transformation and other business critical projects, the role of IT has taken center stage more than before. Between maintaining infrastructure, introducing innovative strategies to use information and data to drive business forward, and leading digital transformation efforts, IT still needs to maintain service levels and ensure stability of IT Systems and associated infrastructure.

The **sefa** IT Department has 10 employees consisting of management, professionals, as well as entry level employees. This team is further augmented by a panel of IT service providers which is used to complement the human resources gap.

The IT Department provides support for all IT services through the Service Request Management processes. The Service Request management process is responsible for accepting, approving, and delivering user requests for new equipment or standard IT services.

The IT Department is tasked with the planning, implementation and support of core Information and Communications Technology (ICT) systems and infrastructure services within **sefa**. The IT Department currently covers the following key areas:

- Infrastructure and operations
- Networks and telephony
- Business applications and solutions delivery
- ICT governance and strategy
- IT service delivery

Infrastructure and Operations

The infrastructure and operations team ensures an up-to-date, stable, secure, and dynamic server infrastructure, which includes Microsoft Windows and Linux servers consisting of both physical and virtual machines.

Other critical functions provided by this department include monitoring, securing, backing up and restoring IT systems.

The section manages the staff lifecycle process, in alignment with HR processes, and provides authentication for all client systems.

Furthermore, the infrastructure and operations team further designs, develops and maintains **sefa's** network, internet, telephony, VPN services, and network security infrastructure, which spans across 13 regions and remote offices, providing seamless and secure connectivity to all stakeholders. This department is also responsible for the provisioning and support of Wi-Fi connectivity to all boardrooms and meeting venues as well as the Wi-Fi "hotspots" areas located throughout the organisation. The department manages the telephone management system and the telecommunication enablers.

Enterprise Applications and Solutions Delivery

The business applications and solutions delivery team are involved in the development and integration of new ICT software applications that are custom built to **sefa's** needs, while also enhancing and maintaining current enterprise softwares that are already in production. This mandate is accomplished by first understanding business processes in divisions and support departments. Once these processes are understood and analysed, the next step is to identify gaps and/or opportunities for enhancements, to improve the client experience of clients (who are generally clients) when interacting with the said areas.

The same team is tasked with the deployment, maintenance, and support of IT systems that support **sefa's** core mission of funding small enterprises. The team is responsible for ensuring that systems are operating effectively and actively coordinating across multiple business administrative departments, as well as for regularly engaging end users to improve their experience.

These systems include:

- Loan Origination System
- **sefa**LAS
- Enterprise Resource Planning (ERP) – Sage
- **sefa's** automated internal workflows

ICT Strategy and Governance

The ICT strategy and governance team is responsible for the implementation of the ICT strategy, cybersecurity strategy, and IT Governance framework for **sefa** by providing oversight of all ICT projects and ensuring that the project management office is managing and delivering all ICT projects in an efficient and effective manner, within budget, at the right time and of the right quality.

The team is also responsible for the IT disaster recovery framework and testing activities, as well as for scheduling simulations of system failures to test the effectiveness of disaster recovery processes. The services include management and coordination of both internal and external IT audits, management of IT risks, as well as documentation and facilitation of the IT Department's policies and procedures, ensuring compliance with policies, rules, and regulations.

IT Service Management

The IT service delivery team acts as an interface between IT and the **sefa** community. The primary focus of their work is to provide uninterrupted client services and support. IT service delivery provisions the human and technology resources to enable and support **sefa's** staff to implement the mandate of funding small enterprises. The core functions of the service delivery team include provisioning and maintenance of audio-visual services, networking, and telephony client services, including Wi-Fi and computing services in all staff and working environments. The function comprises staff members with various professional support focuses.

The service delivery teams include:

- The centralised help desks;
- Desktop and network support; and
- Audio-visual services and client computing.

Summary of Key Achievements

IT Risk Management

At the top of the priority list of risks since 2019 to date is the risk of Cyber-attacks on **sefa** infrastructure and systems.

Frequent scans are conducted to identify and remediate vulnerabilities in our systems with a defined and integrated vulnerability management processes. The perimeters of the network have been upgraded and are monitored to protect **sefa** against unsolicited users.

The user access management standard and procedures empower both IT and business system users to put in place sufficient controls to mitigate risks. This has assisted in remediating audit findings.

Cybersecurity User Awareness

The user awareness programme was conducted through the internal communications platform, e-**sefa**. The awareness program sensitises **sefa** system users of prevalent cyber-attacks and creates a cyber-apt community of users.

ICT Governance Implementation

IT has reviewed all the necessary processes to enable the formation of IT governance structures, in line with the **sefa's** newly updated IT governance framework. This is instrumental in shaping management and control of IT assets. These structures will be implemented in the 2023/24 financial year, namely the IT Steering Committee.

External Threat Management

To improve threat detection, incident management and management of IT vulnerabilities in **sefa**, IT has deployed a variety of tools to reduce the information security incidents and vulnerabilities:

- Vulnerability Management
- Microsoft Defender Endpoint Encryption Management

IT also entrusted an independent service provider, specialising in information security threat management, with performing an external security assessment and penetration test to gain visibility of the state of vulnerabilities affecting our external, internet-facing systems and applications.

Network Security Upgrade

To further strengthen the security of the organisation's IT infrastructure, IT installed the next-generation standard firewall for both on-premises and the Data Centre. This layer of security prevents any unauthorised access to the organisation's information.

Furthermore, with firewall devices, IT further segmented and separated network communication by implementing firewalls for various data and voice traffic. IT also initiated more security-related projects namely, perimeter firewall upgrade and firewall assurance projects to be concluded in the 2023/4 financial year.

Remote Working Initiatives

Microsoft TEAMS is used for conducting online meetings. The IT department enabled staff to work remotely by deploying a Virtual Private Network (VPN) client to staff computers. This VPN client allows secure access to **sefa's** resources, for example servers and production systems, over the internet. Client VPN access was also tested successfully.

User account automation on Active Directory (AD)

IT has been using Microsoft Identity Management (MIM) to synchronise biographical user data such as name, surname, office contact details and designation, from the Sage system to the Outlook Address Book (residing in Active Directory). MIM also deactivates the accounts if an employee resigns and leaves the employment of the organisation.

IT Asset Management System

IT went through a process of documenting the policies and processes for IT asset management. The asset management system enables the effective management of all computer hardware and software through the adoption and implementation of an ICT Service Management (ITSM) tool process and controls and the automation thereof. This system is aligned with best practices and will assist with the following:

- Better management of IT assets;
- Ensure software license compliance;
- Easier reporting of the current IT assets; and
- Assist relevant stakeholders in making data-driven decisions on IT asset Management.

Maintenance Backlog

Most of the IT infrastructure (audio-visual, network, Wi-Fi, and end-user computing devices) has aged or reached the end of life. Inadequate funding over the years is a major challenge which has resulted in maintenance backlog and equipment failures.

Scarce Skills Set

As new technologies emerge at a fast rate, the regular need to upskill staff on various platforms increases; to deal with a challenge to meet rapidly increasing business demands on time due to limited budgets and limited skilled resources.

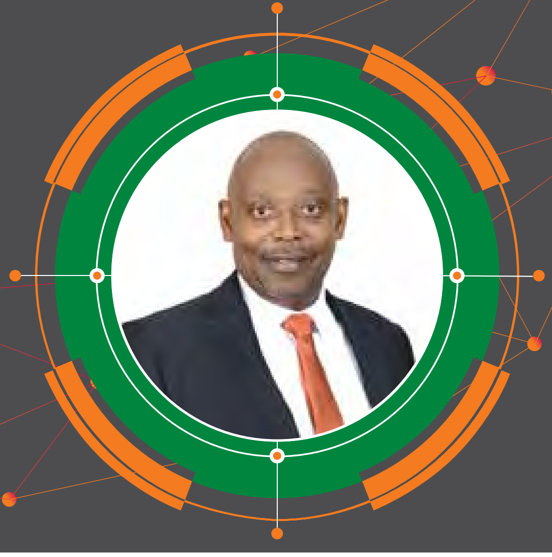
Human Capital Constraints

IT has been able to meet the expected deliverables and key initiatives but is faced with the need for skilled resources to meet these deliverables. To meet **sefa's** strategic objectives and reduce over reliance on external consultants and service providers, the staff and cost constraints are currently being addressed.

Key Risks

The threat of cyber-attacks continues to be a major risk to **sefa** and has become even more significant as **sefa** embarks on its digital transformation journey.

Information Technology (IT) has placed emphasis on cybersecurity risk and has embarked on an initiative to implement a cybersecurity strategy that focuses on policies, processes, technologies, and resources.



Mr Tsakani Chauke
Acting Executive Manager
Post Investment Monitoring,
Workout and Restructuring

POST INVESTMENT MONITORING, WORKOUT AND RESTRUCTURING

The objective of the division is to contain and reduce portfolio impairments, manage, and improve portfolio collections and build sustainable investee companies by providing non-financial support and advisory services. This is achieved by proactively monitoring **sefa's** investments, collections, workout, and restructuring, and providing mentorship and business support interventions. The division is split between direct and wholesale lending.

Overview

The 2023/24 financial year was plagued by severe load shedding that impacted **sefa** clients' ability to generate consistent revenues to sustain operations and service debt obligations to **sefa**. Clients that import equipment have struggled with delays at the ports that delayed the commissioning of equipment and operations. The increase in interest rates has compounded the problems of higher capital expenditure, coupled with higher fuel prices and supply-side inflation.

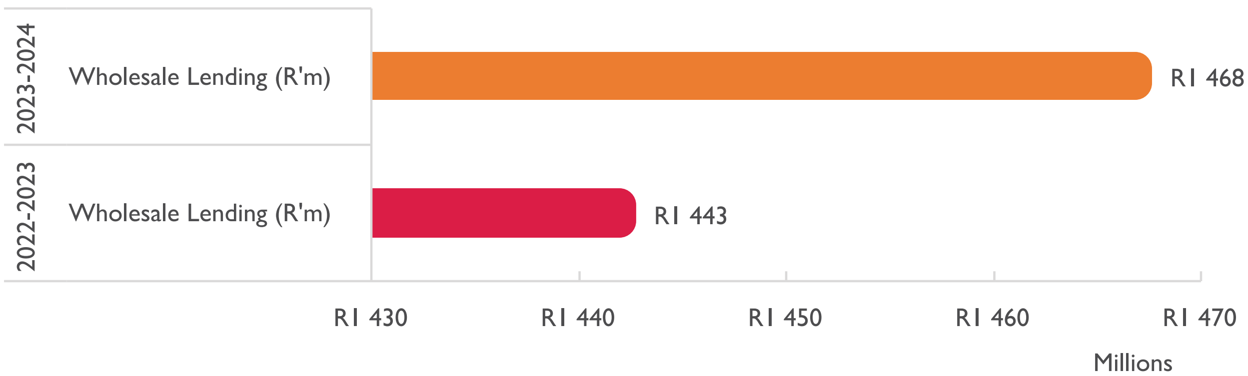
The core focus of the division for the year was:

- Enhancing the collection systems to support and improve the collections from clients.
- Risk grading of the loan book to manage credit risks.
- Increase mentorship and support initiatives to improve sustainability of the funded businesses.

The poor collection rates within the Direct Lending portfolio continued throughout the year with little respite provided by the ailing economy. There is a lack of willingness by many clients to service the **sefa** loan obligations, consequently, harsher collection strategies were implemented to address those clients that chose not to repay **sefa**. These actions often lead to litigation.

Total Portfolio

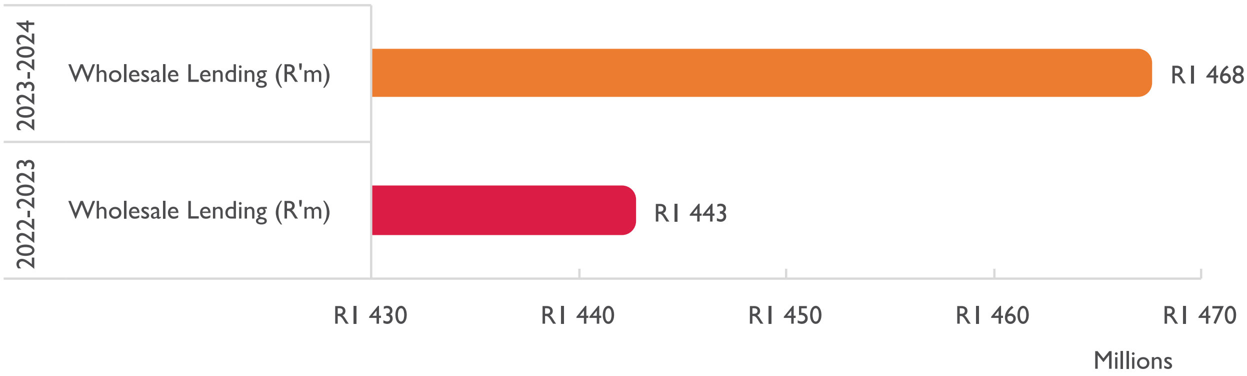
sefa has a total loan book of R4.5 billion as of 31 March 2024. This comprises R1.47 billion in Wholesale Lending (WL) representing 33% and R3.03 billion in Direct Lending (DL) representing 67%.



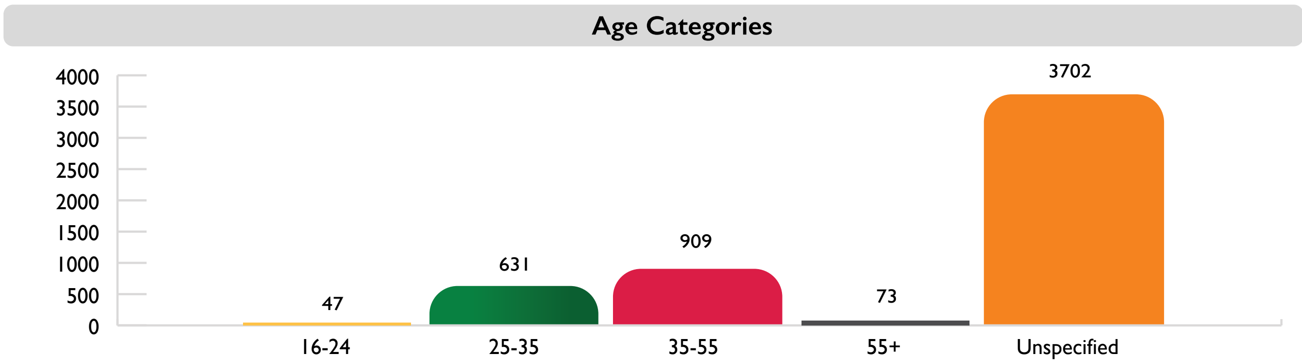
Wholesale Lending Portfolio

At the end of the 2023/24 financial year, the WL portfolio closed at R1.468 billion. This reflects a year-on-year increase of 1.7% from R1.443 billion at March 2024. The increase was underpinned by the disbursement of R196.5 million to funding partners and offset by repayments. R95.6 million (51%) of the R196.5 million was disbursed to new funding partners/intermediaries.

Portfolio Growth



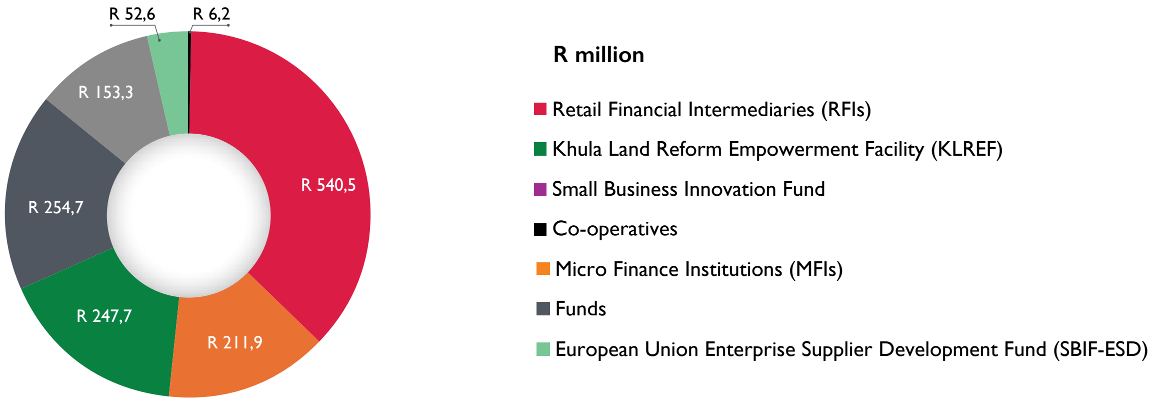
The portfolio consists of term loans (R819 million), revolving credit facilities (R393 million), instalments sale agreements (ISA) (R721 thousand) and the Funds/JV (R248.8 million). The term loans decreased by 0.87%, the ISA decreased by 7.08%, the revolving facilities increased by 19.97%% and Funds/JV decreased by 15%).



Product Contribution to the Portfolio

The portfolio is segmented into several channels: the Retail Financial Intermediaries (R540.5 million); Micro Finance Institutions (R211.9 million); Khula Land Reform Empowerment Facility (247.7 million); Funds (R254.7 million); Small Business Innovation Fund R153.3 million; European Union Enterprise Supplier Development Fund (R52.6million); Co-operatives (R6.2 million) and Structured Finance (R722 thousand).

Outstanding Balance March 2024



Retail Financial Intermediaries (RFIs)

The RFI channel is made up of Business Partners/Intermediaries that are funding SMEs in different sectors of the economy such as health, construction, ICT, transport, agriculture as well as supplier development. The portfolio increased by 2% and closed at R540.5m (FY2023: R527.6m).

Micro Finance Institutions (MFIs)

The MFI channel funds Business Partners/Intermediaries that fund micro enterprises, across all sectors, and has a predominant presence in rural villages and townships.

The portfolio decreased by 21% to R211.9m from (FY2023: R268.6m). The decrease resulted from repayment of revolving facilities, by the two biggest intermediaries, during their low season at the beginning of the calendar year.

Khula Land Reform Empowerment Facility (LREF)

Land Reform Empowerment Facility is a Broad- Based Black Economic Empowerment Agriculture and Land Reform Fund that was established and capitalised by the Department of Agriculture, Land Reform and Rural Development in 1999/2000. The Fund is housed within and managed by the Small Enterprise Finance Agency (**sefa**). The purpose of the fund is to financially support the South African land reform beneficiaries and agricultural SMEs through a concessionary wholesale lending model in collaboration with commercial banks and non-bank agricultural financial intermediaries.

There was a decrease of 1% in the portfolio closing at R247.7m (FY 2023: 249.2) resulting from a settlement of R45.4m.

Small Business Innovation Fund (SBIF)

The SBIF product has a diversified exposure in sectors such as construction, mining related, ICT related, agriculture and general services.

The portfolio increased by 2% to R153.3m from (FY2023: R150.9m). The increase was minimal because some Intermediaries could not draw the balance of the facilities. The Workout & Restructuring department is re-working the facilities and hopefully they will be able to draw further.

European Union Enterprise Supplier Development Fund (EU-ESD)

The European Commission entered into a financing agreement with the Republic of South Africa for Employment Promotion through SMMEs Support Programme. One of the objectives of the programme is to improve access to finance for SMMEs with limited access to finance. **sefa** was identified as the anchor entity for the implementation of the programme with one of the channels being the ESD Fund which is implemented through Wholesale lending channel Intermediaries.

There was a slight change in the portfolio to R52.6m from (FY 2023: R52.4m). The facilities are fully drawn.

Co-operatives (Co-ops)

The total exposure of the co-operative product is in the school feeding scheme. The term of the facility has expired therefore no further disbursements will be made.

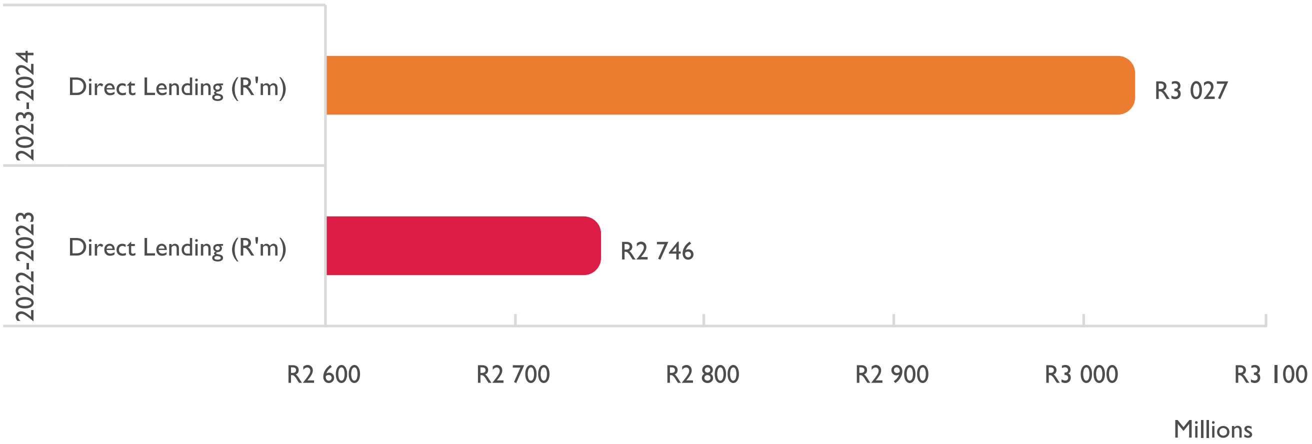
The portfolio increased by 2% to R6,2m from (FY2023: R6.1). The marginal increase is a result of interest accrued in the financial year.

Structured Finance Solutions (SFS)

The structured finance solution product is a facility that was established by **sefa** in collaboration with Coca Cola Beverage South Africa (Pty) Ltd (CCBSA) to finance local distribution partners that secured contracts with CCBSA.

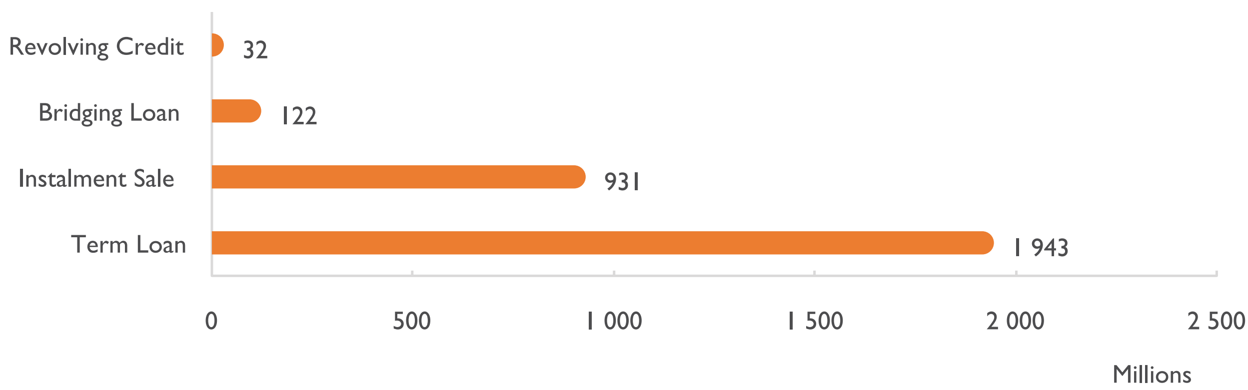
The portfolio increased by 9% to R721.9k from (FY2023: R660.9k), however, there will be no further growth because the term of the facility has expired. The interest reslted from interest accrued in the financial year.

Direct Lending Portfolio



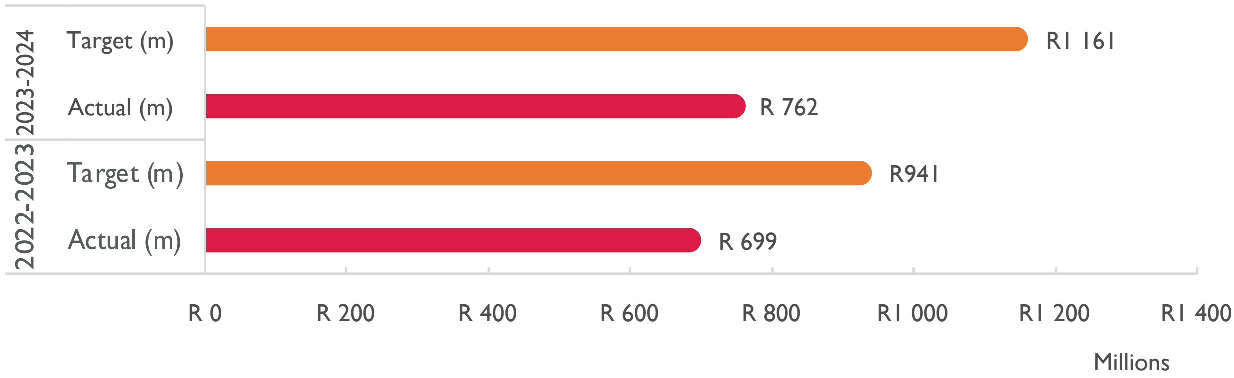
The DL loan book had a balance of R3 billion as of 31 March 2024. This is a 10.3% increase, largely due to higher lending activities in retail loans, coupled with continued disbursements to the TREP program and recovery support. The loan portfolio consists of term loans (R1.943 billion), instalment sale agreements (ISA) (R930.9 million), bridging loans (R122.1 million,) and revolving credit facilities (R31.6 million). It must be noted that R137 million of the term loans are COVID-19 relief funds. There has been an increase in the following product types during the year as follows: term loans by 4%, instalment sale agreements by 20%, bridging loans by 57% and revolving facilities decreased by 4%.

Portfolio Products Spread



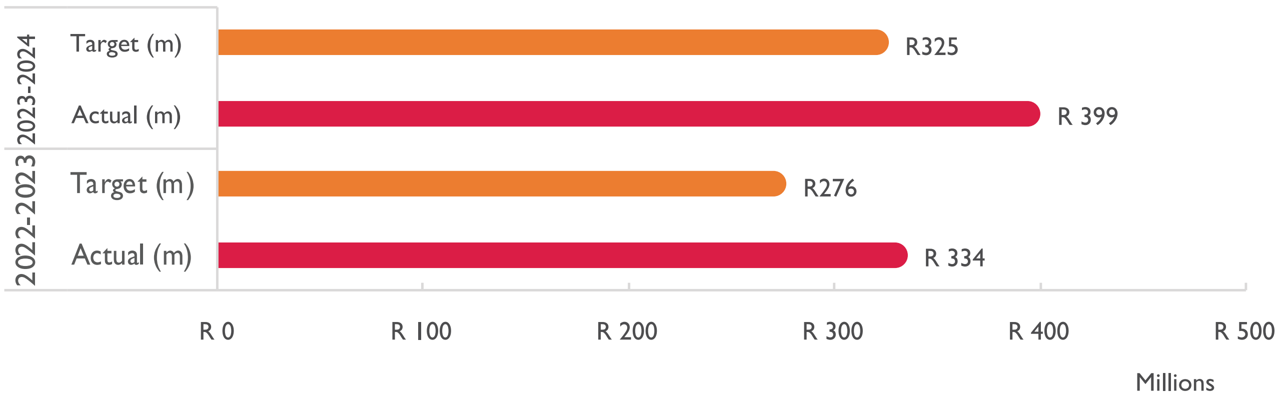
Total Collections

The total collections from loans and advances amounted to R762 million against a target of R1.161 billion. This represents 66% of the annual target. The actual collections were 9% above the previous year's collections of R699 million. The factors that contributed to the underachievement of the current year's target include the ailing economy and the unwillingness of clients to repay loans. The department was able to address most of the backlog and the pre-legal collection efforts are gaining traction as defaulting clients are served with breach letters and listed on the credit bureaus.



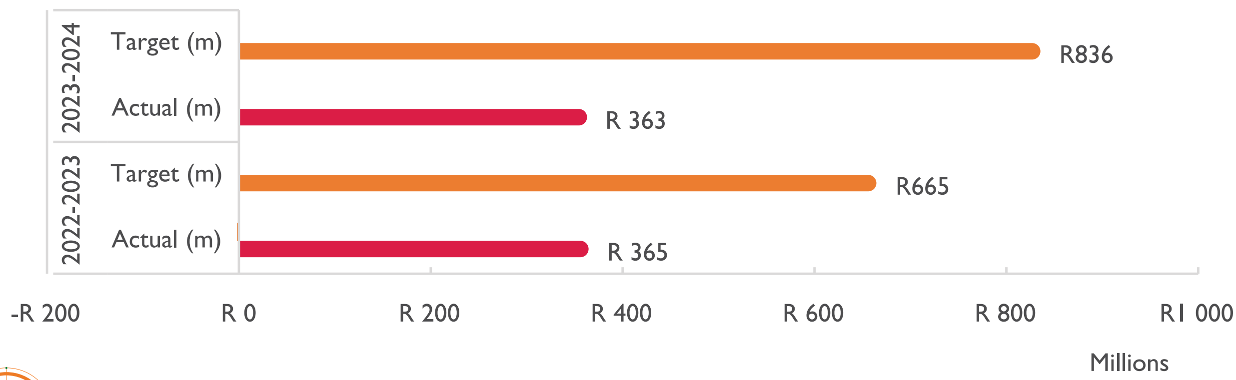
Wholesale Lending Collections

Wholesale Lending collections totaled R398.9 million and represented 123% of the R325 million annual target. The actual collections were 19% higher than the previous year. This is largely due to early payments received on revolving facilities.



Direct Lending Collections

Direct Lending collections amounted to R362.7 million, which represents 43% of the R835.8 million annual target. The actual collections were 1% lower than the previous year. SMMEs, in general, were impacted by the poor access to markets and the continuous interruptions caused by load-shedding. Client behaviour impacts the on-time collections as many clients actively cancelled the debit orders. Improvements are continually being applied to the new collection system to improve the effectiveness of the collection efforts.



Workout and Restructuring

A total of 103 accounts amounting to R170 million were restructured during the year under review. This involved the provision and extension of capital and interest moratorium, the extension of loan terms and the capitalisation of arrear interest. These interventions resulted in the rescheduling of repayments to provide cash flow relief to the SMMEs that were struggling with cashflow due to various circumstances including the impact of loadshedding. The restructuring efforts resulted in saving jobs and ensure that the business was assisted to continue with operations.

Workout and restructuring remains important given that more SMMEs are negatively impacted by the slow growth in the economy and the impact of loadshedding pushing some SMMEs into a state of distress. There is a need to enhance the capacity of the unit with additional staff members to ensure that the impact of the interventions is more pronounced given the high levels of business manifesting signs of distress. This should be achieved in the ensuing financial year to ensure that the unit is effective in assisting SMMEs to remain viable entities. It must be noted that 52 of the loans that were rescheduled amounting to R6.7m were COVID-19 relief loans

COVID-19 Relief Loans

Between April and September 2020, **sefa** disbursed COVID-19 relief loans to 1 160 clients with a 36-month repayment period and 6-month moratorium. The term of these loans expired during the financial year depending on the first date of disbursement. As at the financial year end there were 643 loans with an outstanding balance of R137 million. It must be noted that the loans that were restructured did meet set criterion.

The provision of mentorship and business support continued during the year and 202 interventions were completed. Majority of the business support interventions and support were directed at assisting businesses to manage cash flows and maintain working capital, liquidity, and funds for growth and expansion along with the implementation of proper operational systems to ensure business operations are effective and efficient. The focus extended to marketing strategies to ensure that clients are properly aligned with market trends and demands to improve the prospects of sustainability.

Majority of the mentorship assignments were in financial support and technical support. Based on the mentors' findings, load shedding remained one of the biggest challenge facing our clients and is affecting most businesses. Most clients do not have financial systems in place as they do not record business transactions. Some businesses have poor locations that impact the ability to attract new markets, whilst other clients have changed premises without notifying **sefa**. Cash constraints or insufficient working capital affects many clients as is the high cost of fuel, especially where clients are using generators.

sefa spent R5.191 million on business support for the year.

Outlook

The Post Investment Monitoring Workout and Restructuring division will in the next financial year focus on restructuring and implementing turnaround strategies to most of our clients' businesses to try and maintain sustainability of these businesses. The division will intensify its efforts in providing business support interventions and mentorship to grow the funded **sefa** businesses by leveraging on strategic partnerships created in the ecosystem.

Mr Tsakani Chauke
Acting Executive Manager
Post Investment Monitoring, Workout and Restructuring

Small Enterprise Finance Agency

SECTION 5

Annual Financial Statements

SMALL ENTERPRISE FINANCE AGENCY SOC LIMITED

GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

REGISTRATION NUMBER: 1995/011258/06

The annual financial statements have been prepared under the supervision of the Group's Acting Chief Financial Officer, Ms CL Williams CA (SA).

The financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa.

INDEX TO THE ANNUAL FINANCIAL STATEMENTS

Mr Tembinkosi Bonakele
Chairperson of the Board

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2024

The directors of **sefa** (the Company) are required in terms of the South African Companies Act 71, of 2008 as amended (the Companies Act), to maintain adequate accounting records and the preparation of the Group (Consolidated and separate) annual financial statements, together with the related information. These Group annual financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS), and material accounting policies.

In preparing the Group annual financial statements, the directors should ensure that these fairly present the state of affairs of the Group, its financial results, its performance against pre-determined objectives and its financial position at the end of any given financial year.

The directors acknowledge that they are ultimately responsible for the process of risk management and the systems of internal controls, management assists the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the Group annual financial statements in accordance with IFRS and to adequately safeguard, verify and maintain accountability for assets. Systems of internal controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Accounting policies are supported by judgements, estimates and assumptions which comply with IFRS.

Based on the information and explanations given by management, internal auditors and discussions held with external auditors on the results of their audits, the directors are of the opinion that the internal financial controls are adequate and can be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained.

Nothing has come to the attention of the directors indicating any breakdown in the functioning of these internal controls, which could result in material loss to the Group during the year under review, and until the date of this report. The directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt a going concern approach in the preparation of the financial statements.

The Group annual financial statements have been audited by independent external auditors, Deloitte & Touche, who have been given unrestricted access to all financial records and related information, including minutes of shareholder, Board and Board Committee meetings. The external auditor's audit report is contained on pages 139 - 143.

The directors are of the opinion that the Group annual financial statements fairly present the financial position of the Group and the results of its operations and cash flow information for the year ended 31 March 2024.

Against this background, the directors of the Company accept responsibility for the Group annual financial statements which were approved by the Board of Directors on 30 August 2024 and are signed on its behalf by:

Mr Tembinkosi Bonakele
Chairperson of the Board

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2024

Introduction

sefa is a State-Owned Company in terms of the Companies Act and is a Schedule 2 listed entity in terms of the Public Finance Management Act (PFMA) and Treasury regulations. This report is presented in accordance with the provisions of the prescribed legislation and addresses the performance of **sefa** (the Group), as well as relevant statutory information requirements. The Board of Directors is the accounting authority as prescribed in the PFMA.

Nature of business

sefa is a Development Finance Institution (DFI), which provides finance to SMMEs and Cooperatives directly through its branch network and indirectly through Financial Intermediaries and other suitable financial institutions. Finance is provided in the form of loans, equity and credit indemnities. The Group also owns a portfolio of business premises that are leased to commercial undertakings.

Funding

sefa's capital funding requirements are sourced mainly from allocations received from the Department of Trade, Industry and Competition (DTIC) through **sefa's** shareholder, the Industrial Development Corporation of SA Ltd (IDC) (Refer to note 8.2). An allocation of R218 million (2023: R258.7 million) was received from government to support **sefa's** activities. The allocation was paid to the IDC, and was made available to **sefa** through a shareholder's reserve which is recognised directly in the statement of changes in equity.

sefa also receives grant funding from the Department of Small Business Development (DSBD), donor funding, collaborative efforts and partnerships (Department of Tourism – R225.7 million, Eastern Cape Rural Development Agency (ECRDA) – R25 million and British Petroleum (BP) – R36 million). The DSBD committed to funding in the amount of R673.7 million (2023: R1.2 billion).

Public Finance Management Act

sefa's Board of Directors are responsible for the development of the Company's strategic direction. The Company's strategy and business plan are captured in the Shareholder's Compact which is agreed with the shareholder and forms the basis for the Company's detailed action plans and on-going performance evaluation, as well as the Annual Performance Plan. The responsibility for the day-to-day management of the Company vests in line management through a clearly defined organisational structure and through a formal Delegation of Authority.

sefa has a comprehensive system of internal controls, which is designed to ensure that the Company's objectives are met, including the requirements of the Companies Act and the recommendations of King IV. These systems and controls meet the requirements of the PFMA. There are processes in place to ensure that where these controls fail, such failure is detected and corrected.

Insurance Act

sefa's wholly owned subsidiary Khula Credit Guarantee (SOC) Ltd (KCG) is registered as a short-term insurer and is subject to the Insurance Act 18 of 2017.

Significant matters

Merger of **sefa**, SEDA and CBDA

The Cabinet of South Africa approved the merger of the agencies reporting to the Minister of Small Business Development (**sefa**, SEDA and Co-Operatives Bank Development Agency) in 2021, to form a new entity that would be responsible for the provision of both financial and non-financial support to SMMEs throughout the entire business development value chain, essentially creating a "One-stop-shop". The merger was initially set to be effective from 1 April 2022, however, there have been some delays in finalising the enabling legislation (National Small Enterprise Amendment Bill, "The Bill") and some extensions were granted.

The Bill was passed by the National Assembly on 6 December 2023 and was then transmitted to the National Council Of Provinces (NCOP) for concurrence. On 27 March 2024 the Cabinet approved the 20 months extension period to conclude the process of merging the entities. The President assented The Bill into Law on 18 July 2024 and The Bill was proclaimed and published in the Government Gazette on 23 July 2024.

The Bill (s10(1) (5) of Chapter 3) states that on the date as determined by the Minister, all assets, liabilities, rights and obligations of the **sefa**, SEDA and Co-Operatives Bank Development Agency, as the case may be, including the unexpended balance of appropriations, authorisations, allocations and other funds employed, held or used in connection with the furtherance of its objectives and functions, pass to SEDFA (the Agency).

Going concern

sefa's financial statements are prepared based on International Financial Reporting Standards, except for the going concern assumption.

Management has considered several inputs in the annual going concern assessment for the year-ended 31 March 2024, including preparing budgets in line with the approved National Treasury's vote 36 and 39 allocations. The financial plans that have been prepared were based on the National Treasury's vote 36 and 39 fund allocations, DSBD allocation of budget and the approval of the Annual Performance Plan for the 2024/25. **sefa** will be able to pay all debts as they become due and the approved budgets confirm that **sefa** is both liquid and solvent.

As per note 14.1, **sefa's** assets and liabilities will, through The Bill, be merged with those of SEDA and CBDA to form The Agency, SEDFA. The President assented The Bill into Law on 18 July 2024 and The Bill was proclaimed and published in the Government Gazette the (National Small Enterprise Amendment Act, 2024) on 23 July 2024.

The Bill (s10(1) (5) of Chapter 3) states that on the date as determined by the Minister, all assets, liabilities, rights and obligations of the **sefa**, SEDA and Co-Operatives Bank Development Agency, as the case may be, including the unexpended balance of appropriations, authorisations, allocations and other funds employed, held or used in connection with the furtherance of its objectives and functions, pass to the Agency (SEDFA). As a result of Section 10 (1)(5) of the Bill, the functions of **sefa** will continue under SEDFA, which will have the same mandate and functions as **sefa**.

As a result, management has assessed that **sefa** is no longer a going concern due to the progress made in finalising the enabling legislation that will result in the formation of the Agency, SEDFA.

The Directors in office during the financial year and up to the date of approval of the annual financial statements were:

NON-EXECUTIVE DIRECTORS		
Director	**Appointment date**	**Retirement date**
Mr King Tembinkosi Bonakele	2023/09/01	N/A
Adv. Nokuzola Gloria Khumalo	2022/05/03	2024/04/30
Ms Cingashe Nogaya Motale	2022/05/03	2024/04/30
Ms Nonzuzo Makanda	2022/05/03	N/A
Mr Motse Mfuleni	2022/05/03	N/A
Ms Ziyanda F Ngcobo	2020/10/01	2024/04/30
Ms Phelisa Nkomo	2023/09/01	N/A
Mr Bonolo Molemo Ramokhele	2023/05/05	N/A
Mr Mothibi G. Ramusi	2023/09/01	2024/04/30
Ms Tsakani G Shiviti	2023/09/21	2024/04/30
Mr Siyakhula Simelane	2023/08/15	N/A
Ms Hilda-Marie Tsoadi	2020/10/01	N/A
Ms Mmathebe Zvobwo	2023/09/01	2024/04/30
Mr Mmatlou Justice Kganyago	2019/08/01	2023/04/11
Dr Mzukisi Qobo	2022/05/02	2023/08/31
Ms Simthandile (Simi) Siwisa	2022/05/03	2023/04/29
EXECUTIVE DIRECTOR		
Mr Mxolisi Dalukhanyo Matshamba (Chief Executive Officer)	2020/11/01	2024/04/30
Mr Nkosikhona Sydney Mbatha (Acting Chief Executive Officer)	2024/05/10	N/A

Materiality and Significance

Materiality levels for reporting in terms of Section 55(2)(b)(i) of the PFMA

Section 55(2)(b)(i) of the Public Finance Management Act (PFMA) states that the annual report and financial statements should include particulars of any material losses through criminal conduct, irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. The term material has not been defined in the Act. Significance levels detailed below were used for the purpose of determining materiality.

Significance levels related to Sections 51(1)(g) and 54(2) of the PFMA

Sections 51(1)(g) and 54(2) of the PFMA read in conjunction with the related practice note requires the use of a significance framework. Based on the guidelines in the practice note and after evaluating total assets, total revenue and loss after tax for the Group, a significance level of R109million has been adopted.

Unauthorised, Fruitless and Wasteful and Irregular Expenditure

Unauthorised expenditure

No expenditure was classified as unauthorised during the financial year (2023: Rnil).

Fruitless and wasteful expenditure

The PFMA defines fruitless and wasteful expenditure as expenditure which was made in vain and could have been avoided had reasonable care been exercised. Refer to note 11.1 for detailed information on fruitless and wasteful expenditure.

Irregular expenditure

Irregular expenditure signifies expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have been implemented to ensure compliance with the PFMA, relevant tender regulations as well as any other relevant procurement regulations.

Refer to note 11.1 for detailed information on irregular expenditure.

Events after the reporting period

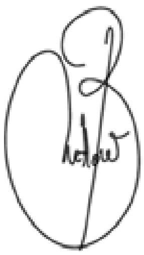
On 23 July 2024, President Ramaphosa assented to the National Small Enterprise Amendment Bill. The National Small Enterprise Amendment Act amends the National Small Enterprise Act of 1996 to establish a new entity, The Small Enterprise Development Finance Agency, which will incorporate the Small Enterprise Finance Agency (**sefa**), the Small Enterprise Development Agency (Seda) and the Co-Operative Banks Development Agency (CBDA). The Act will commence on the date determined by the President in the Gazette (which will not be the signature date) once the Proclamation notice has been issued. The Proclamation notice may have different sections of the Act coming into operation at different times.

Mr NS Mbatha was appointed as the Acting Chief Executive Officer of **sefa** on 10 May 2024.

DECLARATION BY THE GROUP COMPANY SECRETARY

FOR THE YEAR ENDED 31 MARCH 2024

In terms of section 88(2)(e) of the Companies Act No.71 of 2008, I, Buhle Ndlovu, in my capacity as Group Company Secretary confirm that, to the best of my knowledge and belief, the Company has filed all required returns and notices with the Companies and Intellectual Property Commission, and that such returns are correct and up to date.



Ms. Buhle Ndlovu
Group Company Secretary 30 August 2024

INDEPENDENT AUDITOR'S REPORT

To the Parliament and the Shareholder of Small Enterprise Finance Agency SOC Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Small Enterprise Finance Agency and its subsidiaries (the group) set out on pages 144 to 239, which comprise the consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2024, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act, 2008 (Act No.71 of 2008) (the Companies Act).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the group in accordance with the *Code of Professional Conduct for auditors* of the Independent Regulatory Board for Auditors (IRBA) 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' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - basis of preparation winding down and/or deregistration

Without qualifying our opinion, we draw attention to Note 1.2 and 14.1 to the financial statements regarding the merger of the agencies reporting to the Minister of Small Business Development Small Enterprise Finance Agency, Cooperatives Bank Development Agency and Small Enterprise Development Agency) and the basis of preparation of the financial statements. The basis of preparation is consistent with International Financial Reporting Standards and further describes that the going concern assumption is not appropriate to the group.

Responsibility of the accounting authority for the consolidated and separate financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the requirements of the PFMA and the requirements of the Companies Act of South Africa, and for such internal control as the accounting authority determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's and 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 intends to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements 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 based on these consolidated and separate financial statements.

A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 142, forms part of our auditor's report.

Report on the audit of the annual performance report

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we must audit and report on the usefulness and reliability of the reported performance against predetermined outcomes for the selected outcomes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

We selected the following outcomes presented in the annual performance report for the year ended 31 March 2024 for auditing. We selected outcomes that measure the group's performance on its primary mandated functions and that are of significant national, community or public interest.

OUTCOMES	PAGE NUMBERS	PURPOSE
Outcome 1: Customer Perspective	26	Supporting sustainable small, medium, micro, and cooperative enterprises and contributing to increased job creation, and economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and PWDs.
Outcome 2: Financial Perspective	26	Driving commercialisation, ensuring return on investment, and strengthening of the balance sheet and mobilising strategic partners and funding.

We evaluated the reported performance information for the selected outcomes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the group's planning and delivery on its mandate and outcomes.

We performed procedures to test whether

- the indicators used for planning and reporting on performance can be linked directly to the group's mandate and the achievement of its planned outcomes
- all the indicators relevant for measuring the group's performance against its primary mandated and prioritised functions and planned outcomes are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over or underachievement of targets

We performed the procedures for the purpose of reporting material findings only and not to provide an assurance opinion or conclusion.

We did not identify any material findings on the reported performance information for the selected outcomes.

Report on the audit of compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, we must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Board of Directors is responsible for the group's compliance with legislation.

We performed procedures to test compliance with selected requirements in key legislation in accordance with the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, we do not express an assurance opinion or conclusion.

Through an established AGSA process, we selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the Group, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements

The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of deferred grant payable and cash and cash equivalents were identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Asset Management

Loans were provided to related companies, which were not approved by way of a special resolution adopted by the shareholders within the previous two years as required by section 45 of the Companies act 71 Act of 2008.

Other information in the annual report

The accounting authority is responsible for the other information. The other information comprises the information included in the document titled "Small Enterprise Finance Agency and its subsidiaries (the group) Annual Financial Statements for the year ended 31 March 2024", which includes the Directors' Report as required by the Companies Act of South Africa and the declaration by the Group Company secretary, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

Our opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion on it.

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

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

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

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Management did not implement adequate internal controls to ensure the preparation of accurate financial statements was submitted for auditing to ensure that they were fully compliant with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Numerous material misstatements were identified that required correction. It is only after corrections were made that the consolidated and separate financial statements received an unqualified audit opinion.

Other reports

We draw attention to the following engagement conducted by us which had, or could have, an impact on the matters reported in the group's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

- Limited Assurance Report to the National Credit Regulator in Compliance with Regulation 68 of the Regulations to the National Credit Act, 2006.

Auditor tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche have been the auditors of Small Enterprise Finance Agency and its subsidiaries (the group) for the 2 years.

Deloitte & Touche

Deloitte & Touche

Registered Auditor

Per: Harshal Kana

Partner

31 August 2024

5 Magwa Crescent

Waterfall City

Johannesburg

Annexure

The annexure includes the following:

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

Auditor's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected outcomes and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the consolidated and separate 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 entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the consolidated and separate financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause a entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion..

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3); 50(3)(a); 50(3)(b) Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b); 57(d) Section 66(3)(a)
Treasury Regulations for public entities (TR)	Regulation 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 30(3)(b)(i); 33(1)(a) Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c') Section 72(4)(a); Section 75(6) Section 86(1); 86(4); Section 88(2)(d) Section 112(2)(a); Section 129(7)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Companies Regulations	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.3; 4.4; 4.4 (c);4.4(d); 4.6 Paragraph 5.4
NT instruction note 4 of 2015/16	Paragraph 1
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
NT instruction note 5 of 2020/21	Paragraph 5.1 and 5.3

STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2024

	NOTE	GROUP			COMPANY		
		2024	2023 Restated	2022 Restated	2024	2023 Restated	2022 Restated
		R'000	R'000	R'000	R'000	R'000	R'000
ASSETS							
Cash and cash equivalents	4.1	4 346 035	3 650 979	2 948 905	3 708 065	3 030 580	2 344 642
Trade and other receivables	4.2	38 734	31 354	20 779	262 862	203 568	215 054
Current tax asset	3.1	1 471	-	-	-	-	-
Deferred grants receivable	4.4	229 498	307 042	313 360	290 134	379 127	369 610
Loans and advances	7.10	1 118 920	1 614 793	1 527 626	1 118 920	1 614 793	1 526 608
Investment properties held-for-sale	5.4	-	-	-	-	-	-
Intangible assets	5.2	341	660	202	341	660	202
Equipment, furniture and other tangible assets	5.1	11 976	9 554	8 088	11 425	8 963	8 088
Right-of-use asset	5.6	19 567	14 249	21 923	19 567	14 249	21 923
Investment properties	5.3	245 240	182 118	185 133	-	-	-
Investments	7.11	62 123	47 402	33 337	62 123	47 402	33 337
Investments in subsidiaries	9.2	-	-	-	473 208	449 215	479 634
Investments in joint operations	9.3	-	-	-	-	-	-
Investments in associates	9.4	930 559	883 885	836 823	98 622	98 934	98 955
Investments in joint ventures	9.5	43 657	55 620	101 647	43 329	48 698	102 414
Deferred tax asset	3.3	3	3	-	-	-	-
TOTAL ASSETS (1)(2)		**7 048 124**	**6 797 659**	**5 997 823**	**6 088 596**	**5 896 189**	**5 200 467**
EQUITY AND LIABILITIES							
Share capital	8.1	308 300	308 300	308 300	308 300	308 300	308 300
Shareholder reserves	8.2	3 028 964	2 811 146	2 552 488	3 028 964	2 811 146	2 552 488
Other reserves		37	2 223	18 148	-	-	-
Retained earnings		(1 873 473)	(1 832 681)	(1 605 238)	(2 704 998)	(2 615 149)	(2 334 083)
Equity attributable to owners of the parent		**1 463 828**	**1 288 988**	**1 273 698**	**632 266**	**504 297**	**526 705**
Non-controlling interest		-	-	271	-	-	-
Total equity		**1 463 828**	**1 288 988**	**1 273 969**	**632 266**	**504 297**	**526 705**
Liabilities							
Trade and other payables	4.3	109 762	95 871	78 319	61 804	53 520	57 611
Lease liability	5.6	24 631	18 498	27 090	24 631	18 498	27 090
Deferred grants payable	4.4	4 527 858	4 521 209	3 849 822	4 527 858	4 521 209	3 849 822
Insurance contracts issued that are liabilities	6.2	80 008	74 428	29 384	-	-	-
Post-retirement medical liability	6.3	341	769	567	341	769	567
Shareholder loans	6.1	841 696	793 267	734 043	841 696	793 267	734 043
Non-current liability		-	4 629	4 629	-	4 629	4 629
Total liabilities		**5 584 296**	**5 508 671**	**4 723 854**	**5 456 330**	**5 391 892**	**4 673 762**
TOTAL EQUITY AND LIABILITIES (1)(2)		**7 048 124**	**6 797 659**	**5 997 823**	**6 088 596**	**5 896 189**	**5 200 467**

(1) This balance has been restated due to the retrospective adoption of IFRS17 Insurance Contracts in the current financial year. Refer to note 16.

(2) These balances have been restated by derecognising the cash and liability balances held related to funds managed on behalf of third parties . Refer to note 16.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	NOTE	GROUP		COMPANY	
		2024	2023 Restated	2024	2023
		R'000	R'000	R'000	R'000
Interest income on loans and advances	2.2	165 358	165 068	165 354	165 068
(Increase)/Decrease in credit losses on loans and advances	2.4.3	(703 610)	(593 590)	(703 610)	(593 207)
Bad debts written off	2.4.3	(103)	(485)	(103)	(3)
Loss from lending activities[1]		**(538 355)**	**(429 007)**	**(538 359)**	**(428 142)**
Other interest earned and other revenue and income	2.3	395 205	239 613	382 675	235 372
Grant income	2.6	672 821	594 439	672 821	594 439
Lease liability finance cost	5.6	(4 396)	(2 473)	(4 396)	(2 473)
Finance costs	6.1	(63 439)	(59 224)	(63 439)	(59 224)
Gross profit/(loss) after finance costs		**461 836**	**343 348**	**449 302**	**339 972**
Net fair value (loss)/gain on investment properties	5.5	63 122	(3 015)	-	-
Increase in impairments on related party loans	2.4.5	-	-	(30 485)	(112 840)
Decrease/(Increase) in impairments on cash	4.1	(21)	(2)	(19)	(4)
Decrease/(Increase) in impairments on investments	2.4.2	9 148	7 897	23 297	(29 739)
Investment property expenses		(63 364)	(97 477)	-	-
Personnel expenses		(284 230)	(250 103)	(284 230)	(250 103)
Grant expense	2.6	(137 154)	(141 568)	(137 154)	(141 568)
Other operating expenses		(137 451)	(158 417)	(110 560)	(86 784)
Operating loss	**2.4**	**(88 114)**	**(299 337)**	**(89 849)**	**(281 066)**
Profit from equity accounted investments, net of tax	9.6	47 325	71 808	-	-
Loss before tax		**(40 789)**	**(227 529)**	**(89 849)**	**(281 066)**
Income tax credit/ (charge)	3.2	-	-	-	-
Net profit/(loss) for the year [1]		**(40 789)**	**(227 529)**	**(89 849)**	**(281 066)**
Other comprehensive income after tax:					
Other comprehensive income from equity accounted investments	9.6	(2 186)	(15 925)	-	-
Other comprehensive income/(loss) for the year		**(2 186)**	**(15 925)**	**-**	**-**
Total comprehensive profit/(loss) for the year		**(42 975)**	**(243 454)**	**(89 849)**	**(281 066)**
Profit/(Loss) and total comprehensive income/(loss) attributable to:					
Owners of the parent - profit/(loss) for the year		(40 789)	(227 446)		
Owners of the parent - other comprehensive income		(2 186)	(15 925)		
Non-controlling interest - for the year		-	(83)		
Total comprehensive income/(loss) for the year		**(42 975)**	**(243 454)**		

[1] The group Net loss for the 2023 financial year has been restated due to the retrospective adoption of IFRS17 Insurance Contracts in the current financial year. Refer to note 16.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

GROUP	Note	Share Capital R'000	Restated Retained Earnings R'000	Shareholder Reserves R'000	Other Reserves * R'000	Non-Controlling Interest R'000	Total R'000
Balance at 31 March 2022		**308 300**	**1 602 699**	**2 552 488**	**18 148**	**271**	**1 276 508**
Adjustment on initial application of IFRS 17		-	(2 539)	-	-	-	(2 539)
Restated Balance at 1 April 2022 [(1)]		**308 300**	**1 605 238**	**2 552 488**	**18 148**	**271**	**1 273 969**
Advances received on shareholder reserves	8.2	-	-	258 658	-	-	**258 658**
Day one gain recognised on advance on shareholders loan	6.1	-	-	-	-	-	**-**
Dividends paid by subsidiary		-	-	-	-	(188)	**(188)**
Other comprehensive income from equity accounted investments		-	-	-	(15 925)	-	**(15 925)**
Total comprehensive loss for the year		-	(227 446)	-	-	(83)	**(227 529)**
Balance at 31 March 2023		**308 300**	**(1 832 684)**	**2 811 146**	**2 223**	**-**	**1 288 985**
Advances received on shareholder reserves	8.2	-	-	217 818	-	-	**217 818**
Other comprehensive loss from equity accounted investments		-	-	-	(2 186)	-	**(2 186)**
Dividends paid by subsidiary		-	-	-	-	-	**-**
Total comprehensive income for the year		-	(40 789)	-	-	-	**(40 789)**
Balance at 31 March 2024		**308 300**	**(1 832 684)**	**3 028 964**	**37**	**-**	**1 463 828**

*Other reserves consists of fair value and other reserves recognised by Business Partners Limited

[(1)] This balance has been restated due to the retrospective adoption of IFRS17 Insurance Contracts in the current financial year. Refer to note 16.

COMPANY	Note	Share Capital R'000	Retained Earnings R'000	Shareholder Reserves R'000	Other Reserves R'000	Non-Controlling Interest R'000	Total R'000
Balance at 31 March 2022		**308 300**	**(2 334 083)**	**2 552 488**	**-**	**-**	**526 705**
Advances received on shareholder reserves	8.2	-	-	258 658	-	-	**258 658**
Total comprehensive loss for the year		-	(281 066)	-	-	-	**(281 066)**
Balance at 31 March 2023		**308 300**	**(2 615 149)**	**2 811 146**	**-**	**-**	**504 297**
Advances received on shareholder reserves	8.2	-	-	217 818	-	-	**217 818**
Total comprehensive income for the year		-	(89 849)	-	-	-	**(89 849)**
Balance at 31 March 2024		**308 300**	**(2 704 998)**	**3 028 964**	**-**	**-**	**632 266**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	NOTE	GROUP		COMPANY	
		2024 R'000	2023 Restated R'000	2024 R'000	2023 Restated R'000
Cash flows from operating activities					
Cash utilised by operations [(1)]	2.5	(297 169)	(349 194)	(270 342)	(331 656)
Net loans and advances to customers or investees		(207 840)	(679 382)	(207 840)	(681 395)
Grant income received		679 470	1 265 826	679 470	1 265 826
Tax paid	3.1	(1 471)	-	-	-
Net cash generated from/(utilised by) operating activities		**172 990**	**237 250**	**201 288**	**252 775**
Cash flows from investing activities					
Purchase of equipment, furniture and other tangible assets	5.1	(7 494)	(4 386)	(7 494)	(3 795)
Purchase of intangible assets	5.2	-	(820)	-	(820)
Acquisition of investments		(6 403)	(6 168)	(6 403)	(6 168)
Disposal of investments		1 000	-	1 000	-
Interest and dividends received	2.3	343 151	185 554	297 279	153 116
Acquisition of equity accounted investments	9.5	-	-	-	-
Disposal of equity accounted investments	9.5	290	44 276	290	44 276
Proceeds from sale of equipment, furniture and other tangible assets		115	-	115	-
Net cash generated by investing activities		**330 659**	**218 456**	**284 787**	**186 609**
Cash flows from financing activities					
Dividends paid		-	(188)	-	-
Shareholder loan repayments		(15 010)	-	(15 010)	-
Capital funding received from the shareholder		217 818	258 658	217 818	258 658
Lease payment (capital portion)		(11 381)	(12 100)	(11 381)	(12 100)
Net cash from financing activities		**191 427**	**246 370**	**191 427**	**246 558**
Net increase in cash and cash equivalents		695 076	702 076	677 502	685 942
Cash and cash equivalents at beginning of year		3 651 005	2 948 929	3 030 602	2 344 660
Cash and cash equivalents at end of year [(2)]		**4 346 081**	**3 651 005**	**3 708 104**	**3 030 602**

[(1)] This balance has been restated due to the retrospective adoption of IFRS17 Insurance Contracts in the current financial year. Refer to note 16

[(2)] These balances have been restated by derecognising the cash and liability balances held related to funds managed on behalf of third parties . Refer to note 16.

INDEX TO THE NOTES TO THE GROUP AND COMPANY FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1. ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

The Group consolidated annual financial statements of **sefa** (the Company) comprise the Company and its subsidiaries and the Group's interest in associates, joint ventures and joint operations.

The Group and Company financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS), except for the going concern assumption, and Interpretations as issued by the IFRS Interpretations Committee (IFRIC) and comply with the South African Companies Act, No 71 of 2008 as well as the requirements of the PFMA. The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Investment properties measured at fair value.
- Investment properties held-for-sale measured at fair value.
- Investments that are classified as financial instruments at fair value through profit or loss.

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 1.6.

1.2 Going concern

sefa's financial statements are prepared based on International Financial Reporting Standards, except for the going concern assumption.

Management has considered several inputs in the annual going concern assessment for the year-ended 31 March 2024, including preparing budgets in line with the approved National Treasury's vote 36 and 39 allocations. The financial plans that have been prepared were based on the National Treasury's vote 36 and 39 fund allocations, DSBD allocation of budget and the approval of the Annual Performance Plan for the 2024/25. **sefa** will be able to pay all debts as they become due and the approved budgets confirm that **sefa** is both liquid and solvent.

As per note 14.1, **sefa's** assets and liabilities will, through The Bill, be merged with those of SEDA and CBDA to form The Agency, SEDFA. The President assented The Bill into Law on 18 July 2024 and The Bill was proclaimed and published in the Government Gazette the (National Small Enterprise Amendment Act, 2024) on 23 July 2024.

The Bill (s10(1) (5) of Chapter 3) states that on the date as determined by the Minister, all assets, liabilities, rights and obligations of the **sefa**, SEDA and Co-Operatives Bank Development Agency, as the case may be, including the unexpended balance of appropriations, authorisations, allocations and other funds employed, held or used in connection with the furtherance of its objectives and functions, pass to the Agency (SEDFA). As a result of Section 10 (1)(5) of the Bill, the functions of **sefa** will continue under SEDFA, which will have the same mandate and functions as **sefa**.

As a result, management has assessed that **sefa** is no longer a going concern due to the progress made in finalising the enabling legislation that will result in the formation of the Agency, SEDFA.

1.3 Significant changes in accounting policies

IFRS 17 Insurance Contracts has been retrospectively adopted for the year ending 31 March 2024, which has been disclosed in note 6.2. There were no other significant changes in accounting policies applicable for the year ending 31 March 2024.

1.4 Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out in this section as well as in the related notes to the Group and Company financial statements. The material accounting policies applied are consistent with those adopted in the prior year, unless otherwise stated.

The material accounting policies applied in the Company financial statements are consistent with those applied in the Group financial statements where applicable.

1.4.1 Consolidation

1.4.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is obtained by the Group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants.

Recognition and measurement

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition- related costs are expensed as and when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where applicable the Group measures any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets at initial recognition. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interests' share of the subsequent change in equity. Total comprehensive income is attributed to non-controlling interest. Accumulated losses attributed to non- controlling interest may result in the non-controlling interest having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. In the event of this being less than the fair value of the net assets of the acquiree in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Derecognition

When a parent loses control of a subsidiary it stops consolidating the subsidiary by derecognising the assets (including goodwill) and liabilities of the subsidiary and NCI in the subsidiary. As a consequence, the amount recognised in profit or loss on loss of control of a subsidiary is measured as the difference between:

The sum of:

- The fair value of the consideration received, if any;
- The fair value of any retained non-controlling investment;
- The carrying amount of the NCI in the former subsidiary; and
- The carrying amount of the former subsidiary's net assets.

1.4.1.2 Consolidation of subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when **sefa** is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are consolidated in the Group financial statements from the date that control commences (acquisition date) and are deconsolidated from the date that control ceases (disposal date).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

The Company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

1.4.1.3 Non-controlling interests

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree is initially measured at the non-controlling shareholders' proportion of the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non- controlling interests or disposals by the Group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased, is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders (where control is subsequently maintained) are also recorded in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non- controlling interests having a deficit balance.

1.4.1.4 Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, which includes transaction costs.

Subsequent to the initial recognition, the Group financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

The Group's investment in equity-accounted investees includes goodwill identified on acquisition. Any excess of the acquisition price over the acquired net asset value is not separately recognised as goodwill, but rather is included in the cost of the investment.

The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. When the Group's share of losses in an equity-accounted investee equals or exceeds its interest in the equity- accounted investee, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the equity- accounted investee.

The equity interest in an equity accounted investee includes, for this purpose, the carrying amount of the investment under the equity method and other long term interests that in substance form part of the entity's net investment in the associate or joint venture.

After application of the equity method, including recognising the associate's or joint venture's losses, **sefa** determines whether there is any objective evidence that its net investment in the associate or joint venture is impaired.

Unrealised gains and losses arising from transactions with equity-accounted investments are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

1.4.2 Provisions

A provision is a liability of uncertain timing or amount.

Provisions are recognised when the Group or Company has a present obligation as a result of a past event and the amount can be reliably measured. The Group or Company will also determine whether outflow of economic resources, embodying economic benefits that will be required to settle the obligation is probable or not. A provision will therefore be raised if the condition of being probable is met.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.4.3 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the statement of financial position but disclosed in the notes when significant.

1.4.4 Employee benefits

Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short- term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plan

The Group has a provident fund scheme which is a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the year to which they relate.

1.4.5 Funds administered on behalf of third parties

sefa manages funds on behalf of third parties. Funds administered on behalf of third parties are in ring fenced bank accounts, which are restricted and are utilised for specific purposes as determined in the agreements with third parties and as instructed by the parties to the agreements. The funds are not disclosed in **sefa's** statement of financial position as they do not meet the definition of an asset as per the accounting framework.

1.4.6 Measurement principles

Key assets and liabilities shown in the statement of financial position are subsequently measured as follows:

ASSETS	MEASUREMENT PRINCIPLE
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Loans and advances	Amortised cost
Investment properties held-for-sale	Fair value at the date of being classified as held-for- sale less subsequent impairments
Equipment, furniture and other tangible assets	Historical cost, less accumulated depreciation and impairment losses
Intangible assets	Historical cost, less accumulated amortisation and impairment losses
Deferred tax assets	Undiscounted amount measured at the tax rate at the reporting date
Investment properties	Fair value through profit or loss
Investments	Fair value through profit or loss
Investments in associates and joint ventures	Cost adjusted for share of movements in net assets, less impairment losses
Right-of-use Asset	Historical cost, less any accumulated depreciation and impairment losses
Deferred grants receivable	Conditional grants (grant provided to customers that may become repayable if the customer defaults on their loan) disbursed to customers is presented as deferred expenses and recognised on a systematic basis over the related loan term.

LIABILITIES	MEASUREMENT PRINCIPLE
Trade and other payables	Amortised cost
Tax payable	Amount expected to be paid to the tax authorities, using the tax rate at the reporting date
Insurance contracts issued that are liabilities	Insurance contracts are measured using a current estimate of all cash flows within the contract boundary that will arise as the contract is fulfilled
Deferred tax liabilities	Undiscounted amount measured at the tax rate at the reporting date
Post-retirement medical liability	Present value of the best estimate of settlement amount
Shareholder's loans	Amortised cost
Lease Liability	Present value of lease payments to be made over the lease term
Deferred grant payable	Grant income received is deferred on the statement of financial position as deferred grant payable and recognised as revenue on a systematic basis over the term of the related loan.

1.4.7 Determination of fair values

Determination of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1	Level 2	Level 3
Quoted prices (unadjusted) in active markets for identical assets or liabilities	Inputs other than quoted prices (as per Level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Refer to note 5.5 for additional information on determining the fair value of investment properties and note 7.11 for investments carried at fair value.

1.5 New and amended standards and interpretations

1.5.1. IFRS 17 Insurance Contracts has been implemented for the year ending 31 March 2024, which has been disclosed in note 6.2.

1.5.2 New standards and interpretations, not yet effective

The pronouncements listed below will be effective in future reporting periods and is considered relevant to the Group. The Group has elected not to early adopt the new pronouncements. It is expected that the Group will adopt the pronouncements on their effective date in accordance with the requirements of the pronouncements.

TOPIC	KEY REQUIREMENTS	EFFECTIVE DATE
IFRS s1, 'General requirements for disclosure of sustainability related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions.
IFRS s2, 'Climate- related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions.
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.
IFRS 18 — Presentation and Disclosure in Financial Statements	IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	The amendments are effective for reporting periods beginning on or after 1 January 2027.

1.6 Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

1.6.1 Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

1.6.2 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which it can be utilised.

1.6.3 Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 7.5.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

1.6.4 The ultimate liability arising from claims made under indemnity contracts

1. Separation of insurance contracts: An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. The company considers all the terms of each contract when making this determination.
2. Consideration of whether there are investment components: The company considers all the terms of each contract in order to make this determination. The company does not have exposure to investment components within any of its insurance contracts and has no plans to offer this product feature in the foreseeable future.
3. Determination of the contract boundary: When determining the boundaries of the contract all substantive rights held by the policyholder (i.e., contractual and/ or arising from law or regulations) are required to be considered except for restrictions without commercial substance [IFRS17 17.2]. Cash flows are considered to be outside of the contract boundary if the company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date. The company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio.
4. Identification of portfolios: The Group defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement.
5. Assessment of significance of insurance risk: The Group applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Group to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis.

6. Level of aggregation: The company applies judgement when distinguishing between contracts that have no significant possibility of becoming onerous and other profitable contracts

7. Assessment of directly attributable cash flows: The company applies judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the company also allocates fixed and variable overheads fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

8. PAA eligibility assessment: Where the coverage period is one year or less, an entity has the option to choose whether to apply the simplified approach (PAA) and where the company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred.

9. Assessment of significance of modification: The company derecognises the original contract and recognises the modified contract as a new contract, if the derecognition criteria are met. The company applies judgement to assess whether the modified terms of the contract would result in the original contract meeting the criteria for derecognition.

10. Level of aggregation for determining the risk adjustment for non-financial risk: IFRS 17 does not define the level at which the risk adjustment for non-financial risk should be determined. The level of aggregation for determining the risk adjustment for non-financial risk is not an accounting policy choice and requires judgement.

1.6.5 Effective rate used in determining the fair value of the shareholder's loan

The effective interest rate used to discount the interest-free shareholder's loans from the IDC is based on the average rate at which the IDC borrows external funds. **sefa** has never applied for external finance and, therefore, the average borrowing rate of the IDC is considered a market related rate.

1.6.6 Fair value assumptions for investment property

Property valuations take place annually, based on the aggregate of the net annual rental receivable from the properties, considering and analysing rentals received on similar properties in a close vicinity, less associated costs (insurance, maintenance, repairs, and management fees).

A capitalisation rate which reflects the specific risks inherent in the net cash flows is applied to the net annual rentals to arrive at the property valuations.

The fair value of undeveloped land held as investment property is based on comparative market prices after market surveys.

External, independent valuators having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued, perform valuations on the portfolio every three years.

Refer to note 5.5 for the fair value assumptions used.

1.6.7 Fair value assumptions for investments, associates and joint ventures

The fair value of the investment in equity instruments is determined by reference to the net asset value of the underlying entity.

1.6.8 Assumptions applied to the impairment of investments in associates and joint ventures

These assets are not carried at fair value but at cost adjusted for share of movements in net assets, less impairment losses.

The impairments of investments in associates and joint ventures is determined by reference to the net asset value of the underlying entity.

Refer to note 2.4.2 for additional information.

2. RESULTS OF OPERATIONS

2.1 Interest income, dividend income, fee income, rental income, commencement fee income and insurance revenue – material accounting policies

Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

Dividend income

Dividend income is recognised in profit or loss on the date the Group's right to receive payment is determined. Revenue is measured at the fair value of the consideration received or receivable and is presented net of indirect taxes.

Fee income

Income earned on the execution of a significant act is recognised when the criteria for performance obligation has been met. Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service. Fee income is comprised of commitment fees and administration fees charged on some loans. These fees, where applicable to the loan, are due from customers on disbursement of the loan.

Rental income

Rental income is generated from investment properties that are subject to operating leases. An operating lease is a lease where substantially all of the rewards and risks incidental to ownership of the leased asset remains with the lessor. Receipts in respect of operating leases are accounted for as income on the straight- line basis over the period of the lease.

Commencement fee income earned

Commencement fees earned are included in revenue and are recognised when the facility has been activated, prior to any policies being taken up.

Insurance revenue

As the Group provides insurance services under a group of insurance contracts issued, it reduces its Liability for Remaining Coverage and recognises insurance revenue, which is measured at the amount of consideration the Group expects to be entitled to in exchange for those services.

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

Grant income

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Grant income received is deferred on the statement of financial position and recognised as revenue on a systematic basis over the term of the related loan.

Other revenue

Other revenue is measured at the fair value of the consideration received or receivable and is presented net of indirect taxes. Other revenue comprises of bad debts recovered, management fee income on related parties and other sundry income.

Management fee income charged to related parties

Management fees are charged by **sefa** to related parties in the group for the shared service costs that are incurred. The management fees are charged in terms of the service level agreements in place with each subsidiary. At a Group level, these will eliminate, except for Khula Land Reform which is not consolidated in terms of IFRS requirements. Khula Land Reform is registered as a Non-profit Company. This company has been exempted from consolidation as **sefa** is acting as an agent.

2.2 INTEREST INCOME ON LOANS AND ADVANCES

	GROUP		COMPANY	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Interest received on loans and advances to clients	165 358	165 068	165 354	165 068

2.3 OTHER INTEREST EARNED AND OTHER REVENUE

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023
	R'000	R'000	R'000	R'000
Fee income	7 286	15 353	7 288	15 353
Commencement fees	2 575	475	-	-
Interest on overdue rental debtors	101	346	-	-
Investment property rental income	11 155	11 779	-	-
Investment property rental recoveries	13 363	13 960	-	-
Interest received on cash and cash equivalents	332 608	173 454	286 836	141 364
Interest received on related party loan	-	-	23 990	17 987
Insurance Revenue	11 902	7 026		
Dividends received on equity investments	-	-	10 442	11 752
Bad debts recovered	949	1 100	594	790
Management fee - related parties	11 009	11 725	49 262	43 721
Other sundry income	4 257	4 395	4 263	4 405
Total other interest and other revenue	**395 205**	**239 613**	**382 675**	**235 372**
Total other interest earned	**332 709**	**173 800**	**310 826**	**159 351**
Total other revenue	**62 496**	**65 813**	**71 849**	**76 021**

2.4 OPERATING LOSS

	GROUP		COMPANY	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Is arrived at after taking into account the following:				
2.4.1 Specific items:				
Audit fees	7 363	5 977	3 023	2 491
Contributions to defined contribution plans	14 195	14 395	14 195	14 395
Depreciation	4 947	2 903	4 907	2 903
Amortisation	319	362	319	362
Insurance service expenses	12 252	52 783	-	-
	39 076	**76 420**	**22 444**	**20151**
2.4.2 Increase/(decrease) in impairments on investments:				
Impairment of Investments in Associates	-	-	21	21
Impairment of Joint Ventures	-	-	9 124	13 506
Impairment of Other Investments	(9 148)	(7 897)	(9 148)	(7 897)
Impairment of Joint Operation	-	-	-	-
Impairment of Subsidiaries	-	-	(23 294)	24 109
Investment written off	-	-	-	-
Total increase in impairments on investments	**(9 148)**	**(7 897)**	**(23 297)**	**29 739**

Impairment losses are recognised in proportion to the entities share in the reduction of the investees net asset value, if any. The individual investments' fair value less cost of disposal have been used as the recoverable amount. There is no reason to believe that value in use would materially exceed its fair value less cost of disposal as the abovementioned changes in the net asset value would have an equal impact on the future cash flows which would realise when the investments are ultimately disposed of.

2.4.3 INCREASE/(DECREASE) IN EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 Restated R'000
Increase in expected credit losses - loans and advances	703 610	593 590	703 610	593 207
Bad debt written off - loans and advances [1]	103	485	103	3
Total increase in expected credit losses on loans and advances	**703 713**	**594 075**	**703 713**	**593 210**
[1]On a portfolio basis the split of bad debt written off is as follows:				
Micro Finance portfolio	-	-	-	-
Co-operatives portfolio	-	-	-	-
Direct Lending Portfolio *(Loans issued before 1 April 2016)*	-	-	-	-
Direct Lending Portfolio *(Loans issued after 1 April 2016)*	103	485	103	3
Khula Akwandze Fund	-	-	-	-
Identity Development Fund	-	-	-	-
	103	**485**	**103**	**3**

Refer to 7.5.7 for the additional policy notes.

2.4.4 INCREASES IN BAD DEBT PROVISIONS ON RENTAL DEBTORS:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 Restated R'000
Increase in bad debt provision - rental debtors	1 479	4 155	-	-
Loss on disposal of rental debtors	-	-	-	-
Total increase in bad debt provisions on rental debtors	**1 479**	**4 155**	**-**	**-**

2.4.5 INCREASE/(DECREASE) IN EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 Restated R'000
Increase in bad debt provision on Khula Intitutional Support Services NPC	-	-	8 481	699
Increase in bad debt provision on Khula Business Premises (Pty) Ltd	-	-	22 004	112 141
	-	-	30 485	112 840

2.4.6 LOANS AND ADVANCES: IMPAIRMENT MOVEMENT PER SECTOR				
	GROUP		COMPANY	
Net increase/(decrease) in impairments - loans and advances	2024 R'000	2023 R'000	2024 R'000	2023 Restated R'000
Accommodation and food service activities	13 374	-	13 374	-
Administrative and support activities	(17 666)	28 780	(17 666)	28 780
Agriculture, forestry and fishing	17 946	11 382	17 946	10 996
Arts, entertainment and recreation	452	168	452	168
Basic chemicals	1 226	2 036	1 226	2 036
Basic iron and steel	8 184	6 261	8 184	6 261
Beverages	2 278	2 395	2 278	2 395
Building construction	17 478	38 682	17 478	38 682
Business services	(4 476)	5 486	(4 476)	5 486
Catering and accommodation services	19 735	10 969	19 735	10 969
Construction	11 873	-	11 873	-
Education	924	507	924	507
Electricity, gas and steam	10 743	2 720	10 743	2 720
Electricity, gas, steam and air conditioning supply	675	-	675	-
Finance and insurance	98 133	1 884	98 133	1 884
Financial and insurance activities	20 777	-	20 777	-
Food	42 617	94 489	42 617	94 489
Footwear	1 771	2 219	1 771	2 219
Furniture	36	(20)	36	(20)
Glass and glass products	129	(91)	129	(91)
Human health and social work activities	22 783	3 120	22 783	3 120
Information and communication	6 571	9 342	6 571	9 342
Machinery and equipment	6 246	14 487	6 246	14 487
Manufacturing	129 179	48 622	129 179	48 622
Medical, dental and other health and verterinary services	1 994	2 983	1 994	2 983
Metal products excluding machinery	9 559	18 968	9 559	18 968
Mining and quarrying	3 902	-	3 902	-
Motor vehicles, parts and accessories	21 584	(36)	21 584	(36)
Non-metallic minerals	13 221	13 678	13 221	13 678
Other chemicals and man-made fibres	2 408	(955)	2 408	(955)
Other community, social and personal services	16 672	160	16 672	160
Other industries	20 375	12 312	20 375	12 312
Other mining	23 920	24 593	23 920	24 593
Other service activities	(54 101)	-	(54 101)	-
Other services	47 844	99 043	47 844	99 043
Paper and paper products	35	5	35	5
Plastic products	947	(4 044)	947	(4 044)
Printing, publishing and recorded media	(569)	25	(569)	25
Professional, scientific and technical activities	967	114	967	114
Real estate activities	1 963	1 348	1 963	1 348
Television, radio and communication equipment	687	1 373	687	1 373
Textiles	16 207	36 490	16 207	36 490
Transport and storage	43 873	31 354	43 873	31 354
Transportation and storage	4 175	-	4 175	-
Water supply; sewerage, waste management and remediation	(2 576)	6 735	(2 576)	6 735
Wearing apparel	4 367	13 951	4 367	13 951
Wholesale and retail trade	72 784	45 221	72 784	45 221
Wholesale and retail trade; repair of motor vehicles and motor	33 698	-	33 698	-
Wood and wooden products	8 686	6 834	8 686	6 837
Total movement on credit loss allowances	**703 610**	**593 590**	**703 610**	**593 207**

2.4.7 BAD DEBTS WRITTEN OFF/ (RECOVERED) PER SECTOR:

Bad debts written off/(recovered) - Loans and advances	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Bad debts written off	103	485	103	3
Bad debts recovered	(949)	(1 100)	(594)	(790)
Total bad debts written off/ (recovered)	**(846)**	**(615)**	**(491)**	**(787)**
Bad debts written off/(recovered) - Per sector:				
Agriculture, forestry and fishing	(243)	-	(243)	-
Beverages	-	-	-	-
Building construction	(263)	-	(263)	-
Business services	-	-	-	-
Catering and accommodation services	-	-	-	-
Electrical machinery	-	-	-	-
Finance and insurance	(1)	(1)	(1)	(1)
Food	-	-	-	-
Furniture	-	-	-	-
Government	-	-	-	-
Medical, dental and other health and veterinary services	103	-	103	-
Motor vehicles, parts and accessories	-	-	-	-
Other community, social and personal services	-	-	-	-
Other chemicals and man-made fibres	-	-	-	-
Other industries	(87)	-	(87)	-
Other mining	-	-	-	-
Other services	-	(24)	-	(24)
Other transport equipment	(355)	172	-	-
Printing, publishing and recorded media	-	3	-	3
Television, radio and communication equipment	-	-	-	-
Textiles	-	-	-	-
Transport and storage	-	(413)	-	(413)
Wholesale and retail trade	-	(352)	-	(352)
Total bad debts written off/(recovered)	**(846)**	**(615)**	**(491)**	**(787)**

2.5 CASH UTILISED BY OPERATIONS

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023 Restated
	R'000	R'000	R'000	R'000
Loss before tax	(40 789)	(227 529)	(89 849)	(281 066)
Adjustments for:				
Depreciation	17 143	14 085	17 103	14 085
Amortisation	319	362	319	362
Fair value adjustment	(63 122)	3 015	-	-
Impairments - Investments	(9 148)	(7 897)	(9 148)	(7 897)
Impairments - Subsidiaries and equity accounted investees	-	-	(14 149)	37 636
Income from associates and joint ventures	(47 325)	(71 807)	-	-
Dividends received from associate	-	-	(10 442)	(11 188)
Increase in insurance contracts that are liabilities	5 580	45 043	-	-
Interest charged on shareholder's loan	63 439	59 224	63 439	59 224
Interest on related party loans	-	-	(23 990)	(17 987)
Investment income and interest on overdue rental debtors	(332 709)	(173 800)	(286 839)	(141 928)
Grant income	(672 821)	(594 439)	(672 821)	(594 439)
(Profit)/loss on sale of equipment	11	16	11	16
Credit loss allowance on loans	703 610	593 590	703 610	593 207
Provision for bad debts - rental debtors	1 479	4 155	-	-
Investment written off	-	(276)	-	(276)
Bad debts written off	103	485	103	3
Increase in impairments on cash	21	2	19	4
Increase in impairments on related party loans	-	-	30 485	112 840
Post-retirement liability	(428)	203	(428)	203
Increase in provision for indemnity claims	-	-	-	-
Operating loss before changes in working capital	**(374 637)**	**(357 992)**	**(292 577)**	**(237 201)**
Changes in working capital	**77 468**	**8 798**	**22 235**	**(94 455)**
(Increase)/decrease in trade and other receivables	66 783	(6 072)	95 988	(19 380)
Loans issued to related parties	7 774	(1 196)	(69 577)	(70 982)
(Decrease)/increase in trade and other payables	2 911	16 066	(4 176)	(4 093)
Cash utilised by operations	**(297 169)**	**(349 194)**	**(270 342)**	**(331 656)**

2.6 GRANT INCOME AND GRANT EXPENSE

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Grant income: Blended Finance	10 323	10 856	10 323	10 856
Grant income: Small Business and Innovation Fund	42 931	45 799	42 931	45 799
Grant income: European Union	7 530	6 840	7 530	6 840
Grant income: Covid_19 relief and post economic recovery programmes	421 099	430 749	421 099	430 749
Grant income: Youth Challenge Fund	29 132	15 195	29 132	15 195
Grant income: Micro Finance	161 806	85 000	161 806	85 000
	672 821	**594 439**	**672 821**	**594 439**
Grant expense: Blended Finance	(10 323)	(10 856)	(10 323)	(10 856)
Grant expense: Small Business a nd Innovation Fund	(14 257)	(48 661)	(14 257)	(48 661)
Grant expense: Covid_19 relief and post economic recovery programmes	(107 764)	(79 477)	(107 764)	(79 477)
Grant expense: Youth Challenge Fund	(4 810)	(2 574)	(4 810)	(2 574)
	(137 154)	**(141 568)**	**(137 154)**	**(141 568)**

3. TAXATION

3.1 CURRENT TAX ASSET/ (TAX PAYABLE)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year. Refer to note 3.2 for additional information.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Tax receivable/(payable) at the beginning of the year	-	-	-	-
Tax as per statement of comprehensive income (net of deferred tax)	-	-	-	-
Tax penalty	-	-	-	-
Provisional tax overpayment	1 471	-	-	-
Tax receivable at the end of the year	**1 471**	**-**	**-**	**-**

3.2 INCOME TAX EXPENSE

Income tax expenses comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or equity.

Current tax

Current tax is measured using tax rates enacted or substantively enacted at the reporting date. Current taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, in other comprehensive income or in equity.

Current tax also includes any adjustment to tax payable in respect of previous years when necessary.

The Group offsets current assets and current tax liabilities only when:

- The Group has a legally enforceable right to set off current tax assets against current tax liabilities.
- The Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged to other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or equity.

Refer to note 3.3 for additional information on deferred tax.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Current tax expense - current year	-	-	-	-
- current year	-	-	-	-
- prior year under/(over) provision	-	-	-	-
Deferred taxation - current year	**151 765**	**192 544**	**144 292**	**153 087**
- Current year	122 193	122 328	129 426	116 765
- Prior year under/(over) provision	-	-	-	-
- Tax Loss movement	29 572	70 216	14 866	36 322
Deferred tax asset not recognised in the current year (2)	(151 765)	(192 544)	(144 292)	(153 087)
Income tax expense	-	-	-	-

Reconciliation of taxation amount:	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loss before taxation	(40 789)	(227 529)	(89 849)	(281 066)
Taxation at standard rate of 27% (2023,27%)	(11 013)	(61 433)	(24 259)	(75 888)
Tax effect of permanent differences	(140 752)	(134 381)	(120 033)	(77 144)
- Non-deductible expenses	62 801	84 934	62 415	84 681
- expenses attributable to exempt grant income	37 032	38 224	37 032	38 224
- fair value adjustment on investment properties	-	163	-	-
- repairs and maintenance not deductible	21	-	21	-
- impairment on related party loans	8 231	30 467	8 231	30 467
- movement on day 1 gain on IDC loan	17 129	15 990	17 129	15 990
- legal fees not deductible	386	-	-	-
- other	3	90	3	-
- Non-taxable income	(203 553)	(219 315)	(182 448)	(161 825)
- fair value adjustment on investment properties	(3 409)	-	-	-
- exempt grant income	(179 629)	(158 652)	(179 629)	(158 652)
- exempt dividend income	(2 819)	-	(2 819)	(3 173)
- other (1)	(17 697)	(60 663)	-	-
Tax effect of deferred tax asset not recognised	151 765	192 544	144 292	153 087
Prior year deferred tax adjustment	-	(55)	-	(55)
Tax loss recognised	-	3 325	-	-
Taxation (credit)/ charge to the statement of comprehensive income	-	-	-	-
Taxation expense relating to current year	-		-	-
Effective tax rate	0.00%	0.00%	0.00%	0.00%

(1) The other amounts in the tax rate reconciliation are reconciling items from externally managed related entities. The individual amounts making up this item are not considered to be significant.

(2) The deferred tax asset is not recognised due to uncertainty regarding the future taxable temporary differences against which this can be utilised.

3.3 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable income.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which unused tax deductions can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax will be realised.

Deferred tax is not recognised if the temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit or loss

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Group intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of Investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

3.3.1 NET DEFERRED TAX

	GROUP		COMPANY	
	2024 R'000	2023 Restated R'000	2024 R'000	2023 R'000
Deferred taxation assets	341 406	233 830	307 864	213 845
Deferred taxation liabilities	(341 403)	(233 827)	(307 864)	(213 845)
Net deferred taxation asset	**3**	**3**	**-**	**-**

3.3.2 DEFERRED TAXATION ASSETS

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023
	R'000	R'000	R'000	R'000
Movement on the deferred taxation asset is as follows:				
At beginning of the year	**233 830**	**154 406**	**213 845**	**136 976**
Temporary differences recognised in profit or loss				
- Current year	107 576	79 424	94 019	76 869
- Previous year	-	-	-	-
At end of the year	**341 406**	**233 830**	**307 864**	**213 845**
Deferred taxation assets recognised:				
Income received in advance	2	2	-	-
Tax loss	341 403	233 827	307 864	213 845
Other provisions	1	1	-	-
Total deferred tax assets recognised	**341 406**	**233 830**	**307 864**	**213 845**
Unused deferred tax assets:				
Fair value adjustments	-	1 539	-	-
Provision for doubtful debts	779 636	467 421	776 680	545 485
Provision for leave pay	2 001	1 796	2 001	1 796
Provisions for bonuses	6 527	6 364	6 527	6 364
Other provisions	92	208	92	208
Fixed assets (owned)	314	213	209	109
Revenue received in advance	116 473	118 506	116 473	118 506
IFRS 16	1 367	1 147	1 367	1 147
Prepayments	-	-	-	-
Doubtful debt allowance	(306 405)	(213 496)	(306 405)	(213 496)
Impairment of investments	4 487	4 993	48 408	54 699
Tax losses (Revenue in nature)	559 161	541 080	462 428	448 671
Total	**1 163 654**	**929 771**	**1 107 781**	**963 489**

3.3.3 DEFERRED TAXATION LIABILITY

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023
	R'000	R'000	R'000	R'000
Movement on the deferred taxation liability is as follows:				
At beginning of the year	(233 827)	(154 403)	(213 845)	(136 976)
Temporary differences recognised in profit or loss				
- Current year	(107 576)	(79 424)	(94 019)	(76 869)
At end of the year	**(341 403)**	**(233 827)**	**(307 864)**	**(213 845)**
Deferred taxation liabilities:				
Prepaid expenses	1 459	350	1 459	350
Debtor allowances	327 849	233 477	306 405	213 495
Total deferred tax liabilities recognised	**341 403**	**233 827**	**307 864**	**213 845**

4. WORKING CAPITAL

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash managed by the shareholder, deposits held on call with financial institutions, and investments in money market instruments. Cash and cash equivalents are available within three months from the date of acquisition (or from initial recognition).

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	GROUP		COMPANY	
	2024 R'000	2023 Restated R'000	2024 R'000	2023 Restated R'000
Cash in bank and on hand	3 572 019	3 339 193	2 942 193	2 729 974
Cash managed by shareholder	774 062	311 812	765 911	300 628
Gross carrying amount	4 346 081	3 651 005	3 708 104	3 030 602
Expected credit loss on cash	(46)	(26)	(39)	(22)
Total cash and cash equivalents	**4 346 035**	**3 650 979**	**3 708 065**	**3 030 580**

Cash and cash equivalents are all current assets. Cash balances managed by IDC are immediately available as and when requested.

Cash and cash equivalents includes allocations received from the Department of Small Business Development to the value of R2.55bil (2023: R2.64bil) which is ring fenced under various lending programs and can't be used for **sefa** group operational expenditure. The interest earned on these funds and collections from lending operations are however available for unrestricted use by **sefa**. Please refer to note 16 for further details of the prior period error raised in relation to cash and cash equivalents held on behalf of third parties.

4.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost less impairment losses. The carrying amount of trade and other receivables is deemed to approximate fair value due to the short term nature of the assets.

	GROUP		COMPANY	
	2024 R'000	2023 Restated R'000	2024 R'000	2023 R'000
Trade receivables	33 862	29 375	1 691	11 541
Prepayments	6 921	2 819	6 921	2 818
Rental debtors	29 528	27 592	-	-
Related party loans (refer to note 10.1)	9 031	9 450	684 093	586 621
Study loans	1 423	1 230	1 423	1 230
Trade and other receivables before credit allowances	**80 765**	**70 466**	**694 128**	**602 210**
Credit allowances on rental debtors	(27 897)	(26 418)	-	-
Credit allowances on trade and other receivables	(14 134)	(12 694)	(3 150)	(1 709)
Credit allowance on related party loan (refer to note 10.1) [(1)]	-	-	(428 116)	(396 933)
Closing carrying value	**38 734**	**31 354**	**262 862**	**203 568**

Trade and other receivables are current assets and not pledged as security.

[(1)] All related parties, including Khula Land Reform (not required to be consolidated) were assessed for impairment and no impairment was required, other than for Khula Business Premises (a subsidiary) and Khula Institutional Support Services where credit loss allowances were raised in the **sefa** company financial statements which is then eliminated in the consolidated group financial statements. At a company level the related party loans are assessed for impairment with referece to the net asset value of the subsidiary. If the net asset value is negative the related party loan is impaired up to the total negative net asset value attributable to the company (**sefa**).

4.3 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023 Restated
	R'000	R'000	R'000	R'000
Trade payables	70 515	65 651	22 557	23 300
Provision for bonus (Refer to 4.3.1)	24 174	23 569	24 174	23 569
Provision for leave pay (Refer to 4.3.2)	7 413	6 651	7 413	6 651
Related party loans payable (1)	7 660	-	7 660	-
Total trade and other payables	**109 762**	**95 871**	**61 804**	**53 520**

(1) This balance consists of the SEDA and Department of Small Business Development loans. Refer to note 10.1

4.3.1 Provision for Bonuses

Opening balance	23 569	24 383	23 569	24 383
Utilised during the year	(27 939)	(26 303)	(27 939)	(26 303)
Prior year under provision	4 370	1 920	4 370	1 920
Accruals raised during the year	24 174	23 569	24 174	23 569
Closing balance	**24 174**	**23 569**	**24 174**	**23 569**

4.3.2 Provision for leave pay

Opening balance	6 651	6 405	6 651	6 405
Utilised during the year	(6 082)	(5 063)	(6 082)	(5 063)
Accruals raised during the year	6 844	5 309	6 844	5 309
Closing balance	**7 413**	**6 651**	**7 413**	**6 651**

4.4 DEFERRED GRANTS RECEIVABLE AND PAYABLE

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023 Restated
	R'000	R'000	R'000	R'000
Deferred grant receivable - gross carrying amount	229 498	310 872	290 134	382 957
Credit allowances on deferred grant receivables	-	(3 830)	-	(3 830)
Total deferred grant receivable - net carrying value	**229 498**	**307 042**	**290 134**	**379 127**
Deferred grants payable	4 527 858	4 521 209	4 527 858	4 521 209
Total deferred grant payable	**4 527 858**	**4 521 209**	**4 527 858**	**4 521 209**

Grant income is deferred and recognised in profit or loss over the period necessary to match them with the costs for which they are intended to compensate.

5. FIXED ASSETS

5.1 Equipment, furniture and other tangible assets – material accounting policy

Measurement

All items of equipment, furniture and other tangible assets recognised as assets, are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. All items of equipment, furniture and other tangible assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Where parts of an item of equipment, furniture and other tangible assets have significantly different useful lives, they are accounted for as separate items of equipment, furniture and other tangible assets. Although individual components are accounted for separately, the financial statements continue to disclose a single asset. Gains and losses on disposal of an asset are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised in profit or loss.

Subsequent costs

The Group recognises the cost of replacing part of such an item of equipment, furniture and other tangible assets in the carrying amount of the item when that cost is incurred and if it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other costs are recognised in profit or loss as an expense as they are incurred.

Impairment

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. The recoverable amount of non-financial assets is the greater of fair value less cost of disposal and its value in use. Fair value less cost of disposal is the amount obtainable from the sale of an asset or cash-generating unit in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses

An impairment loss is recognised immediately in profit or loss. Impairment losses recognised in the prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis, based on the estimated useful lives of the underlying assets. Depreciation is calculated on the cost of the asset (or carrying amount, if asset is previously impaired) less residual value. The estimated useful lives for the current and comparative periods are as follows:

COMPUTER EQUIPMENT	3 - 5 years
OFFICE EQUIPMENT	2 - 6 years
FURNITURE AND FITTINGS	5 - 6 years
MOTOR VEHICLES	4 - 5 years
LEASEHOLD IMPROVEMENTS	Expected lease period

The residual values, useful lives and depreciation method are re-assessed at each financial year-end and adjusted if appropriate.

De-recognition

The carrying amount of items of equipment, furniture and other tangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

5. FIXED ASSETS

5.1 EQUIPMENT, FURNITURE AND OTHER TANGIBLE ASSETS

	GROUP			COMPANY		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
2024						
Motor vehicles	1 222	(657)	565	1 222	(657)	565
Computer equipment	23 791	(15 003)	8 788	23 395	(14 607)	8 788
Office and other equipment	5 469	(3 711)	1 758	4 610	(3 405)	1 205
Furniture and fittings	8 690	(8 498)	192	5 665	(5 471)	194
Lease improvements	13 244	(12 571)	673	13 244	(12 571)	673
	52 416	**(40 440)**	**11 976**	**48 136**	**(36 711)**	**11 425**
2023						
Motor vehicles	799	(533)	266	799	(533)	266
Computer equipment	25 228	(18 103)	7 125	24 833	(17 708)	7 125
Office and other equipment	5 880	(4 967)	913	5 022	(4 701)	321
Furniture and fittings	10 439	(9 979)	460	7 415	(6 954)	461
Lease improvements	12 572	(11 782)	790	12 572	(11 782)	790
	54 918	**(45 364)**	**9 554**	**50 641**	**(41 678)**	**8 963**

The movement in the carrying value of office equipment, furniture and other tangible assets is as follows:

	GROUP					
	Motor vehicles	Computer Equipment	Office and other equipment	Furniture and fittings	Lease improvements	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2024						
Opening carrying value	266	7 125	913	460	790	9 554
Additions	435	5 334	1 053	-	672	7 494
Disposals	-	(119)	-	(6)	-	(125)
Depreciation charges	(136)	(3 552)	(208)	(262)	(789)	(4 947)
Closing carrying value	**565**	**8 788**	**1 758**	**192**	**673**	**11 976**
2023						
Opening carrying value	372	5 646	194	754	1 122	8 088
Additions	-	3 409	827	10	140	4 386
Disposals	-	(17)	-	-	-	(17)
Depreciation charges	(106)	(1 913)	(108)	(304)	(472)	(2 903)
Closing carrying value	**266**	**7 125**	**913**	**460**	**790**	**9 554**

	COMPANY					
	Motor vehicles R'000	Computer Equipment R'000	Office and other equipment R'000	Furniture and fittings R'000	Lease improve-ments R'000	Total R'000
2024						
Opening carrying value	266	7 125	321	461	790	8 963
Additions Disposals	435	5 334	1 052	-	672	7 493
Depreciation charges	-	(119)	-	(5)	-	(124)
Closing carrying value	(136)	(3 552)	(168)	(262)	(789)	(4 907)
Closing carrying value	**565**	**8 788**	**1 205**	**194**	**673**	**11 425**
2023						
Opening carrying value	372	5 646	194	754	1 122	8 088
Additions	-	3 409	236	10	140	3 795
Disposals	-	(17)	-	-	-	(17)
Depreciation charges	(106)	(1 913)	(109)	(303)	(472)	(2 903)
Closing carrying value	**266**	**7 125**	**321**	**461**	**790**	**8 963**

No equipment, furniture or other tangible assets are pledged as security for liabilities (2023: Rnil) and all assets are non-current assets.

5.2 Intangible assets – material accounting policy

Measurement

All intangible assets in the Group and Company have finite useful lives. Intangible assets are initially measured at cost and, subsequently, carried at cost less accumulated amortisation and accumulated impairment losses.

Impairment

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. The recoverable amount of intangible assets is the greater of fair value less cost of disposal and, its value in use. Fair value less cost of disposal is the amount obtainable from the sale of an asset or cash-generating unit in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss of assets carried at cost less any accumulated amortisation is recognised immediately in profit or loss.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation: if no impairment loss had been recognised.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis, based on the estimated useful lives of the underlying assets. Amortisation is calculated on the cost less any impairment and expected residual value. The estimated useful lives for the current and comparative periods are as follows:

COMPUTER SOFTWARE	3 - 4 years

The residual values, useful lives and amortisation methods are re-assessed at each financial year-end and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition

The carrying amount of intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from de-recognition are determined as the difference between the net disposal proceeds and the carrying amount of the item of intangible assets and included in profit or loss when the items are derecognised.

5.2 INTANGIBLE ASSETS

	GROUP			COMPANY		
	Cost R'000	Accumulated amortisation and impair-ment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation and impair-ment R'000	Carrying value R'000
2024						
Software	9 869	(9 528)	341	9 844	(9 503)	341
	9 869	**(9 528)**	**341**	**9 844**	**(9 503)**	**341**
2023						
Software	9 886	(9 226)	660	9 862	(9 202)	660
	9 886	**(9 226)**	**660**	**9 862**	**(9 202)**	**660**

The movement in the carrying value of computer software is as follows:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening carrying value	660	202	660	202
Additions	-	820	-	820
Amortisation	(319)	(362)	(319)	(362)
Reclassification	-	-	-	-
Closing carrying value	**341**	**660**	**341**	**660**

No intangible assets are pledged as security for liabilities (2023: Rnil). All intangible assets are non-current assets.

5.3 Investment properties – material accounting policy

Investment property is property held to earn rental income, or for capital appreciation or for both.

Measurement

Investment property is measured initially at cost, including transaction costs and directly attributable expenditure in preparing the asset for its intended use. Subsequently, all investment properties are measured at fair value.

Valuation

Valuation takes place annually, based on the aggregate of the net annual rental receivable from the properties, considering and analysing rentals received on similar properties in a close vicinity, less associated costs (insurance, maintenance, repairs, and management fees). A capitalisation rate which reflects the specific risks inherent in the net cash flows is applied to the net annual rentals to arrive at the property valuations. The fair value of undeveloped land held as investment property is based on comparative market prices after market surveys. Gains or losses arising from a change in fair value are recognised in profit or loss. External, independent valuators having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued, perform valuations on the portfolio every three years.

Gain or loss on the disposal of investment property

Gain or loss on the disposal of investment property is (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Refer to note 5.5 for additional information on determination of fair values. The properties were valued by the independent valuators in the current year. A desktop valuation was performed in 2023 and 2022. Inputs included market related rental income and market capitalisation rates.

5.3 INVESTMENT PROPERTIES	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening carrying amount	182 118	185 133	-	-
Fair value adjustments	63 122	(3 015)	-	-
Total investment properties	**245 240**	**182 118**	**-**	**-**
Amounts recognised in profit and loss from invesment properties				
Interest on overdue rental debtors (1)	101	346	-	-
Investment property rental income (1)	11 155	11 779	-	-
Investment property rental recoveries (1)	13 363	13 960	-	-
Investment property expenses (2)	(63 364)	(97 477)	-	-
Total Amounts recognised in profit and loss	**(38 745)**	**(71 392)**	**-**	**-**

(1) As presented in note 2.3 - Other interest and revenue earned.
(2) As presented in the statement of comprehensive income.

The investment property portfolio comprises of retail and industrial properties and portions of vacant land. The retail and industrial properties are leased out to tenants on a fixed term basis with an option to renew. The lease term and renewal options are negotiated on individual basis with the portfolio having an average lease term of 3 years.

The risks related to the Company's rights on the leased property is managed through lease agreements with tenants on a lease-by-lease basis. No risk and rewards incidental to the leased property are transferred to the tenants either during the lease or at the end of lease term.

5.4 INVESTMENT PROPERTIES HELD-FOR-SALE

Investment properties are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Measurement

Investment properties held-for-sale are measured at the lower of fair value and fair value less cost to sell.

Reclassification

The investment property will be reclassified immediately when there is a change in intention to sell.

5.4 INVESTMENT PROPERTIES HELD-FOR-SALE	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening carrying amount	-	-	-	-
Reclassification to Investment Properties	-	-	-	-
Closing carrying value	**-**	**-**	**-**	**-**

Investment properties held-for-sale are valued on the same basis as the investment properties.

There is an intention to sell properties that are not financially viable, however these sales take a considerable amount of time to conclude, and therefore due to the fact that management cannot reliably conclude that sale of these properties will be finalised within 12 months, they have been recalssififed in the current year back to investment property.

5.5 Net fair value gain or loss on investment properties – material accounting policy

Refer to 1.4.6 for the fair value hierarchy and accounting policy on determination of fair values.

Valuation methods and assumptions used in determining the fair value of investment property and investment property held-for-sale:

Capitalisation method

The property portfolio is mostly made up of income producing properties, with the result that the income capitalisation method has been adopted for the determination of value. The value of the property reflects the present value of the sum of the future benefits, which an owner may expect to derive from the property. These benefits are expressed in monetary terms and are based on the estimated rentals such a property would fetch, for instance: the market-related rental between a willing landlord and tenant. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at a rate an investor would require.

Comparative method

Of the entire portfolio, two properties are sectional title in nature and, one comprises of vacant land. These properties have been valued on the direct comparison basis: this is how they trade in the open market. The method involves the identification of comparable properties sold in the area or in a comparable location within a reasonable time. The selected comparable properties are analysed and compared with the subject property. Adjustments are then made to their values to reflect any differences that may exist. This method is based on the assumption that a purchaser will pay an amount equal to what others have paid or are willing to pay.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Fair value gain/(loss) on investment properties	63 122	(3 015)	-	-
Net fair value gain and impairments	**63 122**	**(3 015)**	**-**	**-**

Investment properties are valued externally by independent valuators every three years. For the financial year ended 31 March 2024 an independent valuation was performed by Tirhisanani Property Solutions. Investment properties are non-current assets.

The fair value measurement for investment property has been categorised as level 3 fair value based on **sefa's** fair value hierarchy due to unobservable inputs used. The assumptions used in the valuations conducted at 31 March 2024 were assessed to be appropriate for the current financial year."

The following summarises the valuation technique used in measuring the fair value of Investment Properties, as well as the significant unobservable inputs used:

Valuation technique

sefa's property portfolio consists mainly of income producing properties and this is the fundamental basis on which the valuation of investment properties is determined. Investment properties produce a perpetual income stream and the capitalisation of such net revenue flow is an accurate means of determining the value. Included in the portfolio, are two properties which are sectional title in nature and one comprises of vacant land. These properties have been valued on the direct comparison basis.

The capitalisation rates used range from 11% to 15% (2023: 10% - 16.5%).

	Highest	Lowest	Average
Capitalisation percentage	15%	11%	13%

Sensitivity analysis for inputs to determine fair value

A change in 1% (2023: 1%) in the below inputs at the reporting date would have increased/(decreased) net fair value gain or loss on the investment property by the amounts shown below. This analysis assumes that all other variables remain constant.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Market related annual income 1% increase	9 940	1 677	-	-
Market related annual income 1% decrease	(9 940)	(1 677)	-	-
Capitalisation rate 1% increase	(33 835)	(12 870)	-	-
Capitalisation rate 1% decrease	33 835	12 870	-	-
Market related expenses 1% increase	(17 516)	(2 276)	-	-
Market related expenses 1% decrease	17 516	2 276	-	-

5.6 Leases (Right-of-use Asset and Lease Liability) – material accounting policy

The Group assesses at contract inception whether a contract is, or contains, a lease. That is: if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

As a lessee: the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets; representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of- use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Note 5.6 and are subject to impairment in line with the Group's policy.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease liability is discounted using the incremental borrowing rate. The Group's leases comprise of fixed lease payments.

As a lessor:

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and, is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income.

5.6 RIGHT-OF-USE ASSET AND LEASE LIABILITY

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening carrying amount	14 249	21 922	14 249	1922
Depreciation charge for the year	(12 196)	(11 182)	(12 196)	(11 182)
Additions	1730	664	1730	664
Disposals	-	-	-	-
Modifications to lease terms	15 784	2845	15 784	2845
Closing carrying value	**19 567**	**14 249**	**19 567**	**14 249**

The right-of-use asset is for leases of property only and does not include any other class of assets. As at 1 April 2019, a right-of-use asset of R52 178 833 was recognised and accumulated depreciation on the right-of-use asset of R4 002 212 was processed in retained earnings. The right-of- use assets for all leases were recognised based on the carrying amount as if the standard had always been applied (retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application "Cumulative catch up method").

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening carrying amount	18 498	27 090	18 498	27 090
Additions	1732	664	1732	664
Disposals	-	-	-	-
Accretion of interest	4 396	2473	4 396	2473
Modification	15 783	2844	15 783	2 844
Payments	(15 778)	(14 573)	(15 778)	(14 573)
Closing carrying value	**24 631**	**18 498**	**24 631**	**18 498**

As at 1 April 2019, a lease liability of R52 178 833 was recognised and a reversal of R2 620 095 was processed for payments made before April 2019 under IFRS 16 against retained earnings.

The lease liability is discounted using the incremental borrowing rate.

sefa has entered into a new two year lease agreement for the Kwa-Zulu Natal regional office with a commencement date of 1 April 2023. A right of use asset and corresponding lease liability will be recognised on this date for R767 842.68.

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

	2024 R'000	2023 R'000
The expense relating to payments not included in the measurement of the lease liability is as follows:		
Short term leases	-	-
Leases of low value assets	21	257
	21	**257**

Low value assets consists of 9 printers that are leased. Remaining term on the lease at year end was 1 month (2023: 13 months).

The Group applies the election by class of underlying asset to which the right of use relates.

MATURITY ANALYSIS FOR LEASE LIABILITY

	GROUP		COMPANY	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Due within one year	14 400	13 453	14 400	13 453
Due after one year but within two years	9 634	5 045	9 634	5 045
Due within two to three years	597	-	597	-
Due within three to four years	-	-	-	-
Due within four to five years	-	-	-	-
Due after five years	-	-	-	-
Carrying value of lease liability	**24 631**	**18 498**	**24 631**	**18 498**

CONTRACTUAL LEASE PAYMENTS MATURITY ANALYSIS

	GROUP		COMPANY	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Due within one year	17 003	14 953	17 003	14 953
Due after one year but within two years	10 208	5 185	10 208	5 185
Due within two to three years	638	-	638	-
Due within three to four years	-	-	-	-
Due within four to five years	-	-	-	-
Due after five years	-	-	-	-
Total contractual lease payments in the next 5 years	**27 849**	**20 138**	**27 849**	**20 138**

6. FINANCE STRUCTURE AND COMMITMENTS

6.1 SHAREHOLDER'S LOAN

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening balance	793 267	734 043	793 267	734 043
Repayments	(15 010)	-	(15 010)	-
Finance charges [1]	63 439	59 224	63 439	59 224
Total shareholder's loans	**841 696**	**793 267**	**841 696**	**793 267**

[1] At initial recognition, a day one gain was recognised. The effective interest rate used in determining the fair value of the shareholder's loan to discount the interest-free shareholder's loans from the IDC is based on the average rate at which the IDC borrows external funds. **sefa** has never applied for external finance and, therefore, the average borrowing rate of the IDC is considered a market related rate. The interest recognised during the year relates to the unwinding of the day one gain. An assessment has been conducted, as at reporting date, to test for possible changes in the effective interest rate and no material changes in the rate has been noted since initial recognition of the loan. At reporting date the carrying value is considered to aproximate the fair value.

The closing balance consists of two loans:

LOAN TERMS	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Subordinated and non-interest bearing. Repayable after 10 years, commencing 11 June 2024	762 497	709 680	762 497	709 680
Subordinated and non-interest bearing. Repayable biannually in equal instalments over 10 years, commencing 31 July 2023	79 199	83 587	79 199	83 587
Total shareholder's loans	**841 696**	**793 267**	**841 696**	**793 267**

The finance charges reflected above is the result of the amortisation of a fair value gain (deemed equity contribution) that was initially recognised.

6.2 Insurance contracts – material accounting policy

The Group is required to adopt IFRS 17 Insurance Contracts for its accounting period starting 1 April 2023, which replaces IFRS 4 Insurance Contracts.

The Group issues credit indemnity insurance contracts that are accounted for in accordance with IFRS 17

Insurance contracts.

The Group issues two types of insurance policies:

a. Portfolio Credit Guarantee ("PCG"): this product provides credit guarantees to lenders (commercial banks and other financial institutions) for SMME borrowers

b. Supplier Credit Guarantee ("SCG"): this product provides indemnity to the suppliers in the event of end user's failing to meet their obligation in terms of the facility agreements.

The Group accounts for these products by applying the following measurement approaches:

PRODUCT	PORTFOLIO	MEASUREMENT APPROACH
Portfolio Credit Guarantee	Portfolio Credit Guarantee (PCG)	General Measurement Model (GMM)
Supplier Credit Guarantee	Barnes Reinforcing Industries (Pty) Ltd ("BRI")	Premium Allocation Approach (PAA)
Supplier Credit Guarantee	Macsteel Service Centres SA (Pty) Ltd ("Macsteel")	General Measurement Model (GMM)
Supplier Credit Guarantee	Praxis Financial Services (Pty) Ltd ("Praxis")	General Measurement Model (GMM)

Definitions and classifications

Products sold by the Group are classified as insurance contracts when the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Group determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Group to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

Separating components from insurance

Distinct investment component

An investment component is defined as the amount that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. In order to identify the presence of an investment component, the following questions are answered:

a. Is there a withdrawal benefit payable on surrender, lapse or cancellation of the policy?

b. If the contract has a fixed policy term, is there a maturity benefit payable?

c. In all other circumstances is the policyholder entitled to receive a payment (including a withdrawal benefit should he/she choose to terminate the contract as a result of this circumstance)?

The Group does not have exposure to investment components within any of its insurance contracts and has no plans to offer this product feature in the foreseeable future.

Embedded derivative not closely related to the host insurance contract

An embedded derivative is defined under IFRS 9.4.3.1 as a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way like a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

The Group does not have exposure to embedded derivatives within any of its insurance contracts and has no plans to incorporate any in the foreseeable future.

Distinct goods and services other than insurance contract services

Any promise to transfer distinct goods or services other than insurance contract services to the policyholder must be accounted for applying IFRS 15. To establish whether a good or service is distinct, the following questions are asked:

a. Does the insurer provide a significant service in integrating the good or service other than an insurance service with the insurance components?

b. Are the cash flows and risks associated with the good or service highly interrelated with the cash flows and risks associated with the insurance components in the contract?

c. Can the policyholder benefit from the good or service either on its own or together with other resources readily available to him/her through purchase or resources he/she already has?

None of the Group's products include goods or services other than insurance contract services. There are also no plans to include these product features in the foreseeable future.

Level of aggregation

The Group's contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level.

A contract is assigned to a group at initial recognition, and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines. The Group has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts.

A 3-step process is followed to assign an insurance contract issued to a group:

1. Step 1: Allocate the contract to a portfolio.
2. Step 2: Assign the contract to a group such that the issues dates are not more than a year apart.
3. Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining".

Step 1 – Definition of a portfolio

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

i. *Similar risks*

For the Group, a product line would equate to its business classes that is uses to report through to the Prudential Authority (PA) given that the business written within each business class tend to respond similarly to the same key drivers of risk.

ii. *Managed together*

No definition is provided for what constitutes being managed together and it is left to each insurer to determine this for itself. The criteria that the Group has chosen to use to satisfy itself that the contracts are managed together is as follows:

a. The contracts are housed on the same policy administration system,
b. Management reports do not separate these contracts to a more granular level, and this is not purely due to a difference in the profit expectation, and
c. The business partners involved in sharing the profits arising from the contracts do not differ.

iii. *Measurement approach*

An additional consideration which has led to our decision regarding the IFRS 17 portfolios is the measurement model approach that needs to be applied. Whilst the standard doesn't explicitly state that contracts measured under a different measurement approach need to be split into different portfolios, the practical application of IFRS 17 leads the Group to this conclusion. The reasons are as follows:

a. The list of quantitative disclosures differs for groups where the premium allocation approach has been applied compared to where the general measurement model has been applied. The accounting structure under IFRS 17 has therefore been set up to cater for this level of granularity.
b. For presentation within the statement of financial position, portfolios that are in an overall asset position are presented as insurance contract assets and those in a liability position are presented as insurance contract liabilities.

It can also be argued that contracts of a shorter-term nature will respond differently to risk compared to longer-term contracts as there is a different time horizon over which the risks can incur. Thus, the risks are not similar.

iv. *Portfolio's recommended and chosen*

Based on the guidance of the standard, the Group has chosen the following portfolios:

a. Portfolio Credit Product (PCG)
b. Macsteel (SCG)
c. BRI (SCG)
d. Praxis (SCG)

Step 2 – Cohort period

Issue dates may not be more than one year apart. The decision of what cohort period to choose rested on several key considerations:

a. The impact on profit recognition if a shorter period than one year is used,
b. How the business is currently managed for reporting purposes,
c. The need to apply one initial recognition discount rate to each group of insurance contracts,
d. The financial reporting period,

e. The pattern of contractual renewals and new business over the financial reporting period, and

f. The practical implications of each cohort option.

From a practical perspective, it is best to set one cohort period definition that is applied across all contracts. The Group has contracts measured under the premium allocation approach and the general measurement model. Currently, the business is managed on an underwriting year basis which means that the contracts are grouped together based on the year the contract is issued or renewed. The underwriting year is aligned to the financial year (i.e. 1 April – 31 March).

Annual cohorts aligned to the underwriting year are applied for the portfolios measured under the general measurement approach (PCG, Macsteel and Praxis). The BRI contract is not assigned to annual cohorts as contract level data is not available at the point of underwriting and receipting.

Step 3 – Profitability buckets

Insurance contracts issued – Level of granularity

There are no legal or insurance regulations that prevent the Group from having the practical ability to set a different price or level of benefits for policyholders with different characteristics.

As such the minimum level of aggregation required, after allocating contracts to portfolios and ensuring that issues dates are not more than one year apart, is to assign each contract based on the profitability expectations at initial recognition to a profitability bucket:

a. Contracts that are onerous on initial recognition

b. Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently

c. Any remaining contracts

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability- weighted basis. The Group determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently. The Group applies significant judgement in determining at what level of granularity the Group has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information, the Group assesses each contract individually.

Insurance contracts issued - Premium allocation approach

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. For the Group, these facts and circumstances will be informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

Expected profitability can only be determined at a product level not at cohort year level or per policy basis. For the BRI product (and PCG product), premiums are set at between 1% and 3.5% depending on the level of cover and risk profile of the partner financial institution.

On a risk adjusted IFRS 17 basis, (i.e. allowing for an allocation of directly attributable expenses and an adjustment for the compensation required for exposure to non-financial risks), the BRI product is expected to fall within the onerous category.

Insurance contracts issued - General Measurement Model and Variable Fee Approach

For the general measurement model, an actuarial projection is carried out in Basys on a per contract basis. For all new contracts written in the reporting period, it is proposed to use the prior year IFRS 17 assumptions to value the present value of expected cash flows and the risk adjustment for non-financial risk at the date of initial recognition. Where this amount is positive (i.e. expected outflows are greater than expected inflows), the contract will be assigned to an onerous group. Where the amount is negative, an additional step is required to assign the profitable contract in either the "remaining" bucket or the "NSPBO" bucket.

Review of aggregation assumptions

Any detailed profitability and profitability criteria assumptions will be reviewed annually prior to the end of annual financial reporting period. If new products are launched during the year, the premium rate setting assumptions will be used to incorporate the new product within the aggregation processes.

Recognition

Contract recognition

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. *the beginning of the coverage period of the group of contracts,*
2. *the date when the first payment from a policyholder in the group becomes due, and*
3. *for a group of* onerous contracts, when the group becomes onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

Contracts accounted for using the premium allocation approach (PAA) are presumed to be not onerous at the date of initial recognition [IFRS17 17.18], unless facts and circumstances indicate that a group might be onerous. In such a case, the Group needs to determine whether an onerous group has to be introduced applying the definition of a contract at the date of initial recognition IFRS17 17.17 allows measuring a set of contracts collectively to establish whether these contracts are onerous, if there is reasonable and supportable information to conclude that all contracts in this set of contracts will be in the same category of a group (i.e., in this case "onerous at initial recognition").

For all product types, the contract terms and conditions were assessed to determine the recommended contract recognition dates. The outcome is summarised below:

a. Portfolio Credit Guarantee: beginning of the coverage period
b. Supplier Credit Guarantee: beginning of the coverage period

Contract boundary

The measurement of insurance contracts should include all cash flows within the boundary of an existing contract and no other cash flows [IFRS17 17.33 and IFRS17 17.B61]. The standard does not allow an entity to recognise any cash flows outside the contract boundary, as those cash flows are considered to relate to future insurance contracts [IFRS17 17.35].

According to IFRS17 17.34, cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the entity has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

a. the entity has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:

- the entity has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

When determining the boundaries of the contract all substantive rights held by the policyholder (i.e., contractual and/ or arising from law or regulations) are required to be considered except for restrictions without commercial substance [IFRS17 17.2].

Generally, premiums to be paid due to a mutually binding agreement are within the boundary of a contract. Contract renewals that are not legally binding are hence outside of the boundary, i.e., if the entity can unilaterally decline further obligations. Related obligations are recognized and measured as new contracts.

For the Group's products, the shortest period over which entity has a substantive obligation to provide insurance coverage or the policyholder is obligated to pay premiums was assessed as 30 days. This is the period following a notification of intent to cancel the policy by either the Group or their client.

However, the cancellation notice was assessed to be of no commercial substance as the cover extended to term expiry for any existing indemnity cover applicable before notice of cancellation. The contract boundary was then concluded to be equal to the policy terms.

The table below summarises the contract boundary assessment:

PRODUCT	CONTRACT BOUNDARY
Portfolio Credit Guarantee	Equal to contract term (1 year to 5 years)
BRI	Equal to contract term (1 year)
Macsteel	Equal to contract term (1 year to 5 years)
Praxis	Equal to contract term (1 year to 5 years)

Contract derecognition

The Standard requires a contract to be derecognised when the Group is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract. The practical application of contract derecognition within the Group is specific to the liability component in question. The general principals proposed are as follows:

1. *For contracts measured under the liability for remaining coverage (LRC),*

a. when the contract's coverage period has come to an end,

b. the policy has been cancelled, or

c. the policy has contractually terminated due to a claim and/or policyholder death if the latter isn't an insured benefit, and all premium debtors or commission creditors directly related to that contract have been settled (or written off), the contract will be derecognised from the liability for remaining coverage and not be included in the calculations for any IFRS 17 group.

2. *Under the liability for incurred claims (LIC), any liability in respect of the contract will be derecognised when all of the following are true:*

a. Where a claim has been reported and this claim is fully settled or repudiated,

b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed, and

c. In respect of other benefit payments (such as a maturity benefit), these have been fully settled.

Unsettled claims or outstanding premiums, will be held in the LIC and LRC respectively until settled or written off and will not be reclassified to IFRS 9 or in the case of the LRC, transferred to LIC- even where the coverage has been provided.

Contract modifications

If a contract is modified in a way that would have altered the IFRS standard, the IFRS 17 measurement approach or the IFRS 17 group that applied when initially recognising the contract, paragraph 72 requires that the contract be derecognised from the group it was originally assigned to and placed in the group that it would have been assigned to had the contract been in its amended form at outset.

It is noted from the standard that if a contract gives the policyholder to option to amend their contract in a defined way, any exercise of this option is not considered a contract medication.

The Group has not identified any contract modifications that can arise that would result in a different IFRS 17 group being required. Contract modification has thus not been implemented by the Group within its IFRS 17 processes.

Measurement of insurance contracts issued

The default measurement approach specified by the IFRS 17 Standard is the general measurement model ("GMM"). Where the coverage period is one year or less, an entity has the unrestricted option to choose whether to apply the simplified approach called the PAA. Contracts with a contract coverage period greater than one year do not automatically qualify for the PAA, however where the Group does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred, the PAA may be applied in accordance with IFRS 17.53.

The choice of which measurement approach to apply requires the determination of the contract boundary, classification of the contract as either a contract with or without direct participation features and whether the contract qualifies to be measured using the simplified approach. The latter is referred to as PAA eligibility testing.

The Group completed an assessment hierarchy to test whether a group of insurance contracts is eligible to being estimated using the PAA using four levels:

a. Assess whether the key criterion of a maximum of 12-month coverage period (paragraph IFRS17.53b) is met for all contracts within the group of contracts. If not,

b. Perform a qualitative assessment to identify and assess potential critical features to assess whether there may be a risk of a substantial misestimation by the PAA. If the test fails, then,

c. Perform a quantitative assessment to validate the hypothesis that the measurement models do not substantially differ. If this test fails, then,

d. Determine the materiality of the potential misstatement for the Group.

The reason for the test

For coverage periods exceeding one year, it is examined whether critical features in the group of insurance contracts exist that would indicate a potential material discrepancy in the carrying amount of the liability for remaining coverage ("LRC") between the measurement models. The implicit assumptions (in respect of both non-financial and financial risks) used within the PAA are largely fixed over the coverage period. The only variable assumption is the earning's pattern which may be altered if the expectation for the pattern of risk exposure over the period changes. Financial risk assumptions would include discount rates, expense inflation and exchange rates.

The general measurement model ("GMM") assumptions are, however, not fixed over the coverage period (except for the financial risk assumptions when determining the contractual service margin). Thus, the two measurement approaches may deviate if there is a need to amend the GMM valuation assumptions.

Based on the results of the assessment, the Group has chosen to apply the general measurement model for its Portfolio Credit Guarantee, Praxis and Macsteel products as these contracts are generally over one year in term. The BRI product will be measured under the PAA as this is a one-year contract with the Group.

The following items are accounted for when measuring insurance contracts, with each being discussed separately below:

1. Determining the present value of future cashflows
    - Determining the probability weighted mean
    - Cashflows included (excluding expenses which are dealt with separately)
    - Cashflow projection modelling for the liability for remaining coverage
    - Estimation of expected claim and claim-related expense cashflows
    - Incorporation of premium and commission debtors and creditors
2. Allocation of premiums between past, current, and future service for level premium life insurance products
3. Treatment of directly attributable expenses not related to insurance acquisition cash flows or claims.
4. Definition of "Paid"
5. Treatment of expense inflation assumptions
6. Subsequent measurement of the loss component with respect to onerous contracts - GMM
7. Subsequent measurement of the loss component with respect to onerous contracts - PAA
8. Disaggregation of IBNR

1. Determining the present value of future cashflows

a. Determining the probability weighted mean

The present value of future cash flows is required under the liability for remaining coverage and the liability for incurred claims. Where the premium allocation approach is applied to a group of insurance contracts, the requirement to determine the present value of future cash flows under the liability for remaining coverage is only needed if the contract is onerous or in some cases to demonstrate the eligibility of approach to the group.

Paragraph IFRS17.33 requires an entity to estimate the probability-weighted mean of the full range of possible outcomes when determining the present value of future cashflows.

The Group has adopted a simplified approach to produce the probability weighted mean.

For the liability for incurred claims, which aren't assumed to be settled within the month the claim is incurred, a point estimate of the ultimate claim ratio is used often in combination with historic data for the Group's products measured under the general measurement model.

Where significant past events have resulted in experience in that year differing from the "norm", this experience is separated out for analysis purposes and assessed separately for inclusion in the projection assumptions at an appropriate level given the likelihood of this experience repeating itself in the future.

The number of years of historic data used is chosen to:

- enable the level of data to be credible,

- include a range of good, bad and average years of experience, and
- be relevant to future periods to which the assumptions will apply.

This approach to setting assumptions is deemed to be appropriate to produce a reasonable estimate of the probability weighted mean.

b. Cashflows included

The list of cashflows that are included where they are relevant to the product being measured are as follows:

PARAGRAPH REFERENCE	CASHFLOW CATEGORY	CASHFLOW
B65.a)	Premiums and any additional cash flows that result from those premiums	Premiums due and received/paid Policy fees due and received/paid
B65.b)	Payments to a policyholder	Claims paid Claims incurred but not reported. Claims reporting but not yet assessed / settled
B65.c)	Payments to a policyholder that vary depending on returns on underlying items	Not applicable
B65.d)	Payments to a policyholder resulting from options and guarantees embedded in the contract	Not applicable
B65.i)	Transaction-based taxes (such as premium taxes, value added taxes and goods and services taxes) and levies (such as fire service levies and guarantee fund assessments)	Premium taxes Value added taxes on premiums, commission, and claims. This includes the amounts due and paid from policyholders and the amount raised for payment to the relevant tax authority. The physical payment of this amount to the tax authority is excluded.
B65.j)	Payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts	Not applicable
B65.k)	Potential cash inflows from recoveries (such as salvage and subrogation)	Not Applicable
B65.l)	Allocation of fixed and variable overheads	Overheads are assessed as either attributable or non-attributable.

c. Cashflow projection modelling

Under IFRS 4, the liability (or asset) in respect of any business class for the remaining coverage period was held within an unearned premium reserve. If the premiums for a specific business class were expected to be onerous, an additional unexpired risk reserve was held which was determined as a percentage of the unearned premium reserve. No cashflow projection models were used.

For classes of business that will be modelled under the GMM and for onerous IFRS 17 groups measured under the PAA, a simplified cashflow model approach is recommended for adoption which models the IFRS 17 cashflows per IFRS 17 group rather than at a policy level. The Group's policies include single premium business due at the outset.

d. Estimation of expected claim and claim-related expense cashflows

Under IFRS 4 the equivalent of the liability for incurred claims was the outstanding claim reserve ("OCR") plus the incurred but not reporting claim reserve ("IBNR"). Both the OCR and the IBNR were undiscounted.

Under IFRS 17, it is proposed to continue using this IFRS 4 approach to determine total remaining claims under the liability for incurred claims ("LIC") but with application of discounting.

New to IFRS 17 is the requirement to separately disclose experience variances relating to claims incurred prior to the start of the reporting period ("past" claims) from the current year claims incurred. There is no need to determine the current year experience variances from the date the claim incurred until the end of the current reporting period.

All claims paid in the period are separated out between past claims and current year claims.

The claims expected to be paid during the reporting period in respect of the prior year's closing LIC are estimated using an analysis of historic settlement patterns.

For the current year claims incurred, this amount is equal to the claims paid in the year in respect of current year claims incurred and the LIC held at the end of the reporting period in respect of the current year claims incurred. This amount is split into two parts:

i. Initial claims incurred estimate
This is the sum of the estimated ultimate claim payments to be made in respect of claims expected to incur over the reporting period.

ii. New claim experience variance
The variance uses the same formula that is used for the past claims experience variance except that the expected claim liability at the end of the reporting period is determined by subtracting the claims expected to be paid from the date incurred until the end of the reporting period from the initial claims incurred estimate.

e) Incorporation of premium and commission debtors and creditors

Under IFRS 17, premium and commission debtors and creditors are no longer separately held on the balance sheet. Any provision for bad debts in respect of premiums is also no longer held separately.

Under the PAA, if premium due is earned prior to it being received, the liability for remaining coverage ("LRC") will be in a negative, asset position. Thus, a premium debtor is only held on the balance sheet to the extent that it has been earned.

The Group has chosen to expense all insurance acquisition cash flows where the coverage period is one year or less.

For the general measurement model, the full premium debtor would be held within the liability for remaining coverage. The raising and settling of any premium debtors arising over the period are recorded as movements to the liability.

2. Allocation of premiums between past, current, and future service for level premium life insurance products

Premium and insurance acquisition cash flow experience variances related to future service adjust the contractual service margin (Paragraph 44c), whilst premium and insurance acquisition cash flow experience variances related to current or past service must be reported as insurance revenue in the statement of financial performance (paragraph 106a.iv).

The portion of the premium related to current service is equal to the expected claims, adjusted for the relevant compensation for non-financial risk exposure, to be incurred in the current service period and the expenses expected to be incurred during the current service period (adjusted for non-financial risk compensation as appropriate). A share of the contractual service margin should also be allocated to the current service period.

The Group has not identified a need for past service expected premiums and has assumed that all premiums relate to current service is a good approximate simplification subject to materiality considerations.

Based on the above, it has been decided that all premium related to level premium contracts, both the PCG and SCG products, offered by the Group will be allocated to current service.

3. Treatment of directly attributable expenses not related to insurance acquisition cash flows or claims

All policy administration and maintenance expenses allocated in accordance with Group's expense allocation policy are assumed to be due to current service provision. No liability is raised in advance of these types of expenses incurring. As each month's expenses are incurred, these amounts are raised within the liability for remaining coverage.

4. Definition of "Paid"

Notwithstanding the decision to expense some insurance acquisition cash flows under the PAA provided the coverage period of each contract is one year or less, all other payments related to IFRS 17 cash flows are accounted for within an IFRS 17 liability component.

Thus, any asset or liability in respect of premiums, commission, claim payments or directly attributable expenses is held in either the liability for remaining coverage or the liability for incurred claims except to the extent that the payments are made in advance of the group of contracts.

5. Treatment of expense inflation assumptions

Actuarial valuation assumptions need to be categorised as either being financial risk assumptions or non- financial assumptions. The measurement process and presentation within the financial statements differ depending on the category.

Paragraph IFRS 17. B128 provides guidance on this matter. Assumptions about inflation based on an index of prices or rates or on prices of assets with inflation-linked returns are assumptions that relate to financial risk and assumptions about inflation based on an entity's expectation of specific price changes are not assumptions that relate to financial risk.

The expense inflation assumption used by the Group is an inflation curve derived by taking the difference between the nominal and real government yield curves published by the Prudential Authority, divided by 1 plus the real government yield curve for each month along the curve.

The inflation curve is clearly derived from inflation linked yields obtained from the market and as such do meet the requirements for qualification as a financial risk assumption.

Contractual Service Margin ("CSM")

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Group will recognise as it provides insurance contract services over the coverage period.

Paragraph IFRS 17.B97 requires that the CSM not absorb the impact on the present value of future cash flows and risk adjustment for non-financial risks for the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk. Instead, these impacts are reported immediately within the profit or loss statement under insurance finance income and expenses.

6. Subsequent measurement of the loss component with respect to onerous contracts - GMM

In accordance with paragraph IFRS 17.47 and IFRS 17.48, a loss component ("LC") is either established at initial recognition if the present value of future cash flows ("PV_CF") plus the risk adjustment for non- financial risk ("RA") is positive or subsequently, if, at the reporting date the increase in the sum of the PV_CF and RA due to actual experience over the year being different to what was expected or due to a change in non-financial assumptions being greater than the contractual service margin ("CSM") at beginning of the period plus the interest accreted to the period.

Insurance finance income and expenses must be allocated on a systematic basis between the loss component and the liability for remaining coverage excluding the loss component (Paragraph IFRS 17.50- 51).

Paragraph IFRS 17.52 requires that the systematic allocation of this and the impact of a change in the fulfilment cash flows due to experience variance and non-financial assumption changes must allow for both liability components to run off to zero at the end of the coverage period.

7. Subsequent measurement of the loss component with respect to onerous contracts - PAA

Where the PAA is used as the measurement approach, onerosity is established through the presence of facts and circumstances that indicate this to be the case. Only then are calculations performed (again, either at initial recognition or subsequently).

As per the aggregation policy facts and circumstances would include the process to set premium rates or from business-as-usual profitability monitoring and internal reporting processes.

From the time that a group of insurance contracts is considered to be onerous until the end of coverage period, all future valuations of the group will include the determination of the LC.

8. Disaggregation of IBNR

The IBNR is determined in total at an IFRS 17 portfolio level.

The proposed approach is to disaggregate the IBNR estimates down to IFRS 17 group using the gross written premium (GWP) for each underwriting year. The implicit assumption with this disaggregation metric is that the loss ratio and settlement pattern as similar for all IFRS 17 groups and portfolios.

From a financial presentation perspective, the size of the liability for incurred claims is only needed to be known at a portfolio level such that this liability, together with the portfolio's liability for remaining coverage and any asset for insurance acquisition cash flows can be assessed to establish whether the portfolio is in an overall asset or liability position.

Should the expected loss ratio between the groups begin to differ at a stage in the future, it would be best to determine the IBNR at a more granular level and then apply the disaggregation process at this level.

Discount rates

The Group has adopted a bottom-up approach for the Discount Rate Methodology under IFRS 17 for the products and cashflows. This will involve the use of the Prudential Authority's monthly risk-free yield curve that takes the term structure of the underlying bonds into account. To this curve, a Liquidity Risk Premium (LRP) adjustment is applied based on the liquidity characteristics of the products. Four product liquidity characteristic buckets have been defined, namely: Fully Liquid, Partially Liquid, Moderately Illiquid and Fully Illiquid.

The results of the liquidity classification exercise for the Group can be seen in the table below:

	LIQUIDITY CATEGORY	
Product name	**Recommended**	**Chosen**
Portfolio Credit Guarantee	Partially Liquid	Partially Liquid
Supplier Credit Guarantee	Partially Liquid	Partially Liquid

The discount rate used to perform the IFRS 17 group name at initial recognition will be the monthly rate applicable to the month that the business is written. The locked-in rate to be used for the full year, will be a weighting of the 12 months yield curves. This weighting will be the number of policies sold in each month.

The adoption of the bottom-up approach used by the Group is based on the following:

1. The Prudential Authority produces a risk-free government bond yield monthly (which is also to be used for the Solvency Assessment and Management (SAM) regulatory calculations and returns).

2. There would be a significant effort required to replicate the products with a reference portfolio with similar liquidity characteristics for products.

3. The liquidity risk premium adjustments to be derived for each group will still need deriving and based on the market data available will be based on the market spreads from expected credit losses and credit risk premium.

Risk adjustment for non-financial risk

The IFRS 17 carrying amount includes an explicit component called the risk adjustment for non-financial risk that allows for the compensation we require for being exposed to the insurance, lapse and expense risks contained within our products.

For the Group's credit and trade guarantee products, the risk adjustment will be calculated as a percentage of the best estimate technical provisions. The risk adjustment represents a 75.5th percentile confidence level of the risk.

The impact of specific operational risks such as claim fraud; policy loading, maintenance and claim process risks; human error etc have been identified for all products. Non-financial risks specific to each product, have been identified as follows:

PRODUCT/BUSINESS CLASS	NON-FINANCIAL RISKS
Khula Credit Guarantee product	Claim severity, claim frequency, lapse risk, expense risk associated with costs of servicing the contract.
Supplier Credit Guarantee product	Claim severity, claim frequency, lapse risk, expense risk associated with costs of servicing the contract.

Based on the assessment of the techniques, the Group has decided to apply the following:

PRODUCT/BUSINESS CLASS	CLAIMS RISK ADJUSTMENT	PREMIUM RISK ADJUSTMENT
Khula Credit Guarantee product	12.5%	12.5%
Supplier Credit Guarantee product	12.5%	12.5%

The confidence level of the 75th percentile will be reviewed whenever there has been a material change in the Group's risk appetite. The assessment will take place no less frequently than annually in the 4th quarter of each year.

6.2 INSURANCE CONTRACTS ISSUED THAT ARE LIABILITIES

The following table presents the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts measured under the Premium Allocation Approach (PAA).

	GROUP- 2024 R'000				
	Liabilities for Remaining Coverage		Liabilities for Incured claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
Opening Insurance contract assets	-	-	-	-	-
Opening Insurance contract liabilities	(76)	(116)	(4 179)	(522)	(4 893)
Net Opening balance	**(76)**	**(116)**	**(4 179)**	**(522)**	**(4 893)**
Insurance Revenue					
Full Retrospective approach	(902)	-	-	-	(902)
Total Insurance revenue - full retrospective transition method	**(902)**	**-**	**-**	**-**	**(902)**
Insurance Service Expenses					
Incurred insurance service expenses:	**-**	**710**	**4 654**	**461**	**5 825**
Claims	-	710	3 681	232	4 623
Expenses	-	-	973	-	973
Other movements related to current service	-	-	-	229	229
Amortisation of insurance acquisition cash flows	-	-	-	-	-
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(1 669)	(209)	(1 878)
Changes that relate to future service	**-**	**(703)**	**-**	**-**	**(703)**
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	(703)	-	-	(703)
Total Insurance Service Expenses	**-**	**7**	**2 985**	**252**	**3 244**
Investment Components	**-**	**-**	**-**	**-**	**-**
Total Insurance Service result	**(902)**	**7**	**2 985**	**252**	**2 342**
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	(1)	368	46	413
Total Insurance Finance Income or Expense	**-**	**(1)**	**368**	**46**	**413**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Total Changes in the Statement of Financial Performance	**(902)**	**6**	**3 353**	**298**	**2 755**
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	899	-	-	-	899
Claims and other insurance service expenses paid, including investment components	-	-	(973)	-	(973)
Insurance acquisition cash flows	-	-	-	-	-
Total Cash flows	**899**	**-**	**(973)**	**-**	**(74)**
Net Closing balance	**(73)**	**(122)**	**(6 559)**	**(820)**	**(7 574)**
Closing Insurance contact assets	-	-	-	-	-
Closing Insurance contract liabilities	(73)	(122)	(6 559)	(820)	(7 574)
Net Closing balance	**(73)**	**(122)**	**(6 559)**	**(820)**	**(7 574)**

The following table presents the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts measured under the Premium Allocation Approach (PAA).

	GROUP- 2023 R'000				
	Liabilities for Remaining Coverage		Liabilities for Incured claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
Opening Insurance contract assets	-	-	-	-	-
Opening Insurance contract liabilities	(82)	(26)	(2 147)	(268)	(2 523)
Net Opening balance	**(82)**	**(26)**	**(2 147)**	**(268)**	**(2 523)**
Insurance Revenue					
Full Retrospective approach	(906)	-	-	-	(906)
Total Insurance revenue – full retrospective transition method	**(906)**	**-**	**-**	**-**	**(906)**
Insurance Service Expenses					
Incurred insurance service expenses:	**-**	**798**	**1 511**	**(7)**	**2 302**
Claims	-	798	(55)	207	950
Expenses	-	-	1 566	-	1 566
Other movements related to current service	-	-	-	(214)	(214)
Amortisation of insurance acquisition cash flows	-	-	-	-	-
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	7 285	242	7 527
Changes that relate to future service	**-**	**(707)**	**-**	**-**	**(707)**
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	(707)	-	-	(707)
Total Insurance Service Expenses	**-**	**91**	**8 796**	**235**	**9 122**
Investment Components	**-**		**-**		**-**
Total Insurance Service result	**(906)**	**91**	**8 796**	**235**	**8 216**
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	(1)	155	19	173
Total Insurance Finance Income or Expense	**-**	**(1)**	**155**	**19**	**173**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Total Changes in the Statement of Financial Performance	**(906)**	**90**	**8 951**	**254**	**8 389**
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	900	-	-	-	900
Claims and other insurance service expenses paid, including investment components	-	-	(6 919)	-	(6 919)
Insurance acquisition cash flows	-	-	-	-	-
Total Cash flows	**900**	**-**	**(6 919)**	**-**	**(6 019)**
Net Closing balance	**(76)**	**(116)**	**(4 179)**	**(522)**	**(4 893)**
Closing Insurance contact assets	-	-	-	-	-
Closing Insurance contract liabilities	(76)	(116)	(4 179)	(522)	(4 893)
Net Closing balance	**(76)**	**(116)**	**(4 179)**	**(522)**	**(4 893)**

The following table presents the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts measured under the General Measurement Model (GMM).

	GROUP- 2024 R'000			
	Liabilities for Remaining Coverage		Liabilities for Incurred claims	Total
	Excluding Loss Component	Loss Component		
Opening Insurance contract assets	-	-	-	-
Opening Insurance contract liabilities	871	(51 116)	(19 290)	(69 535)
Net Opening balance	**871**	**(51 116)**	**(19 290)**	**(69 535)**
Insurance revenue - Full Retrospective Approach	**(11 000)**	**-**	**-**	**(11 000)**
CSM recognized for services provided	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	(1 032)	-	-	(1 032)
Expected insurance service expenses incurred:	**(7 837)**	**-**	**-**	**(7 837)**
Claims	(6 385)	-	-	(6 385)
Expenses	(1 452)	-	-	(1 452)
Recovery of insurance acquisition cash flows	(2 131)	-	-	(2 131)
Experience adjustment not related to future service	-	-	-	-
Restatement and Other Changes	-	-	-	-
Total Insurance revenue - full retrospective transition method	**(11 000)**	**-**	**-**	**(11 000)**
Insurance Service Expenses				
Incurred insurance service expenses:	**-**	**(42 209)**	**24 745**	**(17 464)**
Claims	-	(35 553)	13 549	(22 004)
Expenses	-	(6 656)	13 083	6 427
Other movements related to current service	-	-	(1 887)	(1 887)
Amortisation of insurance acquisition cash flows	2 129	-	-	2 129
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(20 498)	(20 498)
Changes that relate to future service	**-**	**44 841**	**-**	**44 841**
Losses for the net outflow recognized on initial recognition	-	40 835	-	40 835
Losses and reversal of losses on onerous contracts - subsequent measurement	-	4 006	-	4 006
Total Insurance Service Expenses	**2 129**	**2 632**	**4 247**	**9 008**
Investment Components	-	-	-	-
Total Insurance Service result	**(8 871)**	**2 632**	**4 247**	**(1 992)**
Insurance Finance Income or Expense				
The effect of and changes in time of time value of money and financial risk	(540)	4 458	6 123	10 041
Total Insurance Finance Income or Expense	**(540)**	**4 458**	**6 123**	**10 041**
Other Comprehensive Income	-	-	-	-
Total Changes in the Statement of Financial Performance	**(9 411)**	**7 090**	**10 370**	**8 049**
Cash flows (Actual cashflows in the period)				
Premiums and premium tax received	8 561	-	-	8 561
Claims and other insurance service expenses paid, including investment components	-	-	(13 711)	(13 711)
Insurance acquisition cash flows	-	-	-	-
Total Cash flows	**8 561**	**-**	**(13 711)**	**(5 150)**
Net Closing balance	**1 721**	**(58 206)**	**(15 949)**	**(72 434)**
Closing Insurance contract assets	-	-	-	-
Closing Insurance contract liabilities	1 721	(58 206)	(15 949)	(72 434)
Net Closing balance	**1 721**	**(58 206)**	**(15 949)**	**(72 434)**

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts measured under the General Measurement Model (GMM).

	GROUP- 2023 R'000			
	Liabilities for Remaining Coverage		Liabilities for Incurred claims	Total
	Excluding Loss Component	Loss Component		
Opening Insurance contract assets	-	-	-	-
Opening Insurance contract liabilities	2 279	(23 704)	(5 436)	(26 861)
Net Opening balance	**2 279**	**(23 704)**	**(5 436)**	**(26 861)**
Insurance revenue - Full Retrospective Approach	**(6 120)**	**-**	**-**	**(6 120)**
CSM recognized for services provided	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	(477)	-	-	(477)
Expected insurance service expenses incurred:	**(3 686)**	**-**	**-**	**(3 686)**
Claims	(2 618)	-	-	(2 618)
Expenses	(1 068)	-	-	(1 068)
Recovery of insurance acquisition cash flows	(1 957)	-	-	(1 957)
Experience adjustment not related to future service				
Restatement and Other Changes	-	-	-	-
Total Insurance revenue - full retrospective transition method	**(6 120)**	**-**	**-**	**(6 120)**
Insurance Service Expenses				
Incurred insurance service expenses:	**-**	**(25 279)**	**47 003**	**21 724**
Claims	-	(20 029)	39 057	19 028
Expenses	-	(5 250)	8 115	2 865
Other movements related to current service	-	-	(169)	(169)
Amortisation of insurance acquisition cash flows	1 959	-	-	1 959
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(30 574)	(30 574)
Changes that relate to future service	**-**	**50 552**	**-**	**50 552**
Losses for the net outflow recognized on initial recognition	-	49 025	-	49 025
Losses and reversal of losses on onerous contracts - subsequent measurement	-	1 527	-	1 527
Total Insurance Service Expenses	**1 959**	**25 273**	**16 429**	**43 661**
Investment Components	**-**	**-**	**-**	**-**
Total Insurance Service result	**(4 161)**	**25 273**	**16 429**	**37 541**
Insurance Finance Income or Expense				
The effect of and changes in time of time value of money and financial risk	(431)	2 139	4 144	5 852
Total Insurance Finance Income or Expense	**(431)**	**2 139**	**4 144**	**5 852**
Other Comprehensive Income	**-**	**-**	**-**	**-**
Total Changes in the Statement of Financial Performance	**(4 592)**	**27 412**	**20 573**	**43 393**
Cash flows (Actual cashflows in the period)				
Premiums and premium tax received	6 000	-	-	6 000
Claims and other insurance service expenses paid, including investment components	-	-	(6 719)	(6 719)
Insurance acquisition cash flows	-	-	-	-
Total Cash flows	**6 000**	**-**	**(6 719)**	**(719)**
Net Closing balance	**871**	**(51 116)**	**(19 290)**	**(69 535)**
Closing Insurance contract assets	-	-	-	-
Closing Insurance contract liabilities	871	(51 116)	(19 290)	(69 535)
Net Closing balance	**871**	**(51 116)**	**(19 290)**	**(69 535)**

The following table presents the reconciliation from the opening to the closing balances of the net insurance contract liability analysed by components.

	GROUP- 2024 R'000				
	Estimates of Value of Future Cash Flows	Risk Adjustment Non-financial Risk	CSM		Total
			Full Retro-spective Approach	Post Transition	
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(60 781)	(8 754)	-	-	(69 535)
Net Opening balance	**(60 781)**	**(8 754)**	**-**	**-**	**(69 535)**
Changes that relate to current services	**(18 771)**	**(7 563)**	**-**	**-**	**(26 334)**
CSM recognized for services provided	-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	-	(7 563)	-	-	(7 563)
Experience adjustments not related to future service	(18 771)	-	-	-	(18 771)
Restatement and Other Changes	-	-	-	-	-
Changes that relate to future services	**38 495**	**6 232**	**113**	**-**	**44 840**
Contracts initially recognised in the year	35 149	5 686	-	-	40 835
Changes in estimates that adjust the CSM	(113)	-	113	-	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	3 459	546	-	-	4 005
Changes that relate to past services	**(21 935)**	**1 436**	**-**	**-**	**(20 499)**
Changes in estimates in LIC fulfilment cash flows	(12 588)	3 110	-	-	(9 478)
Experience adjustments in claims and other insurance service expenses in LIC	(9 347)	(1 674)	-	-	(11 021)
Total Insurance Service result	**(2 211)**	**105**	**113**	**-**	**(1 993)**
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	9 354	687	-	-	10 041
Total Insurance Finance Income or Expense	**9 354**	**687**	**-**	**-**	**10 041**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Total Changes in the Statement of Financial Performance	**7 143**	**792**	**113**	**-**	**8 048**
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	8 562	-	-	-	8 562
Claims and other insurance service expenses paid, including investment components	(13 711)	-	-	-	(13 711)
Insurance acquisition cash flows	-	-	-	-	-
Total Cash flows	**(5 149)**	**-**	**-**	**-**	**(5 149)**
Net Closing balance	**(62 775)**	**(9 546)**	**(113)**	**-**	**(72 434)**
Closing Insurance contract assets	-	-	-	-	-
Closing Insurance contract liabilities	(62 775)	(9 546)	(113)	-	(72 434)
Net Closing balance	**(62 775)**	**(9 546)**	**(113)**	**-**	**(72 434)**

The following table presents the reconciliation from the opening to the closing balances of the net insurance contract liability analysed by components.

	GROUP- 2023 R'000				
	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial Risk	CSM		Total
			Full Retrospective Approach	Post Transition	
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	(23 329)	(3 532)	-	-	(26 861)
Net Opening balance	**(23 329)**	**(3 532)**	**-**	**-**	**(26 861)**
Changes that relate to current services	**21 002**	**(3 440)**	**-**	**-**	**17 562**
CSM recognized for services provided	-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	-	(3 440)	-	-	(3 440)
Experience adjustments not related to future service	21 002	-	-	-	21 002
Restatement and Other Changes	-	-	-	-	-
Changes that relate to future services	**43 707**	**6 845**	**-**	**-**	**50 552**
Contracts initially recognised in the year	42 208	6 817	-	-	49 025
Changes in estimates that adjust the CSM	-	-	-	-	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	1499	28	-	-	1 527
Changes that relate to past services	**(32 146)**	**1 573**	**-**	**-**	**(30 573)**
Changes in estimates in LIC fulfilment cash flows	(30 120)	2 035	-	-	(28 085)
Experience adjustments in claims and other insurance service expenses in LIC	(2 026)	(462)	-	-	(2 488)
Total Insurance Service result	**32 563**	**4 978**	**-**	**-**	**37 541**
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	5 608	244	-	-	5 852
Total Insurance Finance Income or Expense	**5 608**	**244**	**-**	**-**	**5 852**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Total Changes in the Statement of Financial Performance	**38 171**	**5 222**	**-**	**-**	**43 393**
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	6 001	-	-	-	6 001
Claims and other insurance service expenses paid, including investment components	(6 720)	-	-	-	(6 720)
Insurance acquisition cash flows	-	-	-	-	-
Total Cash flows	**(719)**	**-**	**-**	**-**	**(719)**
Net Closing balance	**(60 781)**	**(8 754)**	**-**	**-**	**(69 535)**
Closing Insurance contract assets	-	-	-	-	-
Closing Insurance contract liabilities	(60 781)	(8 754)	-	-	(69 535)
Net Closing balance	**(60 781)**	**(8 754)**	**-**	**-**	**(69 535)**

	GROUP	
	2024	2023
	R'000	R'000
Insurance contract liabilities measured under the Premium Allocation Approach (PAA)	(7 574)	(4 893)
Insurance contract liabilities measured under the General Measurement Model (GMM)	(72 434)	(69 535)
	(80 008)	**(74 428)**

The following table provides an analysis of insurance contracts initially recognised in the period.

	GROUP-2024 R'000		
	Onerous Groups of Contracts		
	Contracts acquired in transfers or business combinations	**Other contracts**	**Total**
Insurance Contracts Issued Initially Recognised in the Period			
Estimates of the present value of future cash outflows:			
Insurance acquisition cash flows	-	-	-
Claims and other cash outflows	(45 486)	-	(45 486)
Estimates of the present value of future cash inflows	10 337	-	10 337
Risk adjustment for non-financial risk	(5 686)	-	(5 686)
Contractual service margin	-	-	-
Losses for the net outflow recognized on initial recognition	**(40 835)**	**-**	**(40 835)**

	GROUP-2023 R'000		
	Onerous Groups of Contracts		
	Contracts acquired in transfers or business combinations	**Other contracts**	**Total**
Insurance Contracts Issued Initially Recognised in the Period			
Estimates of the present value of future cash outflows:			
Insurance acquisition cash flows	-	-	-
Claims and other cash outflows	(54 536)	-	(54 536)
Estimates of the present value of future cash inflows	12 328	-	12 328
Risk adjustment for non-financial risk	(6 817)	-	(6 817)
Contractual service margin	-	-	-
Losses for the net outflow recognized on initial recognition	**(49 025)**	**-**	**(49 025)**

6.3 POST-RETIREMENT MEDICAL LIABILITY

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Post-retirement medical liability	**341**	**769**	**341**	**769**

sefa provides a subsidy towards medical aid contributions payable to selected employees who retire in the employment of **sefa**.

Twenty seven in-service employees, who on average are 49 years old, are eligible for the benefit. This subsidy is unfunded and is provided for based on actuarial valuations performed annually.

The value of this liability was determined by QED South Africa Proprietary Limited, an independent actuarial consulting firm and is dependent on amongst others the demographic profile of employees, mortality, consumer price inflation and bond yields.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Analysis of the defined post retirement medical liability:				
Present value of unfunded obligations	341	769	341	769
	341	**769**	**341**	**769**

Changes in the present value of the defined benefit obligation are as follows:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening post-retirement medical aid obligation	769	567	769	567
Current service cost	36	28	36	28
Interest cost	34	35	34	35
Actuarial gain	(498)	139	(498)	139
Employer benefit payments	-	-	-	-
Closing defined benefit obligation	**341**	**769**	**341**	**769**

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2024	2023
Discount rate at 31 March	8.5% - 14.0% naca	4.1% - 12.0% naca
Take-up rate by retired employees	100%	100%
Retirement age	65 years	65 years
Pre-retirement mortality	SA85-90 Light	SA85-90 Light
Post retirement mortality	PA (90) 2 year reduction	PA (90) 2 year reduction

The table below shows the sensitivity of **sefa's** obligations, as at 31 March 2024, with respect to post-retirement medical aid benefits to key assumptions:

Assumption	Variation	% change in provision	Change in value of provision
Long-term interest rates	1%	-11%	(38)
	1%	13%	45
Post-Retirement mortality [1]	+1 year	-0.07%	(2)
	-1 year	1%	2

[1] The provision is not sensitive to Medical inflation/Contribution Inflation as this amount is capped. Sensitivity to post retirement mortality is not material and the amount is less than R1000.

6.4 Commitments

Items are classified as commitments where the Group has committed itself to future transactions.

6.4.1 Lease commitments for low value assets

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

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Equipment	**21**	**278**	**21**	**278**
Within 1 year	21	257	21	257
From 2 to 5 years	-	21	-	21
More than 5 years	-	-	-	-
Total lease commitments	**21**	**278**	**21**	**278**

Per the signed agreements there are no annual escalations.

6.4.2 Loan and indemnity commitments

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Off-balance sheet items				
Undrawn financing facilities approved	298 461	347 891	298 461	347 891
Undrawn credit guarantee facilities approved	1 209 682	1 128 993	-	-
Total off-balance sheet commitments	**1 508 143**	**1 476 884**	**298 461**	**347 891**

Commitments will be financed by loans and internally generated funds.

7. FINANCIAL RISK

7.1 Financial instruments – material accounting policy

Amortised cost – Financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

Fair value through profit or loss – Financial assets

These assets are held with the intention to sell. Cash flows are primarily recovered through sale, and are measured at fair value through profit or loss. Any changes in the fair value of these assets are recognised in profit or loss.

Accounting for financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are initially measured: (1) at fair value, plus (or minus) transaction costs that are directly attributable to the acquisition or (2) issue of the financial asset or financial liability in the case of financial asset (or financial liability) not at fair value through profit or loss, except for those classified as at fair value through profit or loss which are initially measured at fair value excluding transaction costs. 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.

Fair value adjustments on initial recognition relating to financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss. If **sefa** determines that the fair value on initial recognition differs from the transaction price, the difference is recognised as a gain or loss only if the fair value is based on 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. Otherwise, the difference is deferred and recognised as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and, there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Financial instrument classification

The Group classifies its financial instruments into the following categories:

- At fair value through profit or loss;
- Amortised cost.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition. Financial instruments comprise investments in equity and debt, loans receivable, trade and other receivables, cash and cash equivalents, other non-current liabilities and trade and other payables. Financial assets measured at amortised cost are initially recognised at the fair value received or receivable.

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below:

Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss.

Financial instruments at amortised cost

Financial assets at amortised cost: Loans and advances, trade and other receivables, cash and cash equivalents are measured at amortised cost. Financial liabilities at amortised cost: Trade and other payables and borrowings are measured at amortised cost. The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, minus the principal repayments, plus or minus the cumulative amortisation: using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire.

Credit allowances on financial assets carried at amortised cost

Loans and advances (General approach per IFRS 9 par 5.5.1)

All loans and advances meet the requirements of solely payments of principal and interest and are measured at amortised cost. The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes based on the relevant stage and internal credit rating of a loan;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables (Simplified approach per IFRS 9 par 5.5.15)

Credit losses for rental debtors are based on the portfolio's collection rates and the number of outstanding payments from a debtor, as this is the best indicator for the future collectability of rental income. Credit losses on related party loans were based on historical payment trends to predict the ability of the related party to settle the loan in the future. Trade receivables are initially recognised at the transaction price.

Refer to note 7.5.1 for rental debtors and 7.5.2 for related party loans.

Cash and cash equivalents (General approach per IFRS 9 par 5.5.1)

The expected credit loss is calculated by referencing each banks published credit rating to the probability of default based on the mapping tables published by the three major international credit rating agencies. The loss given default used is in line with guidance provided by the Basel foundation approach on banks.

7.2 Financial risk management

The Group and Company have exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (interest rate risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board has established the Audit and Risk Committees, which are responsible for developing and monitoring the Group and Company's risk management policies. The committees report regularly to the Board of Directors on their activities.

The Group and Company's risk management policies are established to identify and analyse the risks faced by the Group and Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group and Company's activities. The Group and Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committees oversee how management monitors compliance with the Group and Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group and Company. The Audit and Risk Committees are assisted by the Internal Audit function which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committees.

7.3 Categories of financial instruments

The table below sets out the Group and Company's classification of each class of financial assets and liabilities.

	GROUP-2024		
	Amortised cost R'000	FVTPL R'000	Total R'000
Assets			
Loans and advances	1 118 920	-	1 118 920
Investments	-	62 123	62 123
Trade receivables	31 813	-	31 813
Cash and cash equivalents	4 346 035	-	4 346 035
Total financial assets	**5 496 768**	**62 123**	**5 558 891**
Liabilities			
Shareholder loans	(841 696)	-	(841 696)
Trade and other payables	(70 515)	-	(70 515)
Lease liability	(24 631)	-	(24 631)
Non-current liability	-	-	-
Total financial liabilities	**(936 842)**	**-**	**(936 842)**
Net financial assets and liabilities	**4 559 926**	**62 123**	**4 622 049**

	GROUP-2023 Restated		
	Amortised cost R'000	FVTPL R'000	Total R'000
Assets			
Loans and advances	1 614 793	-	1 614 793
Investments	-	47 402	47 402
Trade receivables	28 535	-	28 535
Cash and cash equivalents	3 650 979	-	3 650 979
Total financial assets	**5 294 307**	**47 402**	**5 341 709**
Liabilities			
Shareholder loans	(793 267)	-	(793 267)
Trade and other payables	(65 651)	-	(65 651)
Lease liability	(18 498)	-	(18 498)
Non-current liability	(4 629)	-	(4 629)
Total financial liabilities	**(882 045)**	**-**	**(882 045)**
Net financial assets and liabilities	**4 412 262**	**47 402**	**4 459 664**

	COMPANY - 2024		
	Amortised cost R'000	FVTPL R'000	Total R'000
Assets			
Loans and advances	1 118 920	-	1 118 920
Investments	-	62 123	62 123
Trade receivables	255 941	-	255 941
Cash and cash equivalents	3 708 065	-	3 708 065
Total financial assets	**5 082 926**	**62 123**	**5 145 049**
Liabilities			
Shareholder loans	(841 696)	-	(841 696)
Trade and other payables	(22 557)	-	(22 557)
Lease liability	(24 631)	-	(24 631)
Non-current liability	-	-	-
Total financial liabilities	(888 884)	-	(888 884)
Net financial assets and liabilities	**4 194 042**	**62 123**	**4 256 165**

	COMPANY - 2023		
	Amortised cost R'000	FVTPL R'000	Total R'000
Assets			
Loans and advances	1 614 793	-	1 614 793
Investments	-	47 402	47 402
Trade receivables	200 750	-	200 750
Cash and cash equivalents	3 030 580	-	3 030 580
Total financial assets	**4 846 123**	**47 402**	**4 893 525**
Liabilities			
Shareholder loans	(793 267)	-	(793 267)
Trade and other payables	(23 300)	-	(23 300)
Lease liability	(18 498)	-	(18 498)
Non-current liability	(4 629)	-	(4 629)
Total financial liabilities	(839 694)	-	(839 694)
Net financial assets and liabilities	**4 006 429**	**47 402**	**4 053 831**

7.4 Credit risk exposure

Credit risk is the risk of financial loss, should any of the Group's counterparties fail to fulfil their contractual obligations to the Group. Credit risk mainly arises from commercial loans and advances, and loan commitments arising from such lending activities.

The Group is also exposed to other credit risks arising from investments and rental debtors.

Credit risk is the single largest risk for the Group's business; management, therefore, carefully manages its exposure to credit risk. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of the group.

The Group and Company considers its maximum exposure to credit risk per class to be as follows:

	GROUP		COMPANY	
	2024	2023 Restated	2024	2023 Restated
	R'000	R'000	R'000	R'000
Cash and cash equivalents	4 346 081	3 651 005	3 708 104	3 030 602
Trade receivables	80 765	70 466	694 128	602 210
Loans and advances	3 506 551	3 298 814	3 498 506	3 290 769
Investments	62 123	47 402	62 123	47 402
Total exposure at gross carrying amount	**7 995 520**	**7 067 687**	**7 962 861**	**6 970 983**

Cash and cash equivalents

The Group and Company limit its exposure to credit risk in respect of its money market transactions by only investing in funds that have approved high credit quality financial ratings and public sector institutions in accordance with predetermined limits approved by Executive Management and the Board. Money market investments are reflected as cash and cash equivalents. Due to the nature of the investments the probability of default is low and the possible credit losses have been assessed as being insignificant in value. A credit loss has been provided for on cash and cash equivalents in the current year of R0.046 million (2023: R0.027million).

Trade receivables

Trade receivables include related party loans receivable, rental debtors and other trade and receivables. The nature of other trade receivables, other than rental debtors, is of such a nature that low probabilities of default is anticipated and possible credit losses have been assessed as being insignificant. No credit loss has been provided for on trade and receivables other than rental debtors and related party loans. Refer to note 7.5.1 for credit risk measurement under rental debtors and note 7.5.2 for related party loans.

Loans and advances

The mandate of **sefa** is to support sustainable enterprise development through providing loan funding to SMMEs and Co-operatives. **sefa** maintains sound credit granting standards to manage its risks posed by credit risk exposure.

The Group and Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group and Company's customer base, including the default risk of the industry, in which customers operate, is also taken into account. Counterparty limits are used to ensure that the Group or Company is not significantly exposed to transactions with one customer and there is no geographical concentration of credit risk.

Risk Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group or Company will transact with the customer. The Group and Company's review include external ratings, when available, due diligence exercises and in some cases, bank references.

Loans and advances are subject to comprehensive and substantial security clauses to protect the Group and Company in the event of non-payment. All credit risk arises from normal operations of the Group and Company, with the major credit risk arising from the Group and Company's receivables and loans and advances. The Credit and Investment Committee established by the Board of Directors review the Group and Company's loan portfolio on an on-going basis. All applications for credit are thoroughly scrutinised covering financial, technical and market risks. **sefa**, being a DFI, has a different risk profile compared to traditional commercial banks. The Group and Company establish an allowance for impairment that represents its estimate of expected losses in respect of receivables, loans and advances and investments.

7.5 Refer to note 7.5.3 for credit risk measurement under loans and advances.

7.5 Credit risk measurement

7.5.1 Trade receivables

Trade receivables and prepayments

	GROUP		COMPANY	
	2024 R'000	2023 Restated R'000	2024 R'000	2023 R'000
Gross carrying amount	40 783	32 194	8 612	14 359
Lifetime expected credit loss	(14 134)	(12 694)	(3 150)	(1 709)
Net carrying amount	**26 649**	**19 500**	**5 462**	**12 650**

Deferred grants receivable

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Gross carrying amount	229 498	310 872	290 134	382 957
Lifetime expected credit loss	-	(3 830)	-	(3 830)
Net carrying amount	**229 498**	**307 042**	**290 134**	**379 127**

Rental debtors

The following table sets out information using a provision matrix, based on actual collection rates, on the credit quality of rental debtors measured at amortised cost where the loss allowance is measured at an amount equal to lifetime expected credit losses (simplified approach). Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	GROUP-2024 R'000			GROUP-2023 R'000		
Rental debtors	0 - 30 days	30 days+	Total	0 - 30 days	30 days+	Total
Expected loss rate	32%	100%		36%	100%	

	GROUP - 2024			GROUP - 2023		
	R'000	R'000	R'000	R'000	R'000	R'000
Gross carrying amount	2 383	27 145	29 528	1 822	25 770	27 592
Lifetime expected credit loss	(752)	(27 145)	(27 897)	(648)	(25 770)	(26 418)
Net carrying amount	**1 631**	**-**	**1 631**	**1 174**	**-**	**1 174**

Trade receivables - related party loans

All related party loans, except the loan issued to Khula Business Premises, are considered to be fully recoverable as these companies have a positive net asset value and have historically settled these loans in full as and when they occur. The impairment on the Khula Business Premises loan was based on the net asset value of Khula Business Premises. Refer to note 10.1.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Gross carrying amount	9 031	9 450	684 093	586 621
Lifetime expected credit loss	-	-	(428 116)	(396 933)
Net carrying amount	**9 031**	**9 450**	**255 977**	**189 688**

7.5.2 Investments

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Standard monitoring	62 123	47 402	62 123	47 402
Special monitoring	-	-	-	-
Total exposure at carrying amount	**62 123**	**47 402**	**62 123**	**47 402**

7.5.3 Loans and advances (including commitments) – material accounting policy

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) which is in line with the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group, additionally, uses internal rating models tailored to the various categories of counterparties. Borrower and loan specific information collected at the time of application serves as inputs to this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage	Change in credit risk since initial recognition	Recognition of interest	12 month or lifetime ECL
Stage 1 – Initial recognition	No significant increase in risk since initial recognition.	Interest is based on the loan balance gross of impairments.	12-month ECL is used, which is the expected credit losses that result from default events that are likely within 12 months after the reporting date.
Stage 2 – Significant increase in credit risk	Significant increase in credit risk (SICR) but not objective evidence of impairment.	Interest is based on the loan balance gross of impairments.	Lifetime ECL is used, which is the expected credit losses that result from all default events that are likely over the expected life of the financial instrument.
Stage 3 – Credit- im-paired asset	Objective evidence of impairment.	Interest is based on the loan balance net of impairments.	Lifetime ECL is used, which is the expected credit losses that result from all default events that are likely over the expected life of the financial instrument.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk:

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

- The loan or any other loan issued to the same counterparty is in arrears;
- There is evidence that the loan should be impaired based on an individual client assessment;
- Actual or expected restructuring;
- Significant adverse changes in business, financial and/ or economic conditions in which the borrower operates.

Definition of default and credit-impaired assets:

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- The loan or any other loan issued to the same counterparty is 90 days past due.
- The loan has been restructured and has not yet performed for a minimum period.
- Interest on outstanding capital is suspended.
- There is evidence that the loan should be impaired based on an individual client assessment.

The criteria above have been applied to all loans and advances extended to clients by the Group and are consistent with the definition of default used for internal risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis, depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation;
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur;
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate. The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile reflects on how defaults developed on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit rate band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

For amortising products and bullet repayment loans:

This is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/ refinance assumptions are also incorporated into the calculation.

For revolving products:

The exposure at default is predicted by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data. The 12 month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

Forward-looking information incorporated in the ECL models

Changes in macroeconomic conditions are expected to influence the rate at which accounts default on the portfolios. The macroeconomic module of the IFRS 9 impairment model includes such an allowance through adjusting expected default probabilities based on forecast macroeconomic information, using the historical relationship between these macroeconomic variables and default rates in order to inform the quantum of the expected impact.

Using Principal Component Analysis, a historic index was constructed and subsequently used to produce the forecasted indices under three scenarios (optimistic, best-estimate and downturn), with the final result of the Expected Credit Loss model subsequently calculated as a probability weighted average of the results under each of the scenarios.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and, therefore, the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios. The analysis outlined above yielded the following variables for use in the macroeconomic model:

- Percentage year on year growth in Gross Domestic Product ("%GDP");
- Percentage year on year growth in Formal Sector Employment ("%Employment");
- Percentage year on year growth in Consumer Price Inflation ("%CPI"); and
- Percentage year on year growth in Household Consumption Expenditure ("%HouseCE")

7.5.3 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate at 31 March 2024 are set out below:

		2025	2026	2027	2028
% GDP	Base	0.33	0.46	0.50	0.68
	Downturn	0.28	0.25	0.61	0.65
	Optimistic	0.35	0.77	0.63	0.85
% EMPLOYMENT	Base	1.93	1.54	2.30	1.57
	Downturn	1.31	1.59	2.17	1.50
	Optimistic	0.45	1.70	2.68	1.95
% CPI	Base	4.68	4.48	4.59	4.64
	Downturn	5.49	5.00	4.85	4.80
	Optimistic	4.21	4.10	4.35	4.45
% HOUSECE	Base	0.37	0.60	0.61	0.72
	Downturn	0.27	0.00	0.58	0.68
	Optimistic	0.45	0.67	0.70	0.78

- The base scenario represents the best estimate view of expected future macroeconomic conditions;
- The downturn scenario represents a view of expected future macroeconomic conditions during a downturn period; and
- The optimistic scenario represents a view of expected future macroeconomic conditions during a period of good economic conditions.

The final Expected Credit Loss to be raised as an impairment provision under the IFRS 9 standard is calculated as an average of the ECL calculated by the model under each of the three scenarios, weighted by the probability of each of these scenarios occurring.

PROBABILITIES ASSIGNED TO THE LIKELIHOOD OF EACH SCENARIO:	
Scenario	Probability
Base	60%
Downturn	35%
Optimistic	5%

The probabilities assigned to each likelihood are unchanged from prior year.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/ external supplementary data to use for modelling purposes.

7.5.4 Expected credit losses emanating from credit risk exposure

The following tables contain an analysis of the credit risk exposure of loans and advances for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Loans and advances: Credit risk analysis

	GROUP-2024 R'000			
	Stage 1 - Gross amount Stage 1 - ECL Stage 1	Stage 2 - Gross amount Stage 2 - ECL Stage 2	Stage 3 - Gross amount Stage 3 - ECL Stage 3	Total
Standard monitoring	688 060	-	-	688 060
Special monitoring	-	536 632	-	536 632
Default	-	-	2 281 859	2 281 859
Gross carrying amount	**688 060**	**536 632**	**2 281 859**	**3 506 551**
Loss allowance	(102 169)	(228 218)	(2 057 244)	(2 387 631)
Carrying amount	**585 891**	**308 414**	**224 615**	**1 118 920**

	GROUP-2023 R'000			
	Stage 1 - Gross amount Stage 1 - ECL Stage 1	Stage 2 - Gross amount Stage 2 - ECL Stage 2	Stage 3 - Gross amount Stage 3 - ECL Stage 3	Total
Standard monitoring	937 026	-	-	937 026
Special monitoring	-	844 541	-	844 541
Default	-	-	1 517 247	1 517 247
Gross carrying amount	**937 026**	**844 541**	**1 517 247**	**3 298 814**
Loss allowance	(112 015)	(367 856)	(1 204 150)	(1 684 021)
Carrying amount	**825 011**	**476 685**	**313 097**	**1 614 793**

	COMPANY-2024 R'000			
	Stage 1 - Gross amount Stage 1 - ECL	Stage 2 - Gross amount Stage 2 - ECL	Stage 3 - Gross amount Stage 3 - ECL	Total
	Stage 1	Stage 2	Stage 3	
Standard monitoring	688 060	-	-	688 060
Special monitoring	-	536 632	-	536 632
Default	-	-	2 273 814	2 273 814
Gross carrying amount	688 060	536 632	2 273 814	3 498 506
Loss allowance	(102 170)	(228 218)	(2 049 198)	(2 379 586)
Carrying amount	**585 890**	**308 414**	**224 616**	**1 118 920**

	COMPANY-2023 R'000			
	Stage 1 - Gross amount Stage 1 - ECL	Stage 2 - Gross amount Stage 2 - ECL	Stage 3 - Gross amount Stage 3 - ECL	Total
	Stage 1	Stage 2	Stage 3	
Standard monitoring	937 026	-	-	937 026
Special monitoring	-	844 542	-	844 542
Default	-	-	1 509 201	1 509 201
Gross carrying amount	937 026	844 542	1 509 201	3 290 769
Loss allowance	(112 016)	(367 856)	(1 196 104)	(1 675 976)
Carrying amount	**825 010**	**476 686**	**313 097**	**1 614 793**

7.5.5 Collateral

Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	GROUP-2024 R'000			
	Gross exposure	Credit loss allowance	Carrying amount	Fair value of collateral held
Stage 1	688 060	(102 169)	585 891	4 889
Stage 2	536 632	(228 218)	308 414	12 717
Stage 3	2 281 859	(2 057 244)	224 615	81 070
	3 506 551	**(2 387 631)**	**1 118 920**	**98 676**

	COMPANY-2024 R'000			
	Gross exposure	Credit loss allowance	Carrying amount	Fair value of collateral held
Stage 1	688 060	(102 170)	585 890	4 889
Stage 2	536 632	(228 218)	308 414	12 717
Stage 3	2 273 814	(2 049 198)	224 616	81 070
	3 498 506	**(2 379 586)**	**1 118 920**	**98 676**

Nature of collateral held:	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Vehicles and equipment under instalment sale agreement	98 676	10 310	98 676	10 310
Special notarial bonds over moveable assets	-	-	-	-
Mortgage bonds over fixed property	-	-	-	-
Cession over loan portfolio	-	-	-	-
Total collateral held	**98 676**	**10 310**	**98 676**	**10 310**

The net proceeds for collateral repossessed amounted to R1.5mil during the 2024 financial year for both Group and Company. (2023: The net proceeds for collateral repossessed amounted to R1.8mil during the 2023 financial year for both Group and Company.)

The impact of collateral included in the Expected Credit Loss amounts to R77.8 million (2023: R5.9 million). The impact was limited to the value of the Expected Credit Loss per facility.

Collateral was valued externally by independent team of valuers as at 31 March 2022.

7.5.6 Credit loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during this period, as well as releases for financial instruments de-recognised in the period;
- Impact of the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	GROUP - 2024 R'000			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 April 2023	112 015	367 856	1 204 150	1 684 021
Increase in credit risk				
Transfer from Stage 1 to Stage 2	(23 714)	97 028	-	73 314
Transfer from Stage 1 to Stage 3	(38 884)	-	312 678	273 794
Transfer from Stage 2 to Stage 3	-	(213 342)	371 810	158 468
Decrease in credit risk				
Transfer from Stage 2 to Stage 1	3 483	(11 786)	-	(8 303)
Transfer from Stage 3 to Stage 2	-	1 630	(7 619)	(5 989)
Transfer from Stage 3 to Stage 1	2 661	-	(28 522)	(25 861)
Changes in PDs/ LGDs/ EADs	10 954	(19 624)	177 079	168 409
New financial instruments issued	34 112	76 016	40 825	150 953
Financial assets settled during the year	1 542	(69 560)	(13 078)	(81 096)
Financial assets written off	-	-	(79)	(79)
Total net profit or loss charge during the year	(9 846)	(139 638)	853 094	703 610
Loss allowance as at 31 March 2024	**102 169**	**228 218**	**2 057 244**	**2 387 631**

	GROUP - 2023 R'000			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 April 2022	143 450	234 494	716 554	1 094 498
Increase in credit risk				
Transfer from Stage 1 to Stage 2	(31 488)	143 463	-	111 975
Transfer from Stage 1 to Stage 3	(57 890)	-	222 932	165 042
Transfer from Stage 2 to Stage 3	-	(115 134)	200 677	85 543
Decrease in credit risk				
Transfer from Stage 2 to Stage 1	15 138	(58 231)	-	(43 093)
Transfer from Stage 3 to Stage 2	-	12 061	(25 165)	(13 104)
Transfer from Stage 3 to Stage 1	232	-	(2 807)	(2 575)
Changes in PDs/ LGDs/ EADs	(9 676)	45 322	32 182	67 828
New financial instruments issued	56 492	109 079	69 837	235 408
Financial assets settled during the year	(4 243)	(3 183)	(10 060)	(17 486)
Financial assets written off	-	(15)	-	(15)
Total net profit or loss charge during the year	(31 435)	133 362	487 596	589 523
Loss allowance as at 31 March 2023	**112 015**	**367 856**	**1 204 150**	**1 684 021**

	COMPANY- 2024 R'000			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 April 2023	112 016	367 856	1 196 104	1 675 976
Increase in credit risk				
Transfer from Stage 1 to Stage 2	(23 714)	97 028	-	73 314
Transfer from Stage 1 to Stage 3	(38 884)	-	312 678	273 794
Transfer from Stage 2 to Stage 3	-	(213 342)	371 810	158 468
Decrease in credit risk				-
Transfer from Stage 2 to Stage 1	3 483	(11 786)	-	(8 303)
Transfer from Stage 3 to Stage 2	-	1 630	(7 619)	(5 989)
Transfer from Stage 3 to Stage 1	2 661	-	(28 522)	(25 861)
Changes in PDs/ LGDs/ EADs	10 954	(19 624)	177 079	168 409
New financial instruments issued	34 112	76 016	40 825	150 953
Financial assets settled during the year	1 542	(69 560)	(13 078)	(81 096)
Financial assets written off	-	-	(79)	(79)
Total net profit or loss charge during the year	(9 846)	(139 638)	853 094	703 610
Loss allowance as at 31 March 2024	**102 170**	**228 218**	**2 049 198**	**2 379 586**

	COMPANY- 2023 R'000			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 1 April 2022	143 450	234 494	704 825	1 082 769
Increase in credit risk				
Transfer from Stage 1 to Stage 2	(31 487)	143 463	-	111 976
Transfer from Stage 1 to Stage 3	(57 890)	-	222 932	165 042
Transfer from Stage 2 to Stage 3	-	(115 135)	200 675	85 540
Decrease in credit risk				
Transfer from Stage 2 to Stage 1	15 138	(58 231)	-	(43 093)
Transfer from Stage 3 to Stage 2	-	12 061	(25 165)	(13 104)
Transfer from Stage 3 to Stage 1	232	-	(2 807)	(2 575)
Changes in PDs/ LGDs/ EADs	(9 676)	45 322	32 182	67 828
New financial instruments issued	56 492	109 079	69 837	235 408
Financial assets settled during the year	(4 243)	(3 182)	(6 375)	(13 800)
Financial assets written off	-	(15)	-	(15)
Total net profit or loss charge during the year	(31 434)	133 362	491 279	593 207
Loss allowance as at 31 March 2023	**112 016**	**367 856**	**1 196 104**	**1 675 976**

7.5.7 Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts that is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery. All amounts written off in the current and prior year are still subject to enforcement activity. Loans to the value of R103,000 were written off during the year in the Group (Company: R103,000).

7.5.8 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Restructuring is based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

The Group monitors the subsequent performance of modified assets and may determine that the credit risk has significantly improved where assets have performed for twelve-consecutive months or more.

Loans with gross carrying amount of R15 million at the end of the financial year have been modified in the current year at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the current year to an amount equal to 12-month expected credit losses.

CARRYING VALUE PER SECTOR - LOANS AND ADVANCES	GROUP		COMPANY	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Accommodation and food service activities	14 017	-	14 017	-
Administrative and support activities	65 814	23 038	65 814	23 038
Agriculture, forestry and fishing	40 973	51 325	40 973	51 325
Arts, entertainment and recreation	904	1 165	904	1 165
Basic chemicals	201	1 228	201	1 228
Basic iron and steel	5 237	17 687	5 237	17 687
Beverages	273	2 327	273	2 327
Building construction	10 670	57 478	10 670	57 478
Business services	32 210	38 370	32 210	38 370
Catering and accommodation services	14 014	35 186	14 014	35 186
Construction	30 006	-	30 006	-
Education	727	1 226	727	1 226
Electricity, gas and steam	6 281	28 812	6 281	28 812
Electricity, gas, steam and air conditioning supply	1 621	-	1 621	-
Finance and insurance	154 831	308 739	154 831	308 739
Financial and insurance activities	75 228	-	75 228	-
Food	41 686	87 436	41 686	87 436
Footwear	236	1 913	236	1 913
Furniture	1 378	2 394	1378	2 394
Glass and glass products	133	445	133	445
Human health and social work activities	19 751	20 131	19 751	20 131
Information and communication	24 861	27 563	24 861	27 563
Machinery and equipment	4 340	12 640	4 340	12 640
Manufacturing	131 181	153 588	131 181	153 588
Medical, dental and other health and verterinary services	11 522	20 169	11 522	20 169
Metal products excluding machinery	14 115	26 910	14 115	26 910
Mining and quarrying	1 681	-	1 681	-
Motor vehicles, parts and accessories	5 665	40 356	5 665	40 356
Non-metallic minerals	19 522	37 648	19 522	37 648
Other chemicals and man-made fibres	2 047	6 074	2 047	6 074
Other community, social and personal services	11 702	46 111	11 702	46 111
Other industries	7 579	28 255	7 579	28 255
Other mining	8 462	38 339	8 462	38 339
Other service activities	3 177	-	3 177	
Other services	76 126	60 376	76 126	60 376
Paper and paper products	49	122	49	122
Plastic products	7 962	11 895	7 962	11 895
Printing, publishing and recorded media	86	144	86	144
Professional, scientific and technical activities	974	669	974	669
Real estate activities	12 292	15 120	12 292	15 120
Television, radio and communication equipment	444	1 226	444	1 226
Textiles	23 557	41 809	23 557	41 809
Transport and storage	47 577	112 251	47 577	112 251
Transportation and storage	2 307	-	2 307	-
Water supply; sewerage, waste management and remediation activities	9 851	12 920	9 851	12 920
Wearing apparel	5 772	11 875	5 772	11 875
Wholesale and retail trade	102 337	210 195	102 337	210 195
Wholesale and retail trade; repair of motor vehicles and motorcycles	59 219	-	59 219	
Wood and wooden products	8 322	19 638	8 322	19 638
Loans and advances net of impairments	**1 118 920**	**1 614 793**	**1 118 920**	**1 614 793**

7.6 Liquidity risk

Liquidity risk is the risk that the Group or Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group or Company's reputation.

Due to the nature of the business, the Group and Company's cash management process aims to maintain flexibility in funding by keeping committed credit lines available. Cash requirements and inflows are monitored by management to ensure that sufficient cash is available to meet all financial commitments including operational expenditure. Typically the Group and Company ensure that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted; such as natural disasters.

The following are the remaining contractual maturities at the end of the reporting period of recognised and unrecognised financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	GROUP-2024				
	Carrying value R'000	Total R'000	Within 1 year R'000	2 - 5 years R'000	More than 5 years R'000
Trade payables (excluding non-financial liabilities)	70 515	70 515	70 515	-	-
Shareholder loans	841 696	908 211	788 211	60 000	60 000
Total recognised financial and non-financial liabilities	**912 211**	**978 726**	**858 726**	**60 000**	**60 000**
Undrawn financing facilities approved	-	298 461	298 461	-	-
Operating lease commitments	-	21	21	-	-
Liabilities for lease obligations	24 631	27 211	17 003	10 208	-
Undrawn guarantees/indemnities approved	-	1 210	1 210	-	-
Total off-balance sheet items	24 631	326 903	316 695	10 208	-
Total contractual maturities	**936 842**	**1 305 629**	**1 175 421**	**70 208**	**60 000**

	GROUP-2023 RESTATED				
	Carrying value R'000	Total R'000	Within 1 year R'000	2 - 5 years R'000	More than 5 years R'000
Trade payables (excluding non-financial liabilities)	65 651	65 651	65 651	-	-
Shareholder loans	793 267	923 211	788 211	60 000	75 000
Total recognised financial and non-financial liabilities	**858 918**	**988 862**	**853 862**	**60 000**	**75 000**
Undrawn financing facilities approved	-	347 891	347 891	-	-
Operating lease commitments	-	278	257	21	-
Liabilities for lease obligations	18 498	20 138	14 953	5 185	-
Undrawn guarantees/indemnities approved	-	1 041	1 041	-	-
Total off-balance sheet items	**18 498**	**369 348**	**364 142**	**5 206**	**-**
Total contractual maturities	**877 416**	**1 358 210**	**1 218 004**	**65 206**	**75 000**

	COMPANY-2024				
	Carrying value R'000	Total R'000	Within 1 year R'000	2 - 5 years R'000	More than 5 years R'000
Trade payables (excluding non-financial liabilities)	22 557	22 557	22 557	-	-
Managed funds	-	-	-	-	-
Shareholder loans	841 696	908 211	788 211	60 000	60 000
Total recognised financial and non-financial liabilities	864 253	930 768	810 768	60 000	60 000
Operating lease commitments	-	21	21	-	-
Liabilities for lease obligations	24 631	27 211	17 003	10 208	-
Undrawn financing facilities approved	-	298 461	298 461	-	-
Total off-balance sheet items	24 631	325 693	315 485	10 208	-
Total contractual maturities	**888 884**	**1 256 461**	**1 126 253**	**70 208**	**60 000**

	COMPANY-2023 RESTATED				
	Carrying value R'000	Total R'000	Within 1 year R'000	2 - 5 years R'000	More than 5 years R'000
Trade payables (excluding non-financial liabilities)	23 300	23 300	23 300	-	-
Managed funds	-	-	-	-	-
Shareholder loans	793 267	923 211	788 211	60 000	75 000
Total recognised financial and non-financial liabilities	816 567	946 511	811 511	60 000	75 000
Operating lease commitments	-	278	257	21	-
Liabilities for lease obligations	18 498	20 138	14 953	5 185	-
Undrawn financing facilities approved	-	347 891	347 891	-	-
Total off-balance sheet items	18 498	368 307	363 101	5 206	-
Total contractual maturities	**835 065**	**1 314 818**	**1 174 612**	**65 206**	**75 000**

7.7 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group and Company do not deal in derivatives and does not have exposure to price risk nor exchange rate risk.

Interest rate risk

Interest rate risk is the risk that arises on an interest-bearing asset or liability, due to variability of interest rates.

The Group and Company's income and operating cash flows are substantially dependent on changes in market interest rates and the Group and Company have significant interest-bearing assets. The Group and Company's policy is to maintain most of its investments in the form of money market instruments. Interest rate risk is limited to the Group and Company's investment in floating-rate instruments such as deposits, negotiable certificates of deposits and banker's acceptances as well as loans which are normally issued at rates linked to the prime interest rate. The investment management function has been outsourced to the IDC. Regular management and Board sub-committee meetings are held in order to review **sefa's** interest rate view, which would affect the level of interest rate risk taken in respect of surplus funds.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	VARIABLE RATE INSTRUMENTS			
	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Financial assets	7 883 585	7 393 354	7 206 570	6 737 317
Financial liabilities	-	-	-	-
Total variable rate instruments	**7 883 585**	**7 393 354**	**7 206 570**	**6 737 317**

Cash flow sensitivity analysis for variable rate instruments

A change in 250 basis points (2023: 250 basis points) in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	COMPANY-2023			
	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
250 basis points increase (2023: 250 basis points)	197 090	184 834	180 164	168 433
250 basis points decrease (2023: 250 basis points)	(197 090)	(184 834)	(180 164)	(168 433)

7.8 Capital risk management

The Board's policy is to achieve a capital base that will ensure the long term sustainability of **sefa** and it monitors progress towards this goal so as to maintain shareholder, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between sustainable returns and its developmental mandate. There were no changes in the Group or Company's approach to capital management during the year. A subsidiary, KCG is subject to capital requirements imposed on it by the Prudential Authority in terms of The Insurance Act 18 of 2017. Neither the company nor any of its other subsidiaries are subject to externally imposed capital requirements.

The Group and Company's objectives when managing capital are:

- To comply with capital requirements required for insurers as determined by the STIA;
- To safeguard the Group's ability to continue as a going concern so that it can provide returns for the shareholder and benefits for other stakeholders.

KCG submits quarterly and annual returns to the Prudential Authority in terms of the STIA. The Company is required at all times to maintain a statutory surplus asset ratio as defined in the STIA. Adequate capital requirements were maintained throughout the year.

7.9 Insurance risk – material accounting policy

Insurance risk arises from normal operations of the Group, through credit indemnities provided by Khula Credit Guarantee through the following:

- Indemnifying financiers for defaults on outstanding loans to SMMEs;
- Indemnifying suppliers for defaults on trade credit facilities.

The Board and Executive Committee manage the insurance risk according to the Group's risk appetite.

The risk under any one indemnity contract is the likelihood that the indemnified event will occur, and the uncertainty of the amount of the resulting claims. For a portfolio of indemnity contracts where the theory of probability is applied to provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of the indemnity liabilities. By the very nature of an indemnity contract, the risk is random and, therefore, unpredictable. Changing risk parameters and unforeseen factors, such as economical and geographical circumstances, may result in unexpectedly large claims. Indemnified events are random from one year to the next and the actual number of claims will vary from the estimate established by means of statistical techniques, as follows:

- Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location covered.
- Experience shows that the larger the portfolio of similar indemnity contracts, the smaller the relative variability of the expected outcome will be, therefore, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.
- The Group only underwrites indemnity contracts in South Africa.
- The Group does not have the right to re-price and change the conditional risks on renewal of individual indemnities.

The Group establishes a provision for claims using independent actuarial methods.

Limiting exposure to insurance risk

The Group limits its exposure to insurance risk through setting a clearly defined underwriting strategy and adopting appropriate risk assessment techniques. Each of these risk management aspects is dealt with below in more detail:

Underwriting strategy and limits and policies for mitigating insurance risk

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio of insurance risks. To this end, the Group underwrites a wide variety of risks spread across financial and commercial indemnity holders, which includes the underwriting of risks in niche markets with favourable claim expectations. The Group prepares an underwriting budget that is based on the underwriting strategy to be followed in the next three years on an annual basis. The underwriting strategy is updated for changes in the underwriting results of the Group and the industry, the Group's available risk capital, its developmental mandate as well as existing concentrations of insurance risk.

Risk assessment

- The Group relies on a rigorous process followed by the indemnified parties before they propose and accept a specific insurance risk. Some of the factors considered during the underwriting stage include:
- Past loss experience associated with the proposed risk
- Indemnifiable interest
- Probability of success
- Level of mitigation procedures adopted
- Location of the proposed risk
- Past and proposed rating terms of the risk
- Scope and terms of cover considered
- Results of surveys completed, where applicable

Possible variations that may be applied to the risks indemnified.

Concentration of insurance risk

The concentration of insurance risk is managed by different levels of diversification, mainly through the financial institutions that are underwritten and the geographical areas in which the risks are situated, with single risks spread across all areas of the country.

7.10 Loans and advances – material accounting policy

Loans and advances arise when the Group or Company provides money, goods or services directly to a debtor. These assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI'). Loans and advances are measured at amortised cost less any provision for impairments (expected credit losses).

The Group and Company make an assessment of the objective of a business model in which an asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market and that the Group or Company does not intend to sell immediately or in the near term. After initial measurement, loans and advances are measured at their amortised cost less any expected credit losses.

7.10 LOANS AND ADVANCES

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loans and advances to clients	3 506 551	3 298 814	3 498 506	3 290 769
Less: Credit loss allowance	(2 387 631)	(1 684 021)	(2 379 586)	(1 675 976)
Loans and advances net of credit losses	1 118 920	1 614 793	1 118 920	1 614 793
Reconciliation credit loss allowances of loans and advances				
Credit loss allowance for loans and advances - opening balance	1 684 021	1 094 498	1 675 976	1 082 769
Credit loss for the year	703 713	590 008	703 713	593 210
Bad debts written off during the year	(103)	(485)	(103)	(3)
Credit loss allowance for loans and advances - closing balance	2 387 631	1 684 021	2 379 586	1 675 976
Maturity of loans and advances				
Gross loans due within one year	1 756 368	1 505 957	1 748 323	1 497 912
Unearned finance charges	(125 089)	(209 708)	(125 089)	(209 708)
Net loans due within one year	1 631 279	1 296 249	1 623 234	1 288 204
Gross loans due after one year but within two years	722 312	797 050	722 312	797 050
Unearned finance charges	(75 668)	(119 557)	(75 668)	(119 557)
Net loans due after one year but within two years	646 644	677 493	646 644	677 493
Gross loans due within two to three years	494 345	507 099	494 345	507 099
Unearned finance charges	(38 221)	(65 923)	(38 221)	(65 923)
Net loans due within two to three years	456 124	441 176	456 124	441 176
Gross loans due within three to four years	326 169	307 193	326 169	307 193
Unearned finance charges	(137 209)	(30 719)	(137 209)	(30 719)
Net loans due within three to four years	188 960	276 474	188 960	276 474
Gross loans due within four to five years	55 495	110 577	55 495	110 577
Unearned finance charges	(6 235)	(8 846)	(6 235)	(8 846)
Net loans due within four to five years	49 260	101 731	49 260	101 731
Gross loans due after five years	151 862	70 938	151 862	70 938
Unearned finance charges	(5 588)	(12 059)	(5 588)	(12 059)
Net loans due after five years	146 274	58 879	146 274	58 879
Total gross loans	3 506 551	3 298 814	3 498 506	3 290 769
Total net loans	3 118 541	2 852 002	3 110 496	2 843 957
Total unearned finance charges	388 010	446 812	388 010	446 812
Credit loss allowances on loans and advances	(2 387 631)	(1 684 021)	(2 379 586)	(1 675 976)
Loans and advances net of credit loss allowances	**1 118 920**	**1 614 793**	**1 118 920**	**1 614 793**

The loans and advances in the **sefa** portfolio are not traded in active markets. **sefa** is a development finance institution and the loans and advances are provided to clients at terms that are below commercial market rates and credit risk is measured in consideration with developmental impact, as part of granting loans. The loans and advances are initially fair valued using the prinicipal amount advanced to clients, as per loan agreements, and interest rates per the loan agreements, using the discounted cash flow method. The carrying amount of the loans and advances is a reasonable approximation of their fair value due to the following: the loans and advances are to non-related parties; the loans and advances are on terms that are within **sefa's** normal mandate; and **sefa's** principal market is determined with reference to its developmental mandate. Refer to note 7.1 and 7.4 for further detail.

7.11 INVESTMENTS

Investments are non-derivative financial assets consisting of equity investments where the Group does not control the entity to such an extent where consolidation is required and excludes investments where the group has significant influence or joint control.

The terms of these investments do not solely represent the payment of principal and interest and is therefore measured at FVTPL. These assets are not held within a business model whose objective is to hold assets 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 amount outstanding ('SPPI') neither are these assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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 ('SPPI'). These assets accordingly are carried at FVTPL.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening carrying value	47 402	33 337	47 402	33 337
Movement on fair value adjustments	9 148	7 897	9 148	7 897
(Disposal)/ Acquisition of investments	5 573	6 168	5 573	6 168
Closing carrying value	**62 123**	**47 402**	**62 123**	**47 402**

The fair value of the investment in equity instruments was determined by reference to the net asset value (NAV) of the underlying entity.

NAV is an appropriate valuation model as the assets and liabilities of the underlying investments are held at market value in the investee companies.

The fair value movement in the current financial year was R9.1million (2023: R7.9 million downward), and it was recognised in profit or loss. There was no realised gain or loss in the financial statements.

8. EQUITY STRUCTURE

8.1 Share Capital

Share capital consists of ordinary shares and is classified as equity. Issued share capital is measured at the fair value of the proceeds received less any directly attributable issue costs. An amount equal to the Par value of the shares issued is presented as share capital. Subsequent to initial recognition, equity is not re-measured.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Authorised				
500 000 000 ordinary shares at R1 each	500 000	500 000	500 000	500 000
Issued and paid				
308 300 000 ordinary shares at R1 each	308 300	308 300	308 300	308 300

Share Capital is fully paid.

8.2 Shareholder reserves

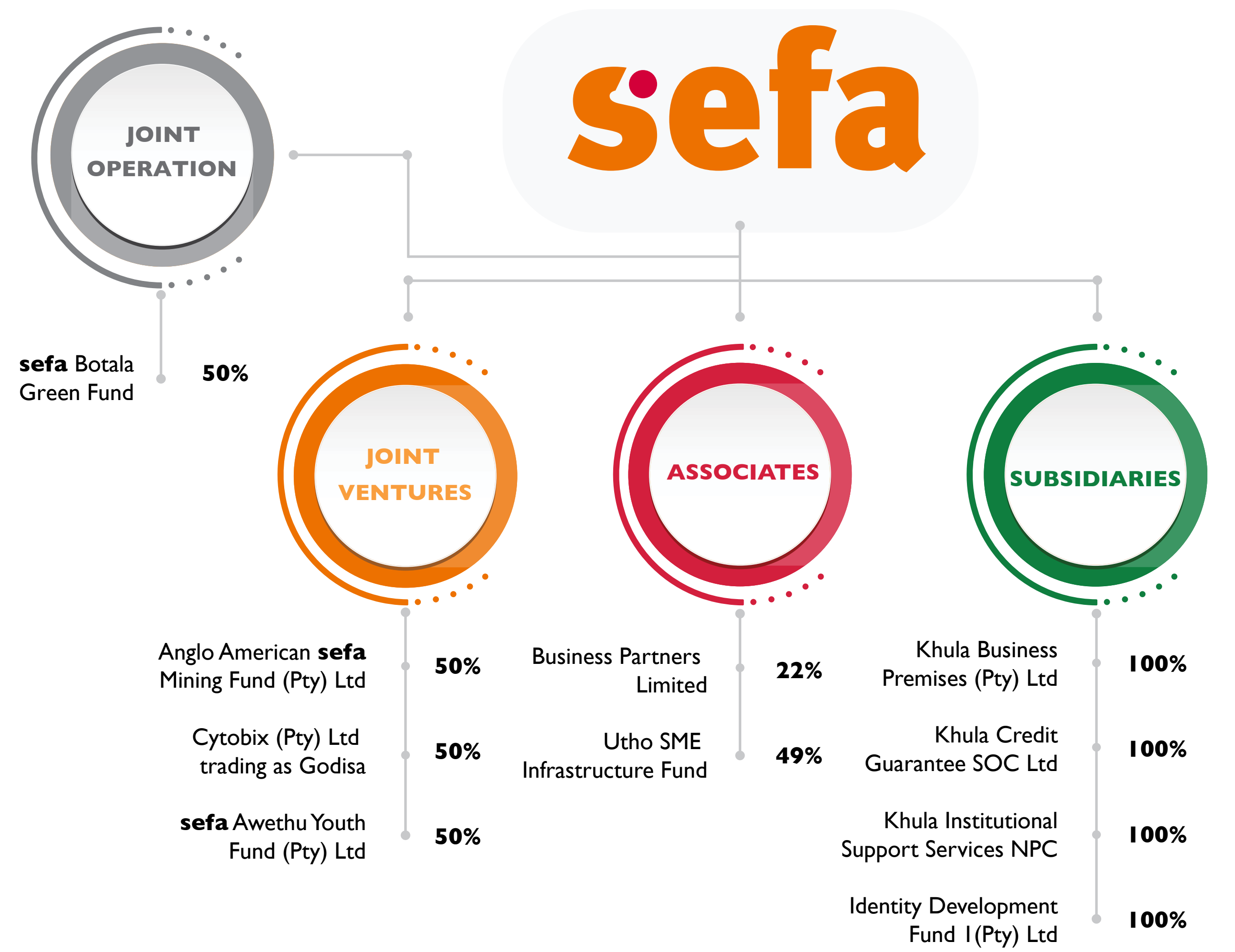
Shareholder reserves consist of a subordinated loan to **sefa** from the IDC that is interest-free and not repayable.

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening shareholder reserves	2 811 146	2 552 488	2 811 146	2 552 488
Government allocations advanced by the shareholder (1)	217 818	258 658	217 818	258 658
Closing shareholder reserves	**3 028 964**	**2 811 146**	**3 028 964**	**2 811 146**

(1) All government allocations (MTEF) received from the shareholder are allocated to a subordinated, non-repayable and interest-free loan that is classified as shareholder's reserves.

9. GROUP COMPOSITION

9.1 INTEREST IN OTHER ENTITIES AND OPERATIONS



SUBSIDIARIES		PRINCIPAL PLACE OF BUSINESS:
Identity Development Fund Partnership	100%	21 Fricker Road, Illovo, Johannesburg
Khula Business Premises (Pty) Ltd	100%	11 Byls Bridge Boulevard, Doringkloof, Centurion
Khula Credit Guarantee (SOC) Ltd	100%	11 Byls Bridge Boulevard, Doringkloof, Centurion
Khula Institutional Support Services NPC	100%	11 Byls Bridge Boulevard, Doringkloof, Centurion
ASSOCIATES		
Business Partners Limited	22%	37 West Street, Houghton Estate, Johannesburg
The Utho SME Infrastructure Fund	49%	2nd Floor, Progress House, 354 Rivonia Boulevard, Johannesburg
JOINT VENTURES		
Anglo **sefa** Mining Fund (Pty) Ltd	50%	44 Main Street, Johannesburg
Cytobix (Pty) Ltd trading as Godisa Supplier Development Fund	50%	11 Byls Bridge Boulevard, Doringkloof, Centurion
sefa Awethu Youth Fund (Pty) Ltd	50%	11 Kotze Street, Braamfontein, Johannesburg
JOINT OPERATION		
sefa Botala Green Fund	50%	11 Byls Bridge Boulevard, Doringkloof, Centurion

9.2 INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities that are controlled by **sefa**, which has rights to the variable returns and has the ability to use its control to affect the amount of returns. Refer to 1.4.1 for information regarding the Group and Company's accounting policies.

Investments in subsidiaries	COMPANY 2024 R'000	COMPANY 2023 R'000
Unlisted shares in subsidiaries	479 214	479 214
Loans receivable	24 950	24 950
Total exposure to subsidiaries before impairments	504 164	504 164
Impairments on investments in subsidiaries	(30 956)	(54 949)
Total exposure to subsidiaries net of impairments	**473 208**	**449 215**

Companies	2024 % interest	2023 % interest	Nature of activities	2024 Exposure before impairments R'000	2023 Exposure before impairments R'000
Identity Development Fund Partnership	100%	100%	SME Financing	24 950	24 950
Khula Akwandze Fund (Pty) Ltd	-	-	SME Financing	-	-
Khula Business Premises (Pty) Ltd	100%	100%	Property rental	-	-
Khula Credit Guarantee (SOC) Ltd	100%	100%	Credit indemnities	479 214	479 214
Khula Institutional Support Services NPC	100%	100%	Capacity building	-	-
Exposure to subsidiaries before impairments				**504 164**	**504 164**

All subsidiaries are incorporated in the Republic of South Africa and have the same reporting date as the holding company.

The entities classified as subsidiaries are all under the control of **sefa**, which has rights to the variable returns and has the ability to use its control to affect the amount of returns.

The investments in subsidiaries are all non-current assets.

The aggregate net profits and losses after taxation of subsidiaries attributable to **sefa** were as follows:

Investments in subsidiaries	GROUP 2024 R'000	GROUP 2023 R'000
Profits	30 173	-
Losses	(30 883)	(148 943)
Aggregate net loss from subsidiaries	**(710)**	**(148 943)**

9.3 INVESTMENTS IN JOINT OPERATIONS

Joint operations are arrangements that are jointly controlled by **sefa** and another party where **sefa** has rights to the variable returns and has the ability to use its control to affect the amount of returns. Refer to note 1.4.1 for information regarding the Group and Company's accounting policies.

Investments in joint operations	COMPANY	
	2024 R'000	2023 R'000
Loans receivable	19 084	19 084
Impairments of investments in joint operations	(19 084)	(19 084)
Total exposure to joint operations net of impairments	**-**	**-**

Companies	2024 % interest	2023 % interest	Nature of activities	2024 Exposure before impairments R'000	2023 Exposure before impairments R000
sefa Botala Green Fund	50%	50%	SME Financing	19 084	19 084

All joint operations are incorporated in the Republic of South Africa and have the same reporting date as the holding company. The investments in joint operations are all non-current assets.

sefa Botala Green Fund is dormant.

The aggregate net profits and losses after taxation of joint operations attributable to **sefa** were as follows:

Investments in joint operations	GROUP	
	2024 R'000	2023 R'000
Loss from joint operations	-	-
Profits	-	-
Losses	**-**	**-**

9.4 INVESTMENTS IN ASSOCIATES

Associates are companies where **sefa** owns between 20% and 50% of issued shares, but does not have significant control over the company. Refer to note 1.4.1 for information regarding the Group and Company's accounting policies.

Investments in associates	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Unlisted shares in associates	98 622	98 622	98 622	98 622
Accumulated equity-accounted income, losses and impairments	802 861	755 897	-	-
Loans receivable	29 076	29 366	29 076	29 366
Impairment of loans	-	-	(29 076)	(29 054)
Total exposure to associates	**930 559**	**883 885**	**98 622**	**98 934**

Associate	2024 % interest	2023 % interest	Nature of activities	2024 Exposure before impairments R'000	2023 Exposure before impairments R'000
Business Partners Limited	22%	22%	SME Financing	98 622	98 622
The Utho SME Infrastructure Fund [1]	49%	49%	SME Financing	29 076	29 366
Total exposure to associates before impairments				**127 698**	**127 988**

[1] Although the ownership interest in The Utho SME Infrastructure Fund is 49%, the voting interest is only 40%.

The following information summarises the financial information of the associates as included in its own financial statements adjusted for differences in accounting policies. The table also reconciles the summarised information to the carrying amount of the Group's interest:

	COMPANY	
	2024 R'000	2023 R'000
The aggregate amounts attributable to **sefa** were as follows:		
Statement of financial position		
Non-current assets	5 711 964	5 594 632
Current assets	1	739
Non-current liabilities	(1 454 729)	(1 556 111)
Current liabilities	(75)	(102)
Net assets at 100%	4 257 161	4 039 158
Group's share of net assets	901 483	854 519
Loan to associate	29 076	29 366
Costs capitalised on shares acquired	-	-
Total exposure to associates	**930 559**	**883 885**
Statement of comprehensive income		
Revenue	739 458	722 221
Expenses	(462 592)	(376 245)
Other comprehensive income	(10 423)	(73 876)
Profit and total other comprehensive income at 100%	**266 443**	**272 100**
Group's share of loss and total comprehensive income	**57 406**	**58 251**

There are no significant restrictions on the ability of the associates to transfer funds to **sefa** in the form of cash dividends or to repay loans advanced. There are no additional risks associated with **sefa's** investments other than impairment recognised and the risks identified in the financial risk management note. All investments in associates are non- current assets.

9.5 INVESTMENTS IN JOINT VENTURES

Investments in joint ventures	GROUP		COMPANY	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Unlisted shares in joint ventures	40 582	40 582	40 582	40 582
Loans receivable	86 303	82 549	86 303	82 548
Accumulated equity-accounted income, losses and impairments	(83 228)	(67 511)	-	-
Impairment of investment	-	-	(83 556)	(74 432)
Total exposure to joint ventures	**43 657**	**55 620**	**43 329**	**48 698**

Investments in joint arrangements were assessed and it was concluded that these agreements should be classified as joint ventures. In performing the assessment, the group considered the structure of the arrangements, the legal form of any separate vehicle, the contractual terms of the arrangements and other facts and circumstances.

Companies	2024 % interest	2023 % interest	Nature of activities	2024 Exposure before impairments	2023 Exposure before impairments
				R'000	R'000
Anglo **sefa** Mining Fund (Pty) Ltd	50%	50%	Financing mining activities	40 582	40 582
Cytobix (Pty) Ltd trading as Godisa Supplier Development Fund	50%	50%	SME Financing	43 605	39 850
sefa Awethu Youth Fund (Pty) Ltd	50%	50%	SME Financing	42 698	42 698
Total exposure to joint ventures before impairments				**126 885**	**123 130**

The aggregate amounts attributable to **sefa** were as follows:	2024	2023
	R'000	R'000
Statement of financial position		
Non-current assets	40 535	61 087
Current assets	54 943	107 238
Non-current liabilities	(60 000)	-
Current liabilities	(84 981)	(186 419)
Net assets at 100%	(49 503)	(18 094)
Group's share of net assets	(83 229)	(67 511)
Loans to joint ventures	126 886	123 131
Total exposure to joint ventures	**43 657**	**55 620**
Statement of comprehensive income		
Revenue	22 228	4 695
Expenses	(53 662)	(16 331)
Total other comprehensive income/(loss) at 100%	**(31 434)**	**(11 636)**
Group's share of total comprehensive income/(loss)	**(12 267)**	**(2 368)**

There are no significant restrictions on the ability of the joint ventures to transfer funds to **sefa** in the form of cash dividends or to repay loans advanced. There are no additional risks associated with **sefa's** investments other than impairment recognised and the risks identified in the financial risk management note. All investments in joint ventures are non-current assets.

9.6 PROFIT FROM EQUITY ACCOUNTED INVESTEES

Profit/ (loss) from Equity Accounted Investees	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Anglo **sefa** Mining Fund (Pty) Ltd	(14 951)	(2 337)	-	-
Cytobix (Pty) Ltd trading as Godisa Supplier				
Development Fund	2 684	(31)	-	-
sefa Awethu Youth Fund (Pty) Ltd	-	-	-	-
Income from joint ventures	(12 267)	(2 368)	-	-
Loss and other comprehensive income from associates				
Business Partners Limited [1]	57 463	58 272	-	-
The Utho SME Infrastructure Fund	(57)	(21)	-	-
Income from associates	57 406	58 251	-	-
Profit from equity accounted investees	47 325	71 808		
Other comprehensive (loss)/income from equity accounted investees	(2 186)	(15 925)		
Total profit and other comprehensive income from equity investees	**45 139**	**55 883**	**-**	**-**

[1] The income from Business Partners consists of R58m profit (2023: R58m)

10. RELATED PARTIES AND DIRECTORS EMOLUMENTS

10.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

Related parties

DESCRIPTION	RELATIONSHIP
The Department of Trade, Industry and Competition (DTIC, previously EDD)	Shareholder of the IDC
Business Partners Limited	An associate of **sefa**
The Utho SME Infrastructure Fund	An associate of **sefa**
Godisa Supplier Development Fund (Pty) Ltd	A joint venture of **sefa**
Anglo **sefa** Mining Fund (Pty) Ltd	A joint venture of **sefa**
sefa Awethu Youth Fund (Pty) Ltd	A joint venture of **sefa**
Industrial Development Corporation (IDC)	Parent and controlling party of **sefa**
Khula Business Premises (Pty) Ltd	Wholly owned subsidiary of **sefa**
Khula Credit Guarantee (SOC) Ltd	Wholly owned subsidiary of **sefa**
Khula Institutional Support Services NPC	Wholly owned subsidiary of **sefa**
Khula Land Reform Empowerment Facility	Wholly owned subsidiary of **sefa** (1)

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the Group financial statements, these are however not eliminated in the individual Company financial statements.

The following transactions were entered into with related parties:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Rental income received from related parties:				
DTIC	-	-	-	-
Total rental income from related parties	**-**	**-**	**-**	**-**
Rental income paid to related parties:				
Khula Business Premises (Pty) Ltd	-	-	(435)	(297)
Total rental income from related parties	**-**	**-**	**(435)**	**(297)**
Investment income received from related parties				
Interest on cash balances managed by IDC	54 696	7 793	54 509	7 159
Management fees paid to related parties for travel management				
IDC	2 074	176	2 074	176
Management fees charged to related parties				
Khula Land Reform Empowerment Facility (1)	8 528	9 736	8 528	9 736
Khula Credit Guarantee (SOC) Ltd	(1 286)	-	9 677	7 874
Khula Institutional Support Services NPC (2)	(880)	(628)	5 867	4 189

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Godisa Supplier Development Fund (Pty) Ltd	-	-	3 000	3 000
Total management fees charged to related parties	**5 842**	**8 069**	**49 261**	**43 721**
Transfer of grant funding to related party				
Khula Credit Guarantee (SOC) Ltd	-	-	-	(89 215)
Related party balances receivable/(payable)				
Khula Credit Guarantee (SOC) Ltd [3]	-	-	13 349	9 637
Khula Land Reform Empowerment Facility [1]	9 031	9 450	9 031	9 450
Khula Institutional Support Services NPC [3]	-	-	11 266	4 277
Khula Business Premises (Pty) Ltd [4]	-	-	650 447	563 257
Khula Business Premises (Pty) Ltd - impairment [4]	-	-	(418 936)	(396 933)
Khula Institutional Support Services NPC - impairment [6]	-	-	(9 181)	(699)
Small Enterprise Development Agency SOC Ltd	(5 150)	-	(5 150)	-
The Department of Small Business Development	(2 510)	-	(2 510)	-
IDC - Cash managed	774 062	311 812	765 911	300 628
IDC - Shareholder's loan (liability) [5]	(841 696)	(793 267)	(841 696)	(793 267)
IDC - Shareholder's loan (equity) [5]	(3 028 964)	(2 811 146)	(3 028 964)	(2 811 146)
Aggregated related party balances payable	**(3 095 227)**	**(3 283 151)**	**(2 856 433)**	**(3 114 796)**

[1] Registered as a Non-profit Company. This company has been exempted from consolidation as **sefa** is acting as an agent.

[2] The management fee charged to Khula Institutional Support NPC reflects a negative amount on consolidated level due to the subsidiary not being able to claim the VAT charged on the management fee. The subsidiary company is not a registered VAT vendor.

[3] Any outstanding related party balances are unsecured and will be settled in cash. No guarantees have been given or received.

[4] The loan issued to Khula Business Premises (Pty) Ltd is subordinated and bears interest at 70% of the prime lending rate. An impairment of R492 million has been raised on the loan in the **sefa** Company.

[5] Refer to note 6.1 for specific terms.

[6] The loan issued to Khula Institutional Support Services NPC is subordinated.

Investments in related entities

Refer to notes 9.1 to 9.5 for investments held in related entities.

Transactions with key management personnel

No material contracts were entered into involving the interest of any director or executive management member. All compensation paid to key management is disclosed under note 10.2.

10.2 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Prescribed officers as prescribed by the Companies Act, are individuals who, despite not being a director of the Company:

- exercise general executive control over and management of the whole, or a significant portion, of the business and activities of the Company; or
- regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Company.

The Company considers all individuals at the level of executive management as the prescribed officers.

Key management, as defined in IAS 24 Related Party Disclosure, are individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management. The remuneration of the directors and prescribed officers is disclosed below as per the Companies Act requirements.

10.2.1 Board of Directors:

The non-executive Directors are not involved in day-to-day operations of the business and do not draw any remuneration from **sefa** other than for board fees.

Current Board members	Appointment date	Retirement date	GROUP		COMPANY	
			2024 R'000	2023 R'000	2024 R'000	2023 R'000
Mr M Mahosi [(3)]	2019/08/01	2022/04/30	-	69	-	37
Ms D Mabuza	2019/08/01	2022/04/30	-	15	-	15
Ms M Makara	2019/08/01	2021/05/31	-	-	-	-
Mr J Kganyago	2019/08/01	2023/04/11	-	604	-	545
LFV Mosupye [(2)]	2014/12/04	2023/08/23	32	125	-	-
Ms S Mudau	2020/10/01	2022/04/30	-	28	-	28
Ms Z Ngcobo	2020/10/01	2024/04/30	367	378	345	335
Ms H Tsoadi [(1)]	2020/10/01	-	431	255	409	239
Dr GS Moseneke [(4)]	2021/07/02	-	152	127	-	-
Mr MJ Pitjeng [(4)]	2021/07/02	-	110	91	-	-
Ms S Siwisa	2022/05/01	2023/04/29	67	756	67	756
Dr M Qobo	2022/05/02	2023/08/31	259	407	259	407
Adv NG Khumalo	2022/05/03	2024/04/30	665	635	593	569
Ms CN Motale	2022/05/02	2024/04/30	544	408	467	350
Ms TV Tobias-Pokolo	2022/05/02	2023/03/14	-	345	-	345
Ms N Makanda	2022/05/03	-	717	718	717	718
Mr M Mfuleni	2022/05/03	-	433	312	433	312
Mr KT Bonakele	2023/09/01	-	506	-	495	-
Mr BM Ramokhele	2023/05/05	-	514	-	514	-
Mr BI Mkhize [(2)]	2023/08/11	-	83	-	-	-
Ms M Zvobwo	2023/09/01	2024/04/30	216	-	205	-
Ms P Nkomo	2023/09/01	-	292	-	292	-
Ms TG Shiviti	2023/09/21	2024/04/30	196	-	196	-
Mr MG Ramusi	2023/09/01	2024/04/30	-	-	-	-
Ms FB Abdul Gany	2023/08/08	2023/10/02	-	-	-	-
Mr P Phili [(2)]	2023/08/08	-	123	-	-	-
Mr SP Simelane	2023/08/15	-	428	-	384	-
Total directors' fees paid			**6 135**	**5 273**	**5 376**	**4 656**

[(1)] Directors fees for the services rendered were paid to the IDC.
[(2)] This director only serves on the Board of the subsidiary company, KCG.
[(3)] The group amounts for 2024 (Rnil) and 2023 (R10 800)) includes remuneration paid to the director by Business Partners Limited (an associate of the **sefa** Group).
[(4)] These directors only serve on the Board of the subsidiary company, KBP.

10.2.2 Executive management:

	GROUP		COMPANY	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Employment benefits	19 567	15 617	19 567	15 617
Post-employment benefits	-	-	-	-
Total executive management remuneration	**19 567**	**15 617**	**19 567**	**15 617**

2024

Executive	Basic salary and acting allowance R'000	Incentive bonus (Short-term) R'000	Incentive bonus (Long-term) R'000	Retirement, medical and other benefits R'000	Total R'000
M Matshamba (10)	3 118	984	-	565	4 667
RV Ralebepa (1)	-	-	-	-	-
B Sefolo (2)	-	-	-	-	-
N Shwala	2 531	614	-	308	3 453
NS Mbatha (3)	-	-	-	-	-
C Williams (4)	1 606	320	-	330	2 256
E Kwadjo (5)	139	-	-	25	164
X Meva (6)	1 620	313	-	286	2 219
L Makupula (7)	2 075	-	-	391	2 466
J Mthembu (8)	2 225	278	-	-	2 503
T Chauke (9)	1 413	262	-	164	1 839
Total executive management remuneration	**14 727**	**2 771**	**-**	**2 069**	**19 567**

2023

Executive	Basic salary and acting allowance R'000	Incentive bonus (Short-term) R'000	Incentive bonus (Long-term) R'000	Retirement, medical and other benefits R'000	Total R'000
M Matshamba (10)	2 940	979	-	517	4 436
RV Ralebepa (1)	-	-	-	-	-
B Sefolo (2)	561	-	-	96	657
N Shwala	2 372	589	-	289	3 250
NS Mbatha (3)	-	-	-	-	-
CL Williams (4)	1 513	319	-	302	2 134
E Kwadjo (5)	1 731	340	-	288	2 359
X Meva (6)	1 179	314	-	201	1 694
L Makupula (7)	324	-	-	64	388
J Mthembu (8)	697	-	-	2	699
Total executive management remuneration	**11 317**	**2 541**	**-**	**1 759**	**15 617**

(1) Resigned 31 August 2021

(2) Resigned 30 June 2022

(3) Seconded to the Small Enterprise Development Agency ("Seda") since 1 May 2021 up to date. All remuneration since 1 May 2021 for this executive has been on-charged by **sefa** to Seda and is therefore not included in this table

(4) Acting as CFO since 1 August 2021

(5) Acting as Post Investment Executive from 1 January 2022 to 30 April 2023

(6) Acting as Lending Executive since 1 July 2022

(7) Appointed 1 February 2023

(8) Acting as General Legal Council since 1 December 2022

(9) Acting as Post Investment Executive since 1 May 2023

(10) Resigned 30 April 2024

No member of executive management earned any income from any other company within the Group.

11. PFMA DISCLOSURE

11.1 UNAUTHORISED, FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

	GROUP	
	2024 R'000	2023 R'000
Irregular Expenditure	-	151
Fruitless and Wasteful	10	-
	10	**151**

Refer to the other matters annexure that follows the annual financial statements for more information on these items

12. FAIR VALUE MEASURMENT

12.1 FAIR VALUE MEASURMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

GROUP - 2024

Assets measured at fair value	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Investments	-	-	62 123	62 123
	-	**-**	**62 123**	**62 123**

GROUP - 2023

Assets measured at fair value	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Investments	-	-	47 402	47 402
	-	**-**	**47 402**	**47 402**

COMPANY - 2024

Assets measured at fair value	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Investments	-	-	62 123	62 123
	-	**-**	**62 123**	**62 123**

COMPANY - 2023

Assets measured at fair value	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Investments	-	-	47 402	47 402
	-	**-**	**47 402**	**47 402**

The fair value of the investment in equity instruments was determined by reference to the net asset value of the underlying entity.

The fair value movement in the current financial year was R9.1 million (2023: R7.9 million), and it was recognised in profit or loss. There was no realised gain or loss in the financial statements.

Refer to note 7.11 for the reconciliation of the carrying amounts of financial instruments.

12.2 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

GROUP - 2024				
Assets	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
Investment properties	-	-	245 240	245 240
	-	**-**	**245 240**	**245 240**

GROUP - 2023				
Assets	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
Investment properties	-	-	182 118	182 118
	-	**-**	**182 118**	**182 118**

COMPANY - 2024				
Assets	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
Investment properties	-	-	-	-
	-	**-**	**-**	**-**

COMPANY - 2023				
Assets	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
Investment properties	-	-	-	-
	-	**-**	**-**	**-**

The fair value measurement for investment property has been categorised as level 3 fair value based on **sefa's** fair value hierarchy due to unobservable inputs used.

The assumptions used in the valuations conducted at were assessed to be appropriate for the current financial year.

The following summarises the valuation technique used in measuring the fair value of Investment Properties, as well as the significant unobservable inputs used:

Valuation technique

sefa's property portfolio consists mainly of income producing properties and this is the fundamental basis on which the valuation of investment properties is determined. Investment properties produce a perpetual income stream and the capitalisation of such net revenue flow is an accurate means of determining the value. Included in the portfolio, are two properties which are sectional title in nature and one comprises of vacant land. These properties have been valued on the direct comparison basis. The capitalisation rates used range from 11% to 15% (2023: 10% to 16.5%).

The investment properties were valued by independent valuators in the current financial year using market related rentals and market related capitalisation rates. The significant inputs and assumptions are developed in close consultation with management.

Refer to note 5.4 and note 5.5 for the reconciliation of the carrying amounts of non-financial assets classified within Level 3.

13. EVENTS AFTER THE REPORTING PERIOD

13.1 EVENTS AFTER THE REPORTING PERIOD

13.1.1 Mr NS Mbatha was appointed as the Acting Chief Executive Officer of **sefa** on 10 May 2024.

13.1.2 The Cabinet of South Africa approved the merger of the agencies reporting to the Minister of Small Business Development (**sefa**, SEDA and Co-Operatives Bank Development Agency) in 2021, to form a new entity that would be responsible for the provision of both financial and non-financial support to SMMEs throughout the entire business development value chain, essentially creating a "One-stop-shop". The merger was initially set to be effective from 1 April 2022, however, there have been some delays in finalising the enabling legislation (National Small Enterprise Amendment Bill, "The Bill") and some extensions were granted.

The Bill was passed by the National Assembly on 6 December 2023 and was then transmitted to the National Council Of Provinces (NCOP) for concurrence. On 27 March 2024 the Cabinet approved the 20 months extension period to conclude the process of merging the entities. The President assented The Bill into Law on 18 July 2024 and The Bill was proclaimed and published in the Government Gazette on 23 July 2024.

The Bill (s10(1) (5) of Chapter 3) states that on the date as determined by the Minister, all assets, liabilities, rights and obligations of the **sefa**, SEDA and Co-Operatives Bank Development Agency, as the case may be, including the unexpended balance of appropriations, authorisations, allocations and other funds employed, held or used in connection with the furtherance of its objectives and functions, pass to the Agency.

14. GOING CONCERN

sefa's financial statements are prepared based on International Financial Reporting Standards, except for the going concern assumption.

Management has considered several inputs in the annual going concern assessment for the year-ended 31 March 2024, including preparing budgets in line with the approved National Treasury's vote 36 and 39 allocations. The financial plans that have been prepared were based on the National Treasury's vote 36 and 39 fund allocations, DSBD allocation of budget and the approval of the Annual Performance Plan for the 2024/25. **sefa** will be able to pay all debts as they become due and the approved budgets confirm that **sefa** is both liquid and solvent.

As per note 14.1, **sefa's** assets and liabilities will, through The Bill, be merged with those of SEDA and CBDA to form The Agency, SEDFA. The President assented The Bill into Law on 18 July 2024 and The Bill was proclaimed and published in the Government Gazette the (National Small Enterprise Amendment Act, 2024) on 23 July 2024.

The Bill (s10(1) (5) of Chapter 3) states that on the date as determined by the Minister, all assets, liabilities, rights and obligations of the **sefa**, SEDA and Co-Operatives Bank Development Agency, as the case may be, including the unexpended balance of appropriations, authorisations, allocations and other funds employed, held or used in connection with the furtherance of its objectives and functions, pass to the Agency (SEDFA). As a result of Section 10 (1)(5) of the Bill, the functions of **sefa** will continue under SEDFA, which will have the same mandate and functions as **sefa**.

As a result, management has assessed that **sefa** is no longer a going concern due to the progress made in finalising the enabling legislation that will result in the formation of the Agency, SEDFA.

14.1 Merger of sefa, SEDA and CBDA

The Cabinet of South Africa approved the merger of the agencies reporting to the Minister of Small Business Development (**sefa**, SEDA and Co-Operatives Bank Development Agency) in 2021, to form a new entity that would be responsible for the provision of both financial and non-financial support to SMMEs throughout the entire business development value chain, essentially creating a "One-stop-shop". The merger was initially set to be effective from 1 April 2022, however, there have been some delays in finalising the enabling legislation (National Small Enterprise Amendment Bill, "The Bill") and some extensions were granted.

The Bill was passed by the National Assembly on 6 December 2023 and was then transmitted to the National Council Of Provinces (NCOP) for concurrence. On 27 March 2024 the Cabinet approved the 20 months extension period to conclude the process of merging the entities. The President assented The Bill into Law on 18 July 2024 and The Bill was proclaimed and published in the Government Gazette on 23 July 2024.

The Bill (s10(1) (5) of Chapter 3) states that on the date as determined by the Minister, all assets, liabilities, rights and obligations of the **sefa**, SEDA and Co-Operatives Bank Development Agency, as the case may be, including the unexpended balance of appropriations, authorisations, allocations and other funds employed, held or used in connection with the furtherance of its objectives and functions, pass to the Agency.

15. FUNDS ADMINISTERED ON BEHALF OF THIRD PARTIES

	COMPANY	
	2024 R'000	2023 R'000
Balance at beginning of the year	474 778	371 783
Funds received	263 856	102 995
Balance at end of the year	**738 634**	**474 778**

sefa has been appointed by various third parties to manage funds on their behalf. These third party funds are ring-fenced into separate accounts and are restricted. These funds can only be utilised for the specific purpose as determined in the Memorandum of Agreements (MoA's) between **sefa** and the third parties. **sefa** utilises the funds as instructed by the sponsor or donor. These funds should not have been disclosed in the **sefa's** statement of financial position as they do not meet the definition of an asset as per the accounting framework. This has been corrected.

	COMPANY	
	2024 R'000	2023 R'000
Unops	47 505	43 536
European Union	16 339	15 274
The Department of Tourism	613 602	415 968
The Eastern Cape Rural Development Agency	25 000	-
BP Southern Africa (Pty) Ltd	36 188	-
	738 634	**474 778**

16. PRIOR PERIOD ERROR AND CHANGE IN ACCOUNTING POLICY

Prior period error

Funds administered on behalf of third parties

sefa has been appointed by various third parties to manage funds on their behalf. These third party funds are ring-fenced into separate accounts and are restricted. These funds can only be utilised for the specific purpose as determined in the Memorandum of Agreements (MoA's) between **sefa** and third parties. **sefa** utilises the funds as instructed by the sponsor or donor. These funds should not have been disclosed in the **sefa's** statement of financial position as they do not meet the definition of an asset as per the accounting framework.

sefa had incorrectly presented cash from third parties under cash and cash equivalents in the prior year annual financial statements, and a corresponding liability for the same amount under borrowings. The cash and liability balances have been derecognised. In addition, cash recorded from third parties that was restricted in terms of fund agreements were not previously disclosed and is now disclosed under note 4.1.

A separate note has been disclosed to reflect the off-balance sheet fund's cash at 31 March 2024 in note 15. The correction of the error also had a consequential impacts on notes 4.3 trade and other payables; note 4.4 deferred grants payable note and 4.1 Cash and cash equivalents to the financial statements.

Implications of the derecognition of funds administered on behalf of third parties has been shown below.

Change in Accounting policy

IFRS 17 Insurance Contracts has been implemented for the year ending 31 March 2024. The standard has been applied retrospectively. This newly adopted standard only impacts the Group.

Impact on the financial statements:

Statement of Financial Position	GROUP			
	As previously reported 2023 R'000	Adjustments relating to prior period error 2023 R'000	Adjustments relating to IFRS 17 Insurance contracts adoption * 2023 R'000	Restated 2023 R'000
Cash and cash equivalents	4 125 758	(474 779)	-	3 650 979
Trade and other receivables	31 411	-	(57)	31 354
Total Assets	7 272 495	(474 779)	(57)	6 797 659
Retained earnings	(1 825 626)	(7 055)	-	(1 832 681)
Trade and other payables	154 682	(58 811)	-	95 871
Deferred grants payable	4 937 177	(415 968)	-	4 521 209
IFRS4 and IFRS 17 liabiities	67 609	-	6 819	74 428
Total liabilities	5 976 631	(474 779)	6 819	5 508 671
Total Equity and Liabilities	**7 272 495**	**(481 655)**	**6 819**	**6 797 659**

*These adjustments relate to the adoption of IFRS 17 Insurance Contracts and the relating change in accounting policy.

Statement of Financial Position	COMPANY		
	As previously reported 2023 R'000	Adjustments 2023 R'000	Restated 2023 R'000
Cash and cash equivalents	3 505 358	(474 778)	3 030 580
Trade and other receivables	203 568	-	203 568
Total Assets	6 370 967	(474 778)	5 896 189
Retained earnings	(2 615 149)	-	(2 615 149)
Trade and other payables	112 330	(58 810)	53 520
Deferred grants payable	4 937 177	(415 968)	4 521 209
Total liabilities	5 866 670	(474 778)	5 391 892
Total Equity and Liabilities	**6 370 967**	**(474 778)**	**5 896 189**

Statement of Comprehensive Income	GROUP		
	As previously reported 2023	Adjustments relating to IFRS 17 Insurance contracts adoption * 2023	Restated 2023
	R'000	R'000	R'000
Other interest earned and other revenue and income	235 441	4 172	239 613
Gross profit/(loss) after finance costs	339 176	4 172	343 348
Other operating expenses	(149 905)	(8 512)	(158 417)
Operating loss	(294 997)	(4 340)	(299 337)
Loss before tax	(223 189)	(4 340)	(227 529)
Net profit/(loss) for the year	(223 189)	(4 340)	(227 529)

*These adjustments relate to the adoption of IFRS 17 Insurance Contracts and the relating change in accounting policy. The prior period error does not have any impact on the Statement of Comprehensive Income

Statement of Cash Flows	GROUP			
	As previously reported 2023	Adjustments relating to prior period error 2023	Adjustments relating to IFRS 17 Insurance contracts adoption * 2023	Restated 2023
	R'000	R'000	R'000	R'000
Cash utilised by operations	(336 756)	(12 438)	188	(349 194)
Grant income received	1 361 994	(96 168)	-	1 265 826
Net cash generated from/(utilised by) operating activities	345 668	(108 606)	188	237 250
Net cash generated by investing activities	212 846	5 610	-	218 456
Net cash from financing activities	246 558	-	(188)	246 370
Net increase in cash and cash equivalents	805 072	(102 996)	-	702 076
Cash and cash equivalents at beginning of year	3 320 712	(371 783)	-	2 948 929
Cash and cash equivalents at end of year	**4 125 783**	**(474 778)**	**-**	**3 651 005**

*These adjustments relate to the adoption of IFRS 17 Insurance Contracts and the relating change in accounting policy.

Statement of Cash Flows	COMPANY		
	As previously reported 2023	Adjustments 2023	Restated 2023
	R'000	R'000	R'000
Cash utilised by operations	(324 830)	(6 826)	(331 656)
Grant income received	1 361 994	(96 168)	1 265 826
Net cash generated from/(utilised by) operating activities	355 769	(102 994)	252 775
Net cash generated by investing activities	186 609	-	186 609
Net cash from financing activities	246 558	-	246 558
Net increase in cash and cash equivalents	788 936	(102 994)	685 942
Cash and cash equivalents at beginning of year	2 716 443	(371 783)	2 344 660
Cash and cash equivalents at end of year	**3 505 379**	**(474 777)**	**3 030 602**

Statement of Financial Position	GROUP			
	As previously reported 2022	Adjustments relating to prior period error 2022	Adjustments relating to IFRS 17 Insurance contracts adoption * 2022	Restated 2022
	R'000	R'000	R'000	R'000
Cash and cash equivalents	3 320 688	(371 783)	-	2 948 905
Total Assets	6 369 609	(371 786)	-	5 997 823
Retained earnings	(1 602 699)	-	(2 539)	(1 605 238)
Trade and other payables	130 305	(51 986)	-	78 319
Deferred grants payable	4 169 622	(319 800)	-	3 849 822
Total liabilities (1)	5 093 101	(371 786)	2 539	4 723 854
Total Equity and Liabilities	**6 369 609**	**(371 786)**	**-**	**5 997 823**

*These adjustments relate to the adoption of IFRS 17 Insurance Contracts and the relating change in accounting policy.

Statement of Financial Position	COMPANY		
	As previously reported 2022	Adjustments 2022	Restated 2022
	R'000	R'000	R'000
Cash and cash equivalents	2 716 425	(371 783)	2 344 642
Total Assets	5 572 250	(371 783)	5 200 467
Trade and other payables	109 594	(51 983)	57 611
Deferred grants payable	4 169 622	(319 800)	3 849 822
Total liabilities	5 045 545	(371 783)	4 673 762
Total Equity and Liabilities	**5 572 250**	**(371 783)**	**5 200 467**

SUPPLEMENTARY INFORMATION

The supplementary information presented does not form part of the annual financial statements and is unaudited.

1. UNAUTHORISED, FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Unauthorised expenditure

No expenditure was classified as unauthorised during the financial year (2023: Rnil).

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	2024 R'000	2023 R'000
Opening balance	-	-
Relating to the current year	10	-
Relating to the prior year	-	-
Amounts recovered	-	-
Amounts not condoned and recoverable	-	-
Written off by Accounting Authority	-	-
Closing balance	**10**	**-**

(1) The identified amount has been confirmed as fruitless and wasteful expenditure following a Travel and Facilities Audit conducted for the period 01 January 2023 to 30 June 2023, completed in October 2023. Two transactions were identified as fruitless and wasteful due to non-compliance with **sefa's** Travel Management Policy, the cancellation costs were incurred when two employees cancelled their travel plans and missed the flights.

To prevent future occurrences of fruitless and wasteful expenditures, the Travel Management Policy will be strictly enforced going forward. An awareness communication will be disseminated to all employees to highlight the cancellation clause of the policy. The fruitless and wasteful expenditure incurred by the employee who is no longer employed at **sefa** will be recommended for write-off in line with the Debt Write-Off Policy. For current employee still employed at **sefa**, efforts will be made to recover these costs.

Irregular expenditure

Irregular expenditure signifies expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have been implemented to ensure compliance with the PFMA, relevant tender regulations as well as any other relevant procurement regulations.

Reconciliation of Irregular Expenditure	2024 R'000	2023 R'000
Opening balance (1)	163	12
Prior period errors	-	-
Add: Irregular Expenditure confirmed:	-	151
Less: Condoned by Accounting Authority	-	-
Less: Amounts not condoned and removed	-	-
Less: Amounts recovered	-	-
Closing balance	**163**	**163**

(1) This amount has been confirmed as irregular through the Internal Audit investigation report was issued on the 31 August 2023. The report was tabled at the relevant committees. To prevent such incidents in the future, Learning and Development has conducted workshops to ensure that all **sefa** employees are fully acquainted with the Learning and Development Policy and Processes for Group Training Requests. Whilst executing corrective measures, internal assurance and management agreed that the expense was non-compliant in nature as the expense was appropriately approved but deviated from set processes to book training.

Small Enterprise Finance Agency

Small Enterprise Finance Agency SOC Limited Company
Registration Number: 1995/011258/06
Licensed Credit Provider: NCRCP 160

Sefa Head office physical address:
Bylsbridge Office Park,
Cnr Olievenhoutbosch Street & Jean Avenue,
Building 14, Block D,
11 Blys Bridge Boulevard,
Highveld Extension 73,
Centurion, 0157

Tel: +27 12 748 9600
helpline@sefa.org.za
talktous@sefa.org.za

RP304/2024
ISBN: 978--1-77997-301-6

SmallEnterpriseFinanceAgency
TheRealSEFA
the-small-enterprise-finance-agency
@smallenterprisefinanceagen4760
the_realsefa
www.sefa.org.za