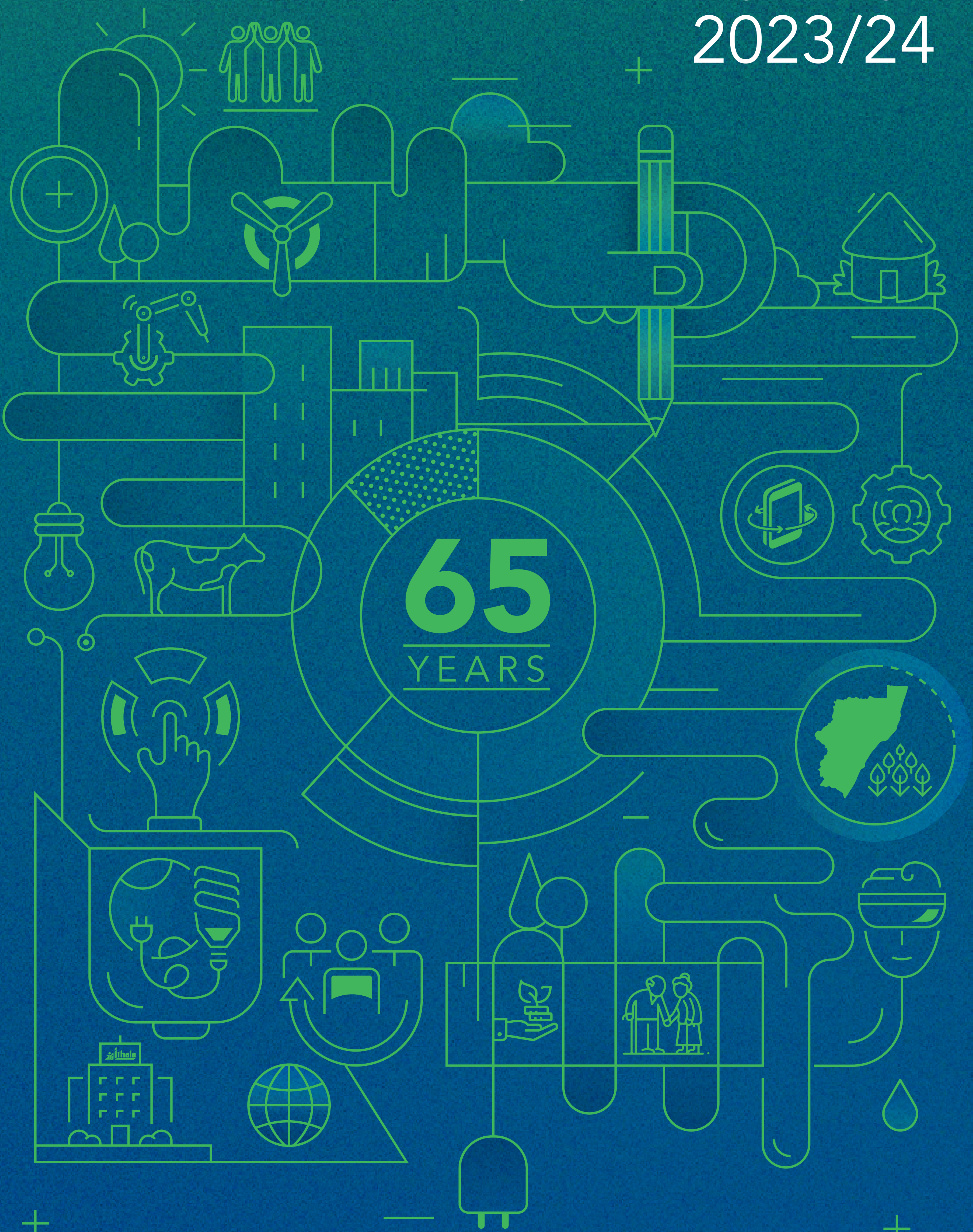
INTEGRATED ANNUAL REPORT
2023/24



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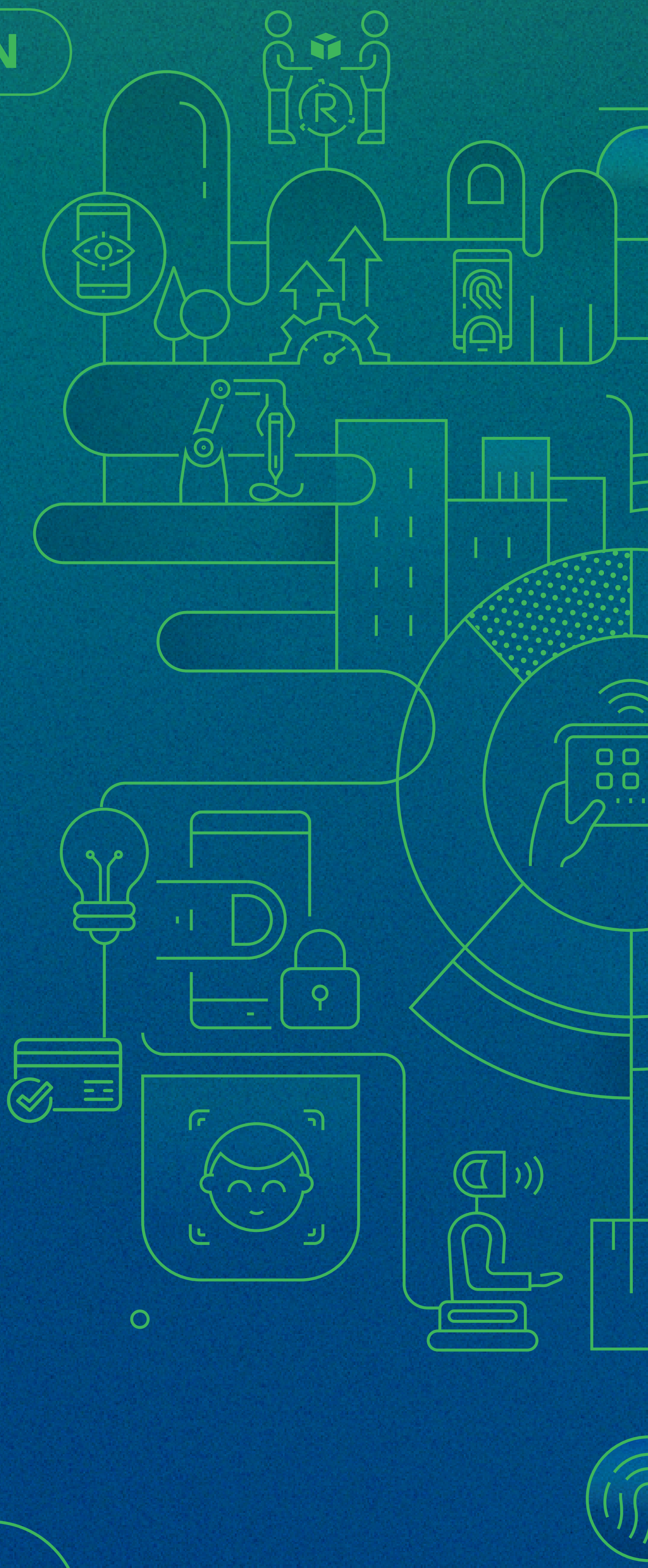
Ithala

DEVELOPMENT FINANCE CORPORATION LIMITED

COMPANY INFORMATION



Group Company Secretary:
LS Mahamba

Bankers:
ABSA Bank Ltd.

Auditors:
Auditor-General

Corporate Attorneys:
Approved Panel of Attorneys

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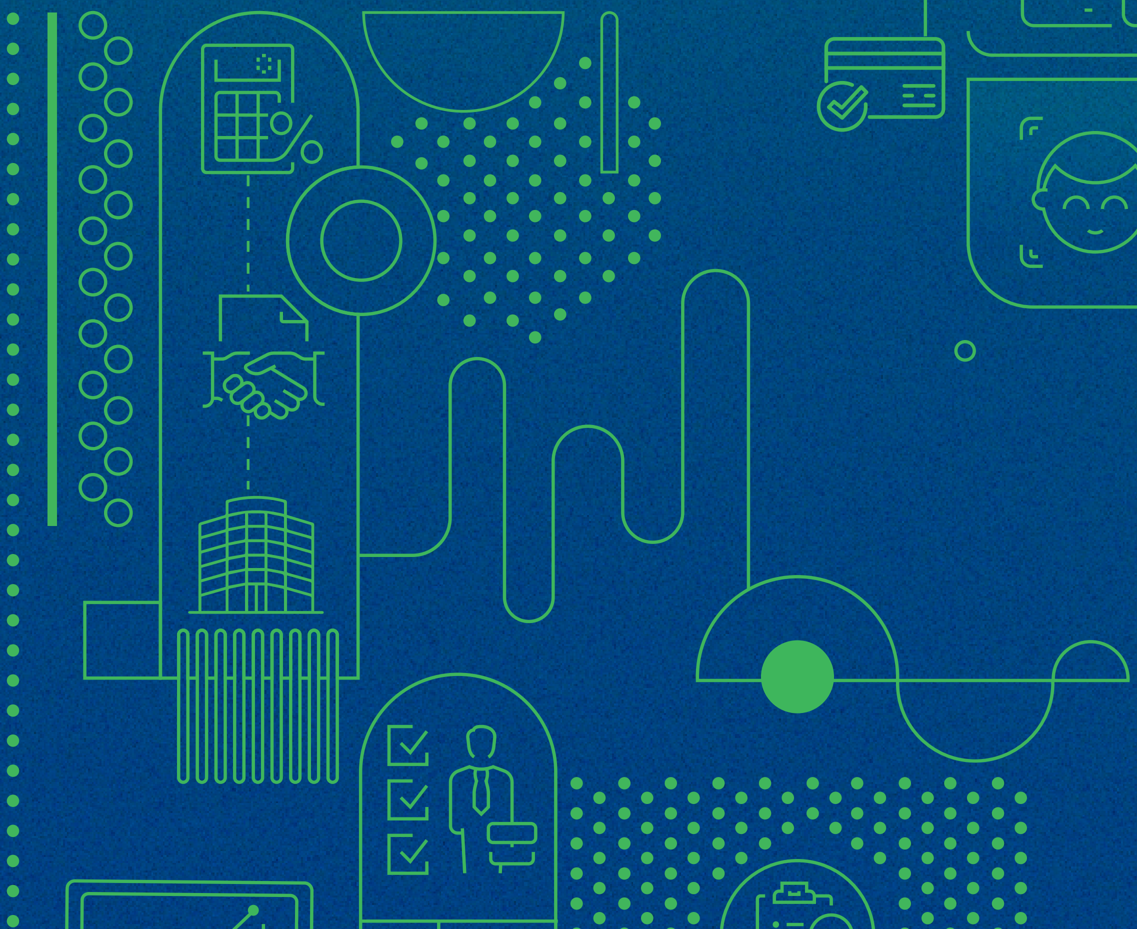

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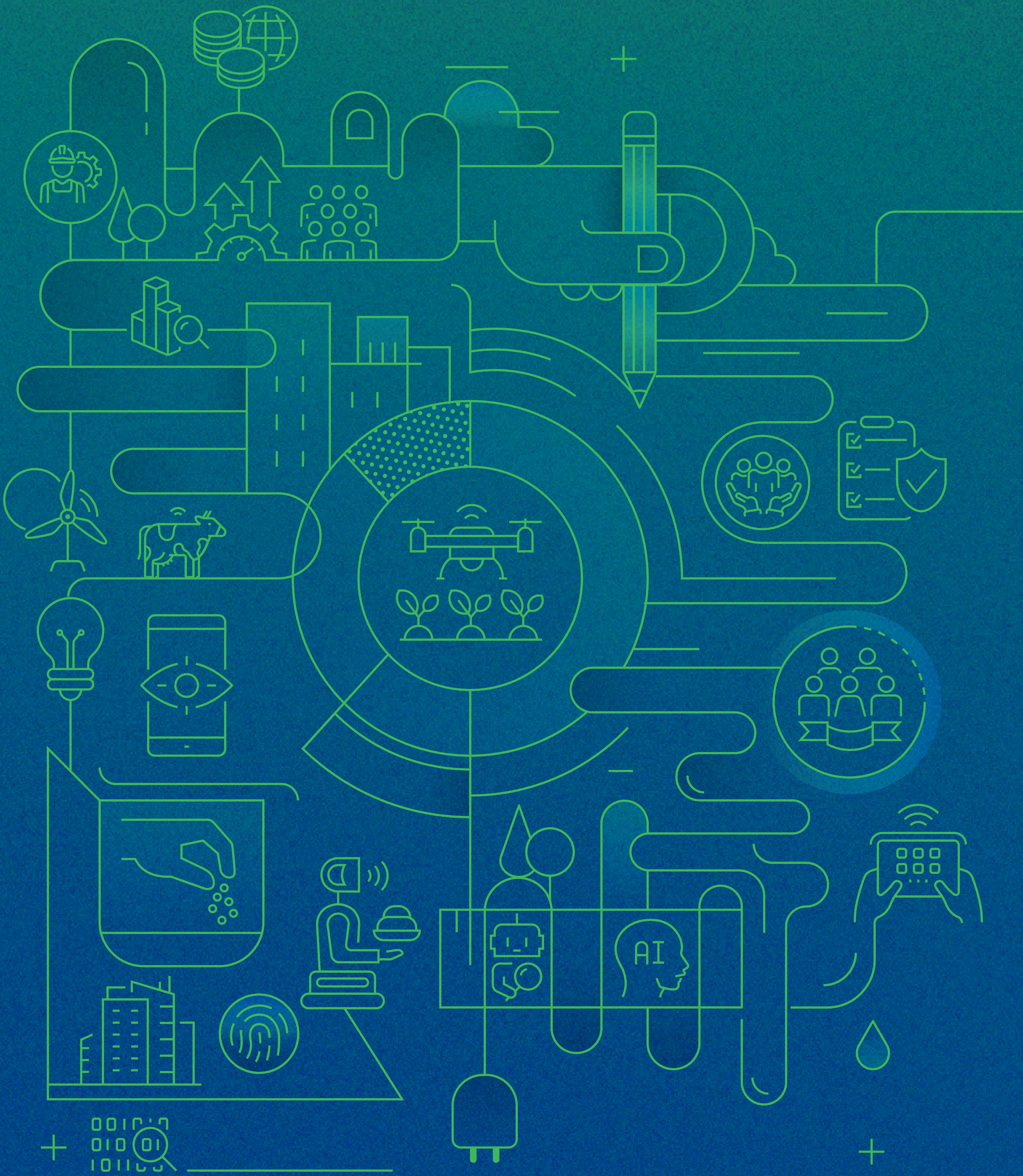
ACRONYMS

ADA	Agribusiness Development Agency
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CCMA	Commission for Conciliation, Mediation and Arbitration
CRMP	Compliance Regulatory Management Plan
CSI	Corporate Social Investment
DMRE	Department of Mineral Resources and Energy
EAP	Employee Assistance Programme
EDTEA	Economic Development, Tourism and Environmental Affairs
EME	Exempted Micro Enterprise
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
EXCO	Executive Committee
GDP	Gross Domestic Product
HRSEC	Human Resource Social and Ethics Committee
ICT	Information Communications Technology
IDFC	Ithala Development Finance Corporation
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
KPA	Key Performance Areas
KZN	KwaZulu-Natal
MEC	Member of the Executive Council
MTSF	Medium-Term Strategic Framework
NEHAWU	National Education, Health and Allied Workers Union
NGREMCO	Nomination, Governance and Remuneration Committee
NYDA	National Youth Development Agency
OHSE	Occupational Health, Safety and Environment
PAIA	Promotion of Access to Information Act
PFMA	Public Finance Management Act
POPI	Protection of Personal Information (Act)
PSQ	Port Shepstone Quarries
PwDs	People with Disabilities
QCTO	Quality Council for Trades and Occupations
QSE	Qualifying Small Enterprise
RAPETT	Rationalisation of Public Entities Task Team
ROI	Return on Investment
SEDA	Small Enterprise Development Agency
SETAs	Sector Education and Training Authorities
SMME	Small, Medium and Micro Enterprise
SOE	State Owned Enterprise
TIKZN	Trade and Investment KwaZulu-Natal
TRERS	Township and Rural Economies Revitalisation Strategy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SECTION 1

ABOUT THIS REPORT

The Annual Integrated Report encompasses the Ithala Development Finance Corporation Limited's (IDFC) strategy, material issues and performance for the period **1 April 2023 to 31 March 2024** and our prospects and priorities going forward.

IDFC is a State-Owned Enterprise (SOE) established in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 and listed as a Schedule 3D Provincial Business Enterprise in terms of the Public Finance Management Act (PFMA). This Annual Report addresses our material stakeholders, most notably being, our shareholder, regulators, clients, employees and communities, as well as potential investors, with regard to our ongoing viability. In determining the contents of this report, we are bound by the reporting requirements set by the Auditor-General of South Africa (AGSA) to convey our performance against our Annual Performance Plan (APP) (see pages 74 to 77).

Materiality is determined by the Board of Directors, in line with Section 54(2) of the PFMA and Treasury Regulation 28.3. Materiality is also considered in the context of the IDFC's mandate and the information requirements of both its shareholder and regulators, as well as other key stakeholder groups.

We are guided by the International Integrated Reporting Council (IIRC) Integrated Reporting Framework, which was released in December 2013, and the King Code on Corporate Governance for South Africa (2016) (King Code). Further standards applied in defining the contents of this report include the International Financial Reporting Standard (IFRS), the Companies Act, Act No. 71 of 2008 (Companies Act) and the Public Finance Management Act, Act No. 1 of 1999 (PFMA).

FORWARD-LOOKING STATEMENTS

Certain statements in this document are deemed to be forward-looking. These relate to, inter-alia, the plans, objectives, goals, strategies, future operations and performance of IDFC.

Words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will', 'should,' and similar expressions, are typically indicative of forward-looking statements. These statements are not a guarantee of IDFC's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements.

IDFC makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. IDFC undertakes no obligation to update the historical information or forward-looking statements in this document.

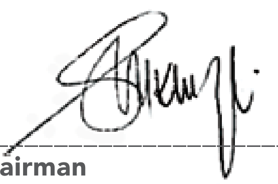
APPROVAL AND ASSURANCE OF OUR REPORT

The Audit and Risk Committee (ARC) is responsible for reviewing and recommending the Annual Integrated Report and the Annual Financial Statements to the Board of Directors for approval. The Board of Directors has applied its mind to the Integrated Report and believes that it addresses all material issues and fairly presents our performance.

Internal and external audits provide additional assurance on the effectiveness of our risk management of material issues.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors acknowledges its responsibility to ensure the integrity of the Annual Integrated Report and, in the Board's opinion, it addresses all material issues and presents fairly the company's integrated performance.



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Chairman

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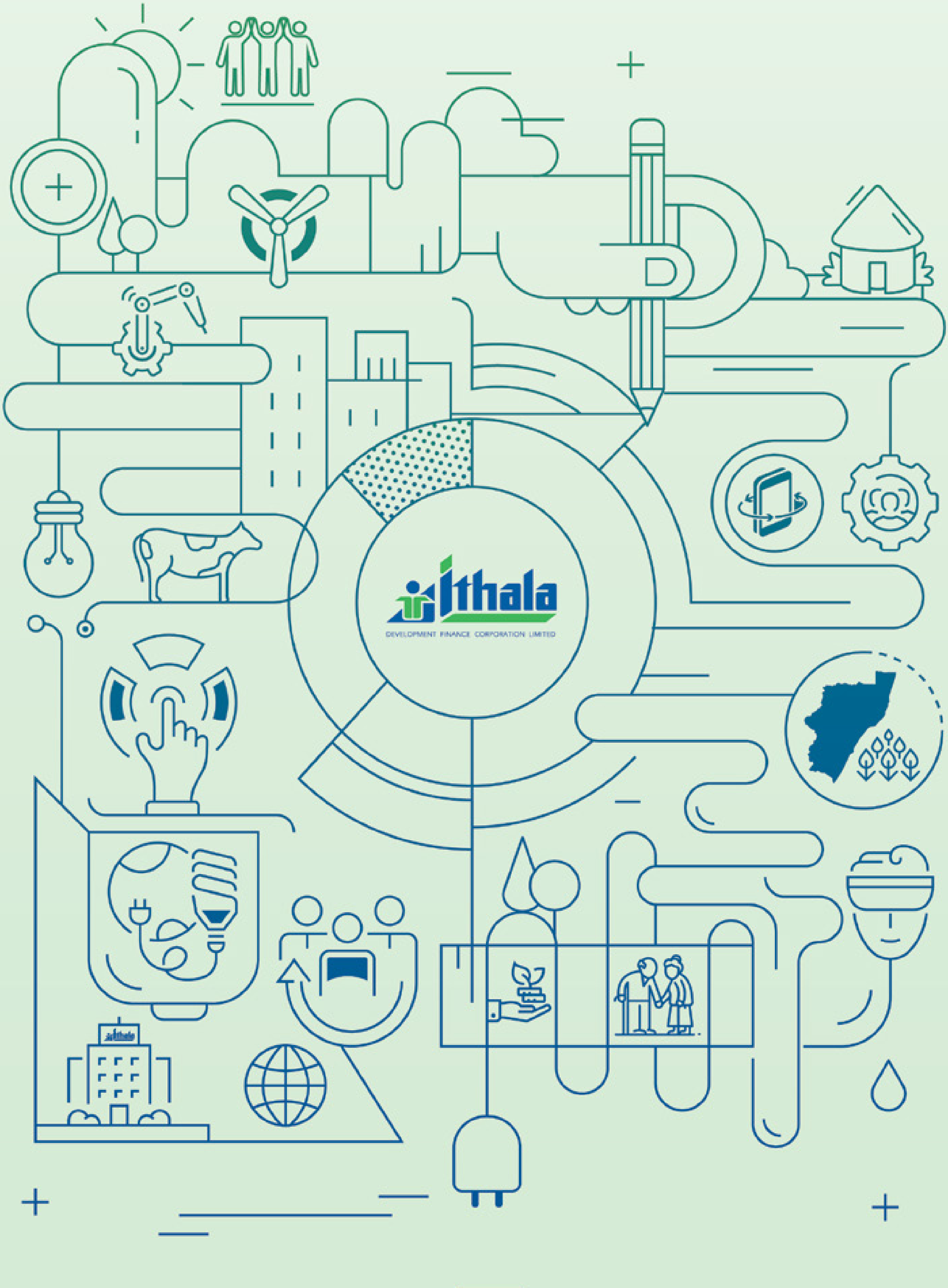
Audit and Risk Committee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DEVELOPMENT FINANCE CORPORATION LIMITED

HIGHLIGHTS 2023/24

Created 5 165 jobs for the people of KZN by funding SMMEs, upgrading the property portfolio, signing new leases and through the delivery of programmes and initiatives by the Implementing Agent Division.

Advanced our commitment to innovation through training and capacity building for staff, SMMEs and entrepreneurs. In 2023/24 IDFC gained accreditation as a QCTO and SETA Training and Skills Development Academy.

Approved 565 business finance loan applications amounting to R415 million, of which R282 million was distributed during the financial year across 418 businesses.

Directed 96% of our funding towards Black-owned, 33% to youth-owned and 38% to women-owned SMME's, in line with a commitment to transformation in KZN.

Delivered robust business support interventions to ensure that funded enterprises remain sustainable, with 90,9% of funded enterprises operating two years after receiving their loan, against a target of 65%.

Properties capital expenditure of R64,2 million included development of the new taxi rank and trader's market at Tugela Ferry Shopping Centre, completion of Nongoma Shopping Centre and two factories at the Madadeni Industrial Estate.

The total value of IDFC's property portfolio in 2023/24 is R3,4 billion, representing a 4% increase from the previous year.

The Implementing Agent Unit achieved 91% of agreed project milestones against a target of 85% for projects assigned to IDFC for implementation. The Unit raised R11,24 million in revenue during 2023/24.

Business development training provided to 312 youth through the Inkunz'isematholeni Youth Programme. Four winners of the business pitch competition received start-up capital worth a combined R500 000.

92,9% of IDFC's procurement spend was from Black-owned businesses, 24.6% from women-owned businesses and 26,3% from youth-owned businesses.

Recruited two aspiring Chartered Accountants through the ongoing partnership between IDFC and SAICA. A total of five candidates are enrolled in the three-year training program.

Conducted 18 training interventions internally and externally, with a total investment of more than R1,4 million.

Rand value of the loan book grew from R779 million on 31 March 2023 to R863 million on 31 March 2024.

Concluded 275 leases including leases with two major tenants - Knitwear International at the Isithebe Industrial Estate and Pro-Textiles at the Ezakheni Industrial Estate. These two tenants have created approximately 1500 jobs.

WHO WE ARE

The Ithala Development Finance Corporation Limited (IDFC) was established in 1958 as a development finance agency, wholly owned by the province of KwaZulu-Natal. In its current form, IDFC is governed by the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013), under the oversight of the Board and reports to the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA).

As a development finance institution, IDFC plays a key role in delivering financial and non-financial support to Small, Medium and Micro-Enterprise's (SMMEs) and co-operatives in the province. We are one of the pioneers of SMME development, the first institution to bank unbanked communities, and the first to establish shopping centres and large industrial estates in rural areas. Through our diverse property portfolio, we offer affordable industrial and retail space to support enterprise sustainability and growth. IDFC also provides the government with capacity in infrastructure project management to fast-track service delivery in the province.

In 2023, the IDFC celebrated 65 years of service, demonstrating commitment and innovation to deliver sustainable finance for the people of KZN.

OUR PURPOSE

To achieve the intended impact of sustainable and competitive SMME's and co-operatives contributing meaningfully to radical socio-economic transformation and job creation in the KwaZulu-Natal Province.

OUR VISION

To be the catalyst for growth, socio-economic development and empowerment in the KwaZulu-Natal Province.

OUR MISSION

In achieving its vision, the Ithala Development Finance Corporation defines its mission as:

- Promote investment in development programmes and projects
- Optimise the property portfolio for tenant retention and attraction, and priority sector development
- Support SMME's and co-operatives to be sustainable participants in the economy
- Serve as the preferred implementing agent for economic and infrastructure development projects in the province
- Facilitate programmes that drive radical economic transformation

OUR VALUES

- Our **PASSION** for making a difference is what drives us
- We act with **INTEGRITY**
- We strive to be **FUTURE-FOCUSED**
- We lead through **SERVICE**
- We treat everyone with **RESPECT**

Masakhe Business Support Training Certification Ceremony

MANDATE OF IDFC

The IDFC's mandate, set out in the KwaZulu-Natal Ithala Development Finance Corporation Act (Act No. 5 of 2013), is to:

- Mobilise financial resources and provide financial and supportive services to persons domiciled, ordinarily resident, or carrying on business within KwaZulu-Natal;
- Plan, execute, finance and monitor the implementation of development projects and programmes in KwaZulu-Natal;
- Promote, assist and encourage the development of the province's human resources and its social, economic, financial and physical infrastructure;
- Promote, encourage and facilitate private sector investment in the province and the participation of the private sector and community organisations in development projects and programmes, and contribute to economic development generally; and
- Act as Government's agent for performing development-related tasks and responsibilities which the Government considers may be more efficiently or effectively performed by a corporate entity.

HOW WE DELIVER ON OUR MANDATE

We fund business enterprises, SMMEs and co-operatives

We provide entrepreneurial support and skills development

We develop and manage commercial and industrial properties

We drive economic development and empowerment through implementation of projects and programs in KwaZulu-Natal

We provide savings, loans, insurance, home loans and financial services

We strive to meet development goals, while deriving realisable economic opportunities for SMMEs and co-operatives

EXECUTIVE AUTHORITY STATEMENT

Rev. Musa Zondi, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

The year 2024 marks 30 years of democracy in South Africa. In his State of the Nation address on 8 February 2024, President Cyril Ramaphosa reflected on the 27th of April 1994 when millions voted in South Africa's first, free and fair election. He remarked that the "world watched as Nelson Mandela, the father of our nation, cast his vote in Inanda in KwaZulu-Natal". As I reflect on this moment I am reminded of what we can accomplish together.

KZN faces a difficult economic climate, constrained by both macro and micro-economic conditions. Nevertheless, despite setbacks, our province remains strong. We are the country's second largest economy with diverse agriculture and manufacturing sectors, are home to the Durban and Richards Bay Ports, which handle almost 60% of South Africa's cargo, and boast a rich culture, beautiful coastline, and two natural world heritage sites, positioning KZN as a hub for both domestic and international tourism.

As government, we look to our citizens, social partners, and the private sector to leverage these endowments for the benefit of all. We also recognise that the provincial government must work, first and foremost, for the people of KZN. To this effect, the province is championing key priorities to advance inclusive economic growth. This includes substantial investment in the Dube Trade Port and Richards Bay Special Economic Zones, and revitalisation of the Durban Port. The province also supports strategic investments along the N2 and N3, solidifying KZN's position as South Africa's logistics hub. Collectively, this work enables trade, investment and, most importantly, job creation.

Economic development remains a priority for the provincial government despite budget cuts. Our current provincial budget prioritises agri-hubs and Special Economic Zones (SEZs), support for commodities including chemicals, detergents, clothing and textiles, and infrastructure investment for the informal sector. As the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), we continue to advance these and other priorities through our support for innovation, skills development, and investment in strategic projects.

I see an important role for the IDFC in advancing these efforts through the delivery of affordable finance, business support, and access to industrial and business property. This includes removing the barriers for small enterprise development, particularly in rural, township and other marginalised areas. As a Development Finance Institution, the IDFC remains key to these efforts. I am therefore encouraged to see that the Business Finance Unit approved 565 applications from SMMEs this past year, amounting to R415 million in enterprise support. Of this funding, 94% was allocated to Black owned SMMEs - underscoring the organisations role as a tool for transformation.

In the year under review, the IDFC created 5 165 jobs for the people of KZN through the delivery of its mandate. This includes 2 493 jobs created in IDFC-funded SMMEs and co-operatives, which received R282 million in funding, 2 400 jobs in the upgrading of its property portfolio and the signing of new leases, and 272 jobs through the delivery of programmes and initiatives.

As South Africa enters a new era politically, the organisation will remain committed to its mission – to support sustainable and competitive SMMEs and advance socio-economic transformation in the KwaZulu-Natal province. I wish to commend the IDFC Board and Management for their dedication to this work.

Rev. Musa Zondi, MPL
MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

"As the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), we continue to advance these and other priorities through our support for innovation, skills development, and investment in strategic projects.

CHAIRMAN'S LETTER TO STAKEHOLDERS

Mr Siphesihle Mkhize
Chairman of the Board

As a Development Finance Institution (DFI), the IDFC has a mandate to enable inclusive economic development through the delivery of financial services, loans, business support, catalytic projects, and affordable access to commercial and industrial property. By fulfilling this mandate, the organisation seeks to stimulate socio-economic transformation and job creation across KwaZulu-Natal. The challenge faced by the IDFC, as with all DFIs, is to execute this mandate while maintaining financial sustainability.

In 2020, the Board approved a IDFC's five-year Strategic Plan, designed to position the IDFC for sustainability while enhancing our socio-economic impact. This Strategic Plan, drafted in a pre-COVID economy, was nevertheless well aligned to the needs of a province in transition. Comprising of six pillars, the plan called for (1) increased investment by strategic partners, (2) an optimised property portfolio, (3) greater contribution to SMMEs and co-operatives, (4) creating increased access to economic opportunities, (5) effective implementation of programmes and projects, and (6) a sustainable and high performing organisation.

The Board reviews the Strategic Plan annually to take stock of successes and failures, assess the relevance of interventions, and monitor progress. These reviews also empower the Board to introduce new interventions to achieve planned results.

In 2023/24 IDFC continued with implementation of the Strategic Plan. While not all targets were achieved, significant improvements were made amidst a difficult economy and budget constraints. The IDFC substantially increased our contribution to SMMEs and co-operatives, exceeding all eight targets for this priority area. Most notably, we delivered pre-funding support to business finance applicants which resulted in 99,7% of these applications being approved. This intervention builds SMME capacity and lowers the risk of loan default. We see these efforts bearing fruit, with 90,9% of all funded businesses operational two years after the first disbursement, against a target of 65%.

Where we fell short was in our effort to secure matched funding for business finance, achieving roughly 10% of our R200 million target. The organisation is, however, well positioned through our deal pipeline to exceed this target in 2024/25.

The IDFC also succeeded in implementing development programmes and projects in the province, several of which are highlighted in this Annual Report. In the year under review, 91% of all programme and project milestones were achieved by the Implementing Agent Division.

Other key challenges relate to the IDFC property portfolio. Owing to budget constraints, only R64,2 million was spent on capital programmes against a target of R140 million. Consequently, despite the need for property optimisation the portfolio faces the risk of continued decline. As of 31 March 2024, the vacancy rate reached 25,2%, a 2,0% increase from the year prior despite the business signing 275 new leases and lease renewals during the 2023/24 financial year against a target of 220. We are, however, anticipating a lower vacancy rate in 2024/25 due to the concerted effort being made to rebuild our properties, conduct critical maintenance and implement our business development strategy.

While our achievements against targets for 2023/24 fell short in some areas, I am proud of our impact on SMME development, job creation and transformation in the province. The IDFC created 272 jobs through the implementation of programmes and projects and 2 400 jobs through our properties Capital Expenditure Programme and signing of new leases, while 2 493 jobs were facilitated by funded SMMEs and co-operatives – exceeding job creation targets in all three pillars. Furthermore, the IDFC funded 17 rural and township SMMEs against a target of 10 and advanced our efforts to secure funding for the Township and Rural Economies Revitalisation Strategy (TRERS).

As the Board of IDFC we have identified key interventions in the 2024/25 financial year to ensure the sustainability of the organisation and to broaden our reach to SMMEs and co-operatives across the province. These interventions include the properties rebuild programme, capital investment in the remodelling and expansion of the properties portfolio, capital raising for both properties and business finance, reduction of non-performing loans, increased revenue generation by the implementing agent division, robust collections and implementation of strategic systems.

During the financial year 2023/24, Ithala SOC Limited has demonstrated commitment and innovation, despite a challenging operating environment. Since inception, Ithala has been operating under exemption notices, however the last exemption notice expired on 15 December 2023 and the Prudential Authority declined Ithala's request for a further extension. From 15 December 2023 Ithala has been operating under the Repayment Administrator (RA) appointed by the Prudential Authority. To overcome the regulatory hurdle an application was made to the Minister of Finance to issue an exclusion notice in terms of Section 2(b)(vii) of the Banks Act, 1990 read together with Section 30(2) of the KwaZulu-Natal Ithala Development Finance Corporation, 2013. The Minister of Finance, declined the request, however indicated that Ithala SOC should co-operate with the RA so a long-term solution can be found for Ithala SOC. IDFC and Ithala SOC have been working tirelessly on alternative plans to not only find a short-term solution but a long-term solution.

I wish to thank my fellow members of the Board and our Executives for your leadership during this time. I also extend my gratitude to all employees of the IDFC for your commitment and perseverance as we work to strengthen the organisation and its impact on the KZN economy.

Mr. Siphesihle Mkhize
Chairman of the Board

We are, however, anticipating a lower vacancy rate in 2024/25 due to the concerted effort being made to rebuild our properties, conduct critical maintenance and implement our business development strategy.

FROM THE GROUP CHIEF EXECUTIVE'S DESK

Ms Pearl Bengu
Group Chief Executive Officer

As Group Chief Executive, my role is to ensure that the IDFC is equipped to achieve our vision for economic development in the province. These efforts are driven by our strategic plan, which is both robust and ambitious. It includes strategic outcomes ranging from SMME and cooperative development, to investment attraction, accelerated programme implementation, and the recapitalisation of our property portfolio. All of which is facilitated by a strengthened organisational structure and improved governance.

The IDFC Strategic Plan was adopted in 2019/20 less than a year before the global economy was upended by the pandemic and other catastrophic events. Some countries, particularly those in the developed world, achieved a fast-paced recovery. For others, including South Africa, the recovery has been difficult. While significant effort was made to support SMMEs during the lockdown the funds available were simply insufficient to meet the needs of an economy in unprecedented distress. Consequently, many businesses closed, jobs were lost, and organisations like the IDFC were faced with a weakened client base.

In KZN, the impact of the pandemic was further exacerbated by local crises. The July 2021 unrest severely damaged the provincial economy, including IDFC owned infrastructure. Then in 2022, the province experienced horrific floods. These disasters were further exacerbated by crippling power outages, weak investment, and a combination of rising interest rates and persistently high inflation.

The IDFC is thus faced with a monumental task. As the only DFI dedicated to development in KZN, we are tasked with delivering loans, financial services, and property rentals to a high-risk business sector with limited capacity for growth. Without investment, capacity and access to affordable space, the small business sector cannot create the jobs needed for socio-economic transformation. We are, therefore, resolute in our mandate as a key driver of inclusive economic growth.

It is with this in mind that I present the 2023/24 IDFC Annual Report. Although our performance was mixed during the year under review we made important gains in SMME and cooperative development, programme and project implementation, and job creation. IDFC's Business Finance Unit approved 565 applications amounting to R415 million, compared to 607 applications to the value of R311 million in the previous year. IDFC successfully distributed R282 million in funding creating 2 493 jobs in the process.

Our dedicated team has established a pipeline of capital partners and property tenants, while improving our loan book. The Implementing Agent Division continues to build capacity to ensure sustainable development and strengthen the IDFC's position as government's partner of choice for project implementation in the KZN province. During 2023/24 the Implementing Agent Division created 272 construction jobs and earned R11,24 million in income. These efforts have left us well positioned for greater impact and sustainability in 2024/25.

Looking ahead, the IDFC will seek innovative ways to diversify our funding model by securing matched funds for projects and programmes, private sector investments in our property portfolio, and increased revenue from our client base. We also remain committed to the recapitalisation of retail properties, including Durban's Wilsons Wharf, and shopping centres in Manguzi, Umlazi and Kwamashu. Collectively, these efforts will help to strengthen and build resilience in our organisation.

IDFC has also advanced our commitment to innovation through training and capacity building. In 2023/24 IDFC gained accreditation as a QCTO and SETA Training and Skills Development Academy.

The organisation also supported youth through our internal internship programme and CSI initiatives.

I wish to close by thanking the MEC for Economic Development, Tourism and Environmental Affairs and our Board of Directors for their guidance and support during turbulent times. I am also grateful to the entire team for their dedication over this past year.

Ms Pearl Bengu
Group Chief Executive

> *"IDFC has also advanced our commitment to innovation through training and capacity building. In 2023/24 IDFC gained accreditation as a QCTO and SETA Training and Skills Development Academy.*

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Ms Amanda Zuma
Group Chief Financial Officer

INTRODUCTION

The Ithala Development Finance Corporation (IDFC) is a critical role player, initiating inclusive development of the KZN economy amidst a difficult economic climate.

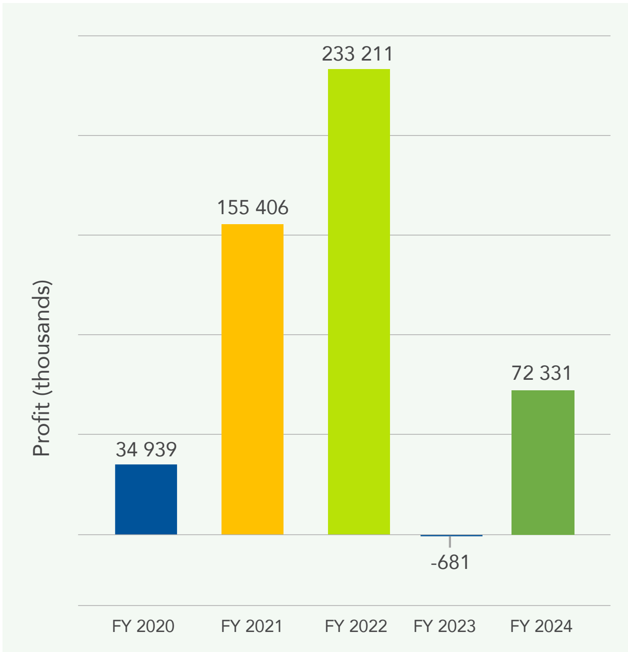
In 2023/24, the IDFC faced challenges in achieving collection targets but remained financially sustainable. This sustainability is underscored by the organisations strong control environment and accountability system. I am pleased to report that the IDFC obtained an unqualified opinion with no findings on compliance (clean audit) from the Auditor General for the year under review.

The IDFC Group (inclusive of all its subsidiaries) realised a net profit of R72 million for the financial year ending 31 March 2024. This is a significant improvement from a loss of R681 000 achieved in the previous financial year. These gains are a result of increased electricity and water sales in the industrial estates, fair value adjustments from the increase in property values as well as other services to property tenants.

The company achieved a net profit of R70 million for 2023/24, which is a steep decline from the R213 million profit achieved in the previous financial year. This decline is not, however, a reflection on performance, as the 2022/23 profit was bolstered by a dividend of R198 million received from Sundumbili Plaza Limited, a subsidiary company that was wound-up in line with the rationalisation of state-owned enterprises recommendations. This was a one-time dividend that was eliminated on consolidation in the prior year.

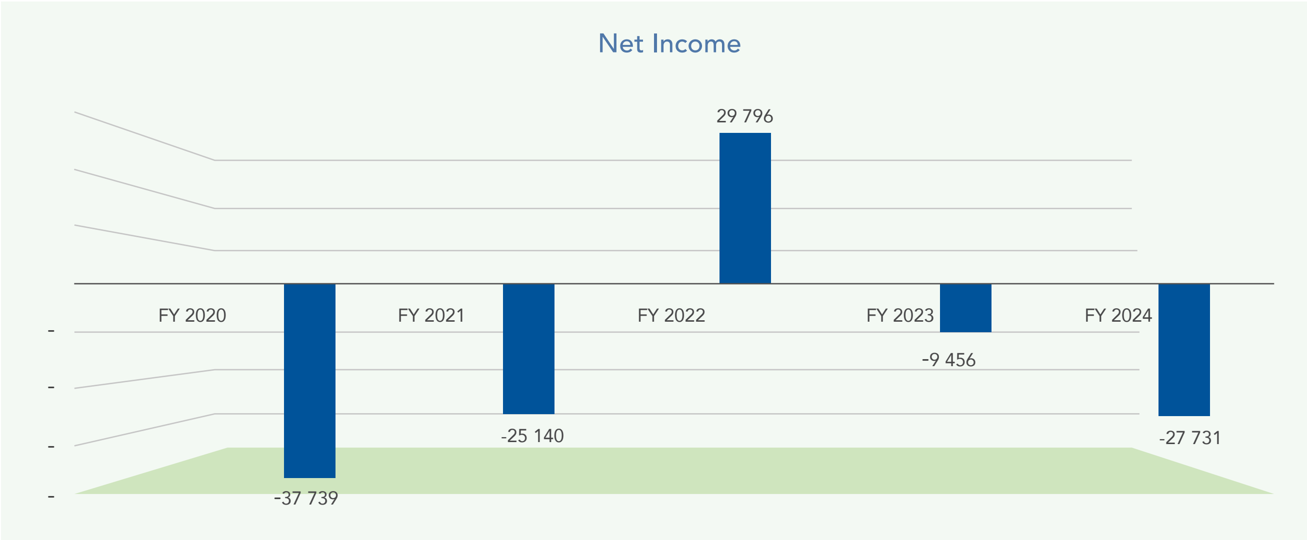
The following Diagram depicts net profit for the IDFC group over the past five financial years. Net profit has been extremely volatile during this time, as a result of one-time payments and unforeseen events that have engulfed the province and affected our business. This includes the significant increase in profit in 2021/22 owing to a once-off (sundry income) insurance payout from the July 2021 unrest.

Figure 1: Group Net Profit over the Last Five Years



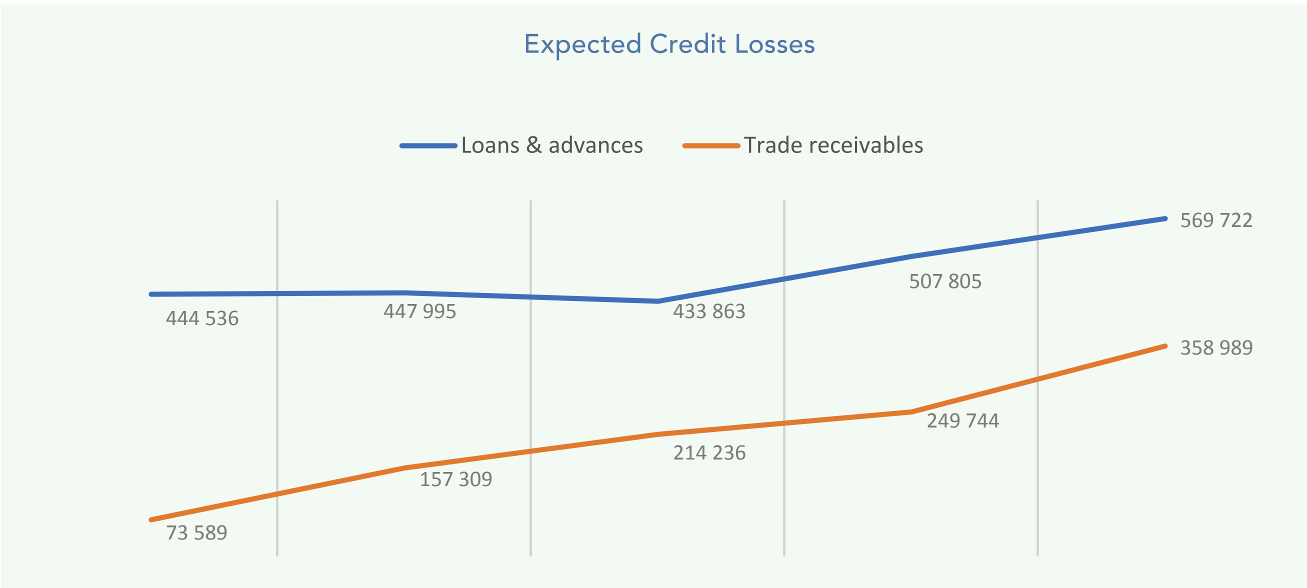
The following graph illustrates a deterioration in performance, excluding non-cash income and once off transactions (fair value and insurance pay-outs), over the past five years.

Figure 2: Net Income Excluding Fair Value and Insurance Payouts



IDFC Group is directly impacted by current economic conditions and continues to face challenges because of the July 2021 unrest, with many properties still being rebuilt. These effects are evident in the performance of the organisation over the past five years and the increase in Non-Performing Loans (NPLs) and rental debtors. The following graph depicts the Expected Credit Losses (ECL) over the past five financial years for trade receivables, loans and advances.

Figure 3: Expected Credit Losses (ECLs) over the Last Five Years



ECL has trended upwards since 2020 as clients struggle to meet their instalment and rental obligations. This trend illustrates the significant impact of the weak economy on the Group's core operations and client base, which comprises mainly SMME's.

2023/24 FINANCIAL PERFORMANCE

The IDFC Group recorded a total operating income of R1,571 billion in 2023/24, a 17% increase over the previous financial year. This includes a grant of R51 million received from EDTEA for Ithala SOC's capital injection and R24 million in insurance revenue from insurance cell captives. This solid operational performance is driven by an increase in the fair value of investment properties, owing to reconstruction of some properties following the 2021 unrest and improved performance in electricity and water sales.

During 2023/24, total operating expenditure for the Group increased by 11% from R1,355 billion to R1,499 billion. The purchase of electricity from Eskom, which is then sold to clients in Industrial Estates, increased by 27% owing to greater client demand. However, security costs remained high due to the increased incidents of break-ins and vandalism. The Group will be implementing additional measures including the use of technology to protect the infrastructure and economy of KZN.

The Properties department recorded a profit of R321 million against a budget of R515 million for 2023/24. The failure to meet budget targets is due to lower fair value gains with the valuation of investment properties coming in R175 million lower than budgeted owing to an assumption that property rebuilds would be complete; rental income of R65 million lower than budgeted; and higher bad debt provisions of R65 million. These shortfalls were offset by lower than budgeted costs for items such as insurance, salaries and maintenance, due to cost containment measures. The debtors' book deteriorated by 3% year-on-year as the collection of arrears poses a challenge to the properties division.

Reconstruction of properties damaged in 2021 is underway and will result in an improvement in rental income and the fair value of investment properties that are owned by the group. Additional human and IT resources have been deployed to implement the debtor's collection strategy in order to improve the cashflow.

The Business Finance Department incurred a loss of R34 million against a budgeted profit of R21 million. This was due to higher-than-expected credit losses, which exceeded the budget by R19 million, and interest received falling short of the budget by R22 million due to Stage 3 interest reversals because of the increase in non-performing loans (NPLs). The value of NPLs showed an improvement year-on-year of 8%, closing the year at 61%. To address the high proportion of NPLs, the IDFC is providing post-investment support to clients including access to markets and financial management so they may better service their debt as well as implementation of legal process against the defaulters.

The Implementing Agent Unit generated R11 million in revenue for 2023/24, against a target of R25 million. This newly established Unit continues to implement key projects for government. These include four detergent centres, which were constructed and operationalised benefiting several businesses and cooperatives. The Unit has several projects planned for the new financial year, which will increase profitability in 2024/25 and support a growing KZN economy.

The largest subsidiary in the Group, Ithala SOC Limited, reported a loss of R92 million compared to the budgeted loss of R174 million. The variance is attributed to interest received, which exceeded the budget by R22 million due to an increase in interest rates; higher sundry revenues, which exceeded budget by R7 million; and lower than expected operational expenses in the amount R88 million. These savings were somewhat offset by lower than budgeted fee income of R14 million, and higher than expected credit losses.

Ithala SOC has not managed to obtain a banking license nor get approval from the prudential authority of an exemption by year end as it had been the practice in the past, which is a requirement for the Bank to accept deposits from the public. From 15 December 2023 Ithala has been operating under the Repayment Administrator (RA) appointed by the Prudential Authority. Despite these challenges, Ithala SOC has sustained operations. Diversified revenue streams, prudent risk management and commitment by staff have been pivotal in maintaining stability.

2023/24 FINANCIAL POSITION

The Group's total assets increased slightly year-on-year from R8,125 billion to R8,218 billion. This is due to an increase in investment property of R167, 5 million, as the entity invested in refurbishments, and an increase in statutory investments of R18,4 million. These gains were partially offset by a decrease in trade and other receivables of R112 million due to the settlement of an insurance claim payout in the prior year, an increase in expected credit losses of R171 million and a decrease in loans and advances of R35 million.

The Group's total liabilities increased slightly by 1% year-on-year, from R3,411 billion in 2022/23 to R3,421 billion in 2023/24. The Group has a debt-to-equity ratio of under 1%, indicating a very low gearing ratio. As such, the Group is well positioned to utilise its assets as security to finance future investments as we focus on rebuilding the business.

The Group's total assets exceeded liabilities by R4,797 billion as of 31 March 2024. Thus, the Group remains solvent and is a going concern.

FOCUS AREAS

The Group remains committed to financial sustainability and gearing the business appropriately for the continued execution of our Five-Year Strategy, which commenced in 2020. To achieve these objectives we focused on the following financial drivers:

Cost Management

We remain focused on cost management and effectively deploying our assets and resources to generate value. Cost management is critical to our business and is the foundation of operational efficiency.

Credit Collections

We have centralised and enhanced our credit collection efforts. We focused on deepening our understanding of our clients' business challenges to enable suitable payment arrangements in an attempt to collect arrears and service current debt.

Liquidity Management

We closely manage our liquidity position and make prudent financial decisions to ensure sustainability. We have embarked on various fundraising activities with strategic partners to provide access to the capital required to grow the business.

FUTURE OUTLOOK

Management is confident that the organisation will turn a corner in the next financial year, despite the current economic challenges. We are exploring opportunities as well as devising mitigating interventions to protect the sustainability of the Group.

The Corporation has budgeted for a net profit of R184,9 million for the 2024/25 financial year, increasing to R216,9 million and R246,5 million in FY2026 and FY2027 respectively. This demonstrates an improvement over the MTEF. The operational budget assumes that the rebuild programme will be accelerated to restore and improve the value and offering of IDFC's property portfolio. The budget also addresses capacity enhancement through recruitment and training.

The capital budget for 2024/25 is focussed on growing the asset base with loans and advances, budgeted at R272 million; investment in the property rebuild program and property refurbishments of R182 million; investment in operational systems of R65,5 million; and business support to clients of R23 million to improve the success rate of SMMEs and enhance collections.

The Group plans to embark on a recapitalisation programme to remodel and expand certain shopping centres and is looking to diversify and grow its loan book. We will use our strong balance sheet to raise the capital necessary for the increase in investment activity and will continue to strengthen our relationship with funders and investors to execute our financial model and support a strategy to grow our portfolios.

ACKNOWLEDGMENTS

I would like to highlight our ongoing appreciation to the clients and tenants who believe in IDFC and support our mandate by honouring their financial obligations as we grow the KZN economy together. I would also like to thank the Board, Audit and Risk Committee, Executives and the whole of group finance staff for their hard work this financial year and congratulate them for the clean audit.

Finally, I extend my appreciation to the Auditor General and all supporting audit firms for their professional and diligent service and support through the annual audit and look forward to a continued beneficial working relationship.

Ms Amanda Nondumiso Zuma
Group Chief Financial Officer

OUR LEADERSHIP

BOARD OF DIRECTORS

Siphesihle Mkhize
Independent Non-Executive Director (Chairman)

Re-appointed
01 June 2022

Chartered Accountant (SA), Auditing Specialised Course (APT), B Com Honours (CTA), B Compt, Bachelor of Laws (LLB)

Area of Expertise

- Financial Management
- Audit
- Accounting
- Supply Chain Management
- Strategy Formulation and Management
- Taxation

Other Directorships

- SVZ Consulting (Pty) Ltd

Sipho C Gina
Independent Non-Executive Director (Deputy Chairman)

Re-appointed
01 June 2022

Social Legal Studies Diploma, Political Economy, Conciliation and Arbitration Certificate

Area of Expertise

- Human Resources and Labour Specialist
- Social and Ethics Management

Other Directorships

- National Textile Bargaining Council
- Tsogo Sun International - Member of Audit Committee and Chair of Social and Ethics Committee
- Ubuciko Twines and Fabric
- Port Shepstone Quarries (Pty) Ltd
- EduFund
- KZN Economic Council
- Clothing Bargaining Provident Fund Trustees
- Star Knitting Textile in Mauritius - Non-Executive Director
- Nortex Textile - Non-Executive Director

Usha Roopnarain
Independent Non-Executive Director

Appointed
01 June 2022

Doctoral Degree in Political Sociology (PhD), Master's in Political Sociology, MBA, Honours in Social Science, Bachelor of Social Science, LLM (Human Rights Law)

Area of Expertise

- Legal Skills
- Human Resources and Labour Experience
- Development Finance
- Corporate Governance
- Strategy Formulation and Management

Other Directorships

- Naifa Maruf Foundation - Bangladesh (NPO) - Deputy Director for Africa

Sihle L Ndlovu
Independent Non-Executive Director

Re-appointed
01 June 2022

Doctoral Degree in Business Administration (PhD), Master's in Business Administration (MBA), Professional Accountant (SA), Advanced Diploma in Management Accounting, Post-Graduate Diploma in Accounting and Finance, National Diploma in Cost Management Accounting (CIMA), Business Management on Developing Countries Certificate, Tax Practitioner, Graduate of the Stanford University School of Business Seed Transformation Leadership Certificate Programme

Area of Expertise

- Financial Management
- Economic Development
- Credit and Investment Management
- Agriculture
- Planning (Budgets and Forecasts)
- Client Relationship Management
- Performance Management
- Strategy Formulation and Management
- Project Management
- Social and Ethics Management

Other Directorships

- Built Environment Support Group - Chairman
- Inzalo Group of Companies - Chairman
- BFG Retail Ltd - Non-Executive Director -Chairman
- Msinsi Holdings t/a Msinsi Resorts and Game Reserve, a wholly owned subsidiary of Umgeni-Uthukela Water
- uMgungundlovu Economic Development Agency - Chairperson of the Board

OUR LEADERSHIP (continued)

BOARD OF DIRECTORS

Denisha Jairam-Owthar
Independent Non-Executive Director

Appointed
01 June 2022

Doctoral Degree in Business Leadership in ICT (PhD), Master's in Business Administration (Specialisation in IT), BCompt (Accounting Sciences), Certified Director; Certifications: Artificial Intelligence Robotics, Digital Transformation, Cybersecurity, COBIT, ITIL, Data Science, Senior Management Certificate (Harvard Business School)

Area of Expertise
- Banking Skills: Corporate, Investment & Retail Banking
- Audit Skills: Taxation, Internal & External Audit
- Executive Management Skills
- Artificial Intelligence, Robotics, Digital Transformation & Cybersecurity
- Leadership of Governance Structure Committees

Other Directorships
- Honorarium: University of the Witwatersrand
- Honorarium: Sefagatho Makgatho University (SMU) for Health Sciences
- Railways Safety Regulator of SA
- South African Qualifications Authority: QCTO
- Public Sector ICT & Wired for Women in ICT: Non-Profit

Manqoba Ngubo
Independent Non-Executive Director

Appointed
01 June 2022

Bachelor of Accounting, Post Graduate Diploma in Business Administration (Management and Leadership), MSc Global Energy

Area of Expertise
- Financial Skills
- Investment Experience
- Human Resources and Labour Experience
- Development Finance
- Project Finance
- Planning and Development Skills
- Risk Management
- Corporate Governance
- Strategy Formulation and Management

Other Directorships
- PSV Holdings Ltd
- Nutritional Holdings Ltd

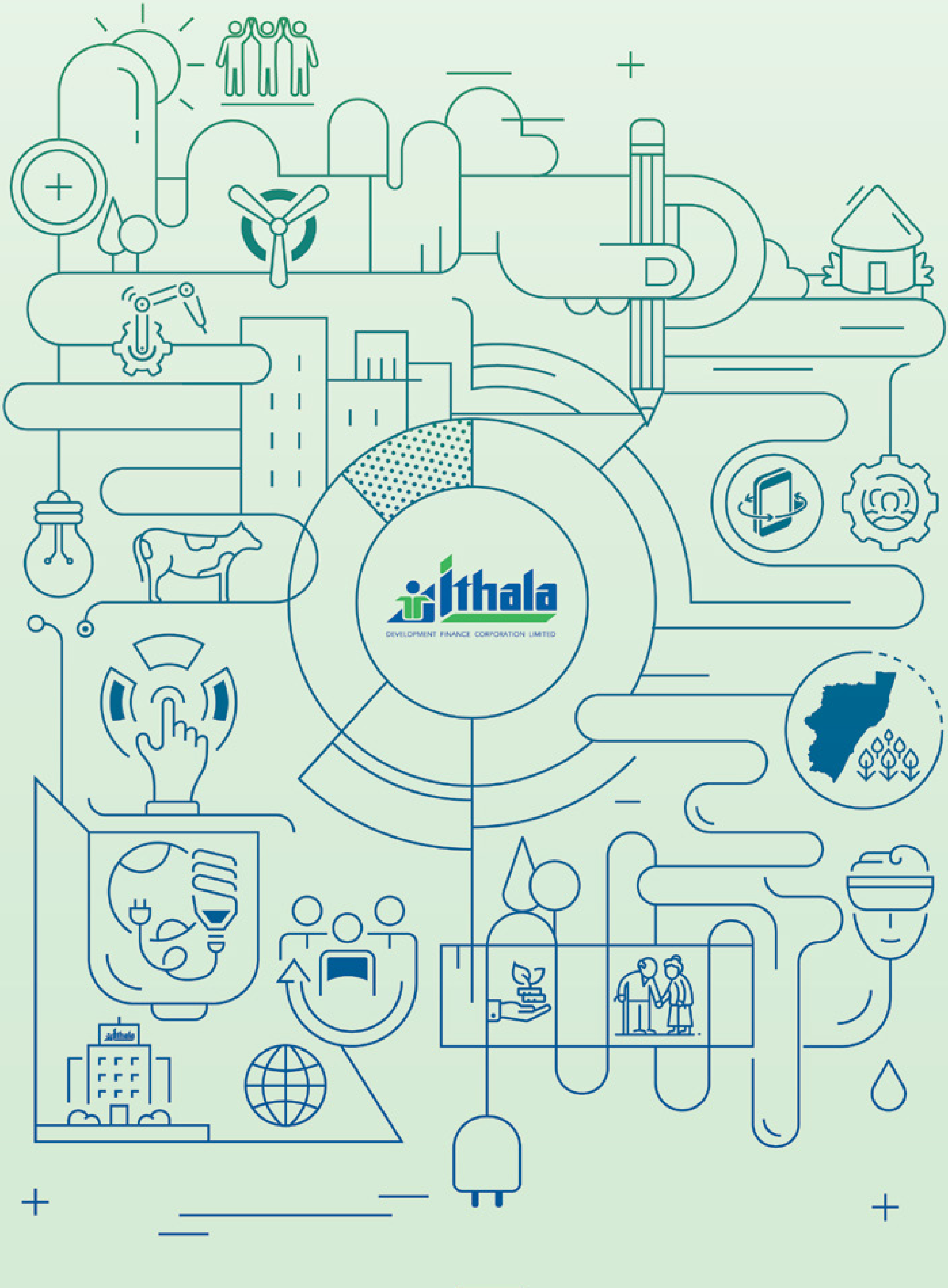
Pearl S Bengu
Executive Director

Re-appointed
01 November 2023

Master's in Public Administration, B Com, Licentiate Diploma Part 1, Financial Services Board Compliance Certificate, Advanced Certificate Programme in Management Development for Municipal Finance, Certificate Programme in Management Development for Municipal Finance.

Area of Expertise
- Strategic Leadership Management
- Stakeholder Management
- Public Sector Banking
- Business Acquisition

Other Directorships
- Cowslip Investments SOC Ltd
- KwaZulu-Natal Property Development Holdings (Pty) Ltd



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DEVELOPMENT FINANCE CORPORATION LIMITED

OUR LEADERSHIP (continued)

MANAGEMENT TEAM

Pearl Bengu
Group Chief Executive

Reappointed
01 November 2023

- Master's in Public Administration
- B-Com
- Licentiate Diploma Part 1
- Financial Services Board Compliance Certificate
- Advanced Certificate Programme in Management Development for Municipal Finance
- Certificate Programme in Management
- Development for Municipal Finance

Amanda Zuma
Group Chief Financial Officer

Appointed
01 September 2023

- Chartered Accountant (SA)
- B Com Honours (Accounting)
- B Com (Accounting)
- Registered Auditor
- Leadership Development Programme (University of Pretoria)

Khetha Cele
Group Chief Information Officer

Appointed
01 February 2021

- B Com Honours in Business Information Systems
- B Com in Business Information Systems and Technology
- Diploma in Project Management

Tozi Mthethwa
Group Corporate Support Services Executive and Acting Business Finance Executive

Appointed
01 June 2020

- Master's in Business Administration (MBA)
- Master's in Social Science
- B Admin Honours (Social Science)
- B Admin (Social Science)
- Management Development Programme (MDP)

Dr. Manogran Muthusamy
Group Chief Risk Officer

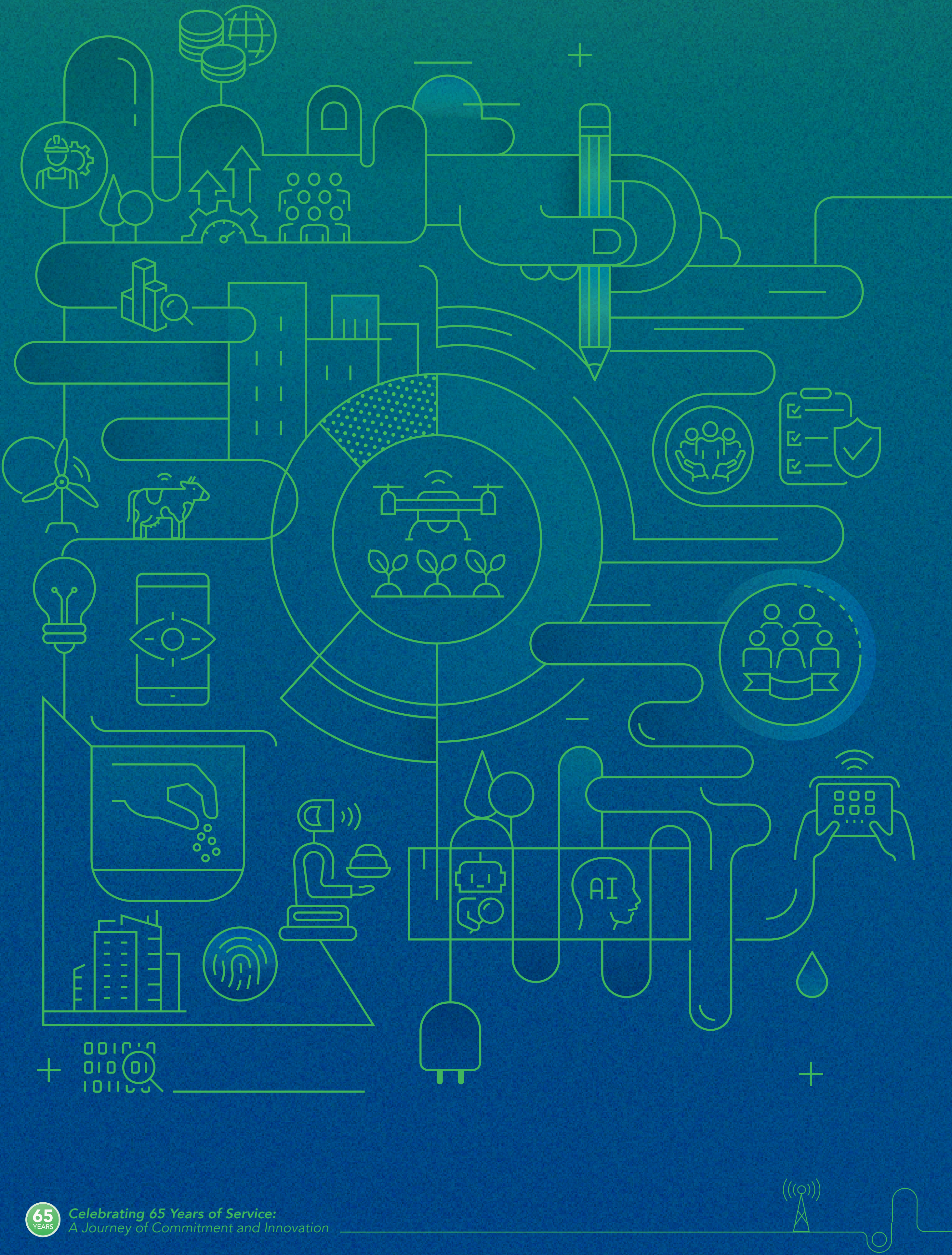
Appointed
01 July 2020

- Doctoral Degree in Business Leadership
- Master's in Business Administration (MBA)
- Postgraduate Diploma in Management Studies
- B Com (Financial Management)
- Diploma in Bank Credit Management
- CAIB (SA) - Associate Diploma in Banking
- Certificate in Advanced Business Risk Management

Armstrong Malope
Organisational Strategy, Performance and Efficiency Executive and Acting Properties Executive

Appointed
09 October 2022

- Master of Business Administration (MBA)
- Master of Philosophy in Labour Law and Employment Relations
- Management Advancement Programme
- Post Grad Diploma in Employment Law and Employment Relations
- Bachelor of Social Sciences (Organisational Psychology)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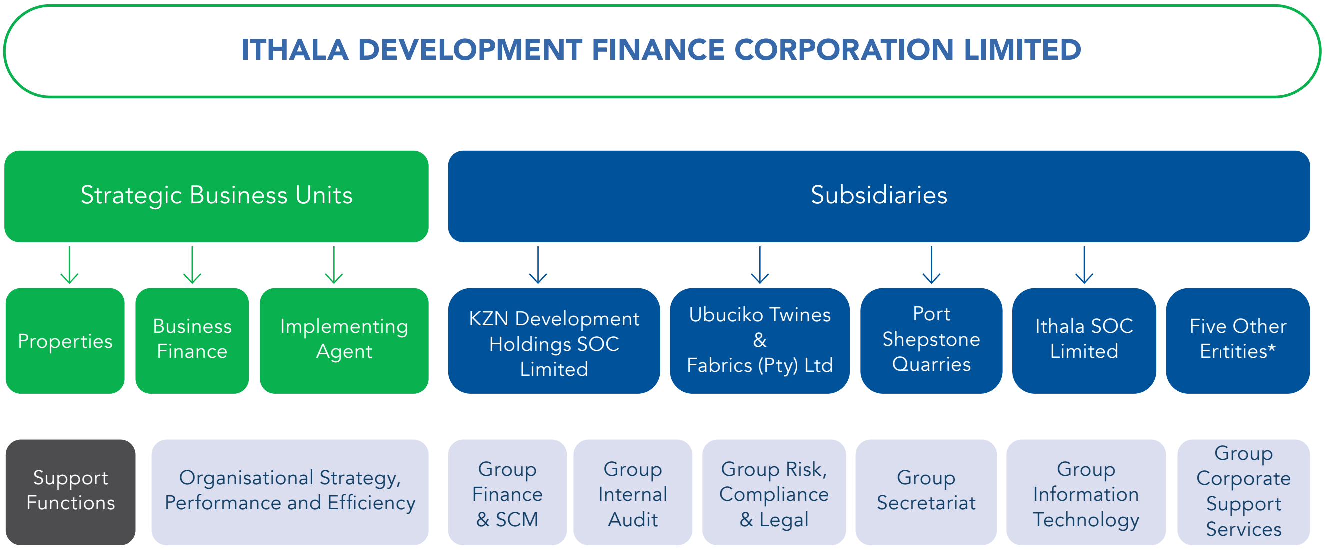
SECTION 2

ORGANISATIONAL STRUCTURE

The following diagram illustrates the IDFC organisational structure, including Strategic Business Units and Subsidiaries.

Figure 4: IDFC Organisational Structure



*Cowslip Investment (Pty) Ltd, Sundumbili Plaza Ltd, Nongoma Plaza Ltd, Durban Wharfside Trust and Sibaya Conservation Projects SOC Ltd.

PROPERTIES

Our properties business is responsible for the effective management and development of IDFC's property portfolio, which comprises a range of large industrial, retail, light industrial and SMME properties.

IDFC is one of the largest property portfolio holders in KwaZulu-Natal. Details of the Properties Department's performance and prospects are contained on pages 64 to 68.

BUSINESS FINANCE

IDFC's lending activities are delivered through the Business Finance Department, which offers financial and non-financial services to SMMEs and co-operatives across KwaZulu-Natal. The Department delivers a range of products and services designed to stimulate entrepreneurship and support business development, with emphasis on previously disadvantaged individuals and communities.

Our lending activities focus on sectors highlighted in the Provincial Spatial Economic Development Strategy and are aligned to our primary mandate, as expressed in the Ithala Act. Details of our business finance performance and prospects may be found on pages 58 to 63.

IMPLEMENTING AGENT

IDFC is mandated to be an Implementing Agent for the provincial government on a range of programmes and infrastructure projects. The objective is to provide the government with capacity in infrastructure project management to fast-track service delivery within the KZN province.

IDFCs Implementing Agent Services are tailored to meet the needs of each project and may include:
- Research and feasibility studies
- Project conceptualisation and business planning, infrastructure development and infrastructure refurbishment and maintenance
- Stakeholder analysis and engagement programmes
- Procurement of service providers
- On-the-job training and contractor development
- Procurement of equipment and human resources
- Post implementation operations and programme management
- Fund management and administration

SUBSIDIARIES

Ithala SOC Limited

Ithala SOC Limited is a licenced financial services and registered credit provider and a subsidiary of the IDFC.

Ithala SOC Limited offers retail financial services, savings and investment products, housing and loan products, and insurance. It functions in terms of a multi-channel distribution network, and services the needs of individuals, groups, businesses, and other public sector entities, particularly in areas where such services were previously insufficient.

Ithala SOC Limited is regulated by the Banks Act and the Reserve Bank. Until 15 December 2023, Ithala SOC operated with an exemption to a full banking licence. The exemption was not extended. From 15 December 2023 Ithala has been operating under the Repayment Administrator (RA) appointed by the Prudential Authority.

Further information is provided in the Ithala SOC Annual Report which can be downloaded at: www.myithala.co.za.

Ubuciko Twines and Fabrics SOC Limited

Established in 2006, Ubuciko Twines and Fabrics is a wholly owned subsidiary of the IDFC. Previously, the company produced polypropylene twine, woven material and polypropylene bags and sacks.

In 2017/18 Ubuciko Twines and Fabrics equipment was leased to another company and most of the operational staff members were absorbed by the new operator. The finance lease expired in May 2022 and the assets now belong to the new operator. A liquidation application was lodged and is set for 22 May 2024 in the Pietermaritzburg High Court.

KwaZulu-Natal Property Development Holdings

In December 2016, the then MEC for EDTEA directed the Chairman of IDFC to wind-up KwaZulu-Natal Property Development Holdings, in line with its legal duty as the shareholder of the entity.

In February 2017, IDFC's Board, by written resolution, gave instruction to the Board of KwaZulu-Natal Property Development Holdings to cease continuation of business by the end of March 2017, except to the extent necessary to wind-up the business.

The entity is in the process of being repurposed as an interposed company to be used for the banking licence application for Ithala SOC.

Port Shepstone Quarries (Pty) Limited

IDFC acquired a 30% shareholding in Port Shepstone Quarries (PSQ) when it granted its debt facilities in September 2013. In July 2015, IDFC acquired the remaining 70% shareholding through a settlement agreement with the majority shareholder following the company's failure to service its debt obligations. The Company was placed under business rescue from May 2017 to 31 January 2018 and the quarry was temporarily closed. A turnaround strategy and implementation plan were developed and approved by the IDFC Board in 2021. The Strategy explained, in detail, areas upon which the Company needed to focus and improve.

Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in PSQ and the acquisition of a third-party investor to revive operations. IDFC completed the investor assessment process, which was approved by the IDFC Board. The shareholding in PSQ is to be diluted on the basis of 75% in favour of the investor company and 25% retained by IDFC. As at the time of preparation of this annual report the purchase and sale agreement for the disposal of 75% shareholding has been concluded and signed between IDFC and the investor company. The Department of Mineral Resources and Energy (DMRE) will be approached for a Section 11 approval in respect of the change in ownership structure, change in mining right representation, and approval to relaunch the mining operations.

Five Other Entities

The following five entities are also owned by the IDFC:

1. Cowslip Investment (Pty) Ltd - The initial agreement for Cowslip Investment ended in February 2017 and was extended for five years to 30 May 2024. The Department of Health is in the process of sourcing a private partner.
2. Sundumbili Plaza Ltd - On 9 November 2021, approval was obtained from the MECs of EDTEA, Provincial Treasury and all relevant officials for the dissolution of the Sundumbili and Nongoma Plazas. During the year under review Sundumbili Plaza was dissolved and final dividends paid.
3. Nongoma Plaza Ltd - The winding down of Nongoma Plaza is in progress and upon dissolution the IDFC will receive the property as a dividend in specie (non-cash assets of an equivalent amount) whilst minority shareholders will receive a dividend in cash. The dissolution will have no impact on the financial statements at Group level.

4. Sibaya Conservation Project SOC Ltd – The Sibaya Lodge is situated in the Chithumuzi area of the Manzengwenya Isigodi of Tembe Tribal Authority and has been vacant since May 2004. All attempts to find a replacement tenant have been unsuccessful. The company is in the process of being liquidated.
5. Durban Wharfside Trust - The Trust is a wholly owned subsidiary of the IDFC. The property development is operational and located in a prime location in the Durban Harbour. The premises comprise of four retail buildings and one industrial building.

Associate Company - Ntingwe Tea Estate

Ntingwe Tea Estate (Pty) Ltd was established in 1988 in the Nkandla Local Municipality. IDFC holds a 38% ownership in the Estate and 62% is held by the KwaZulu-Natal Department of Agriculture and Rural Development.

IDFC was responsible for providing management support to the enterprise. However, with effect from 2019/20, responsibility for operations were moved to the Agribusiness Development Agency (ADA) in line with the recommendation of the KwaZulu-Natal Rationalisation of Public Entities Task Team (RAPETT).

IDFC continues to provide secretariate and accounting services to Ntingwe Estate (Pty) Ltd.

OUR STRATEGY

IDFC develops strategic objectives aligned with the shareholder's expectation and Government's priority areas as per the MTSF (2019-2024). During the 2019/20 financial year IDFC developed and adopted a five-year strategy covering the period 2020 to 2025. This Strategy is summarised in the diagram below.

Figure 5: IDFC Mandate and Strategic Objectives

LEGISLATIVE MANDATES

POLICY MANDATES

IDFC MANDATES AND IMPACT STATEMENT

Sustainable and competitive SMME's and co-operatives, optimised property portfolio, and effectively implemented development projects contributing meaningfully to growth, socio-economic transformation and job creation in KwaZulu-Natal

IDFC MANDATES AND IMPACT STATEMENT

The catalyst for growth, socio-economic development and empowerment in KwaZulu-Natal

IDFC MISSION

In achieving its Vision, IDFC defines its Mission as:

- Promoting investment in development programmes and projects;
- Optimising the property portfolio for tenant retention and attraction, and priority sector development;
- Supporting SMME's and co-operatives to be sustainable participants in the economy;
- Serving as the preferred implementing agent for economic and infrastructure development projects in the province; and
- Facilitating programmes that drive radical economic transformation.

OUR VALUES

1. Passion
2. Integrity
3. Future-focused
4. Service
5. Respect

IDFC MISSION - DIRECTED OUTCOME

PROMOTE		SUPPORT	FACILITATE		ADMINISTER
Increased investment in development programmes and projects	Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors	SMMEs and co-ops supported to be sustainable participants in the mainstream economy and socio-economic development in the province	Increased access to economic opportunities for KZN residents and enterprises from designated groups	Effective implementation of development programmes and projects in the province	Sustainable and high performing organisation

Progress towards achieving IDFC's strategic objectives is monitored through the KPIs, set out in the IDFC APP.

OVERVIEW OF EXTERNAL ENVIRONMENT

WORLD ECONOMIC OUTLOOK

Implementation of stringent monetary policies and lower levels of trade have caused the global economy to decline. Worldwide growth is anticipated to decelerate, dropping from 2,6% in 2023 to 2,4% in 2024, marking a decrease of nearly three-quarters of a percentage point compared to the average growth rate throughout the 2010s (World Bank, 2024). Ongoing wars in the Middle East and Ukraine have enhanced geopolitical risks and raised uncertainty in commodity markets, which might have a detrimental influence on global growth.

Elections are forthcoming in roughly 65 countries and are expected to significantly impact the course of the global economy by impacting changes to trade and investment policy. Of greatest consequence is the United States, the world's largest economy. Policymakers are closely observing the November 2024 presidential election, contemplating whether it would ignite or suppress activity in the global economy and financial markets.

The globe stands at the cusp of a technological revolution with the potential to ignite productivity, elevate global growth, and enhance incomes worldwide. Numerous studies have forecast the possibility of jobs being supplanted by artificial intelligence (AI), while other research suggests that AI is poised to complement human labour. Either way, policymakers will need to develop policies aimed at responsibly harnessing the technology's immense potential.

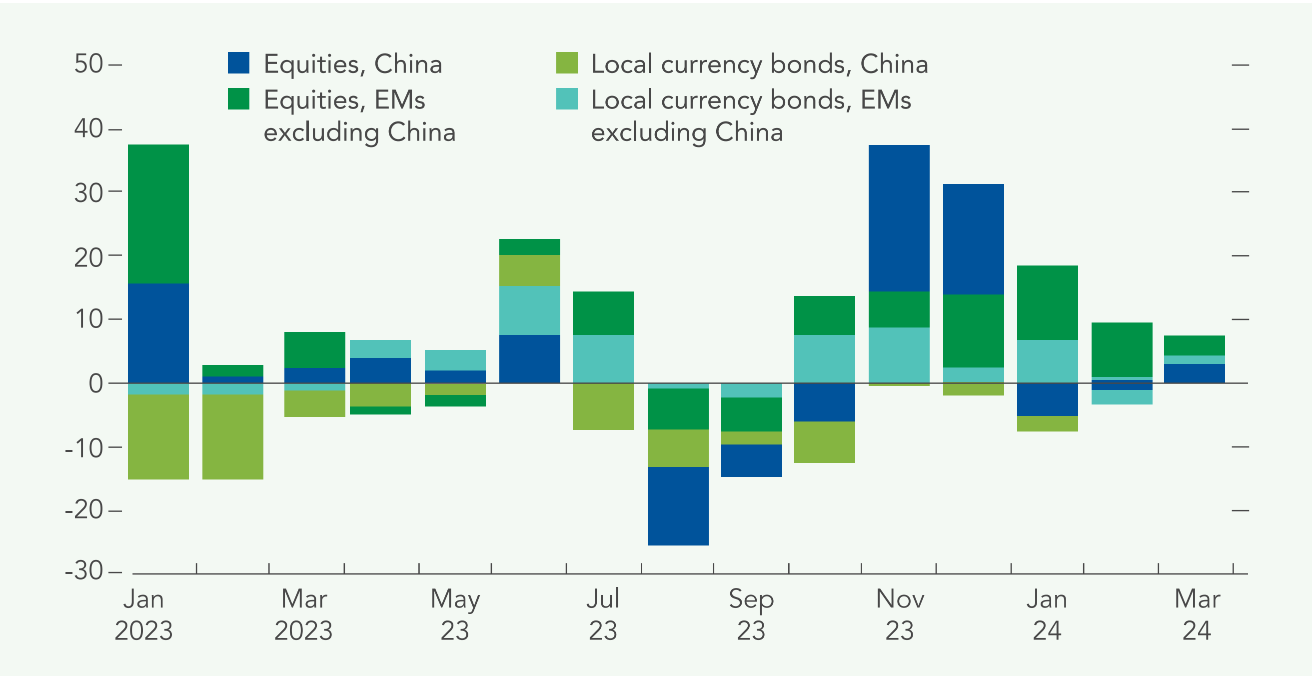
Climate change poses a significant threat to lives, societies, and economies, resulting in unprecedented biodiversity loss and ecosystem degradation. Hurricanes, heatwaves, floods, and other extreme weather events are claiming lives and destroying livelihoods. Though projections regarding the precise magnitude, pace, and regional variations of climate change are uncertain, its repercussions will disproportionately affect developing nations.

WORLD INVESTMENT OUTLOOK

The previous year witnessed a negative outlook on global investment, as a combination of health crises, climate change anxieties, and economic disruptions led to extensive investor uncertainty. The rise in inflation, concerns about a recession, and instability in financial markets delayed numerous investment projects. Notwithstanding these difficulties, investors showed greater tenacity than what was expected.

In 2023 the global financial market sentiment turned optimistic. This is due to the projections of global disinflation coming to an end and monetary policies becoming less stringent. Although global interest rates fell, stock markets have experienced an approximate 20% surge (IMF, 2023). The spreads for both corporate and sovereign borrowing have also decreased, resulting in a general ease of global financial conditions. The current conducive conditions, marked by a higher willingness to take risks, have led to a resurgence of capital flowing into developing countries, as depicted in Figure 6.

Figure 6: Investment Flows to Developing Countries



Source: World Bank, 2023

In addition, several low-income countries have taken advantage of the favourable investor attitude to issue government bonds following a long period of inactivity. Therefore, the expected probability of money leaving emerging markets in the coming year has reduced.

SOUTH AFRICA'S ECONOMY

For nearly 15 years, South Africa's economy has shown sluggish growth, with GDP expansion rates falling short of those observed before the global financial crisis of 2008-09. South Africa narrowly skirted a technical recession in the last quarter of 2023. The National Treasury anticipates a modest 1,3% growth in GDP in 2024.

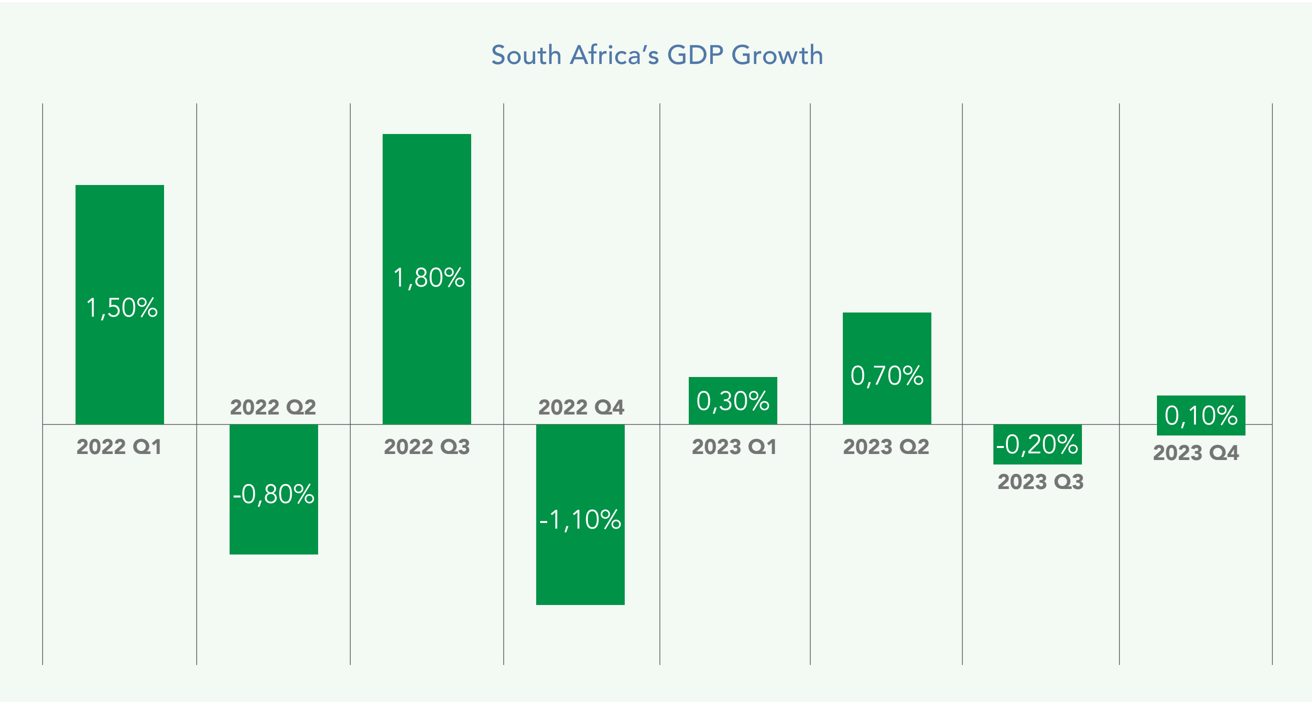
Electricity supply shortages have constrained South Africa's economy for several years, exerting significant pressure on key sectors and impeding overall productivity. Load-shedding has immensely impacted the agricultural sector which has affected the food supply. SMMEs, on the other end, spend thousands of rands on alternative sources of energy, which diverts their investment spending away from expanding their businesses. There has, however, been some relief with energy supply stabilising in 2024 as Eskom improves its existing fleet and private sector projects come online.

Similarly to other nations, South Africa's economy has been impacted by the geopolitical tensions between Ukraine and Russia. Additionally, natural disasters such as the devastating floods in KwaZulu-Natal in 2022, have inflicted significant damage to infrastructure, agriculture, and livelihoods, exacerbating existing economic vulnerabilities.

GDP

Since 2012, the average GDP growth rate has stood at a mere 0,8%, a pace of economic expansion that fails to tackle the persistent challenges of high unemployment and poverty adequately. The annual GDP growth rate for 2023 was a mere 0,6%. While growth was positive early in the financial year, by the third quarter the economy was in decline, recovering only slightly in quarter four.

Figure 7: Quarterly GDP Growth 2022/23



Source: StatsSA, 2023

Inflation & Interest Rates

In 2023, the South African Reserve Bank (SARB) increased the overnight repo rate from 7,0% to 8,25%, the highest rate in 14 years. Although aimed at stabilising inflation, the measure inadvertently increased the cost of borrowing for consumers and businesses, reducing the disposable income of citizens and thus dampening consumer spending, which is a key driver of economic growth. Furthermore, the rise in monthly debt service for consumers diverts income from important expenditure such as food and healthcare. In 2023, a study conducted by FinMark Trust found that financial pressure resulted in two out of every five South African adults resorting to borrowing money to buy food.

Consumer price inflation averaged 5,9% in 2023, outpacing the average increase of salaries and wages of 4,8%. This indicates a reduction in purchasing power of 1,1 percentage points, following a nearly 3,0 percentage point decrease in the previous year. According to StatsSA, in 2023 inflation-adjusted sales at general retailers, which encompass food and beverage products at non-specialised stores, decreased by 2,2%. This downturn in sales is driven by a decrease in consumer purchasing power.

Currency

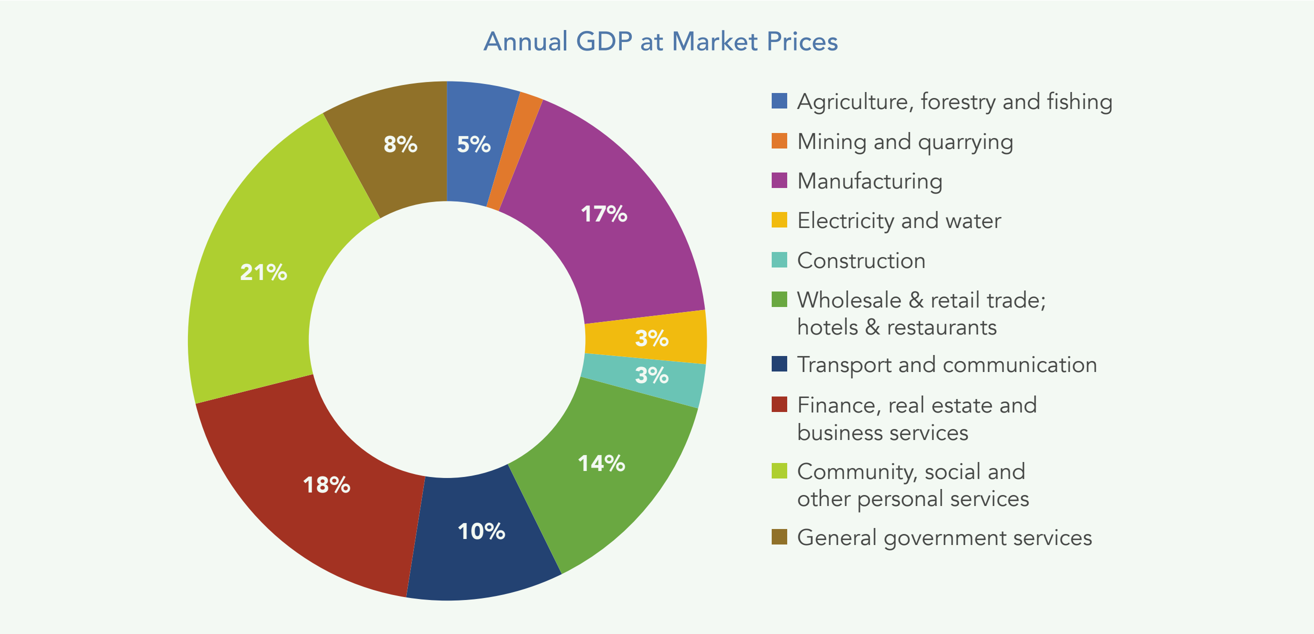
Over recent years, the Rand has experienced significant depreciation starting at R8 to the dollar in in 2008 and peaking at R23,87 to the dollar in 2019. Several factors have contributed to the Rands depreciation including political uncertainty and the persistent challenge of load shedding, amongst others. The Rands fall in value impacts various sectors of the economy, increases the cost of servicing government's foreign debt, which currently amounts to R5,2 trillion or 74% of GDP, and increases the cost of imports.

KWAZULU-NATAL ECONOMY

KwaZulu-Natal (KZN) remains South Africa's second-largest provincial economy, despite significant constrains. The province boasts a GDP of R488 billion, contributing 16% of the national GDP, but has an unemployment rate of 31,4%. KZN is home to the Durban and Richards Bay ports, which handle around 60% of South Africa's cargo traffic. Richards Bay is a significant hub for bulk export operations, making a substantial contribution of more than 4% to world aluminium exports.

Figure 8 shows that the Community, Social and Personal Services Sector (21%) contributes the most to the KZN economy, followed by Finance, Real Estate and Business Services (18%); Manufacturing (17%); and Wholesale and Retail (14%). Compared to other provinces the mining sector makes only a small (1%) contribution to the economy.

Figure 8: KZN GDP per Sector, 2023



KZN has an exceptionally varied agriculture sector. It is the leading timber producer in the country, accounting for more than 50% of the nation's timber production and plays a significant role in wood exports. Moreover, the province is a leader in the cultivation of sugar cane and is home to the largest sugar processing facilities in the country. KZN also boasts the Automotive Supplier Park, which was developed in 2021 and has created over 1 300 jobs in the province.

In recent years, the provincial economy has suffered several shocks. The civil unrest in July 2021 resulted in billions in damages, the destruction of key infrastructure, and loss of life. In 2022, KZN was hit by devastating floods, causing widespread damage to homes, businesses, infrastructure, and agricultural land. The impact on the economy was substantial, with disruptions to transportation networks, loss of crops, damage to property, and interruptions to business operations. The government, together with various stakeholders, have implemented measures to rehabilitate infrastructure, support affected businesses, and aid communities impacted by the floods.

The increased incidents of truck torching in KZN have also had a significant impact on the local economy. Not only do these incidents disrupt the logistics sector but they also present a significant threat to other industries crucial to the provincial economy. This pattern of extortion has the potential to deter key investors and adversely affect regional trade.

Both the economies of South Africa and KZN are grappling with formidable challenges hindering substantial growth. In the face of the prevailing economic conditions in both South Africa and KZN, it becomes imperative for policymakers, government officials, and stakeholders to collaborate effectively and implement strategic measures aimed at addressing these challenges and fostering economic growth.

Impact on the IDFC

IDFC is a provincial development finance institute (DFI), committed to fostering growth and inclusive development across KZN. The ability of IDFC to issue finance, collect repayments, rent properties, and grow its banking customers is in many ways dependent on economic forces beyond the organisation's control.

As a DFI operating within the framework of South Africa's financial system, IDFC must also adhere to various governmental directives and initiatives. Furthermore, broader macroeconomic policies, such as fiscal and monetary measures implemented by the government, have implications for IDFC's financing activities. Changes in interest rates, inflation targets, or fiscal stimulus programs influence the cost of borrowing, credit demand, and investment appetite, all of which affect IDFC's lending portfolio and profitability.

STRATEGIC OUTCOMES AND TARGETS: 2020-2025

The IDFC has established strategic outcomes, outcome indicators and five-year targets, linked to the 2021 -2025 Strategic Plan (Table 1).

Table 1: IDFC Strategic Outcomes and Targets (2021-2025)

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Strategic focus area PROMOTE: Encourage the participation of the private sector and community organisations in development projects and programmes, and in the development of human resources and social, economic, financial and physical infrastructure in the province.		
Outcome 1: Increased investment in development programmes and projects by strategic partners	1.1. Cumulative Rand value of investment attracted into provincial development programmes and projects	Business Finance (matched funding): R500 million Properties (partnership investments in properties): R650 million
Outcome 2: Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors	2.1. Return on Investment in the Property Portfolio	>8,8%
	2.2 Vacancy rate of gross lettable space	<10%
	2.3. Percentage growth in the asset value of properties over the five-year period	25% (5% per annum)
	2.4. The number of new developments and industrial hubs revitalised over the five-year period	Five (5)
	2.5. Cumulative number of jobs created through infrastructure development and new leases	7 069 jobs from 2020/21 to 2024/25
Strategic focus area SUPPORT: Provide financial and non-financial support and assistance to KwaZulu-Natal residents and enterprises, to enable them to best participate in the mainstream economy and in the socio-economic development of the province.		
Outcome 3: Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation	3.1. Rand value of the loan book	R1 billion
	3.2. Survival rate of SMME's supported (Percentage of SMME's supported that are operational two years after receiving financial support from IDFC + IDFC loan performing)	70%
	3.3. Cumulative number of jobs created by supported enterprises	10 000 jobs from 2020/21 to 2024/25
	3.4 Percentage of non-performing loans	<60%
	3.5. Percentage of loans with first disbursement within 30 days after loan approval	90%

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Strategic Focus Area FACILITATE: Make it easier to do business and invest, and ensure excellence in the planning, executing, financing and monitoring of the implementation of development projects and programmes in the province.		
Outcome 4: Increased access to economic opportunities for KZN residents and enterprises from designated groups	4.1. Rand value of public sector procurement in KwaZulu-Natal accessed by IDFC supported SMME's and co-operatives over the five-year period (Facilitating access to markets and localisation)	R500 million
	4.2. Percentage of funding allocated to enterprises owned by designated groups: • Black • Women • Youth • PwD's	1. Black, African in particular - 60% 2. Women - 40% 3. Youth - 35% 4. PwD's - 3%
	4.3. Cumulative number of black manufacturing businesses supported to be sustainable participants in historically monopolised sectors	Six (6)
Outcome 5: Effective implementation of development programmes and projects in the province	5.1. Percentage of SLA commitments achieved on assigned projects	90%
Strategic focus area ADMINISTER: Ensure a capable, ethical and sustainable organisation.		
Outcome 6: Sustainable and high-performing organisation	6.1. External audit outcome	Achieve an unqualified audit outcome by 2022/23, and maintain thereafter
	6.2. IDFC cost-to-income ratio	Including grant and Fair Value adjustment: 70% Excluding grant: 75%
	6.3. Percentage customer satisfaction rating (revised methodology)	>90%
	6.4. Percentage overall organisational performance rating	>90%
	6.5. Return on investment of the Ithala Group	5%

BUSINESS FINANCE STRATEGIES

Business Finance Mission

Our mission is to provide financial and non-financial services to SMME's and co-operatives operating within KwaZulu-Natal.

Target Market

Our target market is primarily previously disadvantaged individuals seeking to establish and/or grow their small and medium-sized business.

PROVINCIAL DEVELOPMENT IMPERATIVES RELATED TO SMME AND CO-OPERATIVE FINANCE

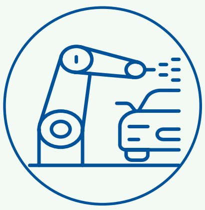
The IDFC extends finance and non-financial support to SMMEs and co-operatives in KwaZulu-Natal. Support is provided in alignment with the Provincial Growth Development Strategy, which sets out the following imperatives:

- Improve access to finance by KwaZulu-Natal based SMMEs and co-operatives;
- Propel sustainable economic development and job creation;
- Drive and support programmes aimed at reducing poverty and inequality;
- Beneficiation in agriculture and manufacturing;
- Enable the tourism and services sectors;
- Institutionalise business support services;
- Rural and township economic development;
- Drive radical economic transformation;
- Improve SMME support interventions;
- Reduce unnecessary red tape;
- Build a culture of service excellence; and
- Drive innovative business solutions.

FOCUS ECONOMIC SECTORS

The IDFC supports economic sectors with the greatest potential to drive economic growth and employment creation in the province, namely:

Agriculture and agro-processing



Manufacturing

Trade and services

Commercial property

Construction

Logistics

Mining

Tourism

KEY CHALLENGES IN BUSINESS FINANCE

Funding

IDFC manages an Enterprise Development Fund on behalf of the KZN EDTEA. The purpose of this Fund is to accelerate development within the province by advancing loans at interest rates below the market. The Fund, and consequently the IDFC loan book, have declined in value over the past several years owing to lack of capitalisation and low collection rates. Efforts are underway to mobilise funding through strategic partnerships and loans and the IDFC is engaging identified partners, including the KZN EDTEA and Industrial Development Corporation (IDC) with the aim of concluding partnerships in the 2024/25 financial year. IDFC is highly dependent on the Fund to advance its on-lending activities and requires re-capitalisation as a matter of urgent priority.

Profitability

The variables affecting profitability are:
- Low interest rates charged on the Enterprise Development Fund of between 2% and 7%;
- Reduction in management fees on the Enterprise Development Fund;
- IFRS 9 interest income recognition on stage 3 loans; and
- Increased provisions due to the high level of non-performing loans.

A series of portfolio management processes were introduced to manage the profitability risk during the year under review. These include efforts to increase collections as well as client visits to review performance and detect early warning signs of non-payment.

Non-Performing Loans

The percentage of Non-Performing Loans (NPLs) at the close of the financial year is 62,76%. While this is an improvement from 2022/23, the high NPL ratio remains a major cause for concern. For this reason, Business Finance has embarked on a strategy aimed at improving the performance of its loan book. This strategy involves:
- Increasing the loan book to R1,1 billion by the end of the 2024/25 financial year, and R1,2 billion by the end of 2025/26;
- Aggressive collections from high value non-performing loans extended under the IDFC Fund and Enterprise Development Fund;
- Expediting the legal recovery process;
- Restructuring of non-performing loans that are potentially viable and meet the necessary criteria; and
- Pro-active and close monitoring of all performing loans to prevent them from slipping to the non-performing loan book.

Adverse Market Conditions

South Africa's SMMEs are disproportionately impacted by the adverse market conditions which constrain growth across the economy. Limited access to finance, exacerbated by high interest rates, the exorbitant cost of load-shedding, and weak infrastructure limit SMME growth. These challenges are further pronounced in rural and township communities where businesses are further removed from established markets.

The KZN TRERS seeks to catalyse township and rural economies. As a provincial development financier, the IDFC plays a critical role delivering both funds and support to businesses in target communities. To this effect, IDFC created a Township and Rural Economy Investment Policy, which is aligned to the province's overarching development framework and seeks to provide holistic implementation of TRERS with a focus on identified gaps and opportunities.

Critical to the IDFC approach is an understanding of the challenges faced by township and rural SMMEs, and the barriers to providing support. This includes the applicant's inability to meet qualifying criteria, non-viable business propositions, and negative credit profiles. To overcome these challenges IDFC is developing a strategy to provide sustainable financing for rural and township businesses.

Inadequate Secondary Source of Repayments

IDFC provides loans and other business support to previously disadvantaged South Africans who, largely because of historic inequalities, often have minimal or no collateral. As a result there is often no source of recovery available should businesses default on their loans. Business Finance is working to mitigate this risk by improving security.

Information Technology

IDFC recognises the importance of a transition to digital banking to remain competitive in the sector. However, owing to budget constraints, implementation of the Commercial Lending System was deferred from 2023/24 to 2024/25. This system will enhance the commercial lending process in a comprehensive, organised and secure way. Once complete, IDFC will be better equipped for the effective implementation of business rules and strategies, with quick and intuitive access to information for monitoring, management and decision making.

BUSINESS SUPPORT SERVICES

The historic performance of IDFC-funded businesses illustrates the need for non-financial support, designed to nurture, grow and sustain our clients. These services are referred to as Business Support and are provided in partnership with the following organisations:

Trade and Investment KZN (TIKZN) – provides business retention support to clients.

Agriculture Development Agency (ADA) – provides financial and non-financial support to clients in the agriculture and agro-processing sectors.

National Construction Incubator (NCI) – provides non-financial support to clients and service providers in the built environment.

Umzinyathi Development Agency (UDA) – provides financial and non-financial support to clients in the built environment.

The Post Investment Management team has five staff members dedicated to the proactive monitoring of loans and the provision of post investment support to clients. The team also attends to the turnaround and restructuring of ailing businesses that are viable or potentially viable.

KEY PERFORMANCE INDICATORS

The Business Finance Department has set out the following Key Performance Indicators (KPIs):

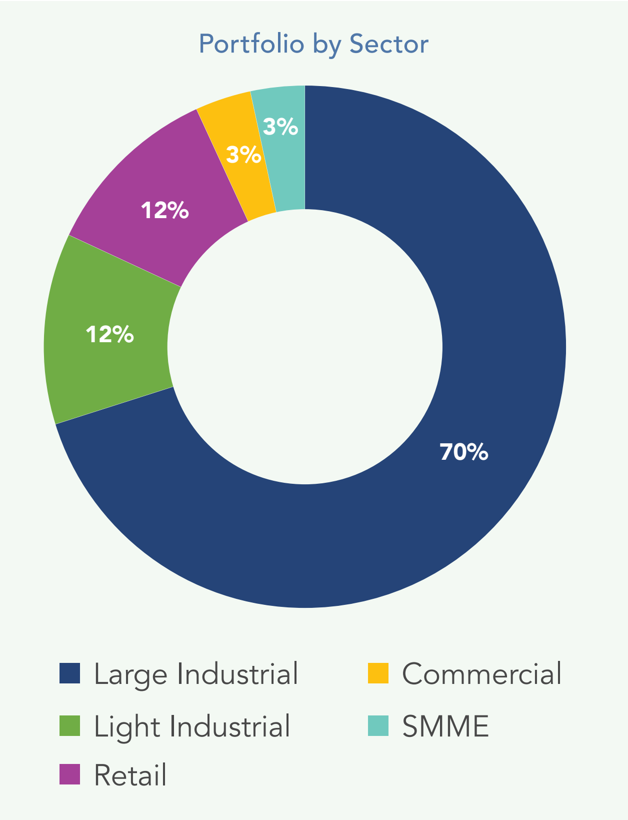
- Increase in the number of start-up businesses;
- Increase in the success rate of start-up businesses;
- Decrease in business failures;
- Increase in the average lifespan of existing businesses; and
- Number of training mentorship programmes implemented for SMMEs.

PROPERTIES STRATEGY: 2020-2025

Portfolio Overview

IDFC's property portfolio represents a diverse mix of industrial and commercial sites. Figure 9 illustrates the property portfolio by sector, including large industrial (70%), light industrial (12%), retail (12%), commercial (3%) and SMME space (3%).

Figure 9: Property Portfolio by Sector



Large Industrial Properties

The large industrial portfolio consists of three Industrial Estates, Isithebe Industrial Estate (Mandeni), Ezakheni Industrial Estate (Ladysmith) and Madadeni Industrial Estate (Newcastle). Prior to 1990, these Industrial Estates received infrastructure funding and other government incentives to encourage business development.

The Industrial Estates constitute 70% of the IDFC's property portfolio and comprise factories ranging in size from 200m² to 35 000m². Collectively it is estimated that 24 000 people are employed in the estates, making them a critical part of the IDFC's portfolio from a developmental perspective. IDFC is also responsible for the provision and maintenance of infrastructure and municipal services in the Industrial Estates, including electricity, water, sewage, refuse removal and roads.

Light Industrial Portfolio

The light industrial portfolio consists of multi-unit industrial parks located in the eThekwini Municipal area and two complexes co-owned with Growthpoint. IDFC's light industrial parks are strategically located in prime locations, thus attracting quality small manufacturing and service-related businesses.

Retail Portfolio

The retail portfolio comprises 21 shopping centres, with 480 tenants in the year under review. Retail properties cater to both small businesses and national tenants, with shops ranging in size from 4m² up to 5 158 m².

Commercial Portfolio

The commercial portfolio consists of 13 properties, including six office blocks and seven other commercial buildings. Two office blocks are occupied by IDFC, including the Ithala Trade Centre located in Durban's Point Waterfront Precinct. The remaining space is rented as part of the leasing portfolio, accommodating 35 tenants in the year under review.

SMME Portfolio

IDFC's SMME portfolio comprises 43 micro-industrial parks found predominantly in townships and rural areas across KwaZulu-Natal. These parks are let as small industrial factories, handicraft centres and motor parks, accommodating 226 tenants in the year under review.

In addition to the Property Portfolio, IDFC owns vacant land including 167 fully serviced sites located within industrial estates, 19 commercial sites and 235 residential sites. A total of 110 of IDFC's vacant sites are illegally occupied. During the reporting period the IDFC finalised the assessment and verification of all vacant land, excluding the sites located within the industrial estates. The plan is to attend to any findings in the 2024/25 financial year.

Key Challenges

IDFC's Properties Business Unit faces six key challenges:

1. **Deteriorating Property Condition:** IDFC's property portfolio is aging and requires urgent intervention to restore functionality and ensure adherence to changing compliance issues.
2. **Competition:** Where the IDFC was once the sole provider of commercial and retail property in townships and rural communities, the organisation now faces competition from the private sector.
3. **Profitability:** Operational expenses are increasing at a rate higher than rental escalations, thus requiring specific management action plans and interventions.
4. **Growth:** The property portfolio has remained stagnant over the past 15 years.
5. **Funding:** The portfolio needs urgent funding to recapitalise assets, address the current condition, and create growth opportunities.
6. **Decline in the Industrial Sector:** South Africa's industrial sector faces significant pressure because of the electricity crisis, which has drastically increased production costs, and the deterioration of road and port infrastructure, which limits access to domestic and international markets. Consequently, there are fewer manufacturing businesses seeking industrial space.

PROPERTIES BUSINESS STRATEGIC OPTIONS

Recapitalise and Grow the Property Portfolio

IDFC continued to implement a planned capital investment programme through the 2023/24 financial year, to ensure continued functionality and compliance within the Property Portfolio. This includes continuation of the roof replacement strategy for Industrial Estates, which will extend the life span of affected buildings by 15 to 20 years, as well as the installation of automatic sprinkler systems in applicable factories.

Strategic Partnership to Access Viable Capital

IDFC is also pursuing strategic partnerships to access capital for property investment. The following developments have been identified:

- Re-model of Wilsons Wharf
- Re-model the Manguzi Shopping Centre
- Re-build and re-model the Umlazi Shopping Centre
- Re-build and re-model the Kwamashu Shopping Centre

Execute an Asset Management Strategy

The Property Portfolio provides IDFC with capital appreciation and rental income. IDFC is developing a robust strategy to invest this income in strategic infrastructure and high performing properties. The aim is to derive additional income, build sustainability within the IDFC and promote economic development in KZN.

Focus on Rental Vacancy Reductions

The financial health of the Property Portfolio depends on the ability to attract and retain tenants and reduce vacancy rates across all property types. IDFC has a marketing strategy to attract tenants and is building retention through the delivery of business support services.

Well Maintained and Compliant Property Portfolio

IDFC conducts regular, conditional assessments of infrastructure and buildings to enable the attraction of quality tenants to a well maintained and compliant property portfolio.

IMPLEMENTING AGENCY STRATEGIES

MANDATE

In terms of the IDFC Act (No 5 of 2013), as amended, one of the primary objectives is to plan, execute, finance, and monitor the implementation of development projects and programmes in the province of KwaZulu-Natal.

VISION

To be a partner of choice in catalysing the development of sustainable projects and programmes in the province of KwaZulu-Natal.

MISSION

To drive economic development and empowerment through implementation of projects and programs whilst remaining financially sustainable.

STRATEGY

Ithala has a clearly defined Implementing Agent Strategy to ensure that projects and programs are implemented efficiently and effectively while remaining financial sustainable. The strategic objects are as follows:

- Establish and capacitate the Implementing Agent Division;
- Establish the policy framework;
- Efficient and effective delivery of catalytic projects and programmes;
- Increase revenue generation; and
- Forge relationships, collaborations, and partnerships through business development.

The spirit of partnership must be articulated through all implementing agent activities to solicit stakeholder support and buy-in for IDFC activities.

ENTERPRISE RISK MANAGEMENT

ADDRESSING RISK

Defining Risk within the Organisation

IDFC defines risk as any factor that may hinder the achievement of desired business objectives or lead to adverse outcomes or failure. The Enterprise Risk Management (ERM) System addresses several categories of risk, including strategic risks, operational risks and the risk of fraud.

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It includes processes and systems, regulatory compliance, legal risk and business continuity. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including issues that impact IDFC's day-to-day operations. Fraud risks entail intentional misconduct, designed to conceal detection and provide the perpetrator with unlawful gain.

Principles of Risk Management

Risk management at IDFC is guided by the following principles:

- Protect IDFC's reputation through a sound risk culture and attitude;
- Compliance with regulatory requirements and principles;
- A strongly defined risk management structure;
- Communication and coordination between the Executive Committee (EXCO) and Executive Management; and
- Communication and coordination between and the ARC and the Board.

Identifying, Monitoring and Managing Risk

Management is responsible for identifying and assessing risks that IDFC may face in the execution of its strategy, including strategic risks, operational risks, and fraud risks in all areas of business. Risks are monitored by the ARC on a quarterly basis through the adoption and implementation of an ERM Framework, enhancing risk management at both the Strategic and Operational Risk levels in the organisation.

The ARC reviews the ERM Framework periodically and oversees the control and enhancement of systems, policies, practices and procedures. The intent is to ensure that all risks, including key risk indicators, risk appetite, tolerance and avoidance levels are identified, measured, controlled, monitored and reported on. The risk appetite is monitored and reviewed on an ongoing basis in line with changing economic conditions.

The 2023/24 financial year was particularly challenging from a risk perspective due to the continued negative impact of global economic conditions with severe impact on our Business Finance and Properties clients. Thus, the risk associated with rental collections and loan repayments increased during the year under review. As a result, the ARC undertook very close monitoring of the cash position of IDFC, in line with our risk appetite and the rapidly changing environment.

IDFC undertakes various measures to proactively manage risk. Strategic risks are reviewed annually in alignment with the strategic objectives and direction of the organisation, ensuring that key risk indicators, risk appetite, tolerance and avoidance levels are also updated. IDFC has formally appointed risk champions in all Business Units, which enables the organisation to improve its risk maturity level. IDFC has created a strong culture of risk and ethical practices within the organisation, including the management of ethics and fraud risks, which is spearheaded by the Anti-Fraud and Ethics Committee. The Committee submits quarterly reports to the relevant Board Committees.

Strategic Risk Register

Management is committed to a robust risk management process that ensures IDFC assets are protected and, where necessary, that risk is mitigated through adequate insurance. An IDFC risk workshop was held in January 2023 during which the strategic risk register was revised and mapped to IDFC's strategy. In total 16 strategic risks were identified.

Table 2: Strategic Outcomes and Risks

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
1.	**Outcome 1:** Increased investment in development programmes and projects by strategic partners	Financial Sustainability Risk	• IDFC Strategy implemented and monitored. • Monitoring and tracking the APP. • Strategic Partnership Policy implemented. • Post Investment Monitoring process used to prevent non-performing loans. • Committees and Approval Structures in place for the assessment and approval of client loan facilities. • Risks on new loan applications assessed by the Internal Credit Risk Committee. • Strengthening of the Technical Investment Support Units due diligence and financial analysis on new loan applications, to mitigate against default in the IDFC's high-risk market. • Enhancing debtor management processes. • Implementation of lending policies and a plan for the reduction of non-performing loans, which includes security requirements. • Enterprise Development Fund (EDF) policy has been amended in relation to the five C's of the credit assessment. • Monitoring of loan thresholds as defined in Concentration Risk Policy. • Defined processes for pre and post business support functions. • Classification of clients and implementation of a Collection Plan for the 10 highest value clients. • Regular valuation of collateral for loans. • Daily cash on hand (cash availability), monthly income and expenditure monitoring by the Group CFO. • Monthly cash flow forecasting submitted to EXCO and Board Sub-Committees. • Weekly available funds confirmed with Finance prior to submitting to Management Credit and Investment Committee (MCIC). • Strict expenditure control and cost containment plan. • Budget adjustment to meet minimum cash reserves. • Benchmarked cost structures across the organisation. • Review of current operating model across the organisation. • Additional revenue generated on implementing agent programmes and projects. • Brand awareness initiatives. • Property Investment Committee established to deal with strategic property matters and investments. • Reviewed and refined Business Finance processes and updated SOP's. • Development and implementation of the business development strategy has been incorporated into the updated marketing and communications strategy and included as part of the marketing monthly plans. (i.e. establishing an MOU with Districts which creates opportunities for Finance, Properties and Implementing Agents).
2.	**Outcome 2:** Property Portfolio optimised for tenant retention and attraction	Property Portfolio Investment Risk	• Benchmark reports on rentals per portfolio including a rental valuation exercise to inform rental rates. • Management information reports. • Implementation of approved Property Management and Asset Management Policies. • Implementation of the Property Strategy, Customer Services Strategy, and Properties Maintenance Plan. • Updated the Properties Maintenance Plan to address operational expenditure, infrastructure and new developments. • Physical security in place. • Ensuring adequate insurance claim cover. • Strengthening stakeholder engagements.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
3.	**Outcome3:** Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation	SMME Sustainability Risk	• Ring fencing funds for SMME's. • Skills development workshops to provide non-financial support to clients. • Restructuring and turnaround of loans to assist SMMEs through payment holidays and delaying repayment plans. • Business support function established and capacitated to support business sustainability and job creation. • EDTEA Steering Committee in place to ensure alignment with the Provincial Development Plan. • Alternative funding mechanisms established through strategic partnerships with the public and private sector. • Quarterly Economic Reports including GDP, growth, interest rate, and the impact on Business Finance and Properties. • Post-investment monitoring and client visits.
4.	**Outcome 4:** Increased access to markets and funding for KZN residents and enterprises from designated groups	Markets, Localisation, and Transformation Risk	• SCM Preferential Procurement Process, B-BBEE Policy, Enterprise Development Fund and IDFC Investment Policies implemented. • Implementation of rural and township economy strategy and implemented Operation Vula, Zimele Traders Fund and Bulk Buying programme to support SMMEs. • Business support function established and capacitated to support business sustainability and job creation. • MOUs with strategic partners including district municipalities, departments, Durban Chamber of Commerce, business trade fairs, business associations and the DTIC for supplier development programs and access to local and overseas markets. • Checking suppliers against the Treasury database to confirm validity and ensure they are not blacklisted. • Cession arrangements with suppliers. • Established a methodology for risk rating and vetting the viability of the informal market.
5.	**Outcome 5:** Effective implementation of development programmes and projects in the province	Programme Delivery Risks	• Implementing Agent Project and Programme Management Policy developed, approved and implemented. • Business support function established and capacitated with staff members. • Quarterly Project Reports presented to project owners, Committees, and the Board. • Vetting of SLAs by the legal team before signing. • SLA compliance and delivery monitored by the Organisational Strategy, Performance, and Efficiency (OSPE) Unit.
6.	**Outcome 6:** Sustainable and high-performing organisation	Reputational Risk	• Corporate Governance Framework in place. • Pro-active media monitoring. • Marketing and Communications Strategy updated and approved. • Developed and approved Annual Marketing Plan. • Updated and approved Stakeholder Engagement Strategy and Plan. • Monthly Marketing and Communications Activity Plan in place and reported quarterly to EXCO, HRSEC and the Board. • Public relations broadcasts portraying a positive image of IDFC. • Fraud Risk Register to identify and track risks relating to fraud together with mitigating actions. • Anti-Fraud and Ethics Policy and Ethics Management Strategy in place. • Anti-Fraud and Ethics Committee (AFEC) to deal with fraud and ethics trends in the organisation. • Whistleblowing Policy and Hotline for reporting allegations of fraud and corruption. • Investigations are conducted on allegations of fraud and corruption. • Ethics training conducted across all levels of the organisation. • Segregation of duties between Business Finance and Credit Risk. • Management and Board Committees for assessing the viability and risk appetite for loan applications. • Entering into MOUs with strategic business partners to assist in building the KZN economy. • Property Maintenance Plan implementation.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
7.	**Outcome 6:** Sustainable and high-performing organisation	Innovation and ICT Risk	• Budget for execution of the ICT Strategy, which drives the ICT budget and project implementation as per the approved prioritisation. • Board approved business cases for new systems. • Management and execution of the ICT strategy to ensure alignment with the Departmental scorecard. • ICT Steering Committee, Governance Framework and Governance Committee provides regular oversight. • Training of the ICT team to ensure skills align with industry development. • Engaging markets to identify suitable ICT solutions for business processes. • Revision and implementation of the enterprise architecture. • Updated Return on Investment (ROI) Framework and tool to monitor the effectiveness of systems utilisation. • SLA with Ithala SOC regarding support for the AS 400 system.
8.	**Outcome 6:** Sustainable and high-performing organisation	Compliance Risk	• Annual Compliance Plan, monitoring, and quarterly reporting. • Quarterly monitoring of performance using scorecards. • Legal compliance function identifies upcoming legislation impacting the IDFC. • Compliance log to track non-compliance with key legislation. • Training of Board and staff on legislation changes. • Internal Audit provides assurance on adequacy and effectiveness of controls. • Internal Audit reviews effectiveness of the compliance division. • The balanced scorecard of all employees includes compliance with legislation under the operational efficiency KPA. • Sufficient board members have been appointed in the year under review.
9.	**Outcome 6:** Sustainable and high-performing organisation	Fraud Theft and Corruption Risk	• Fraud Hotline to report irregular and fraudulent activities. • Reporting to the ARC on fraudulent and unethical activities. • Forensic Investigation Unit conducts investigation and reports irregular and fraudulent activities. • Employees annual declaration of interest and declarations are updated as and when required. • Updated the Code of Ethics Policy. • Ethics Survey conducted every three years to assess employee perception of IDFC's ethical environment. • Continuous monitoring by Management on implementation of controls. • Consequence Management Policies and procedures in place. • Policies and procedures to support implementation of consequence management. • Quarterly awareness and training initiatives on ethics, values and fraud trends. • Roll out and training on disciplinary management policies and procedures. • Fraud Risk Register developed and monitored continuously. • Cash threshold and suspicious transactions reporting. • Segregation of duties is driven through delegation of authority. • Governance structures in place to ensure oversight and compliance with policies and procedures. • Anti-Fraud and Ethics Committee established to mitigate fraud and enhance the ethics environment.

No.	Strategic Outcome	Risk	Controls in Place to Manage Risk
10.	**Outcome 6:** Sustainable and high-performing organisation	Talent Management Risk and Emotional Wellbeing of Employees	• HCM Talent Acquisition, Talent Development and Performance Management Policies and Procedures in place. • Remuneration and Benefits Policy and Procedures and Employee Value Proposition (EVP) Framework developed to offer employees attraction and retention benefits. • Training and development programmes developed to address gaps identified in Individual Development Plans (IDPs). • Annual remuneration benchmarking exercise conducted. • Implementation of a succession plan with key talent identified. • Skills mapping against business needs. • Employee incentive bonus scheme in place. • IDFC has an Employee Assistance Programme (EAP) for staff and their families which is communicated to employees. • Hosting of Annual Wellness Days which are open to all staff. • Offering subsidised medical aid to employees. • Business process re-engineering in HR - revised recruitment process. • Automation of HR processes (i.e. E-recruitment) as part of the ICT digitisation agenda. • Management appraises employees in accordance with relevant policies for HCM.
11.	**Outcome 6:** Sustainable and high-performing organisation	ROI (subsidiaries)	• Regular Joint Board Meetings (Ithala SOC Limited). • Quarterly feedback from the subsidiary boards to the shareholder. • Shareholder compact developed including defined deliverables, targets and quarterly performance monitoring. • APP for subsidiaries (Ithala SOC Limited). • IDFC nominates Directors to subsidiary boards. • MOA target included as an annexure to the shareholders compact and implementation tracked (Ithala SOC Limited). • Performance of subsidiaries against their APP is included in quarterly reports to the Shareholder. • New Board and Board Committees finalised.
12.	**Outcome 6:** Sustainable and high-performing organisation	Business Continuity and Resilience	• Quarterly Disaster Recovery Plan (DRP) tests conducted. • Implementation of OHS, and BCM policies and plans. • BCM training and awareness.
13.	**Outcome 6:** Sustainable and high-performing organisation	Cyber Security Risk	• Training activities for the ICT team to keep abreast of changes. • ICT Governance Framework and Governance Committee in place. • IDFC users are connecting via secured VPN. • Firewall to prevent intrusions and weekly monitoring of the report. • Antivirus to protect computers against malicious software. • Security tools in place, including enforced email security. • Continuous and automatic detection of vulnerabilities and critical misconfigurations across the IDFC environment, including real-time alerts on zero-day vulnerabilities, compromised assets, and network irregularities. • Event Log Analyser collects, analyses and archives event logs from distributed Windows hosts and Syslogs from distributed Unix hosts or network devices to pick up potential threats and vulnerabilities. • Approved POPI Policy in place to govern the handling of electronic and physical data. • Central PAIA Information Officer to control requests and release information sought from the organisation, in line with policies and legislation. • Password and access controls, including OTPs, that leave an audit trail of access to information, which can only be changed by employees, and ensure devices are not compromised. • Cloud back-up in place for mails, data and files. • Data encryption. • SLAs with service providers. • Annual penetration tests to combat vulnerabilities in the ICT environment.

COMPLIANCE

IDFC operates in a highly regulated environment, and considers all legislative and regulatory requirements when determining the Bank's strategic objectives. Regulatory compliance ensures that IDFC meets its legal and regulatory requirements across the industry. Failure of which could result in litigation.

Compliance is also strategically important in protecting our reputation, minimising our operational risk and setting the standard for a strong compliance culture throughout all business activities. Legal Compliance has forged partnerships with regulatory bodies to strengthen knowledge and working relationships. Regulatory Compliance ensures assurance with legislation and statutory reporting to relevant third-party regulators and the paying of annual levies.

IDFC's strategic objectives are defined in the Ithala Act No. 5 of 2013. The IDFC is a public entity in terms of the Public Finance Management Act No. 1 of 1999 and is listed under Schedule 3D of the Act. IDFC is defined as an Accountable Institution in terms of Schedule 1 of the Financial Intelligence Centre Act No. 38 of 2001.

IDFC is also a registered credit and authorised financial services provider in terms of the National Credit Act No. 34 of 2005 (NCA) and Financial Advisory and Intermediary Services (FAIS) Act No. 37 of 2005, respectively.

Key control measures put in place to mitigate the risk of non-compliance include the development of compliance manuals, policies and procedures and Compliance Regulatory Management Plans (CRMPs). During the past financial year, IDFC focused on testing the CRMPs and embedding a compliance culture within the organisation.

IDFC has also adopted a Compliance Risk Management Framework that is aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa, which supports the active management of compliance risk.

The regulatory compliance universe was developed to integrate compliance legislation affecting all business processes. It addresses all legislation with a potential impact on IDFC, identified in consultation with Business Units. A list of key legislation is provided in Table 3.

Table 3: IDFC Key Legislation

IDFC KEY LEGISLATION	
No.	**Legislation**
1.	Financial Intelligence Centre Act, No. 38 of 2001 (FICA)
2.	National Credit Act, No. 34 of 2005 (NCA)
3.	Public Finance Management Act, 1999
4.	Preferential Procurement Policy Framework Act, No. 5 of 2000
5.	Ithala Development Finance Corporation Act, 2013
6.	Protection of Personal Information Act, 2013 (POPI)
7.	Occupational Health and Safety Act, No. 85 of 1993
8.	Labour Relations Amendment Act, No. 6 of 2014
9.	Consumer Protection Act, No. 68 of 2008
10.	Prevention and Combating of Corrupt Activities Act, No. 12 of 2004
11.	Electronic Communications and Transactions Act, 2002
12.	Property Practitioners Act of 2019
13.	Security by Means of Movable Property Act, 1993
14.	Superior Courts Act, 2013
15.	Magistrates Court Act, 1944
16.	Prevention of Organised Crime Act, No.121 of 1998 and amendments thereto
17.	Broad Based Black Economic Empowerment Act, No. 53 of 2003
18.	Skills Development Act, No.97 of 1998
19.	Skills Development Levies Act, No.9 of 1999
20.	Basic Conditions of Employment Act, No. 75 of 1997
21.	Employment Equity Act, No. 55 of 1998
22.	Financial Advisory and Intermediary Services Act, No. 37 of 2002
23.	Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998
24.	Promotion of Equality and Prevention of Unfair Discrimination Act, 2000
25.	Protection of Constitutional Democracy against Terrorist and Related Activities Act (POCDATARA)
26.	Construction Industry Development Industry Development Board Act, 2000 (CIDB Act 38 of 2000)
27.	Protected Disclosures Act, 2000
28.	Value Added Tax Act 89 of 1991
29.	Private Security Industry Regulation Act, (Act No. 56 of 2001
30.	Unemployment Insurance Act, 2001
31.	Companies Act, 2008
32.	Pensions Funds Act, 1956

During the year under review, the Regulatory Compliance Division continued with the ongoing monitoring of compliance with the above legislation, identifying, measuring, aggregating and testing CRMP's, monitoring management actions and reporting the level of compliance thereto to governance structures.

The Legal Compliance Division assists to implement efficient business processes, capable of improving operations within the IDFC to ensure regulatory compliance. IDFC's Board actively promotes a stakeholder-inclusive approach regarding the governance of the organisation.

FRAUD PREVENTION

Fraud prevention and mitigation activities are aimed at safeguarding IDFC's reputation, and minimising any financial loss due to fraud, financial crime, and misconduct from staff and or external third parties. Fraud prevention includes the development of a detailed fraud risk register, ongoing monitoring of controls implemented, and reporting to management committees and the ARC on fraud risks and activities.

IDFC undertakes the following interventions to manage risk of fraud:

- Instil in employees a sound ethical culture and value's driven ethos;
- Ethics and fraud awareness staff training;
- Updating of the fraud prevention and whistle blowing policies, Code of Conduct and the Ethics Strategy;
- Maintaining an independently managed whistle blowing reporting process for suspected fraud and employee misconduct;
- Independent investigation of reported matters;
- Ensuring corrective action is taken against any persons implicated in fraudulent activities;
- Maintaining adequate and effective internal controls;
- Ensuring timeous and accurate processing of transactions;
- Regular Anti-Fraud and Ethics Committee (AFEC) meetings to deal with fraud and ethics trends in the organisation;
- Independent internal and external audit assurance reviews of controls and reporting to the ARC; and
- Cash Threshold and suspicious transactions reporting.

STAKEHOLDER CONTEXT

In determining our strategy to deliver against our developmental mandate, we remain ever mindful of the diverse needs of stakeholder groups. These groups have either a direct or indirect economic and social interest in IDFC's business activities and are in a position to affect or be affected by our decisions, actions, objectives and policies.

Table 4 provides a list of stakeholder groups, preferred engagement methods and expectations, as well as IDFC's response to these expectations.

Table 4: Stakeholder Groups and Expectations

Stakeholder	Engagement Method	Stakeholders Expectations	IDFC's Response
Provincial Government	• Quarterly performance reports • Quarterly meetings • Annual general meeting • Meeting with Legislature/ Portfolio Committee	• Financial sustainability and viability • Alignment with Government's economic development agenda • Efficient and effective utilisation of allocated funds	• IDFC signed a Shareholder's Compact with EDTEA • APP is aligned to the Provincial Growth and Development Plan • Quarterly performance reports against the APP are compiled and submitted to the EDTEA • Quarterly engagements are held with EDTEA to discuss performance and the achievement of targets
Clients	• Business Finance clients pre-funding interaction • Post-funding interaction • We visit and interact with our property clients and tenants on an ongoing basis	• Accessible and affordable financial services • Non-financial support services • Well-maintained commercial and industrial properties • Affordable rents • Business premises in prime developments	• Pricing for government grant funding is less than prime • Post-funding non-financial support is provided through the post-investment monitoring units of Business Finance • Increased allocation for capital and maintenance expenditure • Competitive and, in most cases, highly favourable rentals • Industrial and commercial premises located in growth nodes
Regulators	• Regulatory reporting	• Responsible lending • Fair treatment of clients • Safekeeping of client records • Good corporate governance	• Submission of regulatory reports in a timely manner • A fully capacitated compliance unit established
Employees	• Quarterly briefings by the Group Chief Executive • Online internal magazine business broadcasts	• Job security • Fair rewards and recognition • Personal growth and development • Healthy working environment	• Stabilising the finances of the organisation to ensure sustainability • Advancing skills development through study loans and other forms of training support • Advancing talent management initiatives
Service Providers	• We interact with our service providers on an ongoing basis to monitor and track performance • SCM Training to SMMEs	• Fair and transparent process of selecting service providers • Pay for services rendered in a timely manner • More opportunities for smaller enterprise	• Approved supply chain policies and procedures in line with Government policy • Specific focus on engaging B-BBEE compliant service providers

STAKEHOLDER EXPECTATIONS

The shareholder and broader development finance sector have developed a renewed set of expectations for IDFC, expressed in various forums. These expectations are summarised as follows:

- Bolster capacity to execute on commitments, improve governance and advance engagement with community sectors;
- Deliver visible transformational shifts, in line with the IDFC mandate, create jobs, capacitate SMMEs and co-operatives and sustain inputs;
- Facilitate economic participation, ownership, access to resources and opportunities for women, youth and persons with disabilities;
- Participate actively in government initiatives aimed at improving inclusive and radical economic transformation, such as the Black Industrialist Programme and Operation Vula;
- Participate in spin-off catalytic initiatives that advance economic activities in rural and township areas;
- Demonstrate IDFC's unique relevance, relative to other players involved in development finance; and
- Execute business support with SMMEs and co-operatives at both pre- and post-investment stages.

STAKEHOLDER ENGAGEMENTS

The following is an overview of some of the engagements between IDFC and stakeholders during the year under review.

Annual DFI's Business Networking and Wellness Event

IDFC has participated in the annual Southern African Development Communities (SADC) DFI Business Networking and Wellness event since 2006. This event has grown in significance over the years with a strong emphasis on fostering robust business engagements among SADC countries. This is achieved through participation in Business Forums that promote the sharing of best practices and innovative ideas in the development space, along with activities to support overall well-being.

On April 7-9, 2023, IDFC attended Business Forum discussions in Lesotho, which focused on collaboration with DFIs from Lesotho, Swaziland, and Botswana. These discussions sought to explore and enhance cooperative efforts, driving forward the shared objectives of regional development and economic growth.

IDFC hosted the 2024 SADC DFI Business Networking and Wellness Event in Durban during March 29-30, 2024. The following DFI's participated:

- Lesotho National Development Corporation (LNDC)
- National Development Bank of Botswana (NDB)
- Botswana Development Corporation (BDC)
- Citizen Entrepreneurial Development Agency (CEDA)
- Eswatini Finance Development Corporation (Fincorp)
- Agribank Namibia (ABN)

The two-day event featured a range of activities designed to enhance both business relations and personal wellness, and included the following:

1. Wellness Programme
Participants engaged in activities focused on physical and mental well-being, promoting a healthy work-life balance.

2. Business Engagement
Discussions and presentations addressed critical issues and opportunities within the DFI sector, fostering collaboration and the exchange of ideas.

3. Cultural Engagement
Attendees experienced the rich cultural heritage of Durban, strengthening regional ties and appreciation for local traditions.

4. Gala Dinner
The event culminated in a glamorous gala dinner, celebrating the successes and achievements of the participating DFIs and providing an opportunity for further networking.

IDFC participating in the 2024 Annual DFI's Business Networking and Wellness Event

IDFC Visit to Nsinde Traditional Council

On February 27, 2024, IDFC met with the Ntsinde Traditional Council to address the aftermath of a fire that destroyed Jock Morrison, a store in the Ithala Jozini Shopping Centre. The store was crucial to the economic growth of the Jozini local community. The meeting aimed to outline a recovery plan and ensure the swift restoration of business operations.

Discussions focused on the impact of the incident and the development of a detailed plan to rebuild the store and support affected community members. This collaborative effort underscores the commitment of both IDFC and the Ntsinde Traditional Council to revitalising the local economy and ensuring the well-being of the Jozini community.

IDFC engaging with Inkosi Myeni of the Ntsinde Traditional Council

Masakhe Roadshows

IDFC hosted Product Awareness Activities at the Ithala Nongoma and Ithala Ulundi Shopping Centres for the purpose of:

- Increasing public awareness of IDFC products and services;
- Highlighting the benefits of IDFC products and services to potential clients and partners;
- Engaging directly with the community to provide information and answer questions;
- Strengthening partnerships with local municipalities, tenants, KZN Tourism, and the EDTEA; and
- Enhancing the organisation's brand image and presence in the local market.

The activities attracted a diverse audience, including shoppers, local business owners, and community leaders.

Masakhe Roadshow at the Ithala Nongoma Shopping Centre

GCE Town Hall Meetings

The Group Chief Executive (GCE) hosts town hall meetings inviting all IDFC employees. The information sharing platform gives employees and executives the opportunity to interact, which builds morale and trust, promotes transparency, and helps to create a collective sense of purpose as well as building momentum towards achieving business outcomes.

To foster the culture of inclusivity, the GCE rotates the physical meetings to various operating sites. Town hall meetings were held at the Isithebe Industrial Estate in April 2023, Ithala Trade Centre (Head office) in October 2023, and Ezakheni Industrial Estate in March 2024. Employees who are not physically present join the meeting via the online platform.

GCE town hall meeting

HOW WE CREATE VALUE

IDFC creates value by focusing on activities which optimise developmental outcomes across all supported sectors.

Our value proposition vests in the achievement and sustainability of opportunities which would otherwise be unavailable. We fully subscribe to the principles of the IIRC, which seeks to enhance accountability for and stewardship of the broad base of capital, being financial, manufactured, intellectual, human, social, relationship and natural. The IIRC also promotes an understanding of organisational value creation through active consideration of the relationship between its various operating and functional units and the capital it uses or affects.

BUSINESS ACTIVITY

IDFC's core business activities are summarised as follows:

- Deliver financial and other support to SMMEs and co-operatives operating within KwaZulu-Natal;
- Develop and manage large industrial, light industrial, retail and SMME properties;
- Invest in developing and retaining our people in order to execute our strategy and ensure delivery to our customers and clients;
- Invest in our operations, inclusive of information technology systems and infrastructure, to improve efficiency and deliver appropriate products and services to our customers and clients;
- Serve as an implementing agent for economic and infrastructure development projects in the province;
- Offer bursaries and internships to top-performing students in the province; and
- Provide both public sector banking and corporate and investment banking services to SMMEs and co-operatives, through our subsidiary, Ithala SOC Ltd.

OUR IMPACT

IDFC is mandated to assist government in promoting economic development and empowerment across KwaZulu-Natal. We create innovative and relevant solutions to key development challenges. Our activities result in a broad economic impact by stimulating the private sector, facilitating access to financial services, and supporting the allocation of capital for economic development.

IDFC encourages socio-economic development in formerly disenfranchised markets by creating jobs, providing business and income opportunities, and improving living standards. During the past ten years we have facilitated the creation of 27 341 employment opportunities, generated by way of our lending activities, and have advanced loans valued in excess of R1 billion.

BUSINESS FINANCE

The IDFC Business Finance Department is responsible for facilitating small business development and supporting job creation throughout KwaZulu-Natal. This is achieved through the delivery of products and services designed to provide SMMEs with the funding, skills and support needed to grow and sustain their business. In the 2023/24 financial year the Department processed 650 applications from SMMEs, of which 565 (87%) were approved. These approved requests amounted to R415 million, of which R282 million (68%) was distributed during the financial year across 418 businesses.

As a development finance institution, IDFC has a mandate to provide financial services and support to the previously disadvantaged in KwaZulu-Natal, with a focus on rural and township areas. In the 2023/24 financial year IDFC directed 96% of its funding towards Black-owned, 33% to youth-owned, and 38% to women-owned SMME's. In 2023/24, as part of the IDFC's development mandate, emphasis was placed on supporting SMMEs owned by People with Disabilities (PwDs) with 0,1% of the total funding directed to these groups.

IDFC is committed to job creation as part of the organisations mandate to support socio-economic development in the province. During the year under review the 418 businesses who received funding created 2 493 jobs, against a target of 2 200, despite a difficult economic climate.

The Business Finance Department also supports economic development across the IDFC supply chain. This includes the development of a procurement strategy that prioritises local SMMEs and co-operatives. In the 2023/24 financial year, IDFC awarded procurement funding worth R180,7 million to clients that were awarded contracts with provincial government, against a target of R120 million.

BUSINESS SUPPORT

The Business Finance Department is also committed to improving the sustainability of funded enterprise, to strengthen the IDFC's loan book, build the organisation's sustainability, and support economic growth in the province. In the year under review, 90,9% of funded enterprises were operating two years after receiving their loan, against a target of 65%. The Department also provided pre-support to loan applicants, with 99,7% of those who received support obtaining their funding against a target of 85%.

IDFC is seeking collaborative ways to ensure the success of our clients and grow and inclusive provincial economy. During the financial year, IDFC maintained or entered into MOUs with strategic stakeholders, including Trade and Investment KZN (TIKZN), Agribusiness Development Agency (ADA), National Construction Incubator (NCI), uMzinyathi District Agency (UDA), South African Farmers Development Association (SAFDA), South African Pulp and Paper Industries (SAPPI), and the Department of Transport (DOT) to drive business support and acquisition partnerships.

Masakhe Business Trainings for Persons with Disabilities and SMMEs

IDFC, in partnership with the EDTEA and the South African Revenue Services (SARS), hosted a series of Masakhe Business Trainings across KwaZulu-Natal during the year under review.

Masakhe Business Trainings comprises of developmental-based sub-programmes, providing SMME's, PwD's and co-operatives with business and financial guidance and an opportunity to establish their enterprises or grow their already existing business operations.

This training focused on the key areas of Business Registrations, Access to Finance, Supply Chain Management, and SARS Compliance for Small Businesses. In 2023/24, a total of 209 SMMEs have benefitted from the programme. Other partners on board included the Mandeni, eDumbe and Msinga Municipalities.

Masakhe Business Training for PwD's and SMME's held in the Msinga Municipality

Masakhe Business Skills Training

An accredited service provider was appointed to facilitate business skills training in all 11 KZN district municipalities. Training started on 1 November 2023 and has been rolled out in seven district municipalities, Umzinyathi, Zululand, uMgungundlovu,, King Cetshwayo, Amajuba, eThekwini and Ilembe, with a total of 102 people participating in training. The service provider will continue with training in the following districts, Umkhanyakude, Harry Gwala, Uthungulu, Uthukela and Ugu, in 2024/25.

Certificates have been handed over to trainees in the King Cetshwayo and Amajuba Districts and the certificate handover will continue in other completed municipalities in 2024/25.

SMME Toolkit

A service provider has designed both online and manual toolkits for SMMEs. The toolkits educate prospective clients on starting and growing a business, the loan application process and the development of a business plan, cashflow projections and management accounts templates.

Upcoming Business Support Projects

The IDFC has a pipeline of business support projects to assist prospective and existing clients, including:

- Business incubation centres to be set up at Ithala complexes in eThekwini and the Umgungundlovu District municipality. The process of setting up these business incubation centres is at procurement stage.
- IDFC has been accredited as a QCTO and SETA Training and Skills Development Academy. Training will be provided to SMMEs by skilled qualified facilitators.
- To augment the role played by Post Investment Management, Business Finance is in the process of appointing a service provider who will provide pre-and post-investment support to prospective and existing clients. This support includes assistance with business planning, feasibility studies, coaching, mentorship and training. It is anticipated that the service provider will be in place in the second quarter of the 2024/25 financial year.

CLIENTS FUNDED

Grasp Adhesives (Pty) Ltd

Grasp Adhesives is a black women owned business granted asset finance and a working capital facility of R5,9 million, which was used to purchase ceramic and porcelain tiles adhesive manufacturing equipment and raw material. The client has an off-take agreement with major retailers in KwaZulu-Natal and the Eastern Cape and employs 15 people.

IDFC Board Members visit to Grasp Adhesives Factory located in oThongathi

Qhude Projects (Pty) Ltd

An asset finance facility of R9,7 million was granted to Qhude Projects for the purchase of a tractor, front end loaders, trucks and other equipment to service a 5-year contract awarded by Sappi as part of their Enterprise Development Strategy. The client moves a minimum of 5 000 tons of waste per month from the Sappi Mandeni site to the Mandeni Landfill site and employs 15 people. Qhude Projects is a 50% youth owned business.

Qhude projects vehicles funded by IDFC

Exodec 348 CC

Exodec 348 was granted an asset finance facility of R12,9 million for the acquisition of three trucks and trailers, as well as for working capital requirements. The client is servicing a 5-year timber haulage contract with Sappi Saiccor, transporting 67 000 tons per annum. A total of 13 jobs were enabled by this financing.

Exodec transporters

Mandeni Waste Recyclers Primary Co-operative

Mandeni Waste Recyclers was granted a loan of R11,4 million to acquire a dozer, front-end loader and other small asset equipment. The client is servicing a 5-year contract awarded by Sappi, through which the client must manage 6 500 tons of waste per month and attend to other ad hoc work.

Mandeni Waste Recyclers equipment funded by IDFC

ACTIVE PARTNERSHIPS

The following MOUs were maintained or established by the IDFC during the year under review:

1. SAPPI

IDFC and SAPPI signed an MOU on 23 June 2022 to provide financial and non-financial support to emerging entrepreneurs from SAPPI's local communities who had received contracts from the Company. The result of this partnership is the successful funding of five businesses to the value of R47,1 million, creating 60 jobs in the process.

Client Name	District
Thuba Construction CC	iLembe District
Exodec 345 CC	eThekwini Municipality
Mandeni Waste Recyclers	iLembe district Municipality
Sikhunya Security Service	King Cetshwayo District
Qhude Projects 123 (Pty) Ltd	iLembe District Municipality

2. South African Farmers Development Association (SAFDA)

IDFC partnered with SAFDA to provide emerging farmers, including IDFC clients, with financial and other support for agriculture development projects, debt restructuring, funding for salvageable farms under business rescue, and deals aimed at transformation and diversification in the agricultural value chain.

The partnership includes loans, pre-investment and post investment support, and a grant component to lessen the financial obligation of fund recipients, provided the business meets IDFC's funding requirements. To date IDFC funded two clients in the sugar cane industry to the value of R11,2 million, creating 23 jobs and maintaining 169. These clients also benefited from the 10% grant facility provided by the South African Sugar Association.

Client Name	District
Dhanpal Sugar Estate (Pty) Ltd	iLembe District
Asambe Cane (Pty) Ltd	iLembe District

3. Department of Transport

IDFC signed an MOU with the Department of Transport in May 2022. The MOU resulted in funding of three businesses to the value of R25,5 million and created 21 jobs.

Client Name	District
Nguyazane Plant Hire (Pty) Ltd	eThekwini Municipality
Magedla Construction (Pty) Ltd	eThekwini Municipality
Mega Roads and Civils (Pty) ltd	eThekwini Municipality

4. Department of Education

IDFC and the KZN Department of Education signed an MOU enabling the IDFC to provide working capital finance to contractors appointed by the Department to deliver on the National School Nutrition Programme (NSNP). The NSNP provides nutritious meals to learners throughout the province with the aim of improving school attendance and learner outcomes. During the 2023/24 financial year, IDFC provided R68,9 million to NSNP contractors.

5. Mondi (Pending)

During the reporting period, the IDFC established a partnership with Mondi a leading packaging and paper company. The organisations are working together to finalise an MOU during the next financial year. To date, the partnership has resulted in funding for five clients to the value of R45,3 million and created 82 jobs.

Client Name	District
Goobs Forestry Ltd	Zululand
New Age Forestry Pty Ltd	uThungulu District
Footprint Holdings Pty Ltd	King Cetshwayo District
Zanokhule Forestry (Pty) Ltd	Zululand District
Siyawisa Hlathi CC	King Cetshwayo District

6. uMzinyathi Development Agency

IDFC and the uMzinyathi Development Agency established a working relationship to provide enterprise development services to SMMEs including business mentorship, business development services and access to finance. Through this relationship the Agency is providing financial and non-financial support to two clients, Khukza Farming and Mjonaiza Trading.

7. Co-Funded Deals

Clients funded by the Business Finance Department accessed matched funds in the amount of R21,3 million during the 2023/24 financial year. While this fell short compared to the target of R200 million, the IDFC has a R258 million transaction in the pipeline which should be finalised in 2024/25.

Client	IDFC Loan approved	Matched Funding	Co-funding Institution
Khukza Farming 01 CC	R5,6 million	R13,8 million	DARD
Mjonaiza Trading CC	R5,8 million	R7,5 million	DARD

PROPERTIES

IDFC's is one of the largest property owners in KwaZulu-Natal with a portfolio comprising of 1,2 million square metres of industrial and commercial space. These properties are situated in urban, township and rural areas and are well positioned to support socio-economic development in previously marginalised areas.

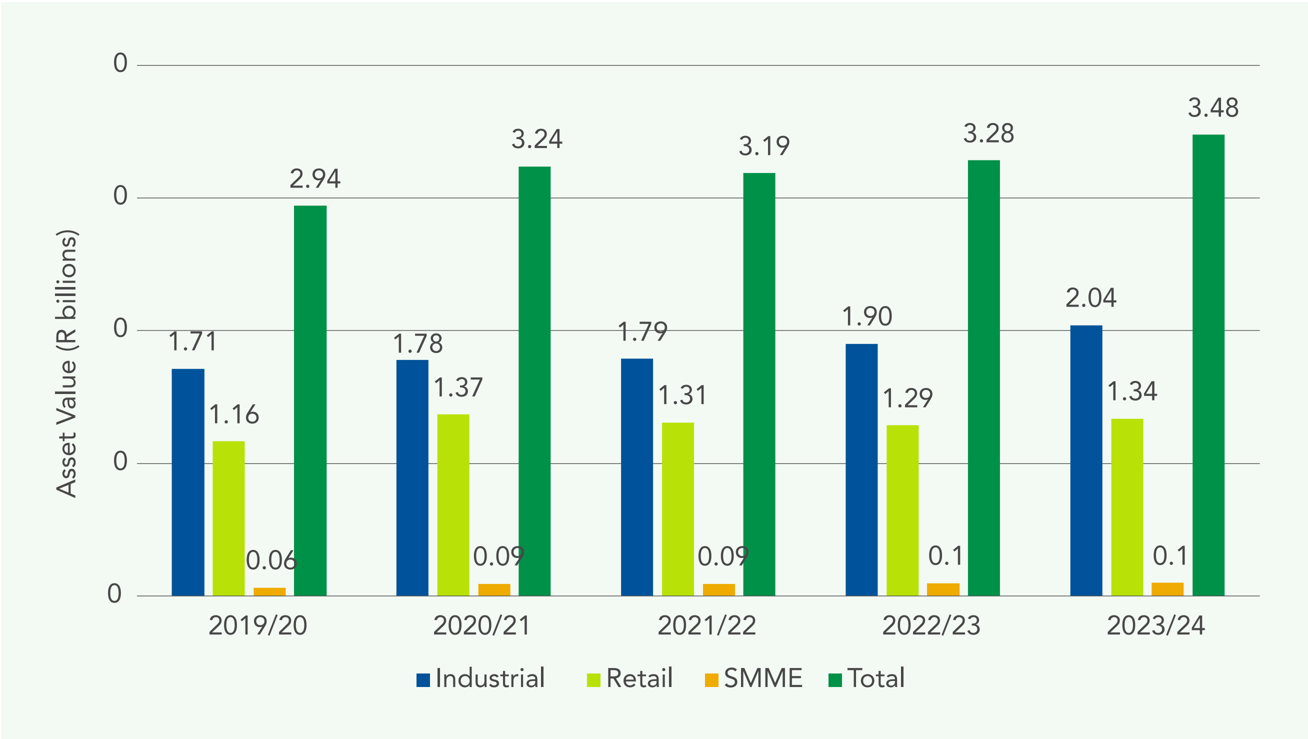
The Properties Department consists of four divisions:

1. Property Management - Responsible for property leasing, ensuring an optimal tenant mix and effective tenant management.
2. Asset Management - Responsible for long-term, strategic and financial planning to optimise property asset values, realise returns and achieve growth objectives.
3. Property Development and Project Management - Responsible for managing property construction and refurbishment projects.
4. Technical Operations - Responsible for Facilities Management, including planned and reactive property maintenance and engineering services.

Investment Overview

The total value of IDFC's property portfolio in 2023/24 is R3,4 billion, representing a 4% increase from the previous year. The value of the property portfolio is limited by weak investment, delays in restoring buildings damaged during the 2021 civil unrest, and higher vacancies which lower property valuations.

Figure 10: Value of the IDFC Property Portfolio, 2023/24



CAPEX Programme

The IDFC CAPEX Programme delivers investment to improve the physical condition, functionality and compliance of its properties. Capital expenditure (CAPEX) over the last financial year amounted to R64,2 million against a target of R140 million. This included the re-modelling of the Tugela Ferry Shopping Centre, including a new taxi rank and traders market. Under expenditure on the CAPEX programme is due to lower than anticipated investment in the rebuilding of properties damaged during the 2021 civil unrest. Investments undertaken in 2023/24 include the completion of Nongoma Shopping Centre and two factories at the Madadeni Industrial Estate, while two additional factories in the Estate are 98% and 80% complete.

These projects employed approximately 120 people during construction and enabled the employment of an additional 600 people by reinstated tenants. The re-build of the remaining affected buildings is expected to be complete during the 2024/2025 financial year.

The following photos illustrate remodelling and new build projects executed in 2023/24.

Tugela Ferry Shopping Centre: New Taxi Rank

Tugela Ferry Shopping Centre: Entrance to Vendor Stall Area

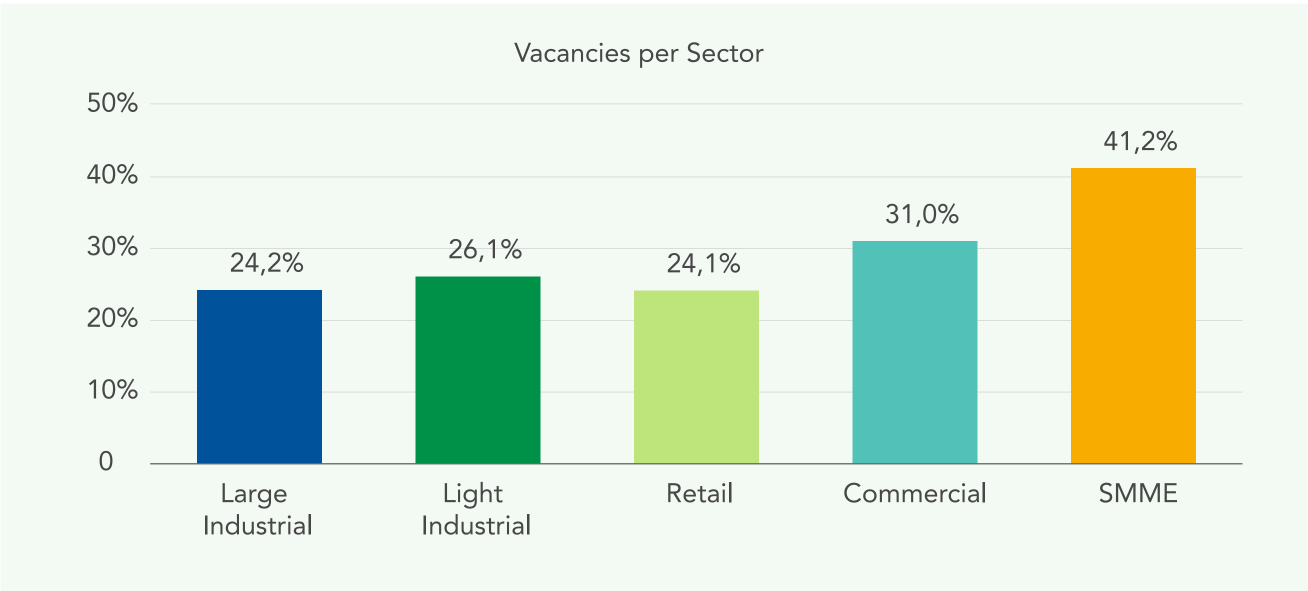
Rebuilt Factory at the Madadeni Industrial Estate

Rebuilt Factory at the Madadeni Industrial Estate

Vacancy Levels

During the 2023/2024 financial year the property portfolio's vacancy rate increased from 23,3% to 25,2%. Persistently high vacancy rates are attributed to the difficult economic climate, the decline of IDFC infrastructure, and the recent challenges faced by KZN businesses including the COVID-19 pandemic, 2021 civil unrest, natural disasters, and other exogenous events. To mitigate these challenges IDFC is exploring innovative ways to retain existing tenants and secure new ones.

Figure 11: Property Vacancies per Sector, 2023/24



IDFC concluded 275 new leases and lease renewals during the 2023/24 financial year against a target of 220. This includes several large tenants, namely Knitwear International (Pty) Ltd in the Isithebe Industrial Estate and Pro-Textiles, which now occupies four factories in the Ezakheni Industrial Estate. These companies are globally competitive clothing manufacturers, employing approximately 1 500 people at their IDFC-leased properties.

Prospects for 2024/25 Financial Year

During the 2023/24 financial year IDFC undertook a deep dive analysis of the Properties Portfolio operations and performance which culminated in the development of a turnaround strategy and plan for the Department. The execution of the turnaround strategy has commenced and will continue in 2024/25, with the following key objectives:

- Facilitate strategic partnerships for investment in selected assets;
- Conduct conditional assessments to ensure a well-maintained and compliant property portfolio;
- Ensure an improved and sustainable ROI; and
- Reduce property vacancy levels to less than 10%.

IMPLEMENTING AGENT

The value proposition for IDFCs Implementing Agent Division is to exceed the project sponsors needs and objectives with efficient and effective delivery that incorporates socio-economic and compliance considerations to ensure sustainable developments and programmes.

The impact of the infrastructure projects is significant for many communities who have benefited from the projects executed by the Implementing Agent unit in terms of job opportunities during the construction and operational phases. During the 2023/24 financial year the implementing agent created 272 construction jobs against a target of 200. A further 300 construction jobs is targeted for the 2024/25 financial year.

During the 2023/24 financial year, IDFC continued to build capacity within the Implementing Agent with the appointment of a permanent Divisional Manager. To augment the Unit's specialist project management skills, IDFC has established a panel of multi- disciplinary engineering consultants. During the year under review IDFC further established a panel of building contractors with CIDB grading 7GB and higher. Through these panels IDFC can shorten the procurement period, thus ensuring quicker delivery on infrastructure related projects.

Through the effective implementation of various projects, the Implementing Agent Division earned R11,24 million (2022/23: R10,9 million) in income against a target of R25 million for the 2023/24 financial year. This unfavourable variance is largely due to delays in the implementation of projects as a result of external factors, including a downturn in the economy which impacted funding available for projects and programmes.

IMPLEMENTING AGENT PROJECTS

a) Vula Detergents Share Manufacturing Facilities

One of the provinces flagship programmes, implemented by the IDFC on behalf of EDTEA is the Vula Detergents Share Manufacturing Facility. Over the past three years IDFC has successfully established and operationalised four facilities situated in Kwamashu (Ethekwini), Gamalake (Ugu District Municipality), Esikhawini (King Cetshwayo District Municipality) and most recently in Madadeni (Amajuba District Municipality) with a total project value of R91,4 million.

The establishment phase involved building two greenfield facilities and renovating and reconfiguring two of the IDFC's existing buildings. As part of the turnkey approach adopted for this project, IDFC also procured all the equipment and consumables for the facility and appointed the human resources and the specialist operators. These centres combined have created 28 jobs for the operations of the facilities and have enlisted a total of 152 co-operatives for the comprehensive three year incubation programme.

The impact and intended outcome of the Vula Detergents Share Manufacturing project is to:

- Provide skills development through training for SMMEs and co-operatives in industrial and household chemical products;
- Provide quality assurance through continuous monitoring and evaluation of the products;
- Provide shared manufacturing facilities for SMMEs and co-operatives;
- Assist SMMEs and cooperatives with necessary statutory and legal compliance;
- Facilitate transformation and significantly increase B-BBEE within the chemical industry; and
- Establish networks linkages within existing value chains.

Newly established Vula Detergents Share Manufacturing Facility in Madadeni, Amajuba District Municipality

Detergent manufacturing equipment procured and installed at Vula Detergents Share Manufacturing Facility in Madadeni

b) Madadeni Clothing and Textiles Industrial Hub

IDFC was appointed by the EDTEA to implement a Clothing and Textile Industrial Hub in Madadeni Industrial Estate with a phase 1 budget of R46 million. IDFCs role in the project is to design, construct, equip and operationalise the incubation facility. IDFC successfully launched the project and commenced with the construction of Phase one in July 2023, as per the following scope of work:

- Bulk earthworks
- New brick and mortar Incubation Hub and Guardhouse (all components)
- Metal roof sheeting
- Structural steel tanks
- Attenuation tanks
- Access roads
- Electrical installation
- Mechanical installation
- Landscaping
- Fencing and security systems
- Supply and installation of machinery

Start of Construction - Madadeni Clothing and Textile Hub, July 2023

Madadeni Clothing and Textile Hub Construction Progress

c) Pulp and Paper Incubation Facility in eThekwini
During the year under review IDFC commenced with the establishment of the Pulp and Paper Incubation facility on behalf of EDTEA with total project value of R12,5 million. IDFC identified and secured the premises located in New Germany, designed the facility and commenced with refurbishing and reconfiguration, and will procure all of the required equipment in the new financial year.

The impact and intended outcome of the project is to:

- Provide skills development through training of SMMEs and co-operatives in toilet paper and packaging products;
- Provide quality assurance through continuous monitoring and evaluation of the products;
- Provide shared manufacturing facilities for SMMEs and co-operatives;
- Assist SMMEs and co-operatives with necessary statutory and legal compliance; and
- Establish networks linkages within existing value chains.

d) Bakery Incubation Facility in eThekwini
IDFC was appointed by EDTEA to design, establish and operationalise a Bakery Incubation facility with a total project value of R16,2 million. In 2023/24, IDFC successfully designed the facility and has commenced with the renovations and configurations. IDFC and EDTEA have partnered with the Bakery and Food Technology Incubator (BICSA) for the supply of equipment and to operate the facility once established.

e) Ndumo Retail Development
Phase one of the Ndumo Retail Development is a R132 million project launched by the EDTEA to construct a shopping centre in Ndumo in northern KZN. The project experienced delays related to stakeholder relations which impacted on the approval of the plans by the Municipality. IDFC led various stakeholder engagements which culminated in support of the development and submission of the plans for approval. IDFC has completed the design phase and drafted the terms of reference for the appointment of contractors. During the year under review, IDFC erected a borehole on site to ensure water availability for the project. The plan is to commence construction in the new financial year.

f) Zimele Traders Fund
EDTEA designed the Zimele Traders Fund programme to uplift community shops through provision of loans and grants. This program will provide rural and township shops and general dealers with support to transform their businesses into viable shopping outlets offering a one-stop-shopping experience to the community at competitive prices.

Borehole installation at the Ndumo Retail Centre site

The Programme was launched by the EDTEA MEC, Siboniso Duma on 20 February 2024. Prior to the launch the IDFC undertook the following activities:

- Worked with EDTEA to seek Cabinet approval for the programme;
- Employed 10 graduates in the programme;
- Designed and approved application forms and brochures;
- Developed the contact centre;
- Developed and approved the Investment Policy; and
- Profiled 550 spaza shop.

The Zimele Traders Fund will provide soft loans capped at a maximum of R100 000 per beneficiary, with a total of R11,9 million transferred to IDFC for this purpose. Furthermore, a total of R10 million has been set aside for the provision of grant relief in the amount of R20 000 per qualifying beneficiary. Applications for grant funding closed on 16 March 2024 and disbursements will commence in the next financial year.

g) Edendale Auto Service Hub
This is a R32 million EDTEA project to design and construct an Auto Services Hub in Edendale, in the uMgungundlovu District Municipality. The project will support and provide skills to artisans in the auto services industry. IDFC has entered into a lease with the Msunduzi Municipality for the designated site

in Edendale and have completed the designs and building plans and obtained all necessary approvals for work to commence.

Below is the Phase one scope of work, which is planned to commence in the second quarter of the 2024/25 financial year:

- Stormwater
- Water reticulation and connection
- Sewer reticulation and connection
- Electricity reticulation and connection
- Mechanical works
- Civil works
- Construction of five workshops
- Fencing

Other projects implemented by the IDFC on behalf of KZN Departments include:

EDTEA

- *Refurbishment of the Thokazi Royal Lodge:* IDFC has conducted the conditional assessment of the lodge and developed the designs. The project requires funding to commence with the refurbishments.
- *Bulk Buying Programme:* In support of the rural and township shops, IDFC on behalf of EDTEA has established the bulk buying facility in Isithebe, Illembe District Municipality and procured 17 trucks to move stock across the province, reducing the cost of inputs. The facility employs 21 people.
- *KwaZulu-Natal Corporative Grant Funding:* EDTEA under Operation Vula assists co-operatives by offering grant funding totalling R40 million, which is disbursed by the IDFC through the Enterprise Development Fund. Since inception, the IDFC has disbursed R36,7 million to 34 approved beneficiaries.

KWAZULU-NATAL DEPARTMENT OF HUMAN SETTLEMENTS

- *Fund Administrator for the Transitional Emergency Accommodation and Military Veterans Housing Project:* IDFC is the appointed Fund Administrator for this project and is responsible for investing the transferred funds in interest bearing accounts and making disbursements, as and when payments are due.

Launch of the Zimele Traders Fund, 20 February 2024

ITHALA SOC LIMITED

Ithala SOC Limited is a licensed financial services and registered credit provider, 100% owned by the IDFC. The organisations mandate is to provide financial services to the people of KZN and is a leader in providing financial services to the formerly unbanked. In some rural areas of KZN, Ithala SOC is the only financial institution with a physical presence.

The performance of Ithala SOC Limited is described in the organisations Integrated Annual Report which can be downloaded from the website: www.myithala.co.za. The following is an overview of Ithala SOC Limited's activities, outputs and targets during the 2023/24 financial year.

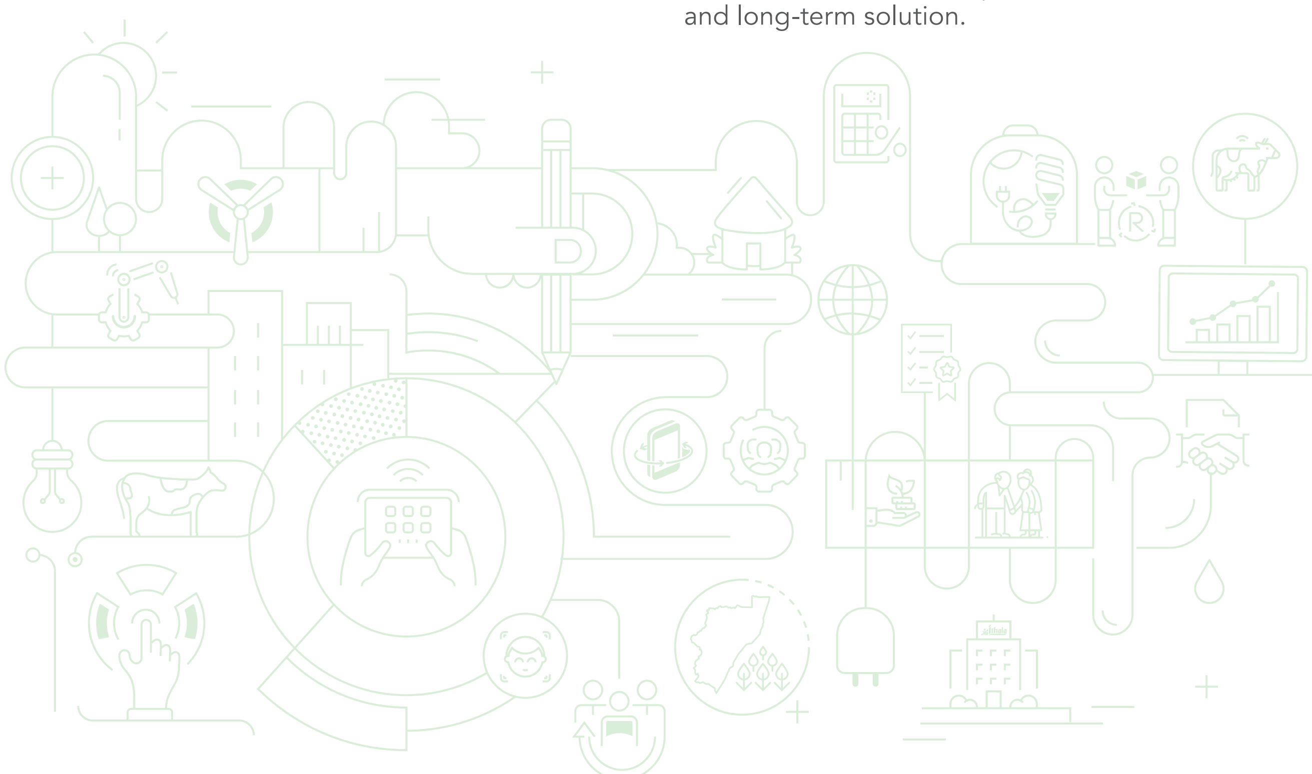
During the 2023/24 financial year, Ithala SOC Limited has shown remarkable resilience amidst a challenging operating environment. The organisation has been directly impacted by both internal and external factors affecting the operations of the institution. Sluggish economic growth, exacerbated by rising inflation and interest rates have impacted customers, squeezing their disposable income thus impacting their ability to save and service their debt.

Internally, Ithala SOC faced the challenge of an expired exemption notice, which is required in order to accept deposits from the public. On 20 December 2023 the Prudential Authority and Ithala SOC stakeholders entered a mutual understanding that a Repayment Administrator be appointed to safeguard the deposits whilst an alternative plan is sought.

The business has seen a marginal decline in deposits, dropping by less than 1% year-on-year to R2,5 billion, while loans and advances have declined by 2% year-on-year. Despite these challenges, both net interest income and non-interest revenue grew by 16% and 13% respectively. However, due to increased client defaults, credit impairments raised and bad debts written-off amounted to R28,6 million compared to R8,7 million in the prior year. The increase in credit impairments and write-offs together with once-off cost incurred were the main contributors to the Ithala SOC's loss of R92,0 million, compared to the restated loss of R56,8 million in the previous year.

Despite these challenges, Ithala SOC has sustained operations. Diversified revenue streams, prudent risk management and commitment by staff have been pivotal in maintaining stability. The business continues to meet all its prudential requirements, with capital adequacy at 15,14%.

As we look ahead, Ithala SOC remains committed in continuing to serve its customers, leveraging on technological advancements and strategic initiatives to navigate the evolving banking landscape and deliver value to its customers. To overcome the regulatory hurdle an application was made to the Minister of Finance to issue an exclusion notice in terms of Section 2(b)(vii) of the Banks Act, 1990 read together with Section 30(2) of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013. The Minister of Finance declined the request, but rather indicated that Ithala SOC should co-operate with the RA so a long-term solution can be found for Ithala SOC. IDFC and Ithala SOC have been working tirelessly on alternative plans to find both a short- and long-term solution.



OUR PERFORMANCE

The 2023/24 IDFC APP identified the organisations output indicators and targets for the financial year. These are summarised in Table 5, accompanied by comments from IDFC's Management.

Table 5: The IDFC 2023/24 APP - Outputs and Indicators

Output Indicators	2023/24 Annual Targets	Annual Actual Output	Management Comments
Outcome 1 Increased investment in development programmes and projects			
Rand value of external matched funding secured per annum	R200 million	R21,3 million	There is a deal approved by IDFC and the client is in the process of securing matched funding of R200 million. Efforts to secure funding for the TRERS fund is in advanced stages and other fundraising efforts have been intensified, including approval of the borrowing plan.
Rand value of investments secured (capital raised) for property developments	R300 million	Nil	Request for proposals were issued for remodelling projects. The evaluation process for the bids received were not finalised by the reporting date.
Outcome 2 Property portfolio optimised for tenant retention and attraction			
Rand value of capital expenditure on properties portfolio	R140 million	R64,2 million	Capital and operational maintenance spend is under budget due to cash flow constraints. The preparation of the Statement of Works for sprinklers and re-roofing projects is in progress.
Number of jobs created through the Capital Expenditure Programme and new leases	1 810	2 400	Target achieved
Number of new leases concluded with tenants	220	275	Target achieved
Percentage vacancy rate of gross lettable space	18%	25,2%	Vacancy rate increased by 2,0% from 23,2% in March 23. The lease pipeline should improve vacancy in the new financial year.
Percentage of repairs and maintenance in relation to the asset base	3,58%	1,57%	Capital and operational maintenance spend is under budget due to cash flow constraints. The plan is to implement reroofing and planned maintenance work in the 2024/25 financial year. The preparation of the Statement of Works for re-roofing projects is in progress.
ROI in the property portfolio	12,99%	8,06%	Income was below budget. The target assumed that a fair value gain of R280 million will be realised from the valuation of investment properties, based on an expectation that the properties damaged during the 2021 civil unrest will be rebuilt by the end of the reporting period.

Output Indicators	2023/24 Annual Targets	Annual Actual Output	Management Comments
Outcome 3 Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation			
Rand value of the loan book	R800 million	R863 million	Target achieved
Average turnaround time for approval of loans from date of valid application (once all documentation is in order)	Within 15 working days	7 working days	Target achieved
Percentage of approved loans disbursed per annum	65%	68%	Target achieved
Average turnaround time for disbursement of first drawdown of approved loans	Average 25 working days from approval date	14 working days	Target achieved
Average percentage of Stage 3 Loans per annum	<=65%	62,8%	Target achieved
Percentage of businesses pre-supported that accessed funding	85%	99,7%	Target achieved
Percentage of businesses funded that are performing two years after first disbursement	65%	90,9%	Target achieved
Number of jobs facilitated through SMME's and co-operatives that received funding from IDFC	2 200	2 493	Target achieved
Outcome 4 Increased access to economic opportunities for KZN residents and enterprises from designated groups			
Percentage of preferential procurement spend on enterprises that are: Black-owned	Black: 60%	93%	Target achieved
Percentage of preferential procurement spend on enterprises that are: Women-owned	Women: 30%	26%	90% of the procurement during the financial year took place via the panel allocation on a rotational basis. When the panels were awarded in 2021, preference was given to Level 1 B-BBEE contributors without emphasis on IDFC's procurement goals (women, youth and PwDs). The new PPPFA regulations are now applied and points are allocated to the four designated groups (Black, youth, PwDs and women as per the APP goals).
Preferential procurement spend on enterprises that are: Persons with Disabilities (PwDs) owned	PwDs: 2%	0,25%	
Percentage of preferential procurement spend on enterprises that are: Youth-owned	Youth: 20%	27%	Target achieved

Output Indicators	2023/24 Annual Targets	Annual Actual Output	Management Comments
Percentage of funding allocated to designated groups per annum: Black, African in particular	Black, African in particular: 85%	96%	Target achieved
Percentage of funding allocated to designated groups per annum: women	Women: 30%	38%	Target achieved
Percentage of funding allocated to designated groups per annum: youth, 35 years and under	Youth: 40%	33%	Limited deals flow from youth owned businesses. Pre-investment support and business clinics are offered. Targeted acquisition strategy in place.
Percentage of funding allocated to designated groups per annum: Persons with Disabilities (PwDs)	PwDs: 3%	0,1%	Limited deals flow from PwD owned businesses. Pre-investment support and business clinics are offered. Targeted acquisition strategy in place.
Rand value of IDFC supported SMME's and co-operatives benefiting from Provincial Government procurement spend	R120 million	R180,7 million	Target achieved
Number of SMME's and co-operatives supported in rural and township economies	10	17	Target achieved
Number of black manufacturing business enterprises supported	4	4	Target achieved
Outcome 5 Effective implementation of development programmes and projects in the province			
Average percentage achievement of agreed project milestones (deliverables)	>=85% achievement of agreed project milestones	91%	Target achieved
Number of jobs facilitated through construction projects implemented	200	272	Target achieved
Outcome 6 Sustainable and high-performing organisation			
External audit outcome on previous year financial statements	Unqualified	Unqualified	Target achieved
Number of material findings on the external audit of performance objectives	Zero material findings	Zero material findings	Target achieved
Number of material findings on the external audit of non-compliance with legislation	Zero material findings	One material non-compliance finding	One material non-compliance finding regarding preparation of the AFS. All adjustments and disclosure requirements were adjusted and rectified prior to conclusion of the audit.
Gross collections (cumulative)	R1,4 billion	R1,22 billion	Collection is 12,8% under target. Aggressive collection strategies are continuously being implemented.

Output Indicators	2023/24 Annual Targets	Annual Actual Output	Management Comments
Net profit (cumulative)	R340,7 million	R88,97 million	Collections and revenue have not materialised as budgeted. The budget assumed that a fair value gain of R280 million will be realised from the valuation of investment properties, based on the expectation that properties damaged during the 2021 civil unrest would be rebuilt by the end of the reporting period. Ithala SOC impairment is higher than expected.
Percentage of cost-to-income	Including grants and FV adjustment: 67,41% Excluding grants: 70,5%	Including grants and FV adjustment: 76,3% Excluding grants: 80,9%	
Number of days cash on hand	>45 days cash on hand	83 days cash on hand	Target achieved
Percentage of irregular expenditure submitted to Provincial Treasury for condonation or to Board for removal	90%	60%	Although this target has not been met, it is an improvement from the previous year. At the beginning of the financial year the register totalled R34,06 million and has since reduced to R14,2 million as at the end of March 2024. Progress is evident.
Percentage implementation of recovery measures in respect of fruitless and wasteful expenditure	100%	100%	Target achieved
Turnaround time for resolving customer complaints	Resolved within 5 weeks	4 weeks	Target achieved
Percentage customer satisfaction rating	60%	78,5%	Target achieved
Minimum percentage utilisation and availability of all ICT systems	>80%	84,6%	Target achieved
Percentage of business process automation for Properties and Business Finance	45%	N/A	The initiatives to improve automation were deferred to 2024/25 FY as per an EXCO and Board directive.
Percentage employee satisfaction rating	85%	56%	Target has not been achieved. The Business Units will identify areas with low scores and develop interventions for improvement in 2024/25. The Human Capital Management Division will facilitate this process.
Percentage of consequence management cases related to corruption finalised within 90 days	80%	50%	The line manager resigned causing a delay in dealing with the reported case. A disciplinary hearing is scheduled to take place on 10 May 2024.
Percentage completion of matters reported for investigation	65%	50%	The emergence of new critical matters had to be prioritised over the matters carried over from 2022/23 in line with the Investigations Methodology. In total 20 investigation matters were completed during the year.
Rand value of income generated from projects assigned to IDFC for implementation	R25 million	R11,24 million	Target has not been achieved, however revenue grew by 3% when compared to the prior year. Acquisition of new clients is required to grow the revenue base for the Implementing Agent Division. There is a business development strategy in place and Business Development Resource to be recruited to drive acquisitions.

SUBSIDIARY PERFORMANCE

The following table presents the performance information for the IDFC wholly owned subsidiaries that are operational. This excludes Ithala SOC Limited, which prepares its own Integrated Annual Report and can be downloaded at www.myithala.co.za.

Table 6: Performance of IDFC Subsidiaries

KPIs	2023/24 Annual Target	Annual Actual Output	Management Comment
NONGOMA PLAZA LIMITED			
Gross Collections	R18,3 million	R18,08 million	99% target achieved
Net profit	R12,01 million	R10,57 million	The non-payment / delayed payments have a negative impact on the ECL as the expense recognised is much higher than budgeted
DURBAN WHARFSIDE TRUST			
Gross Collections	R8,9 million	R12,1 million	Target achieved
Net Profit	R3,1 million (excluding distribution)	R4,9 million (excluding distribution)	Target achieved

HUMAN CAPITAL

IDFC's Human Capital function drives the strategic imperatives of the organisation by providing professional human resource management services.

IDFC sets out to provide a human capital base that is capable, motivated and stimulated enough to ensure that the organisation drives economic development and empowerment in the province. The human capital function must also promote the financial sustainability of the organisation and ensure that it continues to remain relevant as a DFI.

The Human Capital Strategy must also support the business's human capital initiatives. Ensuring that IDFC is properly staffed with resources that possess the requisite skills and competencies to deliver on the organisation's mandate. This is achieved by:

- Inculcating a high-performance organisational culture;
- Supporting business units to achieve their business objectives;
- Implementing human resources processes aimed at transformational activity and service delivery;
- Implementing an effective talent management process; and
- Implementing the Integrated EVP as a retention mechanism.

Staff Profile

The IDFC Human Capital function stewards the organisations Employment Equity Plan, which seeks to address issues of equity in the workplace including the recruitment of PwDs and the equitable representation of women in management positions. As such, IDFC has intentionally indicated equity targets in its requisition forms for filling of vacancies. During the reporting period, IDFC enrolled six employees with disabilities, a 200% increase from the previous year. This is attributed to an awareness drive which resulted in three existing employees declaring their disabilities.

IDFC employed 281 permanent employees at the end of the financial year, 21 less than the previous year due to terminations for various reasons. Table 7 depicts the IDFC's employee profile as at 31 March 2024, per salary band.

Table 7: Staff Profile as at 31 March 2024

Employee Levels	Designated												Foreign Nationals			Non-Designated		Grand Total	Disabled
	African			Coloured			Indian			White									
	F	M	Total	F	M	Total	F	M	Total	F	M	Total	F	M	Total	M	Total		
A2	5	19	24			0			0		0	5			0		0	24	
A3		3	3			0			0		0				0		0	3	
B1	1	10	11			0			0		0	1			0		0	11	
B2		5	5			0			0		0				0		0	5	
B3	6	10	16			0			0		0	6			0		0	16	
B4	3	8	11			0			0		0	3			0		0	11	1
C1	11	11	22	1		1			0	1	1	11			0		0	24	
C2	11	1	12			0			0		0	11			0		0	12	
C3	9	4	13			0			0		0	9			0		0	13	1
C4	31	19	50	1	1	2	2	1	3		0	31	1		1		0	56	2
C5	9	9	18	1	1	2	3		3		0	9			0		0	23	
D1	4	9	13	1		1	3		3	1	1	4	1		1		0	19	
D2	7	6	13			0			0		0	7			0		0	13	
D3	3	1	4			0		3	3		0	3	1		1		0	8	1

Employee Levels	Designated												Foreign Nationals			Non-Designated		Grand Total	Disabled
	African			Coloured			Indian			White									
D4	5	14	19			0	1	3	4		0	5			0	2	2	25	1
EL	4	5	9			0	3		3		0	4			0		0	12	
EU	1		1			0			0		0	1			0		0	1	
FL	1	2	3			0		1	1		0	1			0		0	4	
FU	1		1			0			0		0	1			0		0	1	
Permanent	**112**	**136**	**248**	**4**	**2**	**6**	**12**	**8**	**20**	**2**	**2**	**112**	**3**	**0**	**3**	**2**	**2**	**281**	**6**
TT (Temps Exceeding 1 month)	8	17	25									8						25	
Grand Total	**120**	**153**	**273**	**4**	**2**	**6**	**12**	**8**	**20**	**2**	**2**	**120**	**3**	**0**	**3**	**2**	**2**	**306**	**6**

Figures 12 and 13 illustrate the distribution of IDFC staff according to their employment status, gender and race as at 31 March 2024. Of the total staff compliment 91,8% are permanent employees, while 8,2% are on contract. There is a relatively even split between male (52,7%) and female (47,3%) employees, with the female compliment falling 0,1% from the previous year. Of the male employees, 90,7% are Black African, 5,4% Indian, 1,3%, Coloured, 1,3% White, and 1,3% not designated, while the female employees are 84,2% Black African, 9,0% Indian, 3,0% Coloured, and 1,5% White.

Figure 12: Employees by Employment Status as at 31 March 2024

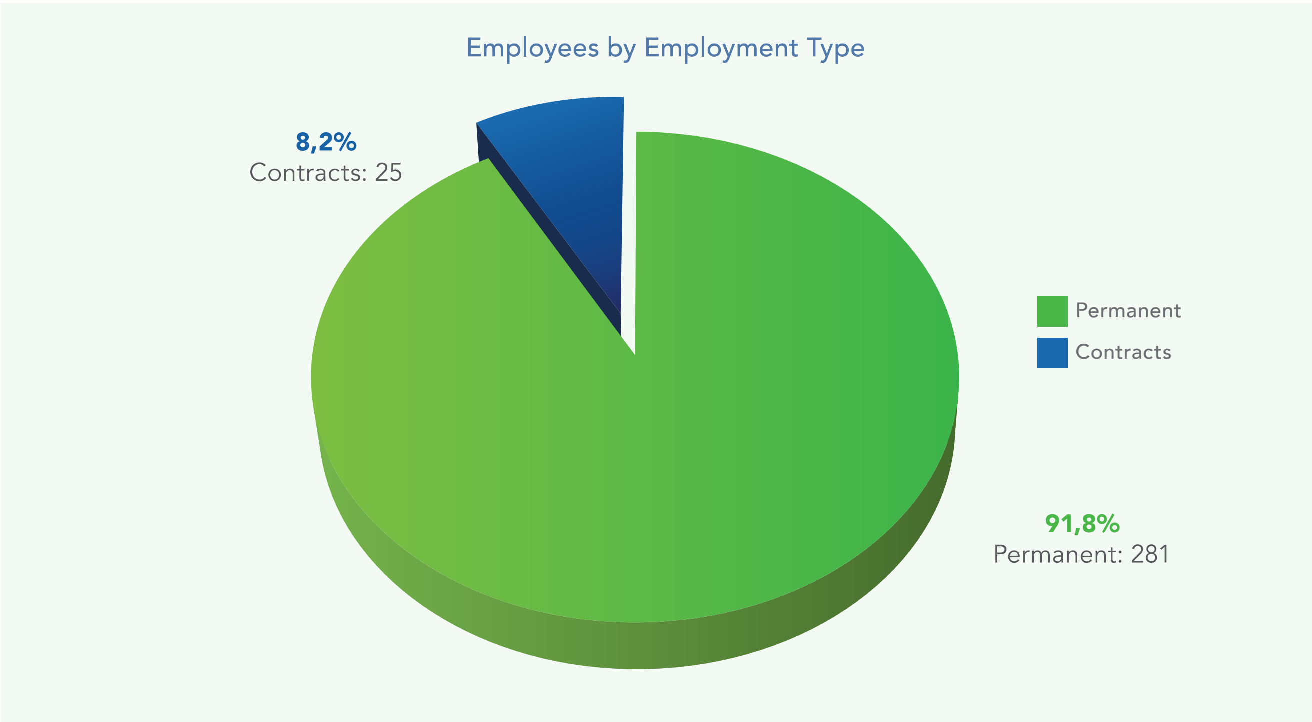
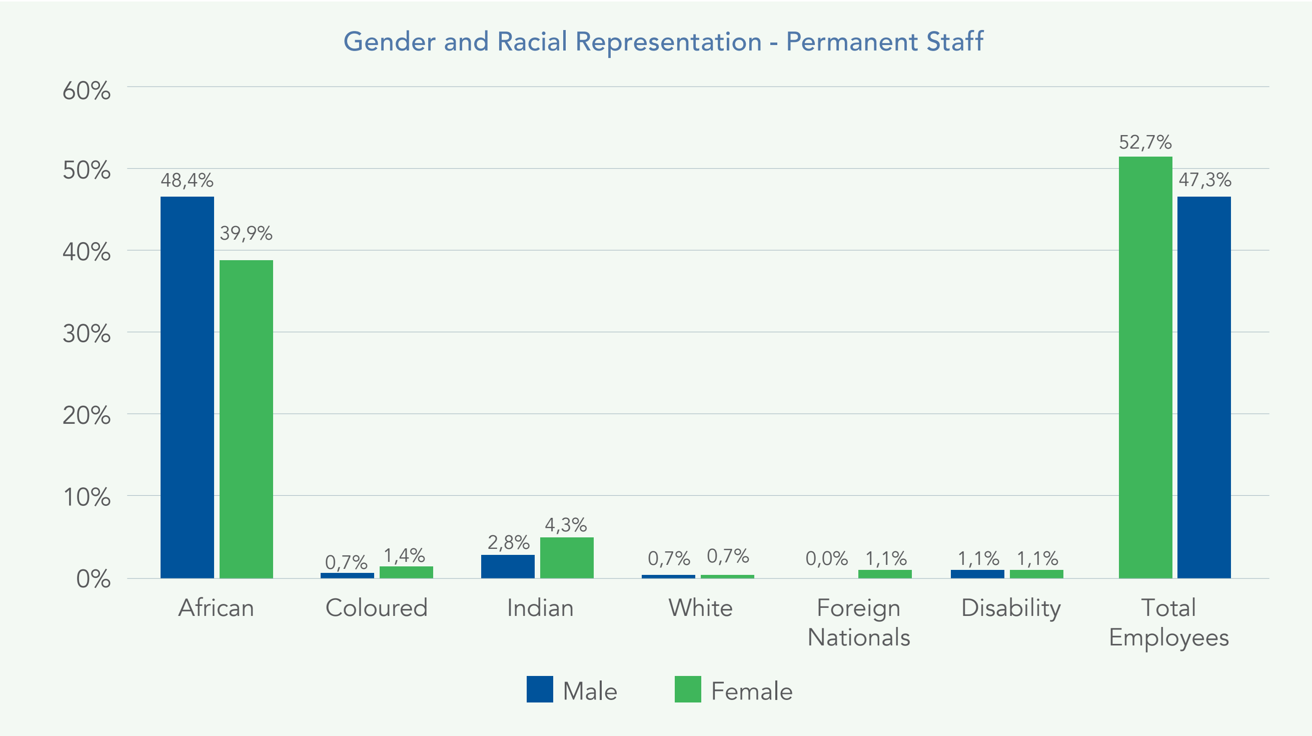


Figure 13: Employee Gender and Racial Representation as at 31 March 2024



Figures 14 and 15 illustrate the age and management profile of IDFC employees. Most employees (76%) are between the ages of 36 and 55, while 7% are youth (35 and under). Only 16% of employees are over 55 and thus due for retirement in the next ten years. The distribution of employees by managerial status and age is shown in Figure 15, with the F Band representing the most senior employees. As illustrated, the IDFC has increased the representation of youth (under 36 years) in management positions from 0% in 2022/23 to 4,8% this reporting period.

These figures illustrate the successful achievement of racial targets set out in the IDFC Employment Equity Plan, as well as the need to hire and retain female employees to achieve the 50,5% female employment target. IDFC will continue to seek opportunities to appoint staff under the age of 36 to management positions.

Figure 14: Employee Age Profile as at 31 March 2024

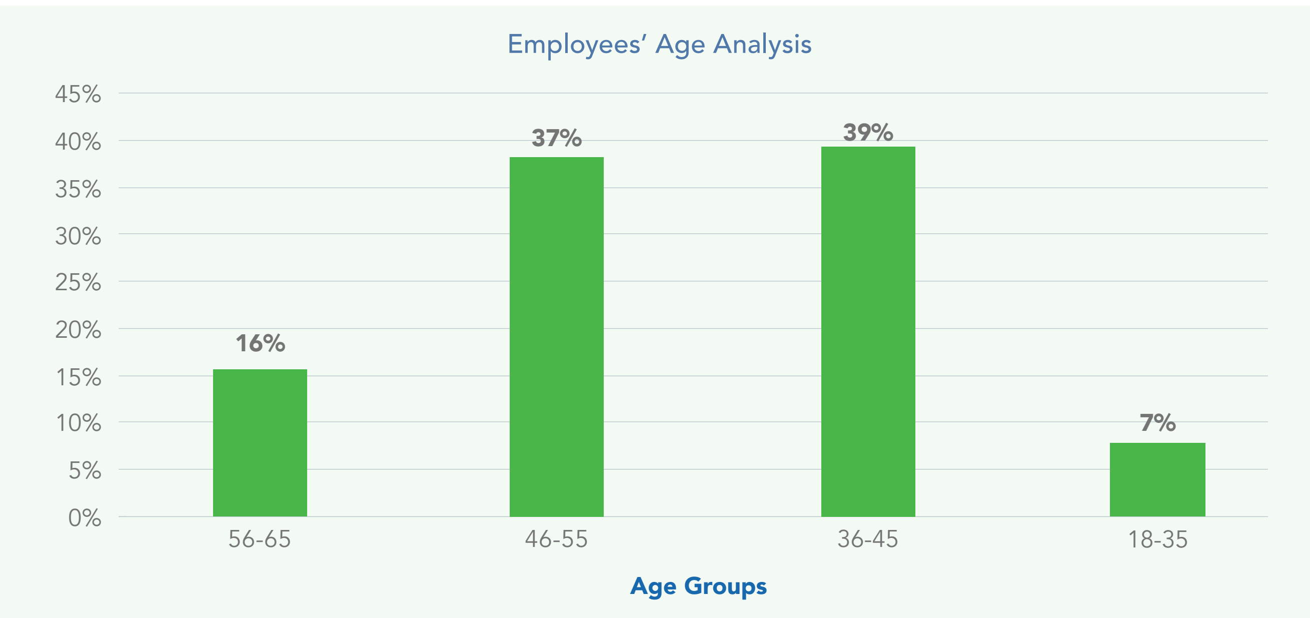
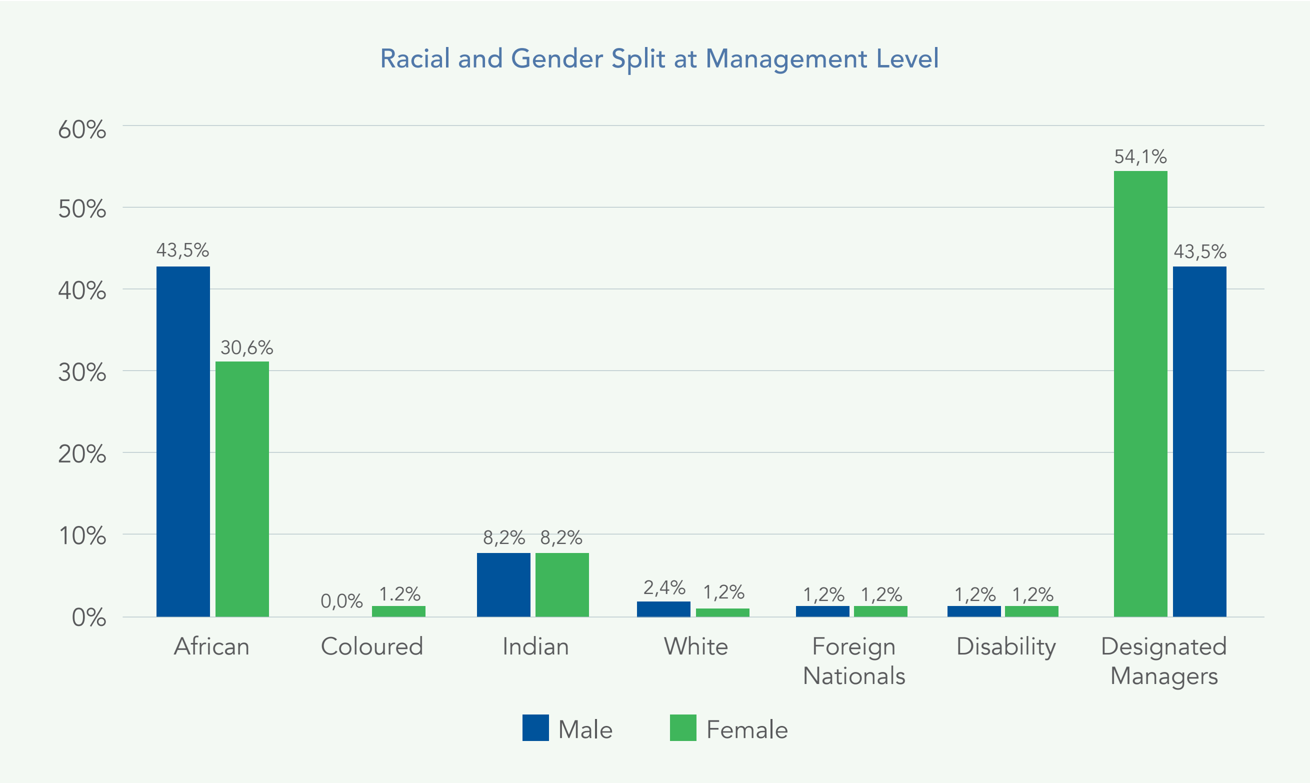


Figure 15: Employees by Managerial Level as at 31 March 2024



IDFC experienced a staff turnover rate of 7% during the reporting period. This is below the 10% target although higher than the previous reporting period. During the reporting period, 30 employees left the organisation, 17 of which resigned, two were deceased, five dismissed, five retired and one was medically boarded.

TRAINING AND DEVELOPMENT

In alignment with IDFC's commitment to enhancing the skills and knowledge of its employees, despite the implementation of cost-cutting measures implemented in 2023, a total of 18 training interventions in the Annual Training Plan for 2023/24 were conducted. These interventions were deemed essential for compliance with various legislative frameworks. The training sessions were conducted both internally and externally, resulting in a substantial investment of R1 413 078 in training expenses.

The organisation remains committed to skills development among KZN youth. In the year under review, three interns were enrolled in the Internship Programme within the Information Technology (IT) sector. This program offered graduates a 24-month training rotation to gain practical experience and contribute to the organisation's sustainability and growth.

The organisation continued its partnership with the South African Institute of Chartered Accountants (SAICA). IDFC is currently supporting the development of five aspiring Chartered Accountants (CAs) through a three-year training program. Two of these accountants were recruited during the reporting period.

The combined investment in the Internship and SAICA programs amounted to R1 121 642 bringing the total training expenditure for the 2023/24 financial year to over R2 534 720. This substantial investment highlights IDFC's dedication to talent and workforce development.

During the review period, the recruitment process for 13 IDFC interns, eight Graduate Engineers, and 18 external Apprentices has been re-initiated. Enrolment will be carried out during the 2024/25 financial year.

SAICA Trainees recruited in 2024

TALENT MANAGEMENT

To achieve IDFC's strategic goals and objectives the organisation requires a talent pipeline that ensures a continuous supply of skilled individuals. As part of this effort the IDFC recruited 19 employees during the reporting period of which nine were external, eight were internal promotions, and two were SAICA Trainees. These efforts were supported by the IDFC's EVP.

To assess the effectiveness of the EVP, IDFC conducted an Employee Satisfaction Survey (ESS) to evaluate how talent is managed within the organisation. Roughly half (56%) of employees reported feeling satisfied and engaged, a significant decrease from the 80% reported in 2023. The Business Units will identify areas with low scores and develop interventions for improvement in 2024/25. The Human Capital Management Division will facilitate this process.

EFFECTIVE AND EFFICIENT EMPLOYEE RELATIONS

IDFC's Human Resources Strategy is focused on retaining and attracting top talent, with the goal of establishing the organisation as the employer of choice in the province. Our strategy emphasises the importance of maintaining positive employee relations and upholding fair and equitable employment practices.

IDFC has a longstanding Recognition Agreement with NEHAWU, the Union representing its employees. Through active participation in the Local Labour Forum, the two parties have successfully negotiated the Wage Negotiation Agreement for 2023/24 and the Agency Shop Agreement. Thanks to the collaborative efforts and open communication between IDFC and NEHAWU, there were no instances of industrial action during the 2023/24 financial year.

While industrial action was avoided, challenges related to employee conduct and dispute management did arise. IDFC managed a total of eight dispute cases, with six disputes handled at the Commission for Conciliation, Mediation, and Arbitration (CCMA) and two at the Labour Court. By the end of the financial year only four matters remained unresolved, with two at the CCMA and two at the Labour Court.

RECOGNITION OF EXCELLENCE

IDFC continues to cultivate a high-performance culture and acknowledges excellence through various recognition and reward programmes, designed to improve morale and keep our employees engaged. In the year under review, IDFC implemented an automated recognition and reward platform to make this possible.

IDFC also showed a marked improvement in our organisational performance, reflecting progress towards establishing a high-performance institution. There was however no performance bonus declared during this financial year.

EMPLOYEE WELLNESS

The IDFC Employee Wellness Programme is designed to support employees and their immediate family members who may be experiencing challenges that could impact their work performance. This programme not only benefits the individuals involved but also contributes to the well-being of the organisation by promoting employee health, increasing productivity, and enhancing social interactions.

Some of the initiatives included in this programme are financial wellness workshops and webinars, AIDS Day Commemoration, eye testing, blood pressure testing, cholesterol test, diabetes testing and medical history analysis/assessment. These activities address various aspects of employee wellness and provide support where needed.

Through the Employee Assistance Programme (EAP), the contracted service providers have assisted IDFC employees in ensuring their well-being by providing emotional support to those facing personal challenges, as well as to their families. Additionally, webinars have been organised by the service provider to help employees adjust to different work environments and conditions.

IDFC Employee Wellness Day

CHANGE MANAGEMENT

IDFC has closely monitored the impact of organisational changes during the year under review. This includes the ongoing Organisational Review Exercise. The exercise involves transitioning employees from the old to the new organisational structure, which is a critical phase.

The Human Capital Management (HCM) team has developed a Change Management Plan with the primary goal of assessing the impact of these changes on the organisation. The Plan will identify necessary actions to facilitate the changes and reduce resistance to change through effective communication tools. This entails spreading clear and effective communication about the transformation program, engaging stakeholders to educate them on the changes, and building support for the changes. Additionally, the Plan involves developing and executing training programs to provide employees with the knowledge needed to adapt to the changes.

Change Champions have been appointed by all Business Units, and training programs for these champions will begin in the 2024/25 financial year.

IDFC ORGANISATIONAL REVIEW

IDFC is currently in the process of implementing structural changes and transitioning employees to the new organisational structure. As part of this initiative, 222 positions were evaluated, graded, and aligned with the revised IDFC structure. The initial placement of employees within the new structure has been implemented, and the approval process for the recommendations is currently in progress.

SOCIO-ECONOMIC TRANSFORMATION

IDFC is committed to the national socio-economic transformation agenda, placing special emphasis on Broad-Based Black Economic Empowerment (B-BBEE) and related community-based initiatives. Central to our commitment is the need to incorporate previously disadvantaged and marginalised people into the mainstream economy. To do so, IDFC pursues business activities including Corporate Social Investment (CSI), bursary schemes, sponsorships, skills development, emphasis on employment equity, the application of preferential procurement, female and youth empowerment workshops and the approval of loans to Black-owned co-operatives and SMMEs.

As a Public Entity, IDFC also adheres to the Public Finance Management Act (PFMA), which seeks to maximise service delivery through the effective and efficient use of financial resources. In terms of the PFMA, and in line with Section 217 of the Constitution, an appropriate procurement and provisioning system must be maintained which aims to be fair, equitable, transparent, competitive and cost-effective. IDFC's procurement spend in 2023/24 amounted to R251,4 million, compared to R301,4 million during the prior year. This excludes spend of R611,8 million paid to other government institutions including Eskom, municipalities, government departments, SOEs, universities, colleges, professional bodies, and the AGSA. Overall, 92,9% (R233,6 million) of procurement spend was from Black-owned businesses against a target of 60%.

To align with the Provincial Government's mandate to catalyse radical economic transformation, IDFC continued with the robust implementation of preferential procurement in favour of African Exempted Micro-Enterprise (EMEs) and Qualifying Small Enterprises (QSEs), together with businesses owned by women, youth and People with Disabilities (PwDs). During the 2023/24 financial year, IDFC preferential procurement spend from women-owned businesses amounted to 24,6% (R61,93 million) against a target of 30%, while spend with youth-owned businesses amounted to 26,3% (R66,05 million) against a target of 20%. The procurement spend from PwD owned businesses amounted to 0,13% (R329 475) against a target 2%.

CORPORATE SOCIAL INVESTMENT ACTIVITIES

IDFC's Corporate Social Investment (CSI) programmes resonate with this year's theme 'a journey of commitment and innovation', and create hope, access and opportunity for the people of KwaZulu-Natal. IDFC's flagship CSI programmes are:

- Skills Development
- Job Creation and Entrepreneurship

During the 2023/24 financial year our CSI programme focused on enterprise development and developing entrepreneurship among women, youth and PwD's.

Inkunz'isematholeni Youth in Business Programme

IDFC, in collaboration with the EDTEA Youth Empowerment Directorate, conducted a series of impactful two-day workshops under the Inkunz'isematholeni Youth in Business Development Programme. These workshops took place in rural and peri-urban areas across the Ugu, uMzinyathi, Zululand, and King Cetshwayo District Municipalities. Key partners in this endeavor included the Small Enterprise Development Agency (SEDA), National Youth Development Agency (NYDA), Small Enterprise Finance Agency (SEFA), and the relevant District Municipalities.

The first day of the workshop delved into essential aspects of business development, covering topics such as initiating and nurturing a business, crafting business plans, securing financial support, and perfecting business pitches. A total of 312 youth engaged in discussions and learning sessions. On day two, the focus shifted to practical exercises in business pitching providing 94 participants with a platform to refine their presentation skills and entrepreneurial expertise.

Inkunz'isematholeni Youth in Business Training at Nkandla Local Municipality

IDFC initiated the Inkunz'isematholeni Youth in Business Competition to celebrate and acknowledge innovative business activities among unemployed youth, particularly in the green economy. This initiative culminated in an awards ceremony held at the Durban International Convention Centre on 21 July 2023. The following winners were announced and granted start-up capital:

- R200 000 - Mr. Sanele Ntombela - manufactures pavement bricks and other products such as flowerpots using plastic and cement
- R100 000 - Ms. Chelsey Khwela - cosmetics manufacturing at a product testing stage
- R100 000 - Mr. Motsamai Motaung – invented a Greenhouse Management App
- R100 000 - Ms. Lungiswa Pamela Zukulu – business owner with sound expansion plans

The EDTEA HOD Mr. Nhlakanipho Nkontwane, IDFC Chairman of the Board Mr Sihle Mkhize, IDFC Group Chief Executive Ms. Perl Bengu and the winners of the 2023/24 Inkunz'isematholeni Youth in Business Programme

Imbokodo Iyazenzela Women in Business Programme

In collaboration with the EDTEA Women Empowerment Unit, SARS and the KwaZulu-Natal Treasury, IDFC orchestrated a comprehensive training program aimed at nurturing female entrepreneurs. This initiative unfolded across the Amajuba, uMgungundlovu, uThukela, and Ugu District Municipalities during August and September 2023.

The training sessions provided women in rural and peri-urban areas with practical skills, fostering their transition from the informal to the formal sector. A total of 361 women actively participated in the program, engaging in insightful sessions that covered the following pivotal topics:

- Business management;
- Compiling a business plan;
- Accessing markets;
- Financial management;
- Supply chain management;
- SARS compliance for small business; and
- Registering with Treasury's Central Supplier Database.

Through the Imbokodo Iyazenzela programme, the IDFC provided 11 women-owned businesses with marketing materials including brochures, flyers, and business cards, during the reporting period. These businesses had previously participated in the Imbokodo Iyazenzela Women in Business Mentorship Programme and are now better equipped for sustainable growth and prosperity.

Imbokodo Iyazenzela Marketing Material Handover held in eThekwini

Imbokodo Iyazenzela Women in Business Training held at Mpendle Municipality

Mandela Day

IDFC commemorated the 2023 Mandela Day by donating school uniforms to 100 learners at the Inkosi Lubhoko Comprehensive High School in Ndumo (Mathenjwa Traditional Authority) and St Alexis Senior Primary School (Ntsinde Traditional Authority). This campaign forms part of the IDFC Abantwanabethu "Back to School Uniform Drive".

IDFC also collaborated with Lion Match Products (Pty) Ltd and Bata Shoes to donate 300 pairs of school shoes and shoe polish to the Southlands Secondary School and Tyburn Primary School in eThekwini.

Uniform Handover at Inkosi Lubhoko Intermediate School

INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT) plays a critical role in enabling IDFC's business units to meet their respective mandates by delivering effective business solutions and services by way of people, process and technology. The use of ICT systems by the IDFC team averaged 84,6% for the year under review, highlighting the importance of the ICT Department and its applications.

The ICT Department provides ICT governance, the automation of business processes, the delivery of robust ICT infrastructure, IT strategic planning and architecture, information security and IT risk management, application design, development and implementation, application support and maintenance, and data and information management. During the year under review enhancing IDFC systems and building human resource capacity remained a priority for the Department.

ICT efforts and operations are aligned with the IDFC ICT Strategy which focuses on the three pillars - Stabilising Operations, Focusing on Delivery, and Building Capacity and Skills. The following was achieved by the ICT Department across these pillars during the year under review:

- Migration to SharePoint online
- Resolved 50% of previously raised audit findings
- Legacy switch and aircon replacement in server rooms
- Replacement of UPS batteries across the estates and remote sites
- Implemented Website Business Finance Online Calculator
- Implemented Website Properties Rental Quotation
- Staff Satisfaction Survey developed internally, saving commissioning to external service provider
- Capability to accept Business Finance funding applications on the Ithala Website implemented
- Business Finance SMME Toolkit live on the Ithala Website
- Access to Microsoft, AWS, and Oracle learning for continued skills development
- Filled critical positions including Manager for Network and Communications, Manager for Information Security, and Divisional Manager for Strategy and Analytics, on a fixed term contract basis

The ICT Department requests user satisfaction ratings following service calls to the ICT support team and attained a Customer Satisfaction Index exceeding 80% through the reporting period. This rating reflects the improvement in operations, delivery, and skills. In the new financial year IDFC will focus on automating processes in the strategic business units i.e. Properties and Business Finance.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and the environment are areas of great concern to IDFC, and continuous awareness is promoted across the organisation. The IDFC Health, Safety and Environment Strategy centres on a combination of risk management, policy setting and employee awareness. The Strategy supports a culture that promotes the desired health, safety and environment behaviours, the implementation of management systems, and the promotion of staff health and well-being.

IDFC seeks compliance with legal requirements on the protection of health, safety and the environment by:

- Identifying, controlling, eliminating or reducing both health and safety risks and significant environmental impacts;
- Prevention of pollution and accidents, or ill-health, while delivering continuous improvement;
- Training and informing all staff members to ensure they are equipped with adequate knowledge regarding health, safety and environment activities, and to inculcate across the organisation a positive health, safety and environment culture; and
- Making appropriate resources available, thus ensuring effective compliance with our Health, Safety and Environment policies and procedures.

On a periodic basis, IDFC assesses our levels of compliance, inclusive of assurance processes. Such checks are undertaken to provide assurance to the relevant authorities that our operations and Business Units do, in fact, comply with legislative requirements and policies. In this regard, we have made good progress towards the development and implementation of improvement plans.

HEALTH

IDFC remains wholly committed to ensuring the health of our staff, which represent our most important resource. We continue to create an environment where employees are made aware of current health issues to ensure that preventative care is taken. Several initiatives are in place to assist employees with wellness including screening, prevention and testing wellness days, in collaboration with Medical Aid companies, eye care practitioners, counsellors and related services.

SAFETY

Occupational Health, Safety and Environment (OHSE) training, awareness campaigns, inspections and audits are regularly undertaken to maintain the health and safety of our staff in the workplace. There were no reportable safety incidents during the 2023/2024 financial year in terms of Section 24 of the Occupational Health and Safety Act. IDFC continues to strive for an environment of zero harm to its employees, tenants, and visitors.

ENVIRONMENT

IDFC strives to ensure that the environment is not adversely impacted by our business activities and recognises that non-compliance on environmental matters impacts both the environment and sustainability of the organisation. Furthermore, IDFC understands the importance of working together with regulators to ensure that the aforementioned is accomplished.

There were no new reportable environmental incidents during the 2023/2024 financial year.

GOVERNANCE

INTRODUCTION

IDFC's Board of Directors subscribes to the highest standards of corporate governance and expects the implementation of such standards across the organisation's business operations.

The Board is ultimately accountable for putting corporate governance structures and policies in place to ensure that all internal stakeholders take responsibility for ethical behaviour and adhere to the IDFC Code of Conduct. The Board values long-term and ethical client relationships and has well-established governance processes to safeguard the balance between achieving business growth and meeting the reasonable expectations of stakeholders. The Board has expressed a position of zero tolerance to any form of fraud, theft or corruption.

The Group Chief Executive is the only executive who is an ex-officio member of the Board. Therefore, the balance between non-executive and executive directors is not at the level recommended by the King IV Report. This is mitigated by the appointment of executives as members of certain Board Committees.

The Board of Directors believes that in all material aspects relevant to its business, IDFC complied with the recommendations contained in the King IV Report during the year under review.

BOARD COMPOSITION

The Board is appointed by the responsible Member of the Executive Council of the Province of KwaZulu-Natal. In terms of Section 6 (1)(a) of the Ithala Act, the Board must comprise at least seven, but no more than 13 members.

At the start of the financial year the board comprised 10 board members, namely Mr S Mkhize, Ms P Sibiya, Mr C Gina, Ms K Mbonambi, Dr S Ndlovu, Prof D Jairam-Owthar, Mr M Ngcobo, Dr U Roopnarain and Mr M Ngubo who are the independent non-executive members and Ms P Bengu as the executive board member. The term of three board members, namely Ms P Sibiya, Mr M Ngcobo and Ms K Mbonambi ended on 15 September 2023 taking the number of board members to seven for the remainder of the financial year. The non-executive board members term is for three years ending 31 May 2025. Mr S Mkhize is the appointed Chairman of the Board and Mr Gina is the appointed Deputy Chairman.

A skills analysis of the Board is undertaken regularly to ensure the Board meets minimum skills requirements as stipulated in the Ithala Act, as well as those skills the Board considers essential for the achievement of strategic goals. This also assists in ensuring that adequate skills are deployed to each Committee of the Board.

BOARD SKILLS AND EXPERIENCE MATRIX

The following skills matrix presents the skills, experience and qualifications of each member of the Board. It illustrates that the Board, collectively, has sufficient skills to bring independent judgement to Board decisions and assist the IDFC to realise its objectives.

Table 8: Board of Directors: Skills and Experience Matrix

Skill	Mr S Mkhize	Mr C Gina	Mr M Ngcobo	Ms PN Sibiya	Dr U Roopnarain	Mr M Ngubo	Mr S Ndlovu	Prof D Jairam-Owthar	Ms K Mbonambi	Ms P Bengu
Legal Skills	✓				✓					
Financial Skills	✓		✓	✓		✓	✓	✓	✓	✓
Investment Experience or Qualifications	✓		✓	✓		✓	✓	✓		
Marketing Experience or Qualifications							✓			✓
Human Resources or Labour Experience or Qualifications	✓	✓		✓	✓	✓	✓	✓	✓	✓
Planning or Development Skills and Experiences				✓		✓	✓	✓	✓	✓
Social and Ethics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Information, Communication and Technology	✓	✓	✓	✓				✓	✓	
Banking			✓	✓					✓	✓
Project Finance	✓		✓	✓		✓	✓			
Development Finance			✓		✓	✓	✓		✓	✓
Risk Management	✓		✓	✓		✓	✓	✓	✓	✓
Corporate Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategy Formulation and Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Credit Management	✓	✓		✓				✓	✓	✓

The Board of Directors requested that the MEC for the EDTEA appoints new non-executive directors with the following skills:

- Chartered Accountant (CA); to be appointed as the Chairman of the ARC. Whilst the Chairman of the Board is a CA, he cannot be a member of the ARC. The other members who are reflected as having financial skills in the skills matrix are not CA's, a qualification that is essential in the ARC, given the complexity of the IFRS adopted by IDFC;
- Legal skill with corporate law experience, preferably an admitted attorney; and
- Banking skills to augment the skills in the Board to better manage the transition of Ithala SOC Limited into a fully-fledged bank.

BOARD EFFECTIVENESS

The Board Performance Evaluation Framework requires that the Board evaluation take place annually as follows:

Year 1: The evaluation of the Board as a collective
Year 2: The evaluation of Board Committees
Year 3: An independent evaluation of the Board and its Committees (2021/2022)

The Board Committees were evaluated for the 2022/23 financial year.

During the year under review, the Board dealt with:

- Monitoring the progress made by its subsidiary, Ithala Soc Limited in regularising its deposit taking activities.
- Approving sale of the equity in Port Shepstone Quary which is essential for turning the entity around.
- Monitoring the implementation of the five year Corporate Strategy ending in 2024/2025.
- Closely monitoring the financial sustainability of the IDFC given the current economic challenges.

The Board considered and approved the following policies during the reporting period:

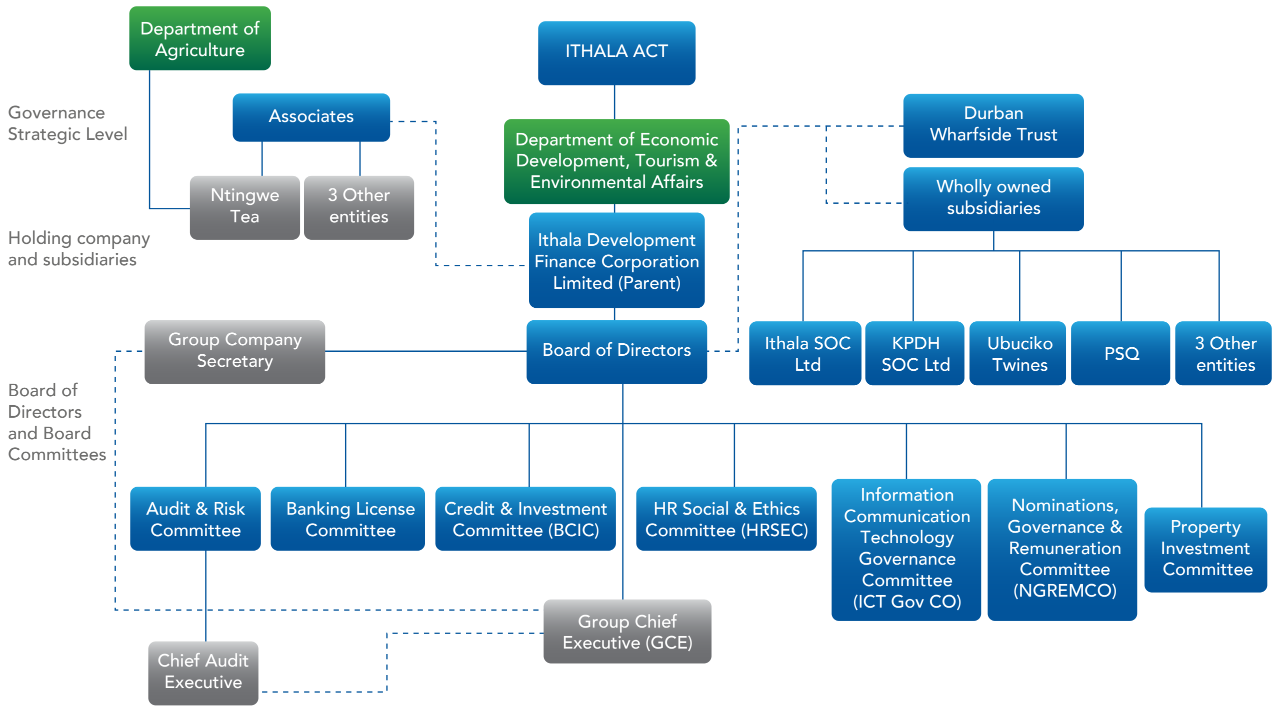
- Whistle Blowing Policy
- Stakeholder Management Policy
- Business Development Policy
- Customer Service Policy
- Investment Policies
- Concentration Risk Policy
- Risk Appetite and Tolerance Level Framework
- Anti-Fraud and Ethics Framework
- B-BBEE Policy
- Debtors Management Policy
- ICT Policies
- Talent Acquisition Policy
- Bereavement Policy
- Delegated Powers of Authority

Policies are reviewed every three years or where and when the circumstances change.

GOVERNANCE STRUCTURE

The IDFC has established a group corporate governance structure in keeping with the requirements of the Ithala Act (Figure 16):

Figure 16: Structure of the Board and Board Committees as at 31 March 2024



Board Committees were established in terms of Section 15(1) of the Ithala Act to assist the Board to discharge its responsibility of reviewing operational performance and monitoring risk management. Members are allocated to the Committee based on their skills and every effort is made to distribute Committee membership evenly among all non-executive directors. The Board approved the terms of reference during the year under review and delegated powers of authority for the Committees.

Each Board Committee has a work plan which serves to ensure that meetings are structured to address the King Report on Corporate Governance recommendations, and the requirements of the Public Finance Management Act (PFMA) and Companies Act. The Board Committee Chairpersons report the activities of their respective Committees to the Board at every meeting, highlighting emergent risks and recommending strategies as they deem appropriate, to enable the Board to monitor, among others, key risk areas that are relevant to the organisation. The Board Committees have the right to obtain independent outside professional advice to assist with the execution of their duties, at company's cost, subject to a Board approved process.

Tables 9 and 10 provide the Board and Committee membership registrar for the 2023/24 financial year, and the attendance list for Committee meetings during this same period.

Table 9: Board and Committee Membership 2023/24

Name	Board of Directors	Audit and Risk Committee (ARC)	Board Credit & Investment Committee (BCIC)	Banking Licence Committee (BLC)	Information Technology and Communications Governance Committee (ITCGC)	Human Resources, Social & Ethics (HRSEC)	Nomination, Governance & Remuneration (NGREMCO)	Property Investment Committee (PIC)
Mr S Mkhize (Chairman)	✓			✓			✓	
Mr C Gina (Deputy Chairman)	✓		✓	✓		✓	✓	✓
Ms K Mbonambi (until 15/09/2023)	✓	✓			✓	✓	✓	
Dr S Ndlovu	✓	✓	✓			✓	✓	✓
Prof D Jairam-Owthar	✓	✓	✓		✓		✓	
Dr U Roopnarain	✓	✓			✓	✓	✓	
Mr M Ngubo	✓	✓ (From 12 Oct 2023)	✓	✓	✓			✓
Ms P Sibiya (until 15/09/2023)	✓	✓	✓	✓			✓	✓
Mr M Ngcobo (until 15/09/2023)	✓	✓		✓	✓			
Ms P Bengu - GCE	✓		✓			✓		
Ms N A Zuma - GCFO						✓ (From 26 Oct 2023)		

Table 10: Board and Committees Meeting Attendance (2023/24)

Committee	Number of meetings held	Name of Director										Name of executive
		Mr S Mkhize (Chairman) Reappointed 01/06/22	Mr C Gina (Deputy Chairman) Reappointed 01/06/22	Ms K Mbonambi Reappointed 01/06/22	Dr S Ndlovu Reappointed 01/06/22	Prof D Jairam-Owthar Appointed 01/06/22	Dr U Roopnarain Appointed 01/06/22	Mr M Ngubo Appointed 01/06/22	Ms P Sibiya Reappointed 01/06/22	Mr M Ngcobo Appointed 01/06/22	Ms PS Bengu Reappoint-ed 01/11/23	Ms A Zuma Appointed 01/09/2023
		Number of meetings attended										
Board of Directors	12	12	12	5*	12	11	12	12	5*	5*	12	n/a
Audit and Risk Committee	8	n/a	n/a	4*	8	8	8	4 (From 12 Oct 23)	4*	4*	n/a	n/a
Board Credit and Investment Committee	8	n/a	7	n/a	8	8	8	8	4*	n/a	6	n/a
Banking Licence Committee	3	3	3	n/a	n/a	n/a	n/a	3	2*	2*	n/a	n/a
Information, Technology & Communications Governance Committee	5	n/a	n/a	2*	n/a	5	5	5	n/a	2*	n/a	n/a
Human Resources, Social and Ethics Committee	4	n/a	4	2*	4	n/a	4	n/a	n/a	n/a	3	2 (From 26 Oct 23)
Nominations & Governance Committee	11	10	11	5*	11	11	11	n/a	3*	n/a	n/a	n/a
Property Investment Committee	4	n/a	4	n/a	4	n/a	n/a	4	2*	n/a	n/a	n/a

* = Member attended meetings until their term ended on 15 September 2023
n/a = Director/Executive is not a member of the Committee or Board

AUDIT AND RISK COMMITTEE

The primary purpose of the ARC is to ensure the integrity of financial statements and to oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The ARC also reviews significant risks and related mitigations and reports back to the Board after each quarterly meeting. Annual risk workshops are held and identified strategic risks are documented in a risk register and assessed based on likelihood of occurrence and potential impact on IDFC (risk exposure). IDFC continuously seeks to improve and enhance its risk management processes, whilst simultaneously maintaining a practical and business-minded approach.

The internal audit function implemented a risk-based internal audit plan, founded primarily on the risk registers compiled by the Group Risk Department, revised IDFC strategy and other key emerging risks. Assurance on risk is managed through the combined assurance process wherein all levels of assurance play a crucial role and is reported to the committee. In addition to the internal audit plan, the function has a dedicated team dealing with forensic investigation matters. The Committee continued monitoring fraud and corruption trends within the organisation and ensured implementation of consequence management.

The ARC also focuses on OHSE risk. Efficient health and safety at the workplace not only ensures that employees are productive, but can also reduce both human and business costs and unnecessary lawsuits.

The organisation has a regulatory universe applicable to its operations and constantly monitors compliance with applicable laws and regulations. Annual review and quarterly reports are submitted to the ARC Committee indicating the compliance status.

During the year under review, the ARC focused on the group's financial performance and performance against the APP, as agreed upon with the EDTEA, and the KwaZulu-Natal Provincial Treasury in March 2023.

The ARC paid close attention to the following during the year under review:

- The internal and external audit findings, to which management continuously attends to. The resolution of the audit findings is monitored and reported to the Committee by Internal Audit. The Group Chief Financial Officer also monitors the external audit findings and an update provided quarterly to the Committee.
- Review of the adequacy of skills and expertise for the Audit, Finance and Risk function teams.
- Non-adherence to supply chain management processes in the prior financial years resulted in instances of irregular and/or fruitless and wasteful expenditure. The condonation of the irregular expenditure and recovery of any losses remained a key focus of the Committee. The Committee has taken a position that there must be consequence management for all those responsible for irregular and fruitless and wasteful expenditure.
- Development and approval of a strategic risk register highlighting the key risks facing the organisation and monitoring adherence to set risk appetite and tolerance levels.

During the 2023/24 reporting period, the ARC reviewed and recommended, amongst others, the following to the Board for approval:

- ARC's Terms of Reference
- Corporate Business Plan and APP for 2024/25
- Budget for 2024/25
- Strategic Risk Register for 2024/25
- Integrated Annual Report for 2022/23
- External Audit Strategy and Engagement Letter for the 2022/23 Audit
- Whistleblowing Policy
- Anti-Fraud and Corruption Policy
- Reviewed the Risk Management and Compliance Programme (RMCP)
- Delegated Powers of Authority (DPoA)

BANKING LICENCE COMMITTEE

The Banking Licence Committee maintained its focus on the regularisation of Ithala SOC Limited's banking activities, with special emphasis on monitoring compliance with the conditions of the banking licence exemption until it expired on 15 December 2023.

The Committee monitored progress that Ithala SOC's Limited is making to regularise deposit taking activities.

CREDIT AND INVESTMENT COMMITTEE

The Credit and Investment Committee remains concerned about the performance of the loan book and thus continued its focus thereon, particularly, on high-value matters which have a material impact on the level of non-performing loans. The committee focused on close monitoring of non-performing and distressed loans and implementation of plan to turn these loans around.

During this reporting period, the Committee reviewed and recommended to the IDFC Board the following:

- Enterprise Development Fund Investment Policy
- IDFC Investment Policy
- Concentration Risk Policy
- Debtors Management Policy
- Committee's Terms of Reference
- Business Finance - bad debt write-offs
- Business Development Strategy

HUMAN RESOURCES, SOCIAL AND ETHICS COMMITTEE

The Board revised the organisational structure in November 2021, which was necessitated by changes to the business. The committee tracked progress with regards to filling of critical vacancies and the implementation of the Transition Framework which defines the process for completing the transition from the current structure to the fully functioning "to-be" IDFC structure.

On a quarterly basis the Committee tracked the progress made towards the implementation of the Employee Wellness Strategy and noted that employee participation was constantly growing. The Employee Wellness Strategy aimed to achieve the following goals and objectives:

- Reduce health care costs;
- Reduce the high rate of absenteeism;
- Increase employee productivity and performance; and
- Improve employee morale, engagement and retention.

IDFC also implements other wellness initiatives, regular health communications and continuously monitors and reports on sick leave trends to ensure that employees are in good health and productive in the workplace. The committee monitors the annual leave liability and overtime worked.

On the recommendation of the Committee, the Board approved the following policies:

- Committee's Terms of Reference
- Talent Acquisition Policy
- Bereavement Policy
- Customer Services Policy
- Stakeholder Management Policy
- Ethics Management Strategy
- B-BBEE Policy

In addition to human resources related matters the Committee tracked the progress of all marketing initiatives conducted by IDFC and progress in the area of security and logistics.

ICT GOVERNANCE COMMITTEE

The ICT Governance Committee was focused on ensuring that the ICT capacity within IDFC was augmented to support the ICT initiatives and delivery of ICT projects for the income generating departments. The Committee monitored the implementation of projects and the ICT environment, approved business cases that will advance business automation and information management and recommended polices which were subsequently approved by the Board of Directors.

NOMINATIONS, GOVERNANCE AND REMUNERATION COMMITTEE

The Nominations, Governance and Remuneration Committee utilised a skills matrix to review the range and relevance of the Directors' skills and interests in terms of the business of the organisation. The intent was to determine whether the skills mix enables to the Board to bring independent judgement to Board deliberations and decision-making.

The Board believes that establishing and implementing good governance practices is one of the most useful activities to create a higher-functioning Board, whilst building the correct foundation for achieving IDFC's Vision and Mission. The Board has mandated the Nominations, Governance and Remuneration Committee with responsibility for ensuring that the organisation follows good governance practices.

Regarding remuneration practices, IDFC offers its employees a performance-based remuneration package, a system which drives a culture of high performance and accountability within the organisation.

PROPERTY INVESTMENT COMMITTEE

The Property Investment Committee focused on monitoring:

- the implementation of rebuild projects and maintenance of existing properties;
- the performance of the property's portfolio of the IDFC; and
- the implementation of third-party projects.

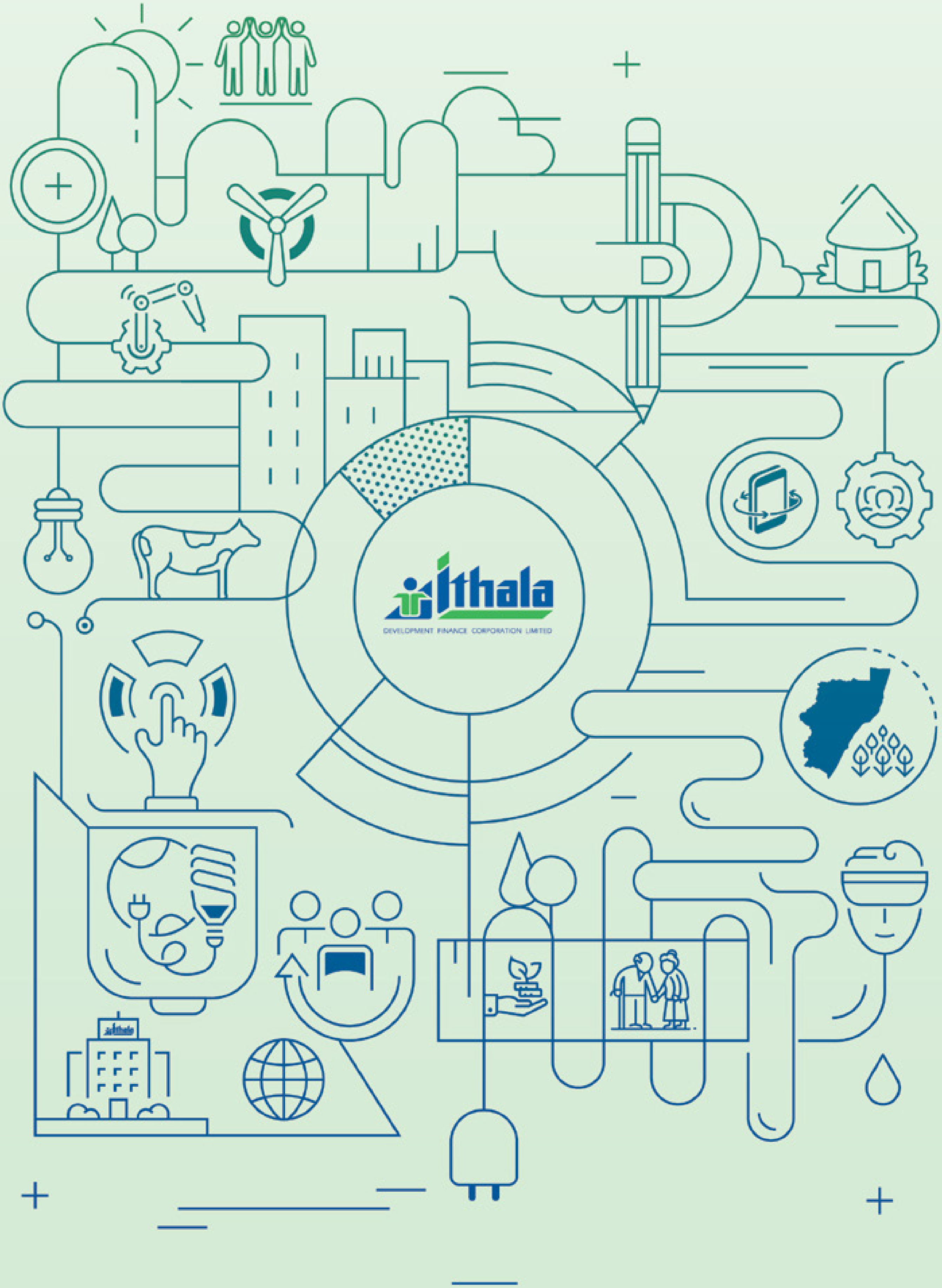
During the year under review, the Committee considered a report on the assessment of dilapidated properties and vacant land and reviewed and approved the Properties Turnaround Strategy with the aim of improving performance in certain areas of the entity. The Committee also recommended the Property Management Policy which was subsequently approved by the Board of Directors.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee (EXCO) is appointed under the leadership of the Group Chief Executive to provide day-to-day leadership for the activities of IDFC. The Committee is responsible for developing and delivering against IDFC's corporate and business plans. It serves as the highest management operational committee and functions to assist the Group Chief Executive in carrying out her executive duties, as delegated by the Board.

The Committee comprises the Group Chief Executive, as Chairperson, the entire executive team and the Group Company Secretary. The Chief Audit Executive and the Divisional Manager: Organisational Strategy, Programme and Efficiency are standing invitees to meetings of the Group EXCO.

Committee members are prescribed officers, as defined in the Companies Act, and are obliged to act in terms of the roles and responsibilities, as required of a prescribed officer. The Committee holds sufficient scheduled meetings to effectively discharge its duties, as set out in its Terms of Reference, with a minimum of one meeting per month.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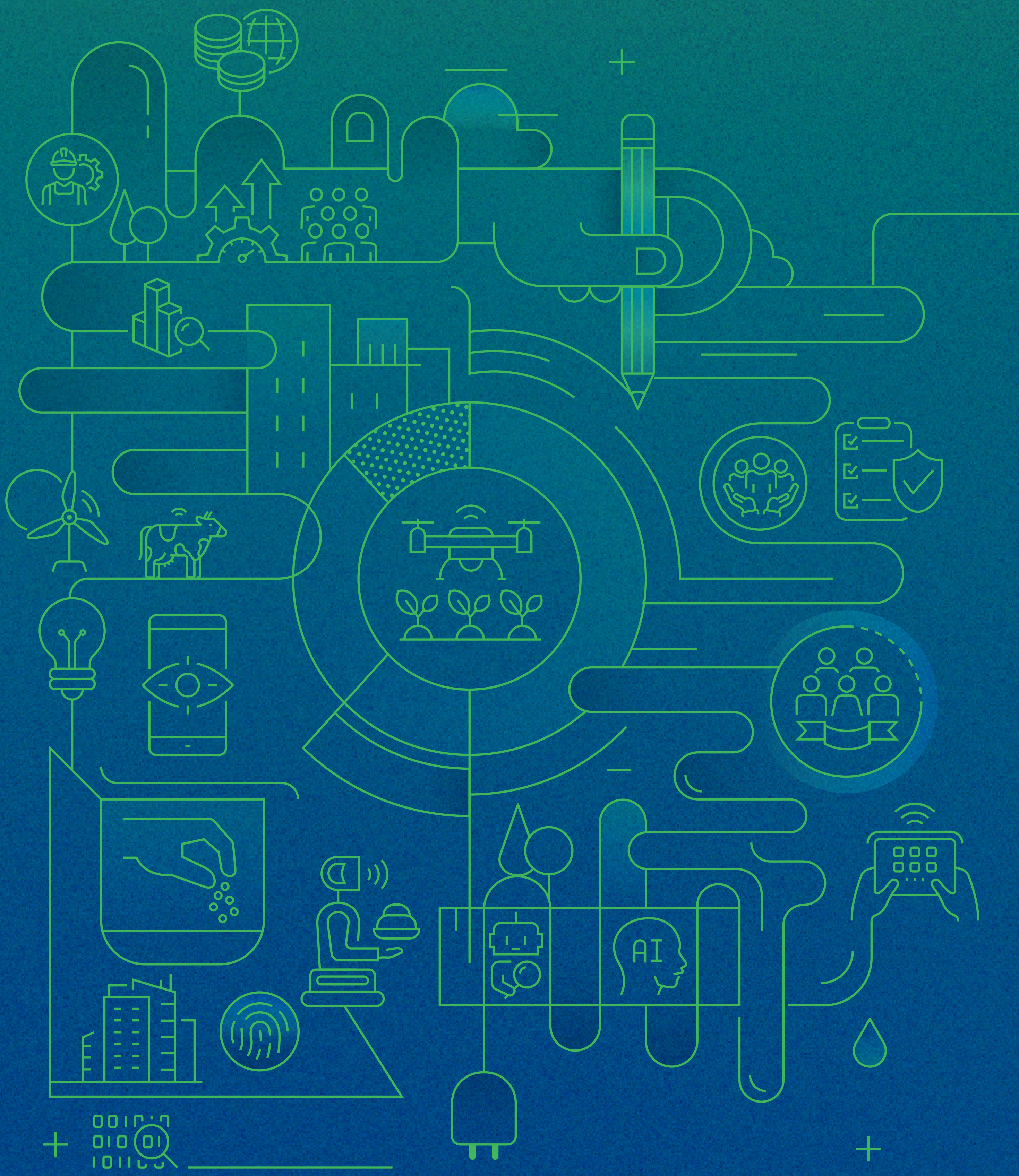
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SECTION 3

The Annual Financial Statements are audited by the Auditor-General, as an independent auditor, in terms of the Public Finance Management Act (Act No. 1 of 1999).

The Annual Financial Statement preparation has been supervised by Ms Amanda Zuma, the Group Chief Financial Officer of Ithala Development Finance Corporation.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Report of the Audit and Risk Committee of the Board in terms of regulation 27.1.10(B) and (c) of the Treasury regulations [in terms of sections 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act of 1999 as amended] and the requirements of the King IV Code of Governance.

BACKGROUND

The Board's Audit and Risk Committee, in addition to having specific statutory responsibilities in terms of the Companies Act, assists the Board in fulfilling its oversight responsibilities regarding the evaluation of the adequacy and effectiveness of accounting policies, internal controls, risk management and financial reporting processes of the Corporation and Group.

In addition, the Audit and Risk Committee assesses the effectiveness of the internal audit function and the independence and effectiveness of the external auditors.

TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal Terms of Reference that have been approved by the Board and has executed its duties during the past financial year in accordance with such Terms of Reference.

COMPOSITION

The Audit and Risk Committee comprises four Independent Non-Executive Directors and as at 31 March 2024 the Audit and Risk Committee comprised of:

- Dr S L Ndlovu, Doctor in Business Administration (PhD), Masters in Business Administration (MBA), Professional Accountant (SA), Advanced Diploma in Management Accounting (ACMA), National Diploma in Cost Management Accounting (CIMA),
- Dr U Roopnarain, Bachelor of Social Science, Honours in Social Science, Master's in Political Sociology, Doctor in Political Sociology (PhD), Masters of Laws (Human Rights Law), Masters in Business Administration (MBA)
- Prof D Jairam-Owthar, Doctor in Business Leadership in ICT (PhD), Master's in Business Administration (Specialisation in IT), B-Compt (Accounting Sciences),
- Mr M Ngubo, B-Com Accounting, Post Graduate Diploma in Management and Leadership, MSc Global Energy (Member from 12 October 2023)

Members details for the period 1 April 2023 –15 September 2023:

- Ms P N Sibiya (Chairman), Chartered Accountant (SA)
- Ms K G Mbonambi, B Com Honours (CTA), Certificate in Board Governance, Certificate in Enterprise Risk Management
- Mr M Ngcobo, Chartered Accountant (SA)

The Group Chief Executive, the Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Audit Executive, other executives and representatives from external audit attend committee meetings by invitation only.

The internal and external auditors have unrestricted access to the Audit and Risk Committee.

MEETINGS

The Audit and Risk Committee held eight meetings during the period under review.

Table 11: Audit and Risk Committee Meeting Attendance (2023/24)

Name	Number of meetings attended out of the 8 meetings held
Ms K Mbonambi	4 (term ended 15 September 2023)
Ms P N Sibiya	4 (term ended 15 September 2023)
Dr S Ndlovu	8
Mr M Ngcobo	4 (term ended 15 September 2023)
Dr U Roopnarain	8
Prof D Jairam -Owthar	8
Mr M Ngubo	4 (from 12 October 2023)

STATUTORY DUTIES

In the execution of its statutory duties during the 2023/24 financial year, the Audit and Risk Committee:

- Understood that the appointment of the AGSA, as an auditor, complies with the relevant provisions of the Companies Act and Public Finance Management Act;
- Determined the fees to be paid to the AGSA, as disclosed in Note 35 of the Annual Financial Statements;
- Determined the terms of engagement of the AGSA;

- Reviewed the annual report and annual financial statements for the 2022/23 financial year;
- Oversaw the implementation of an effective policy and plan for risk management;
- Considered the internal and external audit processes and the accounting principles and policies;
- Strengthened the independence of the internal and external audit functions to ensure their effectiveness;
- Ensured compliance and adherence to applicable legal, regulatory and accounting requirements; and
- Contributed to a climate of discipline and control to mitigate against fraud.

INTERNAL CONTROLS

The system of internal controls within the IDFC is designed to provide reasonable assurance that the assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA. This is achieved by means of a risk based internal audit plan, where the internal audit function provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective in mitigating the risks.

The Audit and Risk Committee monitors the implementation of corrective actions, whilst management retains the responsibility for implementing such recommendations as per the National Treasury Regulations.

From the Audit and Risk Committee's review of the Internal Audit reports presented during the 2023/24 financial year and the outcome of the AGSA audit process, it can be concluded that the system of internal control as applied over financial and non-financial matters, enterprise risk management and in compliance with laws and regulations is generally adequate in most areas and requires improvement in certain areas of the business.

Notwithstanding the areas of improvement noted during the year under review, more improvements are required in the management of working capital through aggressive debt recovery strategies. Improvements are also required in the ICT area per budget availability with regards to the automation of key systems and processes and in the upgrading of core systems to meet the demanding and changing external environment.

The Audit and Risk Committee has:

- Reviewed the effectiveness of IDFC's system of internal controls, including receiving assurance from lines of assurance;
- Reviewed significant issues raised by the internal and external audit;
- Reviewed policies and procedures for preventing irregular expenditure; strengthening financial controls; and detecting fraud; and
- Reviewed significant cases of misconduct, or fraud, or any other unethical activity by employees of IDFC.

REGULATORY COMPLIANCE

The Audit and Risk Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and is satisfied with the expertise and adequacy of resources within the compliance function.

Based on the processes and assurances obtained, the Committee believes that IDFC generally complies with regulatory requirements.

EXTERNAL AUDIT

The Audit and Risk Committee has reviewed the external audit scope to ensure that critical areas of the business are being addressed, and reviewed the external auditor's report, including issues arising out of the report.

Based on processes followed and assurances received, nothing has come to the Committee's attention with regard to the external auditor's independence. Details of the external auditor's fees are set out in Note 34 of the Annual Financial Statements.

INTERNAL AUDIT

The Audit and Risk Committee believes that the Group Chief Audit Executive possesses the appropriate expertise and experience to meet her responsibilities in this position. The Audit and Risk Committee has:

- Reviewed and approved the internal audit charter;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Satisfied itself that the internal audit function has the necessary resources, and standing authority within the Corporation to enable it to discharge its functions;
- Reviewed internal audit reports, including the response of management to issues raised therein;

- Approved the three-year rolling internal audit plan;
- Received and are monitoring the roadmap to implementation of the new Global Internal Audit Standards; and
- Encouraged co-operation between external and internal audit in accordance to combined assurance framework.

Based on processes followed and assurances received, nothing has come to our attention regarding the internal auditor's independence and objectivity.

FINANCE FUNCTION

The Audit and Risk Committee:

- Believes that the Group Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities in this position;
- Is satisfied with the expertise and adequacy of resources within the finance function; and
- Is satisfied with the quality of the quarterly management reporting to both the Board and the Shareholder, the Department of Economic Development, Tourism and Environmental Affairs.

Based on the processes and assurances obtained, the Committee believes that the accounting practices are generally adequate.

RISK AND MANAGEMENT FUNCTION

The Audit and Risk Committee believes that the Group Chief Risk Officer possesses the appropriate expertise and experience to meet the responsibilities in this position.

The Committee participated in the identification of the strategic risks and considered the strategic risk register, risk appetite and tolerance levels for the 2023/24 financial year and risk management plan for 2024/25. The Audit and Risk Committee considered the risk assessment assurance report which indicates that the organisational risk management is generally adequate and implemented in most processes. Maturity assessment of the risk management function was conducted which indicated that the risk management function's maturity level is between 80% - 90% level. This indicates that IDFC leadership understand and prioritise management of risks.

Based on the processes and assurances obtained, we believe that risk management practices are generally adequate, however requires improvement.

COMBINED ASSURANCE MODEL

In compliance with King IV on Corporate Governance, the Audit and Risk Committee continues to monitor a combined assurance model to provide a co-ordinated approach to all assurance activities and address significant risks facing the company.

Reporting on combined assurance principles continued during the financial year under review, providing the Audit and Risk Committee an overall assurance on the adequacy and effectiveness of controls on strategic risks for the organisation. Amongst others, combined assurance provides assurance to the Audit and Risk Committee that significant risks, including strategic risks and controls to mitigate the risks are assessed by different assurance providers. In line with King IV, assurance providers reviewed organisational external reports to provide assurance on the accuracy, validity and completeness of the reports.

This multi-faceted approach to assurance helps bolster confidence in the organization's risk management practices and enhances stakeholder trust.

Overall, the organisation's commitment to implementing combined assurance principles in line with King IV reflects a proactive approach to governance and risk management, which is essential for sustainable business success.

This Integrated Annual Report was recommended by the Audit and Risk Committee to the Board for approval.

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Prof. Denisha Jairam-Owthar
Acting Chairperson: Audit and Risk Committee

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The financial statements have been prepared in accordance with International Finance Reporting Standards.

In preparing the annual financial statements, the following have been adhered to:

- The KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013;
- The Public Finance Management Act (PFMA), Act No. 1 of 1999; and
- The International Finance Reporting Standards (IFRS).

The Directors are responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

Nothing has come to the attention of the Directors from management or the internal and external auditors to indicate any breakdown in the functions of these controls during the year under review, which resulted in any material loss to the Corporation and Group.

All employees are required to maintain the highest ethical standards in ensuring that the Corporation and the Group's business practices are concluded in a manner which, in all reasonable circumstances, is above reproach.

IDFC and Group Annual Financial Statements have been prepared on the going concern basis. This basis of accounting has been adopted by the Board after having made enquiries of management and given due consideration to information presented to the Board. Accordingly, the Directors have no reason to believe that IDFC and Group will not continue as a going concern in the year ahead.

The Auditor-General was appointed, as independent auditor, in terms of the Public Audit Act, Act No. 25 of 2004, and the Public Finance Management Act, Act No. 1 of 1999, and has audited the Corporation Annual Financial Statements and the Group Annual Financial Statements.

Their report is presented on pages 106 to 111.

The Annual Financial Statements which appear on pages 114 to 234 were approved by the Board of Directors on 29 August 2024 and are signed on its behalf by:

Mr Siphesihle Mkhize
Chairman

Ms Pearl Bengu
Group Chief Executive

GROUP COMPANY SECRETARY'S CERTIFICATION

The Group Company Secretary certifies that Ithala Development Finance Corporation Limited has lodged with the appropriate regulatory authority all returns, as are required, in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013. All such returns are correct and up-to-date.

Ms LS Mahamba
Group Company Secretary

Report of the auditor-general to the KwaZulu-Natal Provincial Legislation on Ithala Development Finance Corporation and its Subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Ithala Development Finance Corporation and its subsidiaries (the group) set out on pages 114 to 234, which comprise the consolidated and separate statement of financial position as at 31 March 2024, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my 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 the group's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

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

Emphasis of matters

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

Material impairments/ losses

7. As disclosed in note 2 to the consolidated and separate financial statements, the group reported material impairments amounting to R512,11 million (2023: R461,48 million) on loans and advances as a result of loans becoming non-performing.
8. As disclosed in note 14 to the consolidated and separate financial statements, the group reported material impairments amounting to R381,75 million (2023: R272,51 million) on trade and other receivables as a result of trade and other receivables becoming non-performing.
9. As disclosed in note 40 to the consolidated and separate financial statements, a material loss of R52,40 million (2023: R18,40 million) was incurred as a result of the write-off of bad debts.

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

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

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

12. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
13. A further description of my 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 110, forms part of our auditor's report.

Report on the annual performance report

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
15. I selected the following material performance indicators related to *Outcome 2: Property portfolio optimized and tenant retention and attraction* presented in the annual performance report for the year ended 31st March 2024. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Rand value of capital expenditure on the property portfolio
    - Number of jobs facilitated through the Capital Expenditure Programme and new leases
    - Number of new leases concluded with tenants
    - Percentage vacancy rate of gross lettable space
    - Percentage of repairs and maintenance in relation to the asset base
16. I evaluated the reported performance information for the selected material performance indicators 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 entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives 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 I 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 presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any overachievement or underachievement of targets.
18. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
19. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for overachievements or underachievements.
22. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets / measures taken to improve performance are included in the annual performance report on pages 74 to 77.

Outcome 2: Property portfolio optimised for tenant retention and attraction

Targets achieved: 33%
Budget spent: 45%

Key indicators not achieved	Planned target	Reported achievement
Rand Value of capital expenditure on properties portfolio	R140 million	R64.2 million
Percentage vacancy rate of gross lettable space	18%	25.2%
Percentage of repairs and maintenance in relation to the asset base	3.58%	1.57%
Return on investment in property portfolio	12.99%	8.06%

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, 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.
26. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

27. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the audit report and those selected material indicators in the scoped-in strategic outcome presented in the annual performance report that have been specifically reported on in this auditor's report.
28. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected material indicators in the scoped-in strategic outcome presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I have nothing to report in this regard.

Internal control deficiencies

31. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
32. I did not identify any significant deficiencies in internal control.

Other reports

33. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.
34. The group's internal audit and risk assurance services conducted ninety-nine investigations covering the period 2020 to 2024. The investigations related to allegations of irregularities arising from supply chain management deviations, loans and advances and human resource processes. Nineteen investigations were completed, and the implementation of investigation recommendations was in progress at the date of this report. The other eighty investigations are still in progress at the date of this report.

Auditor-General.

Pietermaritzburg
31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected key strategic outcomes and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Consolidated firm level requirements
Public Finance Management Act No.1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c); Section 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); Section 56; 57(b); 57(d); 66(3)(d); 66(5); 67
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c); 33.1.1; Regulation 31.1.2(c); 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment to National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2, 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Paragraph 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Paragraph 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Paragraph 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

The Directors have pleasure in presenting this report as part of the Annual Financial Statements (AFS) of Ithala Development Finance Corporation Limited (The Corporation) and the consolidated financial statements of the Corporation and its subsidiaries (referred to as The Group) for the financial year ended 31 March 2024.

A. Legal Form and Domicile

The Corporation is a provincial development finance institution, wholly owned by the KwaZulu-Natal Government Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and operating in terms of the Ithala Development Finance Corporation Act No.5 of 2013.

The Corporation operates within the legal framework of the Public Finance Management Act, No.1 of 1999 (PFMA); as a listed public entity under Schedule 3: Part D.

The Corporation is domiciled in South Africa. The address of its registered office and principal place of business is number 29 Canal Quay Road, Point Waterfront, Durban 4001.

B. Nature of Operations

Ithala Development Finance Corporation manages fully integrated business activities that provide a range of financial and property services throughout KwaZulu-Natal.

The Corporation makes equity investments in various subsidiaries and associated companies located in the KwaZulu-Natal province in keeping with its legislated development mandate. These are outlined in Notes 8, 12 and 28 of the AFS.

C. Financial Results

The results of the Corporation and the Group for the year ended 31 March 2024 are disclosed in the annual financial statements set out on pages 114 to 234.

For more details on the financial results of the Subsidiaries and Associated Companies refer to the separate annual financial statements of these companies and see Note 8, 12 and 28 of the Group Financial Statements for summary financial information between the Corporation and these companies.

D. Policy Directives

No policy directives were received from the MEC: Economic Development, Tourism and Environmental Affairs during the financial year ended 31 March 2024.

E. Events Subsequent to the Date of Statement of Financial Position

There were no significant events after the reporting period.

F. Fair value of investments

The fair value of investment property as disclosed in Note 3 is R3,42 billion at year end (2023: R3,25 billion). The other fair valued investment is an investment held with SA Corp Real Estate valued at R9,23 million (2023: R7,66 million). Please refer to notes 10 for further details on this investment.

G. Ordinary Share Capital

The Share Capital of the Corporation has remained unchanged during the financial year under review. The authorised and issued share capital of the company is R1 billion (2023: R1 billion).

H. Dividends

No dividends were declared or payable to the shareholder (EDTEA) as retained income attributable to the ordinary shareholder is reinvested in projects that promote economic development.

I. Interests in Contracts

There were no contracts entered into in which Directors and Officers of the Corporation had an interest. Refer to note 28 for details on related party transactions.

J. Sources of Funding

The Corporation did not raise any new long-term borrowings during the year under review (2023: R nil). Refer to note 18 for details on existing Borrowings.

During the year under review, the Corporation received government grants of R51,1 million (2023: R65 million) from EDTEA for Ithala SOC's capital injection. Refer to note 21 and 23 for details of grants and funds held on behalf of other entities.

K. Going Concern Basis of Accounting

- **Corporation**

The Corporation's business activities, together with the factors likely to affect its future development, performance, and position as at 31 March 2024, have been assessed by the Directors. The financial position of the Corporation, its cash flows, liquidity position and borrowing facilities are described in the relevant sections of the financial statements. In addition, note 29 to the financial statements includes the company's policies, processes for managing its capital, details of its financial instruments and its exposures to credit and liquidity risk.

As highlighted in notes 13 and 29 to the financial statements, the Corporation meets its day to day working capital requirements from its own cash resources and has open lines of credit of R100 million from major financial banking institutions.

The Group posted a profit of R82 million for the year ended 31 March 2024 (2023: R11 million) as disclosed in the annual financial statements. The Group is solvent and liquid - refer to the Chief Financial Officer's report on pages 18 to 21 for details.

The Directors have a reasonable expectation that the Corporation and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis.

- **Subsidiaries**

The going concern ability of the Corporation's subsidiary companies has been assessed by the Directors at year end. The following subsidiaries' Annual Financial Statements were prepared on a liquidation basis:

- Ubuciko Fabrics and Twines (Pty)Ltd;
- Port Shepstone Quarries (Pty) Ltd;
- Nongoma Plaza Limited;
- Sibaya Conservation Projects (Pty) Ltd; and
- KwaZulu-Natal Property Development Holding SOC Limited.

The above subsidiaries are under voluntary liquidation and their annual financial statements have been prepared on the liquidation basis. Refer to the subsidiary's individual Annual Financial Statements for details on the reporting basis adopted.

- **Banking License exemption of Ithala SOC Limited**

The Minister of Finance granted Ithala SOC a conditional exemption from the banking licensing requirements as stipulated in the Banks Act (Act No. 94 of 1990), permitting Ithala SOC to continue providing retailing banking services, subject to certain conditions. Ithala SOC was accordingly required to comply with the provisions of the Bank Act and it was envisaged that Ithala SOC would, within a reasonable timeframe, seek registration as a Bank under the Bank Act.

Since then, Ithala has been operating under exemption notices, granted and extended by the Minister of Finance and the Prudential Authority. The last exemption notice period expired on 15 December 2023 and the Prudential Authority declined Ithala's request for a further extension. Ithala also submitted a Section 12 application to establish a bank and this was also declined by the Prudential Authority. From 15 December 2023 Ithala SOC Limited has been operating under the Repayment Administrator appointed by the Prudential Authority. Ithala attempted to form an alliance with a registered bank to hold the deposit book while Ithala regularises its operation. However, this effort was unsuccessful.

Ithala SOC Limited made an application to the Minister of Finance to issue an exclusion notice in terms of Section 2(b)(vii) of the Banks Act, 1990 read together with Section 30(2) of the KwaZulu-Natal Ithala Development Finance Corporation, 2013. The Minister of Finance, declined the request, however indicated that Ithala SOC should co-operate with the RA so a long-term solution can be found for Ithala SOC.

L. Board of Directors

Information pertaining to Board Members and Committees is covered from pages 22 to 24 of the annual report.

Please refer to note 42 for details on any changes in the Board of Directors.

M. Company Secretariat

The Group Company Secretary is Ms. LS Mahamba, B Comm, Post-Graduate Diploma in Business Management, whose address is the Corporation's registered office (see section A above).

N. Information disclosed in terms of Section 55(2)(b) of the PFMA

- Particulars of irregular expenditure and fruitless and wasteful expenditure incurred are disclosed in Notes 38 and 39 of the AFS.
- In the ordinary course of business and in accordance with prevailing business rules, the Group wrote-off bad loans of R52,4 million (2023: R18,4 million), comprising a capital portion of R47,3 million (2023: R18 million), interest of R5,1 million (2023: R0,4 million) and non-realisable revenue (NRR) of nil (2023: nil).

Despite the write-off of these bad debts, the company continues to pursue these defaulters and no effort is spared in trying to recover monies owed to the Group. During the year under review a total of R1,734 million (2023: R4,4 million) was recovered from bad debts previously written off.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

		Group			Company	
		2024	2023	2022 RESTATED	2024	2023
	Note(s)	R'000	R'000	R'000	R'000	R'000
ASSETS						
NON-CURRENT ASSETS						
Loans and advances	2	2 355 064	2 350 902	2 185 738	361 928	286 641
Investment property	3	3 422 468	3 254 959	3 168 909	3 227 121	3 070 492
Property, plant and equipment	4	277 497	281 804	263 858	229 368	237 557
Intangible assets	5	16 052	10 430	10 541	4 124	6 610
Right-of-use assets	6	62 411	38 955	37 258	-	471
Straightlining of operating lease income	7	50 818	26 690	16 194	48 746	25 979
Investments in subsidiaries	8	-	-	-	570 685	508 172
Long term receivable	9	8 166	8 166	8 166	8 166	8 166
Investment in shares	10	9 229	7 660	9 378	9 229	7 660
Insurance contract assets	11	60 450	57 773	51 884	60 450	57 773
Investments in associates	12	823	823	823	823	823
Statutory investments and reserves	13	264 329	245 928	272 401	-	-
		6 527 307	**6 284 090**	**6 025 150**	**4 520 640**	**4 210 344**
CURRENT ASSETS						
Loans and advances	2	192 579	231 813	206 708	47 543	77 332
Straightlining of operating leases income	7	4 499	3 033	2 643	5 030	2 971
Current portion of long term receivable	9	-	4 900	-	-	4 900
Cash and cash equivalents	13	1 282 746	1 278 990	1 398 519	637 265	674 165
Investment in subsidiaries	8	-	-	-	-	71 923
Right-of-use asset	6	13 844	14 563	15 042	-	-
Trade and other receivables	14	188 544	300 905	401 190	230 650	343 350
Finance lease receivables		-	-	173	-	-
Inventories	15	7 382	5 629	6 049	3 981	4 324
		1 689 594	**1 839 833**	**2 030 324**	**924 469**	**1 178 965**
Non-current assets held for sale		1 417	2 013	11 633	1 269	1 865
Total Assets	16	**8 218 318**	**8 125 936**	**8 067 107**	**5 446 378**	**5 391 174**
EQUITY AND LIABILITIES						
EQUITY						
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT						
Share capital	17	1 008 582	1 008 582	1 008 582	1 008 582	1 008 582
Actuarial reserve		41 527	31 450	19 441	31 709	23 246
Retained income		3 747 119	3 674 758	3 673 617	3 699 154	3 628 552
Non-controlling interest	18	(169)	(139)	(448)	-	-
		4 797 059	**4 714 651**	**4 701 192**	**4 739 445**	**4 660 380**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

		Group			Company	
		2024	2023	2022 RESTATED	2024	2023
LIABILITIES		R'000	R'000	R'000	R'000	R'000
NON-CURRENT LIABILITIES						
Borrowings	18	9 074	16 275	23 185	7 291	14 433
Deposits due to customers	19	31 243	37 750	35 142	-	-
Retirement benefit obligation	20	93 099	97 701	104 382	47 342	53 480
Long service obligations	20	17 779	18 148	20 339	14 910	15 227
Government grants	21	5 841	5 841	15 351	5 841	5 841
Deferred tax liability	32	25 517	29 562	44 743	-	-
Provisions	22	17 140	19 126	14 703	17 140	19 126
Lease Liabilities	24	81 871	59 861	33 078	11 802	12 214
		281 564	**284 264**	**290 923**	**104 326**	**120 321**
CURRENT LIABILITIES						
Borrowings	18	7 193	6 849	6 966	7 193	6 849
Retirement benefit obligation	20	7 545	7 480	7 379	4 646	4 872
Deposits due to customers	19	2 371 214	2 378 505	2 360 691	-	-
Long service obligations	20	3 182	2 778	4 649	2 609	1 939
Government grants	21	22 808	23 284	44 640	13 504	13 980
Provisions	22	16 945	13 049	14 557	9 408	5 931
Trade and other payables	23	682 540	672 889	590 085	564 975	576 521
Lease Liabilities	24	28 268	22 187	46 025	272	381
		3 139 695	**3 127 021**	**3 074 992**	**602 607**	**610 473**
Total Liabilities		**3 421 259**	**3 411 285**	**3 365 915**	**706 933**	**730 794**
Total Equity and Liabilities		**8 218 318**	**8 125 936**	**8 067 107**	**5 446 378**	**5 391 174**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

		Group		Company	
	Note(s)	2024 R'000	2023 Restated R'000	2024 R'000	2023 Restated R'000
Interest income calculated using the effective interest rate	35	456 897	351 520	117 639	84 510
Other interest income	35	-	3	-	-
Total interest income	35	**456 897**	**351 523**	**117 639**	**84 510**
Interest expense calculated using the effective interest rate	36	(106 397)	(66 561)	(1 889)	(1 995)
Bank overdraft		(4 106)	-	(4 106)	-
Other interest expense	36	(23 939)	(18 601)	(9 569)	(10 288)
Total interest expense	36	**(134 442)**	**(85 162)**	**(15 564)**	**(12 283)**
Net interest income before credit impairment charges		**322 455**	**266 361**	**102 075**	**72 227**
		(171 161)	(107 546)	(140 958)	(88 618)
Net losses on derecognition of loans and advances	2	52 410	18 350	33 261	14 039
Expected credit loss-loans and advances	2	(114 327)	(90 390)	(71 414)	(74 156)
Expected credit loss-trade and other receivables	14	(109 244)	(35 506)	(102 805)	(28 501)
Net interest income after credit impairment charges		**151 294**	**158 815**	**(38 883)**	**(16 391)**
Other operating income	33	1 396 585	1 162 152	1 162 756	1 158 836
Insurance revenue	11	23 590	24 867	23 590	24 867
Operating income		**1 571 469**	**1 345 834**	**1 147 463**	**1 167 312**
Operating expenditure					
Insurance service costs	11	(16 912)	(18 978)	(16 912)	(18 978)
Other operating expenses	34	(1 449 353)	(1 310 861)	(957 856)	(877 970)
Impairment of non-current assets held for sale	16	(697)	1 015	(697)	583
Depreciation and amortisation	4&5&6	(50 682)	(38 451)	(17 065)	(16 741)
Impairment of investments in subsidiaries	8	-	-	(97 736)	(48 163)
Impairment of investment in deposits with banks	13	4 756	3 223	-	-
ECL on straight lining of operating lease income reversed/ (charged)	7	13 690	8 357	13 405	7 122
Profit / (Loss) before taxation		**72 271**	**(9 861)**	**70 602**	**213 165**
Taxation	37	60	9 180	-	-
Profit / (Loss) for the year		**72 331**	**(681)**	**70 602**	**213 165**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial gains / (losses)	20	10 077	12 009	8 463	13 283
Actuarial gains / (losses)		**10 077**	**12 009**	**8 463**	**13 283**
Total comprehensive income for the year		**82 408**	**11 328**	**79 065**	**226 448**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

		Group		Company	
	Note(s)	2024 R'000	2023 Restated R'000	2024 R'000	2023 Restated R'000
Profit / (Loss) before actuarial gains / (losses) attributable to:					
Owners of the parent		72 361	(2 550)	70 602	213 165
Non-controlling interest		(30)	1 869	-	-
		72 331	**(681)**	**70 602**	**213 165**
Total comprehensive income / (loss) attributable to:					
Owners of the parent		82 438	9 459	79 065	226 448
Non-controlling interest		(30)	1 869	-	-
		82 408	**11 328**	**79 065**	**226 448**

Comparatives for both Company and Group have been restated to comply with IFRS 17 disclosures. The net impact was immaterial and there was no adjustment to operating profit on transition (Refer to Note 11).

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	Share capital R'000	Other Comprehensive Income R'000	Retained income R'000	Total attributable to equity holders of the Group / Company R'000	Non-controlling interest R'000	Total Equity R'000
Group						
Balance at 01 April 2021 was restated	1 008 582	19 071	3 436 724	4 464 377	(426)	4 463 951
Prior period error	-	-	4 030	4 030	-	4 030
Profit for the year	-	-	232 863	232 863	(22)	232 841
Other comprehensive income	-	370	-	370	-	370
Balance at 01 April 2022 as restated	**1 008 582**	**19 441**	**3 673 617**	**4 701 640**	**(448)**	**4 701 192**
Loss for the year	-	-	(2 550)	(2 550)	1 869	(681)
Other comprehensive income	-	12 009	-	12 009	-	12 009
Total comprehensive Income /	**-**	**12 009**	**(2 550)**	**9 459**	**1 869**	**11 328**
(Loss) for the year Dividends	-	-	-	-	(1 560)	(1 560)
Adjustments						
Prior period errors	-	-	3 691	3 691	-	3 691
Balance at 31 March 2023	**1 008 582**	**31 450**	**3 674 758**	**4 714 790**	**(139)**	**4 714 651**
Profit for the year	-	-	72 361	72 361	(30)	72 331
Other comprehensive income	-	10 077	-	10 077	-	10 077
Total comprehensive income for the year	**-**	**10 077**	**72 361**	**82 438**	**(30)**	**82 408**
Balance at 31 March 2024	**1 008 582**	**41 527**	**3 747 119**	**4 797 228**	**(169)**	**4 797 059**
Note(s)	17					
Company						
Balance at 01 April 2022	**1 008 582**	**9 963**	**3 415 387**	**4 433 932**	**-**	**4 433 932**
Profit for the year	-	-	213 165	213 165	-	213 165
Other Comprehensive Income	-	13 283	-	13 283	-	13 283
Total comprehensive income for the year	**-**	**13 283**	**213 165**	**226 448**	**-**	**226 448**
Balance at 31 March 2023	**1 008 582**	**23 246**	**3 628 552**	**4 660 380**	**-**	**4 660 380**
Profit for the year	-	-	70 602	70 602	-	70 602
Other comprehensive income	-	8 463	-	8 463	-	8 463
Total comprehensive income for the year	**-**	**8 463**	**70 602**	**79 065**	**-**	**79 065**
Balance at 31 March 2024	**1 008 582**	**31 709**	**3 699 154**	**4 739 445**	**-**	**4 739 445**
Note(s)	17					

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

		Group		Company	
	Note(s)	2024 R'000	2023 R'000	2024 R'000	2023 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	25	130 924	96 584	151 349	102 143
(Increase)/Decrease in working capital	25	(40 386)	141 466	(63 913)	75 071
Dividends received from investment in shares		4 675	765	4 675	29 951
Interest paid	25	(12 966)	(8 460)	(3 026)	(3 186)
Tax paid	26	(9 141)	(1 189)	-	-
Net cash generated from operating activities		**73 106**	**229 166**	**89 085**	**203 979**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment to promote economic development in KwaZulu Natal:					
Loans and advances					
- granted		(537 577)	(687 402)	(276 671)	(207 603)
- repaid		510 567	405 555	192 855	103 356
Additions to property, plant and equipment (Note 4)	4	(20 813)	(39 795)	(5 897)	(13 977)
Proceeds from sale of property, plant and equipment		748	136	37	136
Additions to investment property	3	(20 998)	(90 822)	(15 249)	(89 630)
Additions to intangible assets	5	(9 697)	(2 441)	(358)	(1 515)
Proceeds on disposal of non-current assets held for sale		58	978	58	160
(Payments)/proceeds relating to liquid assets		(18 401)	26 411	-	-
Additions to land - prepayments		-	(4 900)	-	(4 900)
Increase in subsidiaries, associated companies and joint ventures		-	-	(64 822)	(79 430)
Net cash utilised by investing activities		**(96 113)**	**(392 280)**	**(170 047)**	**(293 403)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	18	(6 857)	(7 027)	(6 798)	(6 815)
Repayment of shareholders loan		-	(2)	-	-
Principal payment on lease liabilities	24	(17 522)	(12 977)	(282)	((557)
Dividends paid to NCI		-	(1 420)	-	-
Government grant received*	21	51 142	65 000	51 142	65 000
Net cash generated by financing activities*		**26 763**	**43 576**	**44 062**	**57 628**
Net (decrease) / increase in cash and cash equivalents		**3 756**	**(119 538)**	**(36 900)**	**(31 796)**
Cash at the beginning of the year		1 278 990	1 398 518	674 165	705 961
Cash and cash equivalents at end of year	13	**1 282 746**	**1 278 980**	**637 265**	**674 165**

Included in the cash generated by operations is interest received from clients of R456.9 million (2023: R351.5 million) and interest paid to clients of R134.5 million (2023: R85.2 million).

*Government grants received relates to grants provided by the shareholder for financing purposes.

ACCOUNTING POLICIES

Corporate information

Ithala Development Finance Corporation is a Company incorporated and domiciled in Republic of South Africa. The address of its registered offices and principal place of business is 29 Canal Quay Road, Point Waterfront, Durban. The Group is a public entity that provides property, banking and other financial services. The consolidated financial statements of Ithala Development Finance Corporation (IDFC) for the year ended 31 March 2024 comprise of IDFC and its subsidiaries, together referred to as the Group and individually, referred to as the Company. The words “Group” and “Ithala” are used interchangeably throughout the Annual Financial Statements. For the holding Company, the words "IDFC" and "Company" are used interchangeably.

The subsidiaries comprise of the following entities:

- Ithala SOC Limited (referred to as SOC)
- Nongoma Plaza (Pty) Ltd (referred to as Nongoma)
- Durban Wharfside Trust (referred to as Wharfside)
- Ubuciko Fabrics and Twines (Pty) Ltd (referred to as Ubuciko)
- Port Shepstone Quarries (Pty) Ltd (referred to as PSQ)
- Sibaya Conservation Projects (Pty) Ltd (referred to as Sibaya)
- KwaZulu Natal Property Development Holdings (SOC) Ltd (referred to as KPDH)

The consolidated and separate financial statements for the year ended 31 March 2024 were authorised for issue in accordance with a resolution of the directors on 29 August 2024.

1. MATERIAL ACCOUNTING POLICIES

Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

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

1.1 BASIS OF PREPARATION

Basis of measurement

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis utilising the historical cost concept except for the following:

- Post-retirement medical and defined benefit obligations are measured at actuarial values.
- Listed Equity investments are measured at fair value.
- Investment properties are measured at fair value
- Non-current assets held for sale are measured at the lower of fair value less costs to sell and carrying value.

The consolidated financial statements are presented in South African Rands, which is the Group’s functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

1.2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of asset, liabilities, income and expenses. These also concern the future and will thus affect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected by the revisions.

Critical accounting estimates and assumptions

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

Going Concern

Management has made an assessment of the Group’s ability to continue as a going concern by considering the current financial position, operational factors affecting the Group, the impact of current and anticipated economic conditions as well as reviewing the assumptions underlying the budget and forecasts and is satisified that the Group has the resources to continue in business for the foreseeable future. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Ithala SOC assessment

Despite the ongoing challenges Ithala faces, an analysing the trading results in comparison to the prior year show revenue growth on both the Net Interest income lines and Non-Interest Income lines. The increase in expenses is mainly due to an increase in staff cost to fill key regulatory and revenue generation positions, as per Ithala's turnaround strategy. Also contributing to the increase in expenses is once-off and extra ordinary cost incurred for Section 12 banking licence application, legal fees and other regulatory requirements. Ithala has implemented cost containment and cost reduction measures in the new financial year to ensure Ithala returns to profitability.

Ithala's liquidity continues to remain strong. This is evident in the growth in surplus funds and Ithala's key liquidity ratios which remaining well above prudential requirements.

Ithala continues to receive financial support from the shareholder and KZN Government. The KZN Department of Economic Development Tourism and Environmental Affairs's (EDTEA's) has committed for fund Ithala for the next two financial years, as it has done historically.

Ithala SOC has prepared a turnaround strategy, however, this had to be put on hold when the Repayment Administrator was appointed in December 2023. Ithala will continue to implement this strategy once certainty on it future is decided.

Despite posting a net loss, the expiry of the banking licence exemption and the suspension of the FSP licence which creates a material uncertainty on Ithala's going concern status, management, with the support of the shareholder and Government of KwaZulu Natal and affirmed in the letter from the Minister of Finance which states a long-term solution must be found for Ithala, is certain that Ithala will continue to exist in the foreseeable future. It is expected that all obligations will be settled in the normal course of business and Ithala will implements it alternative option available and accordingly the going concern basis of accounting has been adopted in the preparation of the Annual Financial Statements.

Financial Matters Amendent Act

Section 10 of Financial Matters Amendment Act No. 18 of 2019 resulted in the exclusion of a provincial state- owned entity to applying for a banking license. Therefore, Ithala SOC as a whole owned subsidiary of a provincial state-owned entity could not qualify to apply for a banking license.

Section 10 of the Amendment Act the definition of a 'public company' reads as follows: " 'public company' has the meaning ascribed to that expression in section 1 of the Companies Act and includes a national state -owned company as envisaged in paragraph (a) of the definition of 'state-owned company' in section 1 of the Companies Act. As the law currently stands, provincial public entities which are listed on Schedules 3C and 3D of the PFMA (which are companies) are not eligible for authorisation to establish a bank.

To address the above the following options are available:

- Establishing the bank controlling company [InterposedCo] as a subsidiary of an existing national public entity and entering into a strategic alliance;
- Establishing the bank controlling company [InterposedCo] and then transferring it to a national public entity ; or
- Establishing the bank controlling company [InterposedCo] as a 'parent' national public entity.

The shareholder, IDFC with the support of EDTEA, have identified a shelf company that will be used for this purpose.

Sponsorship agreement

The ABSA sponsorship in the National Payment System ("NPS") expired on 31 December 2023. Ithala negotiated with ABSA for its continuation up to 1 May 2024 to allow Ithala to seek an alternative sponor bank. Currently Ithala's participartion into the NPS, beyond 1 May 2024, continues with ABSA through the support of the RA. Ithala intends to pursue direct participation as a Designated Vlearing System Participant (''DCSP'').

Going concern conclusion

Ithala's liquidity continues to remain strong. This is evident in the growth in surplus funds and Ithala's key liquidity ratios which remain well above Prudential requirements. Ithala continues to receive financial support from the shareholder and KZN Government. The KZN Department of Economic Development Tourism and Environmental Affairs' ('EDTEA') has

ACCOUNTING POLICIES (cont.)

committed for fund Ithala for the next two financial years as it has done historically.

Measurement of the expected credit loss allowance

The measurements 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 resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the risk management note, 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/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Measurement of leased asset and leased liability - IFRS 16

Refer to 1.11 below for details on the measurement of the right-of-use asset and lease liability.

Extension and termination options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Factors such as the importance of the underlying assets to our operations, undertaking of significant leasehold improvements and our past practice were taken into account in the assessment of the probability of exercising these extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Discount Rate

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate. The Corporation determines its incremental borrowing rate by applying it's judgements and determining a suitable and observable risk -free rate that are denominated in the same currency of the lease. A credit spread is then added to the observable risk free rate to reflect the lessee's creditworthiness.

Measurement of post-retirement obligations and long service awards

The cost of the defined benefit and defined contribution pension plans are determined using actuarial valuations. The actuarial valuations involves assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Refer to the Post retirement obligations note 20 for the assumptions used.

Fair value measurements

Fair values for investments properties and properties in possession are determined by independent valuers. The valuations are performed using various methods including:

- The comparable sales method which entails comparing the subject property's value forming attributes with those of the comparable properties that have recently exchanged hands in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence or similarity degree of characteristics influencing value.

The capitalisation method which takes into account net rental income which is then capitalised using an appropriate capitalisation rate. The capitalisation rate is used to indicate the rate of return that is expected to be generated on the investment property. Refer to the note 30 for fair value information for assumptions used.

Asset lives and residual values

Property, plant and equipment as well as intangible assets are depreciated or amortised over their estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets and residual values are assessed annually.

Prepayment - Land

Assets such as property, plant and equipment are only capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the cost thereof can be reliably measured. Where payments have been made for assets and transfer has not occurred at year end, such payments are accounted for as prepaid assets.

Investments in associates

Although the Group holds less than 20% of the equity shares of Mabibi Development Company (Pty) Ltd and it has less than 20% of the voting power at shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint two directors.

The recommendation from the KZN Rationalisation of Public Entities exercise that was received by Ithala in June 2017 was for the shares held by Ithala and DARD in Ntingwe Tea (Pty) Ltd to be transferred to the Agribusiness Development Agency (ADA). Plans are currently in progress to transfer Ntingwe to ADA. However, the administration function was transferred to ADA during the 2021/22 financial year.

We have determined that the Group still continues to have significant influence in the associate despite the transfer of the administration function and is hence treated as an associate. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associate, after adjustments to align the accounting policies of the associate with those of the Group where applicable, from the date that significant influence commences until the time that significant influence ceases.

Loans and advances

Refer to Note 29 Risk management, for disclosure of the inputs, assumptions and changes in the models and assumptions used to calculate the expected credit losses in the current financial year.

MATERIAL ACCOUNTING POLICIES

1) BASIS OF CONSOLIDATION

The consolidated financial statements include assets, liabilities and results of operations of the company, its subsidiaries, associates and joint ventures. The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting year as the company, using consistent accounting policies.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation. Goodwill arising from the excess of the purchase consideration paid over the fair value of the net identifiable assets on acquisition is not amortised and is tested for impairment annually. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of original business combination and the non-controlling interest's share of changes in equity since the date of the business combination. Losses applicable to the non-controlling interest, in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and the financial ability to cover such losses.

ACCOUNTING POLICIES (cont.)

Investments in subsidiaries comprises of the initial investment and any subsequent loans made to the subsidiaries and are recognised at cost in the holding accounts. The investments are reviewed and written down for impairment where considered necessary. **Information about the subsidiaries' activities is set out in the investment in subsidiaries note, note 8.**

(b) Cell captives

The cell captives do not meet the criteria to be classified as a separate entity. As a result, the Group has not consolidated the cell captives and has accounted for it in line with IFRS 17 requirements, as applicable to insurance contracts. **Information about the Group's cell captive activities is set out in note 11.**

1.3 INVESTMENT PROPERTY

Investment property is initially recognised at cost including transaction costs and subsequently measured at fair value.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from it.

Gains and losses arising from retirement or disposal of investment property are recognised in profit or loss in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up will be recognised in profit or loss when the compensation becomes receivable.

A change in use of properties from being held to earn rental or for capital appreciation or both, to owner occupied properties, results in these properties being accounted for as Property, Plant and Equipment and will be measured at cost (being the fair value amount at the date of change in use) less accumulated depreciation and any accumulated impairment losses.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Property interests are accounted for as investment property when the property is subleased.

1.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment and work in progress are initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment that is still at the construction phase and not yet ready for use by the Group, is recognised as work-in-progress in property, plant and equipment. All costs associated with the construction of the asset are included as work-in-progress. The asset is capitalised to the respective class of property, plant and equipment once it is ready for use, as intended by management, and the certificate of completion has been obtained. The asset will subsequently be depreciated over its estimated useful life.

Subsequent Measurement

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using the straight line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Where buildings are erected on leasehold land or land held under a permission to occupy certificate with a finite life, the buildings are depreciated over the duration of the lease or permission to occupy certificate. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure and Buildings	Straight line	50 years
Leasehold improvements	Straight line	1-10 years
Plant and equipment	Straight line	3-25 years
Motor vehicles	Straight line	4-5 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.5 LANDFILL RESTORATION AND DISMANTLING COST

The Holding company holds landfill sites close to the industrial estates that it uses to dispose of waste. The Holding company has an obligation to restore the landfill sites in terms of the Group's policy as well as the applicable legislation requirements. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of land includes the initial estimate of the costs of restoring the site on which the waste is being dumped.

The changes in the liability are added to, or deducted from, the cost of the land in the current period limited to the carrying amount of the land if there are changes to the future estimate of the liability. Where a decrease in the liability exceeds the carrying amount of the land, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of land, the entity considers whether this is an indication that the new carrying amount of the land may not be fully recoverable and is therefore tested for impairment by estimating its recoverable amount. Any impairment loss is recognised in profit or loss.

1.6 INTANGIBLE ASSETS

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software, goodwill and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition.

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

ACCOUNTING POLICIES (cont.)

The Group's significant intangible assets consists of computer software. Acquired computer software and licences are capitalized as assets on the basis of the costs incurred to acquire and bring the specific software into use. Capitalised computer software is amortised over 2 years and carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight–line method to write-down the cost of intangible assets to their residual values over their estimated useful lives from the date they are available for use.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Costs associated with maintaining computer software programmes are recognised as an expense, as and when incurred.

Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system, which will be controlled by the Group and has a probable benefit exceeding one year, are recognised as intangible assets. These costs are initially capitalised as work-in-progress up to the date of completion of projects after which the asset is transferred to computer software and accounted for as per the computer software and licences policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis, irrespective of whether there is an indication of impairment.

Retirement and disposals

An intangible asset shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue.

1.7 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

The carrying amounts of the Group's property, plant and equipment, right-of use assets and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests investments in subsidiaries annually

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated on a pro-rata basis to reduce the carrying amounts of the assets in the CGU(group of CGUs).

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for cash generating units/ assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those cash generating units assets are estimated.

The increased carrying amount of an asset/cash generating unit attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost or cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.8 FINANCIAL INSTRUMENTS

a) Initial recognition and measurement

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised / (derecognised) on the date the Group commits to purchase / (sell) the instruments (trade date accounting).

b) Financial assets classification and subsequent measurement

The Group classifies its financial assets into the following measurement categories based on the group's assessment of the business model:

Amortised Cost which consists of the following classes:

- cash and cash equivalents;
- Loans and advances to customers;
- Loans to subsidiaries, joint ventures and associates;
- Deposits due to customers;
- Trade and other receivables; and
- Statutory liquid assets

Fair value through profit or loss (FVTPL) which consists of the below items:

- Investment in cell captives;
- Investment in listed funds.

Business Model

The business model reflects how the Group manages the assets in order to generate cash flows. That is whether the Group's objective is solely to collect the contractual cash flow from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of "other" business and measured at FVTPL. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial assets' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of time value of money, credit risk, other basic lending risks and a profit margin consistent with a basic lending arrangement. Based on these factors, the Group classifies its debt into the amortised cost category.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss. Dividends, which are a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

ACCOUNTING POLICIES (cont.)

c) Amortised Cost

Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in terms of the Group's expected credit loss policy. A gain or loss from a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income in profit or loss using the effective interest rate method.

d) Effective interest rate method

The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The effective interest rate method considers all contractual terms of the financial instrument and includes any fees or incremental costs which are directly attributable to the instrument and is an integral part of the effective interest rate, but not future credit losses.
In calculating interest income on stage 1 and stage 2 financial assets, the effective interest rate is applied to the gross carrying amount of the asset. However for stage 3 financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial instrument is adjusted if the Group revises its estimate of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For purchased or originated credit-impaired financial assets, the Group applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

In applying the effective interest method, the Group identifies fees that are an integral part of the effective interest rate of loans granted. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. These include origination fees received by the Group relating to the creation or acquisition of loans such as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

e) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets carried at amortised cost and Fair Value through Other Comprehensive Income (FVOCI) (**) and with the exposures arising from loan commitments and financial guarantee contracts. 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 range of possible outcomes;
- 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.

The Group recognises a loss allowance at an amount equal to the lifetime ECL, except for financial assets on which credit risk has not increased significantly since their initial recognition. The loss allowance on financial assets on which credit risk has not increased significantly since their initial recognition are at an amount equal to the 12 month ECL.

The loss allowance on trade receivables are always measured at an amount equal to the lifetime ECL.

f) Significant increase in credit risk

The Group assesses at each reporting date, whether the credit risk of a financial instrument has increased significantly since initial recognition. This is based on the comparison of the risk of default occurring on the financial instrument as at each reporting date to initial recognition over the expected life of the financial instrument. It considers available reasonable and supportable forward-looking information.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments.

g) Impairment of financial assets: Definition of default

The Group defines a default consistent to the internal risk management practices for the relevant financial instruments and considers qualitative factors when appropriate.

The Group's criteria in the determination of impairment of a financial asset or group of assets include observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the customer or borrower;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the lender is over indebted; and
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets that may have arisen from global economic conditions that correlate with defaults on the assets because of adverse changes in the financial services sector, which has impacted on borrowers.

A backstop is applied and the financial instrument is considered to be in default if the borrower is more than 90 day due on its contractual payments.

h) Financial assets subject to renegotiated terms.

The Group sometimes renegotiates or otherwise modifies the contractual cash flow of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original term.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. These loans are not considered to be past due. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Restructuring activities include extended payment arrangements, and deferral of payments, amongst others.

Following restructuring, a previously overdue advance is managed together with other similar accounts once the customer demonstrates the ability to make contractual payments for a specific period. Restructuring policies and procedures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

If the terms are substantially different, the Group derecognises the original asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

i) Write off of financial assets

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. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

j) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The initial fair value is amortised over the life of the loan commitment.

When loan commitments are below market value, they are subsequently measured at the lower of the following:

(a) The amount of the loss allowance; and
(b) The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The difference between the carrying amount of a financial liability and the consideration paid, including any non-cash transferred or liabilities assumed, shall be recognised in profit or loss.

ACCOUNTING POLICIES (cont.)

k) Derecognition of financial assets

On derecognition of a financial asset, the difference between the carrying amount of the asset (measured at the date of derecognition) and any consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

l) Financial liabilities

Financial liabilities are initially measured at fair value including transaction costs and subsequently classified and measured at amortised cost.

The roup's financial liabilities at amortised costs included customer deposits, trade and other payables and loan accounts with Nedbank and Khula Enterprise Finance Ltd.

Derecognition of financial liabilities

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

m) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

1.9 INSURANCE CONTRACT ASSETS

Definition and classification

The Group has investments in 2 cell captives that allows the use of insurance licenses for short-term and long-term insurance. The interests held are in the form of preference shares and in terms of the shareholder subscription agreements between the Group and the insurers. In terms of those agreements, the company is required to maintain the solvency of the cells and is thereby exposed to significant insurance risk of the underlying insurance policies written through the cells. The arrangement is therefore deemed to constitute an in-substance reinsurance contact whereby the company is the insurer and the insurance cell is the cedant.

Insurance contracts are contracts under which the company accepts significant insurance risk from the policyholder by agreeing to compensate the policholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. Any reference to insurance contracts issued shall apply to reinsurance contracts.

Unit of account

Through the cell insurance arrangement referenced in the definition and classification the Group has issued two in-substance reinsurance contracts, the cells cover life and non- life business and are therefore not aggregated as the underlying risks are not similar nor are they managed together. Each contract therefore forms its own group for accounting purposes and any reference to a group of insurance contracts shall refer to that single contract.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beggining of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the Groups. When contracts meet the recognition criteria in the Groups after the reporting date, they are added to the Groups in the reporting peiod in which they meet the recognition criteria. Composition of the Groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- Extinguished (i.e when the obligation specified in the insurance contract expires or is discharged or cancelled); or

- the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met.

Measurement

The cell insurers use the Premium Allocation Approach("PAA") for measuring contracts with a coverage period of one year or less, or those with a longer coverage period but where use of the PAA has been assessed as resulting in a reasonable estimation of the insurance contract compared to the use of the General Measurement Model ("GMM"). On a look-through basis, the Group has applied the PAA to the measurement of the in-substance reinsurance contracts issued by the company.

The liability/asset for remaining coverage ("LCR/ARC") is measured based on the amounts recognised by the cell captives adjusted to reflect the solvency support provided through the subscription for preference shares, and any undeclared accumulated funds held in the cell. Essentially this amount approximates the net asset value of the cell.

The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the company expects to be entitle to in exchange for those services. This is the revenue so recognised by the cell captive adjusted to reflect any costs incurred for services rendered by the cell captive on behalf of the Group.

Insurance service expenses recognised include the following (as measured by the cell captive):

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses.

Any insurance dividends received from the cell captives reduce the carrying amount of the ARC.

Methods used and judgements applied in determinine the IFRS 17 transition amounts

The Group has adopted IFRS 17 retrospectively. The full retrospective approach was applied, accordingly, the Group has recognised and measured insurance contracts as if IFRS 17 had always applied. The change in measuremnet did not give rise to any transition impacts other than:

- The reclassification of the arrangement from an investment in cell captives in terms of IFRS 9, to insurance contract asset in terms of IFRS 17 with no adjustment in value.
- The presentation of insurance revenue and insurance service expense in the statement of comprehensive income whereas previously dividends received and/or fair value adjustments were recognised, with no impact no net profit previously reported.

1.10 GOVERNMENT GRANTS AND IMPLEMENTING AGENT PROJECTS

Government grants are recognised when there is reasonable assurance that the Group has complied with the conditions attached to the grant and that the grant has been received.

Government grants whose primary condition is that the Group should purchase, construct or acquire non-current assets are deducted in arriving at the carrying amount of the assets. The grants are recognised as income over the periods necessary to match the grant with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred with no future related cost are recognised in profit or loss in the period in which they are received. Government grants received for specific loans and advances programmes are recognised as income when all the conditions of the grant have been fulfilled and there is reasonable assurance that the grant will be received.

During it's course of business, IDFC may enter into binding arrangements where it undertakes transactions with third parties ''on behalf of, and for the benefit of, other entities". The entity on whose behalf the activities are being undertaken and who ultimately benefits (or bears losses), is the principal in the arrangement. IDFC accounts for these in the balance sheet as projects and does not recognise any transactions in the income statement relating to the projects, nor does IDFC recognise any assets acquired for the purposes of fulfilling the conditions of the projects.

ACCOUNTING POLICIES (cont.)

Current tax assets and liabilities

Ithala Development Finance Corporation is exempt from normal tax in terms of Section 10(1) (cA) (i) of the Income Tax Act. Consequently, all wholly owned subsidiaries of the Corporation are exempt from normal tax in terms of Section 10(1) (cA)(ii) of the Income Tax Act. Subsidiaries that are wholly owned are not subject to normal taxation except for Sundumbili, Nongoma, Wharfside and Sibaya.

Tax expense for subsidiaries that are not wholly owned comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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 benefit will be realised.

1.12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Operating leases - lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is recognised under revenue in the statement of profit or loss.

Right of use of assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and.
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

The Group recognises a right-of-use asset and a lease liability at the initial application date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use asset is initially measured at cost, which comprises:

a) the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date;
b) plus any initial direct costs incurred by the lessee; and
c) an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be amortised over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of -use asset is assessed for impairment, where there is an indicator of impairment, and if the asset if found to be impaired, the carrying value of the right of use asset is reduced by impairment losses, and adjusted for certain remeasurements of the lease liability.

Termination / Cancellation of lease

In the event of cancellation / termination of the lease by either party (lessee or lessor), the right of use asset is derecognised and any difference is recognised in profit or loss on derecognition.

The right-of-use asset is derecognised to reflect the partial or full termination of the lease. The Group, as lessee, recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. The lease liability is derecognised accordingly.

LEASE LIABILITIES

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments (including substance fixed payments), less any lease incentives receivable
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
c) amounts expected to be payable by the lessee under residual value guarantees
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability shall be subsequently measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made;
c) remeasuring the carrying amount to reflect any reassessment or lease modifications

Lease modifications and rental concessions

The Group assessed whether any rental concessions received were as a direct consequence of the covid 19 pandemic constituted lease modifications. In assessing whether concessions received are lease modifications, the below factors would need to be considered:

- whether or not the concessions resulted in a change to the scope of the lease i.e. if there had been changes in the right of use conveyed to the Group as lessee
- whether or not there has been a change in the consideration for the lease, considering the overall effect of any change in the lease payments
- whether or not the practical expedient as per IFRS 16 could be applied i.e. if the concessions did not extend beyond June 2022, it would not need to be accounted for as a lease modification, provided that the concession did not result in a change either to the scope or consideration for the lease.

The Group received a reduction in lease payments and going forward, the yearly escalation rates will be applied on the reduced lease payments. As this has resulted in a change to the consideration for the lease, it has been accounted for as a lease modification. Refer to the right of use and finance lease liability notes, where the impact of the modification on the right of use asset and lease liability has been quantified. However, these reductions in payments were not as a result of the covid 19 pandemic. Lease payments were renegotiated with the landlords as the subsidiary company had ceased operations.

Finance leases - lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

1.13 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula.

ACCOUNTING POLICIES (cont.)

1.14 EMPLOYEE BENEFITS

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages and salaries, annual leave, sick leave, bonuses, contributions to retirement funds, car allowance, housing subsidy, cell phone allowance and medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

b) Defined contribution plans

When an employee has rendered service to the group during a period, the group recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (sundry debtor) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense.

c) Post-retirement medical aid benefit

The Group provides post-retirement medical aid benefits to substantially all employees who commenced employment prior to 1 August 2000. The scheme is unfunded.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries for the post-retirement medical aid fund.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

d) Pension and Provident Fund

The group previously had a defined benefit provident fund and a defined benefit pension fund which was funded. The defined benefit plans were closed off and employees were transferred to the Old Mutual defined contribution plans. However, the defined benefit plans still have pensioners who have not yet been transferred to Old Mutual as the Group is still waiting for the trustees and FSCA to give the go ahead to transfer the pensioners. Plan assets pertaining to the pensioners are therefore still currently held as at year end.

For defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries for the liability that is outstanding as at year end for the pensioners as well as the plan assets.

When the projected unit credit method calculation results in a potential asset being recognised the net defined benefit asset shall be measured at the fair value of the plan assets less the present value of the defined benefit obligation limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As at year end the potential asset has not been recognised as the plan assets have not been allocated to the Group by the FSCA as yet for use in the reduction of future contributions or as a refund.

For the pension and provident fund benefits, actuarial gains and losses are recognised in profit or loss in the year in which they arise. The net interest expense is determined on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Net interest expense is recognised in profit or loss.

e) Long service award

For the long service award, the Group pays out the employee a certain percentage of the total cost to Group or a fixed amount. The payment is made based on the number of years the employee has rendered service to the group, which should be a minimum of 5 years. The payment of the award is the cost of providing the benefits which is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the long service award.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

For the long service award actuarial gains and losses are recognised in the year in which they arise in profit or loss. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

f) Termination benefits

If the termination benefits include post-employment benefits, these shall be accounted for as detailed above under post-employment benefits, otherwise termination benefits payable within 12 months after the end of the reporting period they are measured in accordance with the requirements of short term benefits. If termination benefits are payable beyond 12 months after the end of the reporting period they are measured in accordance with the requirements of other long term benefits. The group is demonstrably committed to curtailment or settlement.

1.15 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell or distribute.

An impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell shall be recognised in profit or loss. A gain shall be recognised resulting from the subsequent increase in fair value less cost to sell of an asset, not in excess of the cumulative impairment loss that has been recognised.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such.

Non-current assets held for sale consists of immovable property, mainly comprising private residential dwellings, which have been repossessed by the Group and are being held as collateral for underlying lending arrangements that subsequent to origination, have defaulted.

These properties include properties registered and available for sale and properties sold for which transfer to a purchaser is in progress.

1.16 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Company in which they are declared.

ACCOUNTING POLICIES (cont.)

1.17 RELATED PARTY

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Identifying related party relationships

The following are regarded as related parties of the Group:

a) A person or a close member of the person, that is a member of key management personnel or executive authority of the Group,
b) An entity that is related to the Group when the following conditions are met:
   i) The entity and the Group are members of the same group,
   ii) One entity (Group or entity) is an associate or joint venture of the other entity, and
   iii) The Group is controlled by key management personnel or executive authority.

Within the context of South African government and the sphere within which the Group operates (the provincial sphere) the following are related parties to the Group: all departments, public entities and Provincial Legislature.

Identifying related party transactions

A related party transaction, is a transfer of resources, services and obligations between a reporting entity and a related party, regardless of whether a price is charged.

1.18 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is measured as the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects 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.

Gains from the expected disposal of assets shall not be taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

Contingent liabilities, which include certain guarantees other than financial guarantees, are reasonably possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events, not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Contingent assets are reasonably possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not, that an inflow of economic benefits will occur. However, when the inflow of economic benefits is virtually certain, as asset is recognised in the statement of financial position because that asset is no longer considered to be contingent.

1.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised in accordance with IFRS 15, Revenue from contracts with customers, when the performance obligation with the customer has been satisfied by transferring the goods or services to the customer as promised in the contract.

Revenue is measured based on the consideration specified in the contracts with customers, net of VAT and excludes amounts collected on behalf of third parties.

The Group's revenues are earned mainly from the following services and goods as disclosed in the other operating income note:

Rental received

Rental income from investment property is recognised in profit/loss on a straightline basis over the lease term in accordance with the leases standard. Lease incentives granted are recognised as part of the total rental income over the lease term.

Sale of electricity, water, refuse and sewage

Sale of goods is recognised when control over the goods is transferred to the customer and the collectability is probable. Revenue from the sale of electricity, water, refuse and sewage are recognised when consumed by the customer, to the extent that is probable that the consideration due to the Group, in exchange for the sale of utilities will be received. The transaction price will be based on the stand-alone selling prices and usage of the utilities by the tenant. When assessing the probability of the consideration being received from the entity, the payment history on the tenants' accounts are analysed as well as the status of their account for example, if the account is in dispute, under legal proceedings, tenant is insolvent, or has absconded etc.

Fees earned

Fee income includes services fees, binder fees and investment fees and is recognised as the related services are performed.

Services Recovered

Recoveries include items such as rates, refuse removal, cleaning and security. Recoveries do not represent revenue from a contract with a customer as defined by IFRS 15. The monies received are a re -imbursement by clients to the Group for payments made to the municipality on their behalf. The payments made on behalf of the clients and the recovery should net off. Any remaining portion is recognised as an expense in the statement of profit or loss and other comprehensive income.

Commission

Commission earned from contracts with customers is recognised when the performance obligation (banking and delivery agency services) has been satisfied by transferring control of the services to the customer. The amount of the consideration that is expected to be transferred in exchange for the services is the transaction price per the contract.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES

Sectoral analysis	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Housing and commercial property	1 516 822	1 600 547	-	-
Micro finance - secured	737 470	710 551	-	-
Micro finance - unsecured	12 936	15 050	12 936	15 050
Agri Finance	320 410	290 339	320 410	290 339
Franchise finance	45 659	47 957	45 659	47 957
Procurement finance	92 159	68 711	92 156	68 711
Commercial property finance	111 783	131 662	111 783	131 662
Asset finance	208 046	160 264	208 046	160 264
Structured Finance	72 080	65 439	72 080	65 439
Gross carrying amount	**3 117 365**	**3 090 520**	**863 070**	**779 422**
Credit impairment for loans and advances	(568 617)	(507 344)	(452 497)	(414 988)
Expected credit loss (Loan commitments)	(1 105)	(461)	(1 105)	(461)
Less: Credit impairment balance	**(569 722)**	**(507 805)**	**(453 602)**	**(415 449)**
Net loans and advances including current portion	**2 547 643**	**2 582 715**	**409 468**	**363 973**
Less: Current Portion included under current assets	(192 579)	(231 813)	(47 543)	(77 332)
Net loans and advances*	**2 355 064**	**2 350 902**	**361 925**	**286 641**
Non- performing loans	754 955	744 172	526 594	539 278
Impaired portion of the non-performing loan	(512 108)	(461 484)	(430 624)	(400 760)
Unimpaired portion of non- performing loans	**242 847**	**282 688**	**95 970**	**138 518**

Included in loans and advances above are day one losses of R53.9m (2023: R46.8m).

*The day 1 loss arises as a result of loans from the Enterprise Development Fund issued at below market rates. The agreement between the shareholder and IDFC is that these loans will be advanced at interest rates between 2% - 7%.

Day one losses*				
Opening balance	46 804	43 569	46 804	43 569
Day one loss recognised	20 521	12 560	20 521	12 560
Amortised	(13 456)	(9 325)	(13 456)	(9 325)
Closing balance	**53 869**	**46 804**	**53 869**	**46 804**

Maturity analysis

Maturing:	506 285	465 305	402 731	373 476
Up to 1 month	131 963	137 713	55 367	64 570
From 1 month to 6 months	124 052	134 537	43 042	52 672
From 6 months to 1 year	786 825	748 555	236 054	175 628
From 1 year to 5 years	1 568 240	1 604 410	125 876	113 076
After 5 years	**3 117 365**	**3 090 520**	**863 070**	**779 422**

The maturity analysis is based on the remaining period to contractual maturity date as determined at the end of the year.

2. LOANS AND ADVANCES (continued)

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Expected credit loss for loans and advances				
Balance at beginning of the year	(507 805)	(433 863)	(415 448)	(355 331)
Charge to income statement				
Bad debts written off*	52 410	18 350	33 261	14 039
Expected credit loss adjustment	-	(1 902)	-	-
Expected credit loss**	(113 683)	(92 024)	(70 771)	(75 790)
ECL on loan commitments	(644)	1 634	(644)	1 634
Balance at end of the year	**(569 722)**	**(507 805)**	**(453 602)**	**(415 448)**

*Bad debts written off represent losses made on the derecognition of loans and advances measured at amortised cost.

	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Comprising:				
Impairment for performing loans Stage 1 and 2	(56 550)	(45 860)	(21 863)	(14 228)
Impairment for non-performing loans- Stage 3	(512 067)	(461 484)	(430 634)	(400 760)
Expected credit loss (Loan commitments)	(1 105)	(461)	(1 105)	(461)
Impairment for loans and advances	**(569 722)**	**(507 805)**	**(453 602)**	**(415 449)**

The information disclosed below relating to the impairment losses has been prepared in terms of IFRS 7 using the expected credit loss model in terms of IFRS 9.

Expected 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 (refer to note 30 for description of the different stages) 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 the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions. Refer to note 30 for changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Movement in Gross carrying amount and expected credit loss allowance

Both the gross carrying amount and ECL have increased year-on- year, with the ECL coverages also increasing, particularly on stage 3 loans. However, new business growth and a reduction in loans triggering SICR has resulted in a greater proportion of the portfolio being in stage 1 and thus the overall ECL coverages has reduced. The increase in ECL is primarily driven by a combination of the following factors:

- The time to collateral recovery assumption applied within the LGD model was adjusted to 36 months based on the ageing of collateral on book.
- The backstop, adjusted the provisioning model so that loans that have been in default for more than 60 months are fully provided for.
- The continued ageing of defaulted loans has resulted in reduced recovery expectations, whilst the gross carrying amount on such loans have increased with additional accrued interest.
- Introduction of a 5% LGD floor.
- Discounting losses in the ECL caluculation at contractual rates rather than market rates increased impairments.

At Company level, there has been a slight decline in the NPL ratio, from 71% in the prior year, to 69% in the current financial year. At Group level, there has been a slight increase in the NPL ratio, from 23% in the prior year, to 24% in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

At Group level, balances and impairments decreased in absolute terms over the financial year and we experienced a slight decrease in the NPL ratio from 25% in the prior financial year to 23% in the current financial year.

In terms of forward looking information, macroeconomic indicators such as GDP which were stressed during the COVID-19 period have rebounded to near pre -2020 levels in real terms. However, additional risks are posed by inflation and interest rate risk, which were not stressed to the same extent or driving defaults over the Covid-19 period. In the prior year, the macroeconomic model was adjusted to cater for these risks by incorporating CPI and real extension to firms. The macroeconomic model has been recalibrated based on updated information, but these variables as well as GDP have again been included in the model to ensure that such risks are allowed for. The absolute impact of this adjustment is relatively small due to the impairments being concentrated in stage 3.

In the prior year, elevated defaults were experienced due to the impacts of COVID-19. Combining the latest curing rules with default rates having peaked in Q2 of 2021, a higher NPL ratio was observed year -on-year for Company. The NPL ratio increased from 64% to 71% from the 2021 financial year. Additionally, the ageing NPL population and a more prudent assumption of the average time to collateral recovery had resulted in higher stage 3 coverage ratios. Therefore, despite balances and impairments decreasing in absolute terms over the financial year, coverage rations had increased due to the greater concentration of the portfolio in NPL and the higher coverage applied to these stage 3 exposures. At Group level in the prior year, balances and impairments decreased in absolute terms over the financial year and we experienced a slight decrease in the NPL ratio from 25% in the 2021 financial year, to 23% in the 2022 financial year.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2024	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	1 804	2 357	-	4 161	64	220	286	652	295	1 763	-	3 280	7 441
Stage 2	19 686	7 783	-	27 469	233	1 732	34	1 084	615	5 851	1 399	10 948	38 417
Stage 3	46 860	13 866	-	60 726	4 604	152 827	21 329	46 291	47 441	76 735	51 533	400 760	461 486
Opening balance 1 April 2023	**68 350**	**24 006**	**-**	**92 356**	**4 901**	**154 779**	**21 649**	**48 027**	**48 351**	**84 349**	**52 932**	**414 988**	**507 344**
Recalibration of model**	(6 196)	3 815	-	(2 381)	-	-	-	-	-	-	-	-	(2 381)
Recalibrated opening balance	**62 154**	**27 821**	**-**	**89 975**	**4 901**	**154 779**	**21 649**	**48 027**	**48 351**	**84 349**	**52 932**	**414 988**	**504 963**
Excluding manual overrides as at 31 March 2023	(159)	(75)	-	(234)	-	-	-	-	-	-	-	-	(234)
Financial assets derecognised during the period**	(6 992)	(5 195)	-	(12 187)	(364)	(2 866)	-	(2 022)	(9 460)	(9 190)	(19)	(23 921)	(36 108)
Stage 1 net transfers	645	(21)	-	624	-	195	25	28	961	(134)	-	1 075	1 699
Stage 2 net transfers	(2 094)	(3 257)	-	(5 351)	(226)	258	(32)	(261)	(647)	588	-	(320)	(5 671)
Stage 3 net transfers	6 127	9 168	-	15 295	759	(2 244)	-	1 188	(20 419)	(608)	(134)	(21 458)	(6 163)
New financial asset originated or purchased	1 005	3 557	-	4 562	1 160	3 763	125	6 085	249	5 057	-	16 439	21 001
Changes in PDs/LGDs/ EADs	14 911	8 769	-	23 680	501	32 963	2 143	5 497	1 318	9 438	10 455	62 315	85 995
Changes to model assumptions and methodologies	5 159	(5 232)	-	(73)	110	(1 391)	(127)	(1 095)	(1 064)	1 169	(2 852)	(5 250)	(5 323)
Macro economic forecasts	(40)	(131)	-	(171)	(8)	(226)	(17)	(86)	(47)	(474)	(34)	(892)	(1 063)
Changes to model assumptions and methodologies	-	-	-	-	-	6 787	63	-	1 594	868	208	9 520	9 520
Total net P&L charge during the period	**18 562**	**7 583**	**-**	**26 145**	**1 932**	**37 239**	**2 180**	**9 334**	**(27 515)**	**6 714**	**7 624**	**37 508**	**63 653**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2024	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Other movements with no P&L impact Transfers:													
	80 716	**35 404**	**-**	**116 120**	**6 833**	**192 018**	**23 829**	**57 361**	**20 836**	**91 063**	**60 556**	**452 496**	**568 616**
Stages closing balances													
Stage 1	1 606	2 111	-	3 717	56	1 782	284	956	680	3 448	564	7 770	11 487
Stage 2	21 272	9 698	-	30 970	333	4 018	-	2 460	785	6 507	-	14 103	45 073
Stage 3	57 838	23 595	-	81 433	6 444	186 218	23 545	53 945	19 371	81 108	59 992	430 623	512 056
	80 716	**35 404**	**-**	**116 120**	**6 833**	**192 018**	**23 829**	**57 361**	**20 836**	**91 063**	**60 556**	**452 496**	**568 616**
			-										

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2024	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	932 279	565 257	-	1 497 536	5 227	33 661	21 102	9 215	19 412	42 874	-	131 491	1 629 027
Stage 2	497 133	111 534	-	608 667	4 862	18 566	3 319	11 697	36 242	27 468	6 499	108 653	717 320
Stage 3	171 135	33 760	-	204 895	4 961	238 112	23 536	47 799	76 008	89 922	58 940	539 278	744 173
Opening balance 01 April 2023	**1 600 547**	**710 551**	**-**	**2 311 098**	**15 050**	**290 339**	**47 957**	**68 711**	**131 662**	**160 264**	**65 439**	**779 422**	**3 090 520**
Stage 1 net transfers	(104 989)	(15 523)	-	(120 512)	16	3 892	3 319	199	62 690	(9 098)	9 794	70 812	(49 700)
Stage 2 net transfers	78 700	(7 923)	-	70 777	(1 033)	(532)	(3 319)	(2 158)	(29 650)	7 581	(6 499)	(35 610)	35 167
Stage 3 net transfers	26 289	23 446	-	49 735	1 017	(3 360)	-	1 959	(33 040)	1 517	(3 295)	(35 202)	14 533
Financial assets derecognised during the period**	(72 458)	(50 347)	-	(122 805)	(6 670)	(5 109)	(91)	(16 696)	(9 913)	(11 842)	(19)	(50 340)	(173 145)
Financial asset originated or purchased	31 098	135 017	-	166 115	5 637	28 793	5 330	37 090	14 731	58 088	-	149 669-	315 784
Interest accruals and payments received	(42 365)	(57 751)	-	(100 116)	(1 081)	6 387	(7 537)	3 054	(24 697)	1 536	6 660	(15 678)	(115 794)
	1 516 822	**737 470**	**-**	**2 254 292**	**12 936**	**320 410**	**45 659**	**92 159**	**111 783**	**208 046**	**72 080**	**863 073**	**3 117 365**
Stages closing balance													
Stage 1	919 204	609 311	-	1 528 515	2 988	53 428	20 255	15 904	71 032	78 657	8 613	250 877	1 779 392
Stage 2	414 874	82 541	-	497 415	2 865	18 593	-	19 155	6 445	38 544	-	85 602	583 017
Stage 3	182 744	45 618	-	228 362	7 083	248 389	25 404	57 100	34 306	90 845	63 467	526 594	754 956
	1 516 822	**737 470**	**-**	**2 254 292**	**12 936**	**320 410**	**45 659**	**92 159**	**111 783**	**208 046**	**72 080**	**863 073**	**3 117 365**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2023	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	2 351	2 143	-	4 494	37	79	727	74	192	774	931	2 814	7 308
Stage 2	19 587	8 831	146	28 564	141	237	1 267	1 288	-	418	-	3 351	31 915
Stage 3	38 639	6 664	171	45 474	3 506	121 176	22 349	34 552	41 968	75 104	48 416	347 071	392 545
Opening balance 01 April 2022	**60 577**	**17 638**	**317**	**78 532**	**3 684**	**121 492**	**24 343**	**35 914**	**42 160**	**76 296**	**49 347**	**353 236**	**431 768**
Recalibration of model**	(5 368)	(2 907)	(20)	(8 295)	-	-	-	-	-	-	-	-	(8 295)
Recalibrated opening balance	**55 209**	**14 731**	**297**	**70 237**	**3 684**	**121 492**	**24 343**	**35 914**	**42 160**	**76 296**	**49 347**	**353 236**	**423 473**
Excluding manual overrides as at 31 March 2022	-	-	-	-	(56)	(1 001)	1 096	(183)	(471)	424	(1 086)	(806)	(806)
Financial assets derecognised during the period**	(3 685)	(959)	(193)	(4 837)	(269)	(7)	(6 273)	(4 349)	(40)	(5 135)	(179)	(16 252)	(21 089)
Stage 1 net transfers	792	180	-	972	8	(21)	(268)	(37)	(52)	(4)	(792)	(1 166)	(194)
Stage 2 net transfers	(2 432)	(1 533)	-	(3 965)	(28)	136	(335)	(38)	221	(63)	2 515	2 408	(1 557)
Stage 3 net transfers	7 784	5 174	-	12 958	146	76	2 502	2 458	-	450	(1 545)	4 087	17 045
New financial asset originated or purchased	2 346	4 602	-	6 948	951	1 241	114	5 264	364	6 609	-	14 543	21 491
Changes in PDs/ LGDs/EADs	14 725	5 650	(104)	20 271	451	25 536	25	4 646	5 268	4 171	4 604	44 701	64 972
Changes to model assumptions and methodologies	(6 171)	(3 822)	-	(9 993)	-	6 731	428	4 225	434	893	55	12 766	2 773
Macro economic forecasts	(218)	14	-	(204)	14	(923)	17	127	467	708	(494)	(84)	(288)
Applying overrides as at 31 March 2023	-	(31)	-	(31)	-	1 519	-	-	(471)	-	507	1 555	1 524
Total net P&L charge during the period	**13 141**	**9 275**	**(297)**	**22 119**	**1 217**	**33 287**	**(2 694)**	**12 113**	**6 191**	**8 053**	**3 585**	**61 752**	**83 871**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2024	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Other movements with no P&L impact Transfers:													
	68 350	**24 006**	**-**	**92 356**	**4 901**	**154 779**	**21 649**	**48 027**	**48 351**	**84 349**	**52 932**	**414 988**	**507 344**
Stages closing balances													
Stage 1	1 804	2 357	-	4 161	64	220	286	652	295	1 763	-	3 280	7 441
Stage 2	19 686	7 783	-	27 469	233	1 732	34	1 084	615	5 851	1 399	10 948	38 417
Stage 3	46 860	13 866	-	60 726	4 604	152 827	21 329	46 291	47 441	76 735	51 533	400 760	461 486
	68 350	**24 006**	**-**	**92 356**	**4 901**	**154 779**	**21 649**	**48 027**	**48 351**	**84 349**	**52 932**	**414 988**	**507 344**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2023	Housing and commercial	Micro finance secured	Micro finance unsecured	TOTAL SOC LIMITED	Micro Finance	Agri Finance	Franchise Finance	Procurement Finance	Commercial Finance	Assets Finance	Structured Finance	TOTAL CORP	TOTAL
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	975 219	424 802	-	1 400 021	2 341	37 724	19 807	2 018	41 607	33 619	8 409	145 525	1 545 546
Stage 2	473 362	94 308	175	567 845	5 516	18 082	10 514	9 842	4 325	6 435	-	54 714	622 559
Stage 3	147 143	20 722	176	168 041	3 758	210 684	25 302	40 212	68 543	86 339	55 335	490 173	658 214
Opening balance 01 April 2022	**1 595 724**	**539 832**	**351**	**2 135 907**	**11 615**	**266 490**	**55 623**	**52 072**	**114 475**	**126 393**	**63 744**	**690 412**	**2 826 319**
Stage 1 net transfers	(74 549)	(24 429)	-	(98 978)	355	(526)	2 331	(494)	(23 589)	751	(5 996)	(27 168)	(126 146)
Stage 2 net transfers	42 257	10 876	-	53 133	(543)	(10 751)	(5 182)	(2 428)	22 534	(1 939)	7 769	9 460	62 593
Stage 3 net transfers	32 294	13 554	-	45 848	187	11 277	2 851	2 923	1 055	1 188	(1 772)	17 709	63 557
Financial assets derecognised during the period**	(70 095)	(39 417)	(218)	(109 730)	(6 093)	(4 076)	(6 577)	(12 110)	(6 746)	(17 236)	(2 418)	(55 256)	(164 986)
Financial asset originated or purchased	130 931	240 444	-	371 375	9 886	17 935	4 641	25 143	15 919	55 702	-	129 227	500 602
Interest accruals and payments received	(56 015)	(30 309)	(133)	(86 457)	(357)	9 990	(5 730)	3 605	8 014	(4 595)	4 112	15 038	(71 419)
	1 600 547	**710 551**	**-**	**2 311 098**	**15 050**	**290 339**	**47 957**	**68 711**	**131 662**	**160 264**	**65 439**	**779 422**	**3 090 520**
Stages closing balance													
Stage 1	932 279	565 257	-	1 497 536	5 227	33 661	21 102	9 215	19 412	42 874	-	131 491	1 629 027
Stage 2	497 133	111 534	-	608 667	4 862	18 566	3 319	11 697	36 242	27 468	6 499	108 653	717 320
Stage 3	171 135	33 760	-	204 895	4 961	238 112	23 536	47 799	76 008	89 922	58 940	539 278	744 173
	1 600 547	**710 551**	**-**	**2 311 098**	**15 050**	**290 339**	**47 957**	**68 711**	**131 662**	**160 264**	**65 439**	**779 422**	**3 090 520**

*Included in the financial assets derecognised, is the bad write off for Group of R52.4m (2023: R18.4m) and Company of R33.3m (2023: R14.0m).

**Ithala SOC Ltd does the credit impairment model half yearly and then the annual recalibration. The results of the recalibrations are the changes in the ECL output of the model.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

Group

	2024				2023			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Housing and commercial property	16 988	-	6 537	-	12 917	-	1 678	-
Micro finance - secured	2 839	-	1 791	-	1 876	-	2 626	-
Micro finance - unsecured	108	-	-	-	-	-	-	-
Agri-finance	3 647	-	4 076	-	1 415	-	-	-
Procurement finance	2 910	-	-	-	940	-	-	-
Commercial Property	-	-	-	-	21 476	-	3 966	-
Asset finance	469	-	5 691	-	1 946	-	12 775	-
Franchise finance	-	-	5 754	-	-	-	-	-
Structured finance	-	-	-	-	-	-	1 772	-
Total	**26 961**	**-**	**23 849**	**-**	**40 570**		**22 817**	**-**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

Company

	2024				2023			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss	Gross amortised cost before the modification	Net modification gain or loss
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Micro finance - unsecured	108	-	-	-	-	-	-	-
Agri-finance	3 647	-	4 076	-	1 415	-	-	-
Procurement finance	2 910	-	-	-	940	-	-	-
Commercial Property	-	-	-	-	21 476	-	3 966	-
Asset finance	469	-	5 691	-	1 946	-	12 775	-
Franchise finance	-	-	5 754	-	-	-	-	-
Structured finance	-	-	-	-	-	-	1 772	-
Total	**7 134**	**-**	**15 521**	**-**	**25 777**	**-**	**18 513**	**-**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

The nature of the modification that did not result in derecognition was the extension of the loan terms. As the extension was not considered to be significant, it would not warrant a change from being measured at lifetime expected credit losses to 12 month expected credit losses.

*Stage 1 and 2 modifications as noted in the table above is split as follows:

Housing and commercial property - Ithala SOC Ltd
2024: R16 988 000 - Stage 2
2023: R12 917 000 - Stage 2

Micro finance - secured - Ithala SOC Ltd
2024: R2 839 000 - Stage 2
2023: R1 876 000 - Stage 2

Micro-finance - unsecured - Company
2024: R108 000 - Stage 1
2023: Nil

Agri Finance - Company
2024: R3 647 000 - Stage 2
2023: R1 415 000 - Stage 2

Procurement finance - Company
2024: R2 910 000 - Stage 2
2023: R940 000 - Stage 2

Commercial finance - Company
2024: NIL
2023: R21 476 000 - Stage 2

Asset finance - Company
2024: R469 000 - Stage 1
2023: R1 946 000 - Stage 1

Structured finance - Company

The tables below reflects the credit quality and maximum exposure to credit risk based on Empirical scores, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology and impairment assessment and measurement approach are explained in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Mortgage and Housing Loans - Ithala SOC Limited - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.00%-0.50%	221	4	-	225
0.51%-11.70%	918 983	307 908	-	1 226 891
11.71%-29.50%	-	65 529	-	65 529
29.51%-100%	-	41 430	-	41 430
Non-performing				
100%	-	-	182 744	182 744
Gross Carrying Amount	**919 204**	**414 871**	**182 744**	**1 516 819**

Mortgage and Housing Loans - Ithala SOC Ltd - 31 March 2023	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.00%-0.50%	90	3	-	93
0.51%-11.70%	932 189	419 007	-	1 351 196
11.71%-29.50%	-	52 394	-	52 394
29.51%-100%	-	25 729	-	25 729
Non-performing				
100%	-	-	171 135	171 135
Gross Carrying Amount	**932 279**	**497 133**	**171 135**	**1 600 547**

Micro finance secured - Ithala SOC Limited - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.00%-0.50%	19 624	-	-	19 624
0.51%-11.70%	589 687	38 944	-	628 631
11.71%-29.50%	-	6 653	-	6 653
29.51%-100%	-	36 946	-	36 946
Non-performing				
100%	-	-	45 616	45 616
Gross Carrying Amount	**609 311**	**82 543**	**45 616**	**737 470**

Micro finance secured - Ithala SOC Limited - 31 March 2023	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.00%-0.50%	19 040	815	-	19 855
0.51%-11.70%	545 843	67 256	-	613 099
11.71%-29.50%	-	11 348	-	11 348
29.51%-100%	373	32 117	-	32 490
Non-performing				
100%	-	-	33 759	33 759
Gross Carrying Amount	**565 256**	**111 536**	**33 759**	**710 551**

Micro finance unsecured - Company - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.51%-11.70%	2 989	2 316	-	5 305
29.51%-100%	-	548	-	548
Non-performing				
100%	-	-	7 083	7 083
Gross Carrying Amount	**2 989**	**2 864**	**7 083**	**12 936**

Micro finance unsecured - Company - 31 March 2023	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.00%-0.50%	55	-	-	55
0.51%-11.70%	5 172	4 365	-	9 537
11.71%-29.50%	-	115	-	115
29.51%-100%	-	382	-	382
Non-performing				
100%	-	-	4 961	4 961
Gross Carrying Amount	**5 227**	**4 862**	**4 961**	**15 050**

Agri Finance - Company - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.51%-11.70%	24 615	-	-	24 615
11.71%-29.50%	28 813	12 267	-	41 080
29.51%-100%	-	6 326	-	6 326
Non-performing				
100%	-	-	248 389	248 389
Gross Carrying Amount	**53 428**	**18 593**	**248 389**	**320 410**

NOTES TO THE FINANCIAL STATEMENTS

Agri Finance - Company - 31 March 2023	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.00%-0.50%	-	545	-	545
0.51%-11.70%	31 460	2 165	-	33 625
11.71%-29.50%	2 201	10 862	-	13 063
29.51%-100%	-	4 994	-	4 994
Non-performing				
100%	-	-	238 112	238 112
Gross Carrying Amount	**33 661**	**18 566**	**238 112**	**290 339**

Franchise Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.51%-11.70%	20 255	-	-	20 255
Non-performing				
100%	-	-	25 404	25 404
Gross Carrying Amount	**20 255**	**-**	**25 404**	**45 659**

Franchise Finance - Company - 31 March 2023	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.51%-11.70%	21 102	3 319	-	24 421
Non-performing				
100%	-	-	23 536	23 536
Gross Carrying Amount	**21 102**	**3 319**	**23 536**	**47 957**

Procurement Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.51%-11.70%	9 870	9 303	-	19 173
11.71%-29.50%	4 286	989	-	5 275
29.51%-100%	1 746	8 862	-	10 608
Non-performing				
100%	-	-	57 100	57 100
Gross Carrying Amount	**15 902**	**19 154**	**57 100**	**92 156**

Procurement Finance - Company - 31 March 2023	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.51%-11.70%	6 622	7 295	-	13 917
11.71%-29.50%	703	3 626	-	4 329
29.51%-100%	1 891	775	-	2 666
Non-performing				
100%	-	-	47 799	47 799
Gross Carrying Amount	9 216	11 696	47 799	68 711

Commercial Property Finance - Company - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.51%-11.70%	52 446	-	-	52 446
11.71%-29.50%	18 586	-	-	18 586
29.51%-100%	-	6 445	-	6 445
Non-performing				
100%	-	-	34 306	34 306
Gross Carrying Amount	**71 032**	**6 445**	**34 306**	**111 783**

Commercial Property Finance - Company - 31 March 2023	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
0.51%-11.70%	15 581	35 278	-	50 859
11.71%-29.50%	3 831	-	-	3 831
29.51%-100%	-	964	-	964
Non-performing				
100%	-	-	76 008	76 008
Gross Carrying Amount	**19 412**	**36 242**	**76 008**	**131 662**

NOTES TO THE FINANCIAL STATEMENTS

2. LOANS AND ADVANCES (continued)

Asset Finance - Company - 31 March 2024	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.51%-11.70%	-	-	-	
11.71%-29.50%	48 811	9 326	-	58 137
29.51%-100%	-	2 121	-	2 121
Non-performing				
100%	-	-	90 845	90 845
Gross Carrying Amount	**78 657**	**38 544**	**90 845**	**208 046**

Asset Finance - Company - 31 March 2023	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
12 Month PD Range				
Performing				
0.51%-11.70%	39 357	10 391	-	49 748
11.71%-29.50%	3 517	12 491	-	16 008
29.51%-100%	-	4 586	-	4 586
Non-performing				
100%	-	-	89 922	89 922
Gross Carrying Amount	**42 874**	**27 468**	**89 922**	**160 264**

Structured Finance - Company - 31 March 2024	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
11.71%-29.50%	8 613	-	-	8 613
Non-performing				
100%	-	-	63 467	63 467
Gross Carrying Amount	**8 613**	**-**	**63 467**	**72 080**

Structured Finance - Company - 31 March 2023	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
12 Month PD Range				
Performing				
11.71%-29.50%	-	6 499	-	6 499
Non-performing				
100%	-	-	58 940	58 940
Gross Carrying Amount	**-**	**6 499**	**58 940**	**65 439**

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY

Reconciliation of investment property - Group - 2024	Opening balance	Additions*	Transfers**	Fair value adjustments	Total
Investment property	3 254 959	57 790	(420)	110 139	3 422 468
Reconciliation of investment property - Group - 2023					
Investment property	3 168 909	90 822	11 218	(15 990)	3 254 959
Reconciliation of investment property - Company - 2024					
Investment property	3 070 492	52 041	(420)	105 008	3 227 121
Reconciliation of investment property - Company - 2023					
Investment property	2 841 404	89 630	136 509	2 949	3 070 492

Other disclosures

The valuation of the investment property has been performed by independent qualified valuers, registered with the South African Council For The Properties Valuers Profession (SACPVP). Refer to Note 30 for fair value disclosures.

* Additions include work managed by SASRIA on the damaged properties to the value of R36.4m for Group and R31.9m for Company in the current financial year.

Comparative Adjustments

**The prior year transfer for Company comprises of the dividend in specie from Sundumbili Plaza (Pty) Ltd and the transfer from non-currents assets held for sale to investment property, as disclosed in Note 16. The transfer for Group comprises of the transfer from non-current assets held for sale to investment properties, net of the transfer of investment property to property, plant and equipment, as detailed in Note 4.

Details of property

Amounts recognised in profit and loss for the year

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Rental income from investment property	367 547	351 158	349 170	322 253
Direct operating expenses from rental generating property	(435 322)	(376 171)	(413 238)	(359 443)
Direct operating expenses from non-rental generating property	(10 176)	(16 832)	(10 176)	(16 832)

4. PROPERTY, PLANT AND EQUIPMENT

Group	2024			2023		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Infrastructure and buildings	308 643	(102 814)	205 829	305 274	(97 207)	208 067
Leasehold improvements	63 917	(56 536)	7 381	63 235	(55 645)	7 590
Plant and equipment	241 290	(179 951)	61 339	232 445	(168 390)	64 055
Motor vehicles	11 718	(8 770)	2 948	14 115	(12 023)	2 092
Total	**625 568**	**(348 071)**	**277 497**	**615 069**	**(333 265)**	**281 804**

Company	2024			2023		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Infrastructure and buildings	308 643	(102 814)	205 829	305 274	(97 207)	208 067
Leasehold improvements	12 665	(12 665)	-	12 665	(12 665)	-
Plant and equipment	99 596	(78 422)	21 174	98 675	(70 523)	28 152
Motor vehicles	10 692	(8 327)	2 365	13 089	(11 751)	1 338
Total	**431 596**	**(202 228)**	**229 368**	**429 703**	**(192 146)**	**237 557**

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Infrastructure and buildings	208 067	2 956	-	420	(5 614)	205 829
Leasehold improvements	7 590	1 326	-	-	(1 535)	7 381
Plant and equipment	64 055	14 841	(713)	(27)	(16 817)	61 339
Motor vehicles	2 092	1 690	(131)	-	(703)	2 948
	281 804	**20 813**	**(844)**	**393**	**(24 669)**	**277 497**

Reconciliation of property, plant and equipment - Group - 2023

	Opening balance	Additions	Disposals	Transfers**	Depreciation	Total
Infrastructure and buildings	205 914	6 171	-	1 235	(5 253)	208 067
Leasehold improvements	4 651	4 590	(311)	-	(1 340)	7 590
Plant and equipment	51 288	28 321	(1 402)	-	(14 152)	64 055
Motor vehicles	2 005	713	-	-	(626)	2 092
	263 858	**39 795**	**(1 713)**	**1 235**	**(21 371)**	**281 804**

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Company - 2024

	Opening balance	Additions	Disposals	Transfers**	Depreciation	Total
Infrastructure and buildings	208 067	2 949	-	420	(5 607)	205 829
Plant and equipment	28 152	1 258	(127)	(27)	(8 082)	21 174
Motor vehicles	1 338	1 690	(131)	-	(532)	2 365
	237 557	**5 897**	**(258)**	**393**	**(14 221)**	**229 368**

Reconciliation of property, plant and equipment - Company - 2023

	Opening balance	Additions	Disposals	Transfers**	Depreciation	Total
Infrastructure and buildings	205 872	6 213	-	1 235	(5 253)	208 067
Plant and equipment	29 953	7 764	(961)	94	(8 698)	28 152
Motor vehicles	1 904	-	-	-	(566)	1 338
	237 729	**13 977**	**(961)**	**1 329**	**(14 517)**	**237 557**

	Group		Company	
Net carrying amounts of leased assets	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Leasehold improvements	7 381	7 590	-	-
Other information				
Cost of fully depreciated property, plant and equipment still in use	26 448	24 721	26 448	24 721

Property, plant and equipment with nil book values represents property, plant and equipment that are still in use and have a nil book value and to assets with a cost of R5 000 and below that have been fully depreciated in line with the Group's policy. These assets do not have significant useful lives remaining thus reassessment of useful lives and adjustments to carrying amounts would be immaterial.

The reassessment of useful life is performed at each balance sheet date except for assets with costs that is below R5 000.

Comparative Adjustments

* The prior year transfer above for Company comprises of the dividend in specie from Sundumbili Plaza (Pty) Ltd and the transfer from investment property to property, plant and equipment. The transfer for Group relates to the transfer of investment property to property, plant and equipment, as detailed in Note 3.

5. INTANGIBLE ASSETS

Group	2024			2023		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Licenses	3 747	(3 594)	153	3 747	(3 460)	287
Computer software	50 924	(47 278)	3 646	49 511	(44 388)	5 123
Other intangible assets	22 824	(10 571)	12 253	15 252	(10 232)	5 020
Total	**77 495**	**(61 443)**	**16 052**	**68 510**	**(58 080)**	**10 430**

Company	2024			2023		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Licenses	3 747	(3 594)	153	3 747	(3 460)	287
Computer software	33 355	(30 755)	2 600	32 997	(28 384)	4 613
Other intangible assets	3 263	(1 892)	1 371	3 263	(1 553)	1 710
Total	**40 365**	**(36 241)**	**4 124**	**40 007**	**(33 397)**	**6 610**

Reconciliation of intangible assets - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Licenses	287	-	-	-	(134)	153
Computer software	5 123	1 334	-	80	(2 891)	3 646
Goodwill	151	-	-	-	-	151
Other intangible assets	4 869	8 363	(711)	(80)	(339)	12 102
	10 430	**9 697**	**(711)**	**-**	**(3 364)**	**16 052**

Reconciliation of intangible assets - Group - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses	421	-	-	(134)	287
Computer software	7 335	1	-	(2 213)	5 123
Goodwill	324	-	(173)	-	151
Other intangible assets	2 461	2 440	-	(32)	4 869
	10 541	**2 441**	**(173)**	**(2 379)**	**10 430**

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - Company - 2024

	Opening balance	Additions	Amortisation	Total
Licenses	287	-	(134)	153
Computer software	4 613	358	(2 371)	2 600
Goodwill	151	-	-	151
Other intangible assets	1 559	-	(339)	1 220
	6 610	**358**	**(2 844)**	**4 124**

Reconciliation of intangible assets - Company - 2023

	Opening balance	Additions	Disposal	Amortisation	Total
Licenses	421	-	-	(134)	287
Computer software	6 418	2	-	(1 807)	4 613
Goodwill	324	-	(173)	-	151
Other intangible assets	79	1 512	-	(32)	1 559
	7 242	**1 514**	**(173)**	**(1 973)**	**6 610**

	Group		Company	
Other information	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Cost of Intangible Assets with NIL book value	19 275	16 255	19 275	16 255

Intangible assets with nil book values represents assets that are still in use and have a nil book value and assets with a cost of R5 000 and below that have been fully depreciated in line with the Group's policy. These assets do not have significant useful lives remaining thus reassessment of useful lives and adjustments to carrying amounts would be immaterial.

The remaining useful lives for intangible assets of the Group as at 31 March 2024

Other intangible assets	1 - 2 Years	1 - 2 Years	1 - 2 Years	1 - 2 Years
Licences and warranties	1 - 4 Years	1 - 4 Years	1 - 4 Years	1 - 4 Years
Other	1 - 50 Years	1 - 50 Years	1 - 50 Years	1 - 50 Years

*The Group's other intangible assets comprises the banking and insurance system and the electricity connection rights.

An amount of R32,4 million was recognised as an intangible asset impairment provision during the 2011 year. This impaired asset relates to the banking system project (Temenos MCB) which was scheduled to be commissioned in June 2010.

In 2018 the Group initiated a new banking system project for implementation of an integrated enterprise-wide core banking platform with a digital customer centric paradigm expected to modernise the Group's technology as well as close various risk and compliance exceptions. Work-in-progress incurred was funded by a R40 million grant received from the KwaZulu-Natal government for the purpose of funding the project. System development has been halted and legal action taken against the service provider. Refer to **Note 27** and **Note 41.**

6. RIGHT- OF- USE OF ASSETS

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Net carrying amounts of right-of-use assets				
Land, buildings and equipment - Non current asset	62 411	38 955	-	471
Land and buildings - Current asset*	13 844	14 563	-	-
Total Right- of- use Asset*	**76 255**	**53 518**	**-**	**471**

Reconciliation of Right-of-use assets - Land, buildings and equipment

	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Opening Balance	53 518	52 300	471	658
Additions	45 853	15 919	-	65
Depreciation	(22 645)	(14 701)	-	(252)
Derecognition	(471)	(3)	(471)	-
	76 255	**53 518**	**-**	**471**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right- of- use asset which has been expensed in the total depreciation charge in profit or loss, is presented below.

	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Land and buildings	20 299	12 355	-	252
Equipment	2 346	2 346	-	-
	22 645	**14 701**	**-**	**252**

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

Group

The right- of- use asset relates to land where Port Shepstone Quarries carries out its mining activities. The lease is for 30 years and commenced on 1 August 2013 with an expiry date of 1 July 2043. The remaining lease period is 19.3 years as at 31 March 2024 . The escalation rate of rental is 7% on 1 August of each year. The lease has no renewal option nor does land transfer to the lessee at the end of the lease period.

*Included in the Land and buildings-current asset in the table above, is the right-of-use asset for Portshepstone Quarries Pty Ltd. The total of the right-of-use asset has been classified as current, as the subsidiary has ceased operations and the Board of the subsidiary took a decision to prepare the financial statements under the liquidation basis.

Lease Contract	No. of leases	Fixed Payments (%)	Variable Payments	Discount rate(%)
Property Leases with fixed property	2	100	-	8.00 - 10.45

Ithala SOC Ltd lease portfolio primarily consists of property which includes branch and ATM space. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. Lease payments are renegotiated on expiry of the lease to reflect market rentals. The branch and ATM space leases were entered into many years ago.

NOTES TO THE FINANCIAL STATEMENTS

6. RIGHT- OF- USE OF ASSETS (continued)

Company

Leases with Fixed Payments

The Company has leases for land either directly with the owners of the land or permission to occupy. IDFC has erected buildings and leases those buildings to various tenants in exchange for monthly rental payments. The rental escalation rates for the permission to occupy vary, however the majority do not escalate. All PTO's have a 50 year lease period with varying remaining lease periods, as their commencement dates vary, however the range of remaining period is between 7 to 33 years. These leases have no renewal options nor do they allow the transfer of land to IDFC.

Lease with Variable Payments

IDFC entered into a lease that has a variable payment portion based on turnover. The lease escalates at a higher of 12% on 1 September of each year, or turnover rental taking into consideration the market conditions. Historically, the rental has escalated based on turnover rental and economic conditions, hence this lease is considered to have variable lease payments linked to the turnover of the building. The lease commenced in 1997 and is expected to terminate in 2047. The lease term is for 50 years and the remaining lease period as at 31 March 2024 is 23 years. The lease has no renewal options nor does it allow the transfer of land to the Company. The variable lease payments are not part of the lease liability and were not included on the initial recognition of the lease liability and the right-of-use of asset. To date, variable lease payments of R2 062 026 have been paid to the lessor as the turnover rental. The lease has no covenants.

Other disclosures

Short-term leases and leases of low-value assets

The Group has applied the recognition exemption in IFRS 16 to short- term leases and low value assets. The Group recognised the lease payments of R2.8m (2023: R6.8m) associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses, at lease commencement date, whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Discount rates used

The discount rates used are based on the borrowing rates that IDFC would have been charged had funds been borrowed to purchase the right to use the underlying assets. This is based on historical information. It should be noted that the rates vary, as the leases were concluded in different periods, hence averages are being disclosed below.

Lease information	No. of leases	Fixed payments (%)	Variable Payments (%)	Discount rate (%)
Property Leases with fixed payments	18	100	-	4.95 - 11.70
Property Leases with variable payments	1	83	17	19.50

7. STRAIGHTLINING OF OPERATING LEASE INCOME

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Non-current assets	50 818	26 690	48 746	25 979
Current assets	4 499	3 033	5 030	2 971
	55 317	**29 723**	**53 776**	**28 950**
Opening balance	29 723	18 837	28 950	18 160
Straight line accrual / (reversal) during the year	11 904	2 529	11 421	3 668
Expected credit loss reversed / (charged) to income statement*	13 690	8 357	13 405	7 122
Closing balance	55 317	29 723	53 776	28 950
Current portion of long term debtor	(4 499)	(3 033)	(5 030)	(2 971)
Non-current portion of long term debtor	**50 818**	**26 690**	**48 746**	**25 979**
Minimum future rental receivable under non-cancellable operating leases are as follows:				
Next 12 months	4 499	3 034	5 030	2 971
From 2 to 5 years	35 799	28 657	35 010	27 661
Later than 5 years	24 816	21 519	23 534	21 521
	65 114	53 210	63 574	52 153
Adjustment for expected lease payments	(9 797)	(23 487)	(9 798)	(23 203)
	55 317	**29 723**	**53 776**	**28 950**
Analysis of provisions				
Balance at the beginning of the year	23 487	31 844	23 203	30 325
(Reversal)/charge to income statement	(13 690)	(8 357)	(13 405)	(7 122)
	9 797	**23 487**	**9 798**	**23 203**

Operating leases relate to investment property owned by the Group with lease terms of between 3 to 10 years at an average escalation rate of 7%. Some operating lease contracts contain an option to renew for a further 3 to 10 years at market related rates. The lessees do not have an option to purchase the property at the expiry of the lease period.

*Refer to note 15 for the inputs and assumptions used in determining the expected credit loss on trade and other receivables.

Maturity analysis - lease payments to be received				
Year 1	145 649	161 586	138 759	154 201
Year 2 - 5	251 584	293 925	239 740	282 028
After year 5	109 071	101 319	109 071	101 319
	506 304	**556 830**	**487 570**	**537 548**

NOTES TO THE FINANCIAL STATEMENTS

8. SUBSIDIARIES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Cowslip Investments (Pty) Ltd				
Shares at cost	-	-	3	3
Share premium	-	-	2 778 928	2 778 928
Grant applied	-	-	(2 778 931)	(2 778 931)
	-	-	-	-
Subsidiaries				
Shares at cost *	-	-	839 774	788 632
Less impairment of investments**	-	-	(507 679)	(413 537)
	-	**-**	**332 095**	**375 095**
Net loans				
Loans to subsidiaries***	-	-	385 593	348 890
Less impairment of loans****	-	-	(147 003)	(143 890)
	-	**-**	**238 590**	**205 000**
Total investment in subsidiaries	**-**	**-**	**570 685**	**580 095**
Current assets	-	-	-	71 923
Non - current assets	-	-	-	508 172

*Increase in shares at cost relate to the capital injection of R51.1m (2023: R65.0m) for the purchase of shares at Ithala SOC Limited. This movement has been accounted for under investing activities under Statement of Cash Flows.

Investments in subsidiaries include loans to subsidiaries extended on acquisition when IDFC bought shares from minorities and intercompany transactions that haven't been paid as at year end. All subsidiaries are wholly owned by Ithala Development Finance Corporation, except for Nongoma Plaza. IDFC has impaired the loans to subsidiaries by R147m (2023: R143.9m) and these are eliminated at Group level

**The movement in impairment charge relate to the impairment of investment held in Ithala SOC Limited recognised at the reporting date. Refer to the reconciliation table below.

***The loans comprises the following:

- PSQ R59m (2023: R56m)
- Ubuciko R83m (2023: R83m)
- Nongoma R61m (2023: R60m)
- Wharfside R73m (2023: R67m)
- Sundumbili RNIL (2023: R15m). The loan for the prior financial year related to the dividend declared upon dissolution of Sundumbili Plaza. This amount was settled subsequent to financial year end.
- Sibaya R4m (2023: R4m)
- Ithala SOC Limited R95m (2023: R57m)

The loans owing by Ithala SOC Ltd and Sundumbili Plaza have been classified as current in the current and prior financial years.

****The impairment charge relate to impairment of loans issued to subsidiaries where the recoverability of these loans is not probable. For Nongoma the recoverable amount is the value in use, determined using the discounted cash flow method. The cash flows were discounted using the weighted average cost of capital of 10.32%. In assessing impairment for the current financial year, the value of collateral held, i.e. the investment property, was also factored into account when determining the recoverable amount. As the value of the collateral held exceeded the loan balance owing by Nongoma, no impairment was considered necessary. Refer to the reconciliation table below.

The new impairments raised relates to loans advanced to PSQ and Ubuciko where the recoverability of these loans is not probable as PSQ has ceased operation and Ubuciko is the process of liquidation. The loans to PSQ and Ubuciko have hence been fully impaired. The values disclosed in these subsidiaries' financial statements approximate fair values.

Cowslip Investment Properties (Pty) Ltd was established solely to facilitate the funding of the Inkosi Albert Luthuli Central Hospital. Grant funds are provided by the KwaZulu Natal Department of Health (DOH) to fund the operations of Cowslip. This is achieved by utilising grants received from the DOH to acquire shares in Cowslip, whose sole function is to act as a conduit for the grant funding provided by the DOH to fund the acquisition of assets by Impilo Consortium (Pty) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

8. SUBSIDIARIES (continued)

Impairment recon - 2024	Impairment raised on Investment in shares	Impairment raised on loans to subsidiaries	Total
Opening balance	413 537	143 890	557 427
Impairment charge / (reversal) in the current year****	94 142	3 113	97 255
Closing balance	**507 679**	**147 003**	**654 682**

Impairment recon - 2023	Impairment raised on Investment in shares	Impairment raised on loans to subsidiaries	Total
Opening balance	353 027	156 237	509 264
Impairment charge / (reversal) in the current year****	60 510	(12 347)	48 427
Closing balance	**413 537**	**143 890**	**557 427**

Dissolution of Nongoma and Sundumbili and dilution of shareholding in Portshepstone Quarries

On 9 November 2021, approval was obtained from the MECs of EDTEA, Provincial Treasury and all relevant officials for the dissolution of Sundumbili and Nongoma. Upon dissolution, IDFC will receive the property as a dividend in specie whilst minority shareholders will receive a dividend in cash. The dissolution will have no impact on the financial statements at Group level. The process of dissolving Sundumbili has been completed as at March 2023, except for administrative matters which are still to be finalised. Management does not believe that the R61m owed by Nongoma will be settled within the next 12 months due to the rates issue of ERF numbers with the municipality and also the legal panel expiry date, meaning all the cases that the attorneys were dealing with can't proceed until a new panel is appointed, hence IDFC does not expect to realise the loan within its normal operating cycle or within 12 months (due to the aforementioned administrative hurdles)

Approval was sought and obtained from the MEC of EDTEA and all relevant officials for the dilution of shareholding in Portshepstone Quarries and acquisition of a third party Investor to revive the operations of Portshepstone Quarries. Proposals from the prospective investors have been received and evaluated. The Corporation's Board has approved the potential investor. Currently the approved investor and the Corporation are finalizing the agreement and once this process is completed, the DMRE will be approached for approval to re-open the operation.

9. LONG TERM RECEIVABLE

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Non - current asset*	8 166	8 166	8 166	8 166
Current asset**	-	4 900	-	4 900
	8 166	**13 066**	**8 166**	**13 066**

*The long term receivable relates to the prepayment for the purchase of land that has not yet been finalised. It is expected that the acquisition process will be finalised once all requirements are satisfied. Payment has been made for the land upon which the Kwa-Mashu Shopping Centre has been built. The shopping centre was constructed after obtaining "Permission-to-occupy". However, the transfer of the land is yet to be finalised.

**Additional land (R4.9m) was purchased at Isithebe in the prior financial year and the transfer was subsequently registered in the deeds registry on the 22 May 2023.

As IAS 40.16 recognition criteria refers to "owned' investment property, management has in its judgement determined that the land has not yet met the ownership criterion for recognition and the payment is therefore treated as a prepayment.

10. INVESTMENT IN SHARES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Designated at fair value through profit or loss:				
Investment in SA Corp Real Estate	9 229	7 660	9 229	7 660
	9 229	**7 660**	**9 229**	**7 660**
Reconciliation of Investment in SA Corp Real Estate				
Balance at the beginning of the year	7 660	9 378	7 660	9 378
Fair value (loss) / gain recognised in profit and loss	1 569	(1 718)	1 569	(1 718)
	9 229	**7 660**	**9 229**	**7 660**

Fair value information

Refer to Note 30 Fair value information for details of valuation policies and processes.

NOTES TO THE FINANCIAL STATEMENTS

11. INSURANCE CONTRACT ASSETS

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Balance at beginning of the year	57 773	51 884	57 773	51 884
Movements:				
Insurance revenue	23 590	24 867	23 590	24 867
Insurance service cost	(16 913)	(18 978)	(16 913)	(18 978)
Dividends	(4 000)	-	(4 000)	-
Balance at end of the year	**60 450**	**57 773**	**60 450**	**57 773**
Insurance contract by insurer				
MFRF Cell captive arrangement	32 810	31 230	32 810	31 230
Guardrisk cell captive arrangement	27 640	26 543	27 640	26 543
	60 450	**57 773**	**60 450**	**57 773**

Ithala has investments in 2 cell captives that allow the Group use of insurance licenses for short term and long term insurance. The cell captives are with Guardrisk (Life) and Mutual and Federal (Short- term), who are both registered insurers. The interests held are in the form of preference shares and in terms of the shareholder subscription agreements between the Group and the insurers. In terms of those arrangements, the company is required to maintain the solvency of the cells and is thereby exposed to significant insurance risk of the underlying insurance policies written through the cells. The arrangement is therefore deemed to constitute an in-substance reinsurance contract whereby the company is the insurer, and the insurance cell is the cedant.

The Assets for remaining coverage (ARC) and Liabilities incurred claim (LIC) for both cells was immaterial at the end of the current financial year. As at 31 March 2024, Guardrisk had an ARC of R1.3m and LIC of R2.6m, Mutual and Federal had an ARC of R189k and LIC of RNil.

The group, through Ithala SOC, provides services to the cell captive arrangements in terms of which it earns commission and binder fees. At consolidated level the income earned is considered a part of the IFRS 17 in-substance re-insurance arrangement and as such that income is recognised as part of the insurance contract revenue and similarily any direct expenses incurred to earn that revenue is recognised as part of insurance service expenses. The reclassification does not impact the profits recognised by the group but is for presentation purposes only.

Methods used and judgements applied in determining the IFRS 17 transisition amounts

The Group has adopted IFRS 17 retrospectively. The full retrospective approach was applied, accordingly, the Group has recognised and measured insurance contracts as if IFRS 17 had always applied. The change in measuremnet did give rise to a transition impacts however the difference of R517 000 between the transition amounts and the amounts previously recognised was considered immaterial and not adjusted for, other than;

- The reclassification of the arrangement from an investment in cell captives in terms of IFRS 9, to insurance contract asset in terms of IFRS 17 with no adjustment in value.
- The presentation of insurance revenue and insurance service expense in the statement of comprehensive income whereas previously dividends received and/or fair value adjustments were recognised, with no impact no net profit previously reported.

12. ASSOCIATED COMPANIES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Unlisted Investments				
Shares at cost	2	2	2	2
Less: provisions	(2)	(2)	(2)	(2)
Group carrying value	-	-	-	-
Net loans				
Loans to associates	56 225	56 225	56 225	56 225
Less: provisions	(55 402)	(55 402)	(55 402)	(55 402)
	823	**823**	**823**	**823**
Total interest in associated companies	**823**	**823**	**823**	**823**

The impairment charge relate to impairment of loans and investments issued to associates where the recovery of these loans is not probable. There has been no movement in the ECL balance for the year.

Investments in associates and joint ventures are equity accounted for. Summary of significant financial information can be found below.

Significant financial information of associated companies

Total assets				
Total Non-current assets	10 120	10 329	10 120	10 329
Total Current Assets	3 267	745	3 267	745
	13 387	**11 074**	**13 387**	**11 074**
Total Liabilities				
Total Non-current liabilities	213 253	209 122	213 253	209 122
Total Current liabilities	8 967	11 588	8 967	11 588
	222 220	**220 710**	**222 220**	**220 710**
Net Liabilities	**(208 833)**	**(209 636)**	**(208 833)**	**(209 636)**
Group's share of net liabilities of associates	(75 782)	(75 714)	(75 782)	(75 714)
Total Revenue	2 819	2 496	2 819	2 496
Total Losses	(1 895)	(24 030)	(1 895)	(24 030)
Unrecognised share of losses:				
- Current Period	70	(7 813)	70	(7 813)
- Cumulative	(75 784)	(75 715)	(75 784)	(75 715)

No associates are considered to be individually material and therefore the financial information has been presented on an aggregate basis.

The Group has a joint arrangement with ZAN Family Trust in Ulundi Shopping Centre where operating and financial decisions are made by mutual consent. As the shopping centre is yet to be built and to commence trading, there are no equity accounted profits or losses accounted for to date. The loan to Ulundi Shopping Centre is as reported in the related parties note. As Ulundi Shopping Centre is not a material joint arrangement, the financial information of the entity has not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS

13. CASH AND CASH EQUIVALENTS AND STATUTORY INVESTMENTS + RESERVES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Cash and cash equivalents consist of:				
Coin and bank notes	54 198	70 637	15	9
Bank balances	637 607	674 583	637 250	674 156
Investment and Balance with banks**	590 941	533 770	-	-
	1 282 746	**1 278 990**	**637 265**	**674 165**
Cash and cash equivalents held by the entity that are not available for use by the Group.	**449 801**	**576 500**	**449 801**	**576 500**

Included in cash is an amount of R15.2m (2023: R16.0m) relating to cash in transit at year-end to be delivered by security company to branches.

Cash not available for use by the Group includes an amount of R136m (2023: R221m) relating to ring -fenced collections derived from advances made from the Enterprise Development Fund as well as funds held by the Group on behalf of other entities for various projects, as disclosed in Note 23.

The Group invests surplus funds with financial institutions that are rated in accordance with Fitch ratings (or equivalent rating) with a minimum long term rating of A, excluding those with Ithala SOC Limited which is not independently rated but has been approved as an authorised intermediary by the Group. Due to investments being held in institutions that are highly-rated, these instruments are neither past due nor impaired. The carrying amount of the cash and cash equivalents approximates its fair value.

**Included in investments and balances with banks above, are Ithala SOC Limited's investments and deposits with banks of R180.2m (2023: R226.7m), analysed as per below. Included in the analysis, is the credit risk exposure of investments based on the internal credit risk rating grades and year-end stage classification. The gross carrying amount also represents Ithala SOC Ltd's maximum exposure to credit risk on these investments.

** At March 2024 the gross carrying value of investments was R189m (March 2023: R239m) against which ECL of R6.2m (March 2023: R10.9m) was held. Of the ECL, R5.9m (March 2023: R10.5m) is from a single investment in Land Bank. The gross carrying value of this investment at 31 March 2024 was R25.9m (March 2023: R34m). The reduction in the gross carrying value was due to a capital settlement of R8.6m (March 2023: R8.5m) . The capital reduction and improved prospects of recovering the investment has reduced the ECL from R10.5m (March 2023: R13.8m) to R8.6m (March 2023: R10.5m). Included in the reversals of credit losses for Investments and Deposits with banks is the reversal of ECL of R4.6m (March 2023: R3.3m) on the Land Bank investment. The Group raising ECL on the investment when Land Bank was experiencing liquidity constraints and defaulted on interest and capital obligations. Since then, Land Bank has honoured all interest payments, including arrear interest due. In addition, Land Bank has also settled capital balances of R8.6m (March 2023: R8.5m) during the current financial year. The above, together with the proposed settlement solution being drafted by the Land Bank has contributed to the reversal of ECL.

** The modification loss has been recognised on the Landbank instrument due to Landbank defaulting on the settlement of the investment and paying interest at a lower rate than when the investment was initially purchased.

The difference of R3 000 (2023: R132 000), between the impairment reversals of R4.8m (2023: R3.0m) below and the figures as disclosed on statement of profit or loss and other comprehensive income relates to the impairment on other cash balances and is considered immaterial.

	Ithala SOC Limited 2024 R'000	Ithala SOC Limited 2023 R'000
Fixed term funds	163 128	204 318
Balances in State Owned Institutions	25 877	34 478
	189 005	238 796
Impairment of investments	(6 167)	(10 926)
Modification of investments**	(2 642)	(1 331)
Balance at the end of the year	**180 196**	**226 539**

13. CASH AND CASH EQUIVALENTS AND STATUTORY INVESTMENTS + RESERVES (continued)

	Ithala SOC Limited 2024 R'000	Ithala SOC Limited 2023 R'000
Credit impairments for investments and deposits		
Balance at the beginning of the year	10 926	14 017
Impairments (reversed) / raised**	(4 759)	(3 091)
Balance at the end of the year	**6 167**	**10 926**

Investments - 2024	Stage 1: 12 month ECL R'000	Stage 2: Lifetime ECL R'000	Stage 3: Lifetime ECL R'000	Total
Standard Grade	163 128	-	-	163 128
Low Grade	-	25 877	-	25 877
Gross Carrying Amount	**163 128**	**25 877**	**-**	**189 005**
Modification Loss**	-	(2 642)	-	(2 642)
Loss Allowance	(240)	(5 927)	-	(6 167)
Carrying amount	**162 888**	**17 308**	**-**	**180 196**

Investments - 2023	Stage 1: 12 month ECL R'000	Stage 2: Lifetime ECL R'000	Stage 3: Lifetime ECL R'000	Total
Standard Grade	204 318	-	-	204 318
Low Grade	-	34 478	-	34 478
Gross Carrying Amount	**204 318**	**34 478**	**-**	**238 796**
Modification Loss**	-	(1 331)	-	(1 331)
Loss Allowance	(432)	(10 494)	-	(10 926)
Carrying amount	**203 886**	**22 653**	**-**	**226 539**

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Statutory liquid assets				
Treasury bills**	264 330	245 928	-	-
Undrawn facilities available for Company are as follows:				
ABSA Bank				
Overdraft Facility	35 237	45 238	35 237	45 238
Financial Guarantees	55 013	54 762	55 013	54 762
Letter of credit	9 750	-	9 750	-
	100 000	**100 000**	**100 000**	**100 000**

** The Group invests in statutory investment (recognised as non-current assets) to ensure that the minimum reserve requirements are met. These funds are not available for use in operational activities. Amounts held as at 31 March 2024 exceed the minimum reserve requirements by R30.5m (2023: R16.8m), and are invested in terms of the Group's capital management policy.

The balance on treasury bills is stated after taking into account impairment of R65 000 (2023: R62 000). The impairment is quantitatively immaterial.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Financial instruments:				
Trade receivables	465 027	337 653	424 074	302 250
Other receivables*	105 269	235 759	149 814	281 533
Gross Trade and other receivables	570 296	573 412	573 888	583 783
Credit Impairment:				
Trade receivables	(358 989)	(249 744)	(320 475)	(217 670)
Other receivables**	(22 763)	(22 763)	(22 763)	(22 763)
Total trade and other receivables	**188 544**	**300 905**	**230 650**	**343 350**

*Other receivables in the prior year consisted primarily of sundry debtors raised for the rebuild of investment properties due by SASRIA of (2023: R146.5m for Group and R140.4m for Company), in respect of the properties which were damaged during the civil unrest which broke out in KZN during July 2021. It also includes rental deposits received from tenants and retention monies held on projects which have been re-invested of R71.3m for the Group (2023: R69.2m) and R69.3m for the Company (2023: R67.4m).

**Included in the ECL for other receivables is an advance to Ntingwe which has been fully impaired. The sundry debtor raised relating to the rebuild work to be done by SASRIA was assessed for impairment and no impairment was considered necessary as SASRIA had commenced with the process of rebuilding the damaged properties. ECL for the remainder of the other receivables is not material.

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The resultant loss rates are calibrated based on historical credit loss experiences, taking into account both the time value of money and previous write-offs and recoveries.

Historical loss rates are calculated as a product of the monthly roll rates across buckets using real outstanding debtors, taking into account the time value of money component. Historical loss rates are then adjusted for forward looking information to derive the expected credit loss as at the measurement date. The loss rate is the average rate per time bucket. A total provision as at the valuation date can thus be calculated by summing all the provisions for the different ageing buckets.

The assessment of the ECL rates is performed per portfolio, being small, medium and micro (SMME) enterprises, retail, light, large industrial estates and subsidiaries individually, as reflected in the below provision matrix. The assessment is carried out in April as the information is considered forward looking. The ECL rates obtained from the April analysis is then applied to the March ageing.

The Group's loss allowance (ECL) as a percentage of the gross carrying amount, increased by 5% from 74% in the 2022/23 financial year, to 79% in the 2023/24 financial year. The Company's loss allowance (ECL) as a percentage of the gross carrying amount, increased by 6% from 71% in the 2022/23 financial year, to 77% in the 2023/24 financial year. Although this is a slight improvement from the prior year, tenants continue to experience challenges with honouring their rental payments. This is mainly due to the prevailing tough economic conditions.

Provision Matrix

2024	0-30 days (%)	31-60 days (%)	61-90 days (%)	91-120 days (%)	121-150 days (%)	>151 days (%)
Large and Light Industrial	49	51	67	83	83	83
Small Medium and Micro Enterprises	88	88	93	98	98	98
Retail	53	53	75	100	100	100
Nongoma Plaza	54	57	77	98	98	98
The Durban Wharfside Trust	92	92	95	98	98	98

2023	0-30 days (%)	31-60 days (%)	61-90 days (%)	91-120 days (%)	121-150 days (%)	>151 days (%)
Large and Light Industrial	49	51	67	83	83	83
Small Medium and Micro Enterprises	88	88	93	98	98	98
Retail	53	53	75	100	100	100
Nongoma Plaza	54	57	77	98	98	98
The Durban Wharfside Trust	92	92	95	98	98	98

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The carrying value of trade and other receivables approximates the fair value.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (continued)

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is as follows:

Group	2024	2024	2023	2023
Expected credit loss:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 30 days past due	104 871	47 096	59 385	23 996
31 - 60 days past due	25 607	18 223	30 002	15 456
61 - 90 days past due	31 430	26 922	21 832	15 398
91 - 120 days past due	26 074	22 522	17 360	15 415
More than 120 days past due	277 057	257 394	209 074	191 884
Deposits	-	(13 168)	-	(12 405)
Total	**465 039**	**358 989**	**337 653**	**249 744**

Company	2024	2024	2023	2023
Expected credit loss:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 30 days past due	100 584	43 999	55 158	21 371
31 - 60 days past due	24 325	17 033	28 493	14 325
61 - 90 days past due	30 466	25 974	20 455	14 161
91 - 120 days past due	25 116	21 579	16 155	14 233
More than 120 days past due	243 583	224 531	181 989	165 384
Deposits	-	(12 641)	-	(11 804)
Total	**424 074**	**320 475**	**302 250**	**217 670**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses):

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening balance	**(272 507)**	**(237 001)**	**(240 433)**	**(201 192)**
Loss allowance recognised during the year	(109 245)	(35 506)	(102 805)	(28 501)
Transfers	-	-	-	(10 740)
Closing balance	**(381 752)**	**(272 507)**	**(343 238)**	**(240 433)**

15. INVENTORIES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Land	1 504	1 498	1 504	1 498
Consumables	5 878	4 131	2 477	2 826
	7 382	**5 629**	**3 981**	**4 324**

Land included in inventories relates to residential sites that were held for development and selling. These do not meet the criteria for investment property and property, plant and equipment.

16. NON-CURRENT ASSETS HELD FOR SALE

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Non-current assets held for sale				
Balance at beginning of the year	2 827	13 462	2 679	12 495
Acquisitions	165	1 188	165	1 188
Disposals	(58)	(978)	(58)	(159)
Other movements	(6)	-	(6)	-
Transfers*	-	(10 845)	-	(10 845)
Carrying amount before impairment	2 928	2 827	2 780	2 679
Accumulated impairment loss	(1 511)	(814)	(1 511)	(814)
Net carrying amount	**1 417**	**2 013**	**1 269**	**1 865**
Accumulated Impairment loss				
Balance at beginning of the year	814	1 829	814	1 397
Charge / (Reversal of) impairment to income statement	697	(1 015)	697	(583)
Balance of accumulated impairment loss at end of the year	**1 511**	**814**	**1 511**	**814**

Non-current Assets held for sale relate to immovable properties that have been repossessed by the group. Management is committed to its plan to sell the repossessed immovable property within the next 12 months. However, due to market conditions it is not always possible to sell properties.

*The transfer mainly relates to properties in possession which have been transferred to Investment Property.

17. SHARE CAPITAL

Authorised				
1 008 582 361 Ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
Issued				
Ordinary	1 008 582	1 008 582	1 008 582	1 008 582

Non-controlling interest arises as a result of minority shares in Nongoma Plaza.

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE CAPITAL (continued)

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Balance at the beginning of the year	(139)	(448)	-	-
Movement in non-controlling interests: Shares of loss / (profit)	(30)	1 869	-	-
Movement in non-controlling interests: Dividends declared	-	(1 560)	-	-
Closing balance as at 31 March 2024	**(169)**	**(139)**	**-**	**-**

18. BORROWINGS

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
At amortised cost				
Total borrowings	16 267	23 124	14 484	21 282
Portion repayable within 12 months	(7 193)	(6 849)	(7 193)	(6 849)
Non - current	**9 074**	**16 275**	**7 291**	**14 433**

	Instalment R'000	Year of final repayment	Interest rate %	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Nedbank Repayable in monthly instalments	639	April 2025	11%	13 825	19 673	13 825	19 673
Khula Enterprise Finance Ltd / SEFA Repayable in monthly instalments	86	December 2024	7.2%	659	1 609	659	1 609
Loans from minority shareholders.	-						
There are no fixed terms of repayment.			-	1 783	1 842	-	-
Total borrowings				**16 267**	**23 124**	**14 484**	**21 282**

The interest rate applicable on the borrowings is variable.

The movement in borrowings is reflected in the below table:

Opening balance	23 124	30 151	21 282	28 097
Repayments- cash flow movement	(8 746)	(9 047)	(8 687)	(8 810)
Interest	1 889	2 020	1 889	1 995
Closing balance	**16 267**	**23 124**	**14 484**	**21 282**
Capital Repayments	6 857	7 027	6 798	6 815

18. BORROWINGS (continued)

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Held at amortised cost				
Nedbank	13 825	19 673	13 825	19 673
The loan is secured and repayment is by way of equal monthly installments of part capital and interest over the loan term. These repayments will change with the variation in the variable rate .				
Khula Enterprise Finance Ltd/Sefa The loan is repayable in monthly instalments repayment and the interest rate is variable.	659	1 609	659	1 609
Loan from minority shareholders	1 783	1 842	-	-
There are no fixed terms of repayment.				
	16 267	**23 124**	**14 484**	**21 282**

19. DEPOSITS DUE TO CUSTOMERS

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Call deposit accounts	82 884	77 004		
Savings accounts	1 008 883	996 035		
Term deposits	1 310 690	1 343 216	-	-
	2 402 457	**2 416 255**	**-**	**-**
Maturity analysis repayable*:				
On demand	1 099 125	1 075 690	-	-
Up to 1 month	153 136	186 303	-	-
From 1 month to 6 months	750 734	701 393	-	-
From 6 months to 1 year	368 219	415 119	-	-
From 1 year to 5 years	31 243	37 750	-	-
	2 402 457	**2 416 255**	**-**	**-**
Savings accounts are further analysed as follows:				
Pass Book*	713 103	656 876	-	-
Trust accounts	53 984	53 922	-	-
Debit Card	231 210	270 520	-	-
Corporate	10 586	14 717	-	-
Total Savings	**1 008 883**	**996 035**	**-**	**-**
Term deposits are further analysed as follows:				
Retail accounts	909 107	844 249	-	-
Corporate accounts	401 583	498 967	-	-
Total Term deposits	**1 310 690**	**1 343 216**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

19. DEPOSITS DUE TO CUSTOMERS (continued)

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Non-current liabilities	31 243	37 750	-	-
Current liabilities	2 371 214	2 378 505	-	-
	2 402 457	**2 416 255**	**-**	**-**

*The maturity analysis reflected above is the discounted maturity, as the balance reported as at 31 March 2024 is the balance due to the client (no future interest is included in this value).

Savings accounts, as disclosed in the table above, have no fixed terms and are available to customers on demand.

Term deposits are available to customers upon maturity.

**A Pass Book is a paper book used to record bank transactions on a depositor's account and is an alternative means of banking for customers who do not prefer electronic banking.

20. RETIREMENT BENEFITS

Post-retirement medical obligations (Closed Fund)

The Group provides post-retirement medical benefits to substantially all employees who commenced employment prior to 1 August 2000. An actuarial valuation of post-retirement medical obligations at 31 March 2024 quantified the present value of unfunded obligations at R100.6m (2023: R105.2m) for Group and R52.0m (2023: R58.4m) for Company. These actuarial valuations are conducted annually, at balance sheet date. The principal actuarial assumptions used included a discount rate of 13.60% (2023:12.20%), and a health care cost inflation rate of 9.00% (2023: 8.10%). The valuations are performed by independent, qualified experts.

	Group		Company	
Movement in the defined benefit obligation, is as follows:	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Balance at beginning of the year	105 181	111 761	58 352	69 333
Current service costs	1 100	1 221	446	548
Interest costs	12 327	11 952	6 790	7 366
Net actuarial (gain) recognised during the year	(10 078)	(12 009)	(8 463)	(13 283)
Benefit payment	(7 886)	(7 744)	(5 137)	(5 612)
Balance at end of the year	**100 644**	**105 181**	**51 988**	**58 352**
Amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligations	100 644	105 181	51 988	58 352
Liability- Current portion	93 099	97 701	47 342	53 480
Liability at end of year	7 545	7 480	4 646	4 872
Liability at end of year	**100 644**	**105 181**	**51 988**	**58 352**

20. RETIREMENT BENEFITS (continued)

Post retirement medical benefits	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Actuarial gain				
The actuarial gains arose as a result of the following:				
Change in Real Discount Rate	(4 295)	(7 116)	(1 937)	(3 441)
Lower than expected Rand / Cap subsidy inflation	(3 516)	(2 617)	(3 518)	(3 759)
Unexpected Changes in Membership	(2 280)	(2 260)	(3 018)	(6 080)
Lower than expected healthcare cost inflation including changes in members' benefit options	13	(16)	10	(3)
Total	**(10 078)**	**(12 009)**	**(8 463)**	**(13 283)**

Group

Actuarial assumptions used and sensitivity analysis Sensitivity Analysis - unfunded accrued liability	Assumptions	Change	2024 R'000	2023 R'000
Present value of obligation			100 644	105 181
Health care cost inflation	%	+1%	110 424	115 955
		-1%	92 196	95 937
Discount rate		+1%	92 519	96 263
		-1%	110 147	115 687
Average expected retirement age	years	+1 year	102 229	102 518
		-1 year	97 859	107 549

Company

Actuarial assumptions used and sensitivity analysis Sensitivity Analysis - unfunded accrued liability	Assumptions	Change	2024 R'000	2023 R'000
Present value of obligation			51 988	58 352
Health care cost inflation	%	+1%	56 337	63 527
		-1%	48 169	53 840
Discount rate	%	+1%	48 305	53 988
		-1%	56 228	63 414
Average expected retirement age	years	+1 year	52 056	57 012
		-1 year	50 891	58 930

We have assessed the impact of CPI increasing / decreasing by 3% and the results are as follows:

- An increase of 3% will result in a decrease of the liability to R135.2m (2023: R143.6m) for Group, and R67.1m (2023: R76.7m) for Company.
- A decrease of 3% will result in a decrease of the liability to R78.4m (2023: R81.0m) for Group, and R41.8m (2023: R46.6m) for Company.

NOTES TO THE FINANCIAL STATEMENTS

20. RETIREMENT BENEFITS (continued)

Amounts recognised in the Statement of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Current service cost recognised in profit / loss	1 100	1 221	446	548
Interest cost recognised in profit / loss	12 327	11 952	6 790	7 366
Net actuarial (gain) / loss for the year recognised in other comprehensive income	(10 078)	(12 009)	(8 463)	(13 283)

Pension and Provident Fund Schemes

The Group provides retirement benefits substantially to all employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all Corporation and Ithala SOC Limited permanent employees.

The defined benefit pension fund and the defined benefit provident fund are governed by the Pension Funds Act of 1956, with retirement benefits being determined with reference to both pensionable remuneration and years of service. Both funds are closed to new members.

The defined contribution pension fund and defined contribution provident fund are governed by the Pension Funds Act of 1956, and are open to new members and members who have elected to transfer from the defined benefit funds.

The Pension Funds Act of 1956, requires actuarial valuations of the defined benefit pension and provident funds to be conducted as at the end of each of the three preceding financial years and the actuary found the funds to be in a sound financial position. An actuarial review conducted as at 31 March 2024 showed that in respect of the Defined benefit Pension Fund and the Defined benefit Provident Fund, the present value of the obligation was adequately covered by the fair value of the scheme assets.

The most recent actuarial valuation of plan assets and present value of defined benefits obligations were carried out for the current and prior annual financial years by independent, qualified experts.The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

Defined benefit pension fund

It was resolved during the 2012 financial year to close the defined benefit pension fund. All active members of the fund have been transferred to a defined contribution fund of the Company as at 31 December 2011. The trustees have agreed to utilize the surplus in the pension fund to fund the employer contributions towards the Old Mutual Superfund. The Company has utilised the contribution holiday as at 31 March 2024.

	Group		Company	
Defined benefit provident fund	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Fair value of plan assets	(12 509)	(11 347)	(7 269)	(6 588)
Surplus	(12 509)	(11 347)	(7 269)	(6 588)
Amount allocated to employer surplus account	12 509	11 347	7 269	6 588
Asset not recognized due to asset ceiling	-	-	-	-
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	11 347	10 524	6 588	6 118
Interest income	973	841	565	488
Benefits paid	(82)	-	(41)	-
Actuarial gain/(loss)	271	(18)	157	(18)
	12 509	**11 347**	**7 269**	**6 588**

Actuarial gain / (loss)	Group		Company	
The actuarial gain / (loss) arose as a result of the following:	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Actuarial gain / (loss) arising from investment returns beinghigher than expected	271	(18)	157	(18)

The Group expects to make no contribution to the Old Mutual Superfund Defined Benefit Provident fund during the next financial year due to a surplus of R12.5m in the provident fund (Company: R7.3m) (2023: Group: R11.4m, Company: R6.6m).

* The planned assets can be disaggregated into the following categories. The balance of R12.5m for Group (2024: R11.3m) and R7.3m for Company (2023: R6.6m) is included under other receivables and this is expected to be utilised within the next 12 months.

Investment Assets	12 445	11 210	7 232	6 508
Current Assets / Liabilities	64	136	37	79
	12 509	**11 346**	**7 269**	**6 587**

Long service obligation

The Company provides long service awards to permanent employees in the form of cash from five years of continuous service and every five years thereafter. An actuarial valuation of the provision for long service awards is conducted annually. The principal actuarial assumptions used included a discount rate of 11.10% 2023: (10.20%) an average salary inflation of 6.90% (2023: 6.10%).

The most recent actuarial valuation of the long service awards was carried out for the current financial year by independent, qualified experts. The present value of the liability was measured using the Projected Unit Credit Method.

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Balance at beginning of the year	20 926	24 988	17 166	20 833
Expensed during the year	4 305	4 564	3 575	3 804
Contributions paid	(2 888)	(4 811)	(2 017)	(3 843)
Actuarial (gain)	(1 382)	(3 815)	(1 205)	(3 628)
Balance at end of the year	**20 961**	**20 926**	**17 519**	**17 166**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	20 961	20 926	17 519	17 166
Current portion	3 182	2 778	2 609	1 939
Non-current portion	17 779	18 148	14 910	15 227
	20 961	20 926	17 519	17 166
Amounts recognised in the Statement of profit or loss and other comprehensive income are as follows:				
Current service cost	2 343	2 512	1 944	2 086
Interest cost	1 961	2 053	1 631	1 719
Net actuarial loss / (gain) recognised in the year	(1 382)	(3 815)	(1 205)	(3 628)

NOTES TO THE FINANCIAL STATEMENTS

20. RETIREMENT BENEFITS (continued)

	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Membership statistics:				
In-service members	669	679	277	302

Sensitivity analysis – unfunded accrued liability

Assumptions	Change	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Central assumptions:		20 962	20 927	17 520	17 167
CPI Inflation	+1%	22 075	26 411	18 633	22 256
	-1%	19 939	23 693	16 497	19 538
Average retirement age	-2 years	18 065	21 613	14 786	17 654
	+2 years	23 846	28 133	20 282	23 842
Discount rate	+1%	19 921	23 654	16 615	19 660
	-1%	22 107	26 473	18 519	22 143

	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Actuarial loss / (gain)				
The actuarial losses / (gains) arose as a result of the following:				
Change in real discount rate	(245)	(1 939)	(99)	(1 797)
Higher/(Lower) than expected salary inflation	286	(764)	286	(764)
Unexpected change in membership	(1 423)	(1 112)	(1 392)	(1 067)
	(1 382)	**(3 815)**	**(1 205)**	**(3 628)**

We have assessed the impact of CPI increasing / decreasing by 3% and the results are as follows:

- An increase of 3% will result in an increase of the liability to R24.6m (2023: R24.7m) for Group, and R21.2m (2023: R30.0m) for Company.
- A decrease of 3% will result in a decrease of the liability to R18.1m (2023: R18.0m) for Group, and R14.7m (2023: R14.3m) for Company.

21. GOVERNMENT GRANTS

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Government grants - deferred income				
BEE Risk Fund	4 789	4 789	4 789	4 789
DTI Grant	928	928	928	928
Banking System**	9 304	9 304	-	-
Business support funds*	13 504	13 980	13 504	13 980
	28 525	**29 001**	**19 221**	**19 697**
Government grants - Other				
EDTEA Equity Fund	124	124	124	124
Total government grants	**28 649**	**29 125**	**19 345**	**19 821**
Non-current liabilities	5 841	5 841	5 841	5 841
Current liabilities	22 808	23 284	13 504	13 980
	28 649	**29 125**	**19 345**	**19 821**

IDFC receives grants for the purposes of lending to individuals or companies, support BEE projects as well for construction projects. Grant deferred income relates to the government grants that have not been used for onlending to individuals or companies or supporting BEE projects for identified construction projects. The grant deferred income is recognised as revenue when the grant conditions are met. Details of the significant grants received are as per below:

***Business Support Funds**

The following grants were reprioritised in the prior year, to fund the projects initiated by Business Finance to improve its performance and address challenges faced by clients. These funds have been classified as current:

- BEE Risk Fund: R1.8m
- Share Participation Fund: R7.1m
- SMME Covid 19- 2020/2021: R5.1m

The funds will be utilised for the assessment and rehabilitation of distressed farms (R4.3m), business management skills training (R1.0m), design and employment of SMME Funding toolkit (R1.0m), establishment of SMMEs and co-operatives incubation centres in district municipalities (R2.0m), establishment and implementation of business support services programme (R5.0m) and due diligence studies of informal markets (R0.7m).

****Banking system**

This grant was received by Ithala SOC Ltd for the purposes of assisting in the development of the new banking system. System development has been haltered and the full grant funding was not utilised. These funds have been classified as a current liability as the funds are expected to be utilised within the next 12 months.

The movement in the grants has been accounted for as part of financing activities in the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

21. GOVERNMENT GRANTS (continued)

Grant Reconciliation - 2024	Opening Balance	Grant Received	Grant Applied	Reclassified to Other Payables / Reprioritised	Interest earned on funds	Closing Balance
BEE Risk Fund	4 789	-	-	-	-	4 789
DTI Grant	928	-	-	-	-	928
Banking System	9 304	-	-	-	-	9 304
Ithala SOC Capital Injection	-	51 142	(51 142)	-	-	-
Business Support Funds	13 980	-	(476)	-	-	13 504
Subtotal***	29 001	51 142	(51 618)	-	-	28 525
EDTEA Equity Fund	124	-	-	-	-	124
	29 125	**51 142**	**(51 618)**	**-**	**-**	**28 649**

Grant Reconciliation - 2023	Opening Balance Restated	Grant Received	Grant Applied	Reclassified to Other Payables / Reprioritised	Interest earned on funds	Closing Balance
BEE Risk Fund	6 599	-	-	(1 810)	-	4 789
Share participation	7 097	-	-	(7 097)	-	-
DTI Grant	928	-	-	-	-	928
Banking System	9 304	-	-	-	-	9 304
SMME Covid 19 support 2020/2021	31 202	-	(26 130)	(5 072)	-	-
Ithala SOC Capital Injection	-	65 000	65 000	-	-	-
Maritime Transport and Manufacture	3 633	-	(798)	(3 035)	200	-
Other - Ndumo Retail Project	1 104	-	(500)	(604)	-	-
Business Support Funds	-	-	-	13 980	-	13 980
Subtotal***	59 867	65 000	(92 428)	(3 638)	200	29 001
EDTEA Equity Fund	124	-	-	-	-	124
	59 991	**65 000**	**(92 428)**	**(3 638)**	**200**	**29 125**

***The difference between the closing balances per the grants reconciliation above and the balance for Corporation in the summary table of R9.3m (2022: R9.3m), relates to the Ithala SOC Ltd's banking system.

22. PROVISIONS

Reconciliation of provisions - Group - 2024	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	22 466	-	-	1 191	23 657
Provision for audit fees	9 271	9 990	(9 271)	-	9 990
Other provisions	438	-	-	-	438
	32 175	**9 990**	**(9 271)**	**1 191**	**34 085**

Reconciliation of provisions - Group - 2023	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	17 756	-	-	4 710	22 466
Provision for audit fees	11 066	9 271	(11 066)	-	9 271
Other provisions	438	-	-	-	438
	29 260	**9 271**	**(11 066)**	**4 710**	**32 175**

Reconciliation of provisions - Company - 2024	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	19 126	-	-	1 014	20 140
Provision for audit fees	5 493	5 970	(5 493)	-	5 970
Other provisions	438	-	-	-	438
	25 057	**5 970**	**(5 493)**	**1 014**	**26 548**

Reconciliation of provisions - Company - 2023	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	14 703	-	-	4 423	19 126
Provision for audit fees	5 365	5 493	(5 365)	-	5 493
Other provisions	438	-	-	-	438
	20 506	**5 493**	**(5 365)**	**4 423**	**25 057**

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Non-current liabilities	17 140	19 126	17 140	19 126
Current liabilities	16 945	13 049	9 408	5 931
	34 085	**32 175**	**26 548**	**25 057**

NOTES TO THE FINANCIAL STATEMENTS

22. PROVISIONS (continued)

Provision for landfill site

The landfill rehabilitation provision is created for rehabilitation of the sites that have now been closed down. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date using CPI. The entity has an obligation to rehabilitate these landfill

Provision for rehabilitation

A provision for the rehabilitation costs arising from the mining activities has been recognised. The entity has an obligation to rehabilitate these mining sites. The above mining activities has ceased operations in 2018.

Provision for audit fees

The provision is for statutory audit fees and is in line with the audit strategy document. Audit fees are invoiced on a monthly basis between April and September. There are no expected reimbursements.

Other provisions

The other provisions relate to legal claims against Ithala. The claims relate to non-installation of a security door as well as painting claim laid by the body corporate. The provision is for a short term, hence there was no discounting.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Financial instruments:				
Trade payables	50 880	26 272	28 062	15 036
Sundry creditors*	457 713	460 249	434 752	454 682
Non-financial instruments:				
Accrued leave pay	28 854	28 090	16 968	16 958
Accrued bonus	4 151	4 087	2 021	2 045
Accruals	111 588	124 932	79 896	84 362
South African Revenue Services	29 354	29 259	3 275	576 521
	682 540	**672 889**	**564 974**	**576 521**

*Included in the sundry creditors are funds held by the Group on behalf of other government entities and for EDTEA projects where the entity plays an agency role, as well as rental deposits received from tenants and retention monies held on projects which have been re-invested, as detailed in **Note 14.**

23. TRADE AND OTHER PAYABLES (continued)

The carrying amount of trade and other payables approximates fair value.

	Group		Company	
Balances held by the Group on behalf of other entities for various projects*	**2024 R'000**	**2023 Restated R'000**	**2024 R'000**	**2023 Restated R'000**
Human Settlements Project	122 783	145 716	122 783	145 716
Vulindlela Development Agency Project	2 793	2 602	2 793	2 602
Bulk Buying	17 252	21 601	17 252	21 601
RASET Project	3 907	4 051	3 907	4 051
Operation Vula	6 651	10 511	6 651	10 511
Storm Disaster	1 157	1 069	1 157	1 069
Shared Infrastructure SMME and Co-operatives Incubation	19 675	34 194	19 675	34 194
Zimele Traders Fund	19 090	17 602	19 090	17 602
Thokazi Royal Lodge	8 459	10 317	8 459	10 317
Imbokodo Iyazenzela	11	132	11	132
Industrial Hubs	21 838	36 246	21 838	36 246
Bakery Incubation	7 937	5 031	7 937	5 031
Paper and pulp manufacturing	12 093	13 418	12 093	13 418
Inkunzi Isematholeni	116	1 234	116	1 234
Ndumo Retail Project	21 250	3 406	21 250	3 406
Maritime Transport and Manufacture	2 179	3 035	2 179	3 035
	267 191	**310 165**	**267 191**	**310 165**

* From the funds held by the Group on behalf of other entities, for various projects; R76.6m is already committed as at year 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES (continued)

Projects Reconciliation 2024	Opening balance Restated	Received or reclassified during the year / interest earned	Spent during the year / Funds Reallocated	Management fees	Closing balance restated
Human settlements Project	145 716	9 315	(30 933)	(1 315)	122 783
Vulindlela Development Agency	2 602	218	(27)	-	2 793
Bulk Buying	21 601	3 176	(6 525)	(1 000)	17 252
RASET Project	4 051	325	(469)	-	3 907
Operation Vula	10 511	642	(1 052)	(3 450)	6 651
Storm Disaster	1 069	87	1	-	1 157
Shared Infrastructure SMME and Co-operatives Incubation	34 194	15 320	(28 012)	(1 827)	19 675
Zimele Traders Fund	17 602	1 488	-	-	19 090
Thokazi Royal Lodge	10 317	179	(1 852)	(185)	8 459
Imbokodo Iyazenzela	132	8	(129)	-	11
Indusrial Hubs	36 246	15 462	(26 359)	(3 511)	21 838
Bakery Incubation	5 031	3 962	(760)	(296)	7 937
Paper and pulp manufacturing	13 418	1 093	(1 793)	(625)	12 093
Inkunzi Isematholeni	1 234	61	(1 179)	-	116
Ndumo Retail Project	3 406	19 605	(1 176)	(585)	21 250
Maritime Transport and Manufacture	3 035	178	(899)	(135)	2 179
	310 165	**71 119**	**(101 164)**	**(12 929)**	**267 191**

Projects Reconciliation 2023	Opening balance Restated	Received or reclassified during the year / interest earned	Spent during the year / Funds Reallocated	Management fees	Closing balance
Human Settlements Project	104 551	46 407	(4 811)	(431)	145 716
Vulindlela Development Agency Project	5 237	283	(2 918)	-	2 602
Bulk Buying	27 684	1 470	(6 346)	(1 207)	21 601
RASET Project	10 579	565	(2 091)	(5 002)	4 051
Operation Vula	12 081	555	(2 125)	-	10 511
Storm Disaster	3 929	154	(3 014)	-	1 069
Shared Infrastructure SMME and Co-operatives incubation	35 600	24 404	(23 012)	(2 798)	34 194
Zimele Traders Fund	17 571	1 009	-	(978)	17 602
Thokazi Royal Lodge	10 019	298	-	-	10 317
Imbokodo Iyazenzela	205	10	(83)	-	132
Industrial Hubs	27 453	15 623	(5 683)	(1 147)	36 246
Bakery Incubation	-	5 031	-	-	5 031
Paper and pulp manufacturing	-	13 418	-	-	13 418
Inkunzi Isematholeni	-	1 787	(553)	-	1 234
Ndumo Retail Project	-	10 949	(6 591)	(952)	3 406
Maritime Transport and Manufacture	-	3 833	(798)	-	3 035
	254 909	**125 796**	**(58 025)**	**(12 515)**	**310 165**

24. LEASE LIABILITIES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Non-current liabilities	81 871	59 861	11 802	12 214
Current liabilities*	28 268	22 187	272	381
	110 139	**82 048**	**12 074**	**12 595**

*Included in the current liabilities above, is the lease liability for Portshepstone Quarries (Pty) Ltd. The total of the lease liability has been classified as current, as the subsidiary has ceased operations and the Board of the subsidiary took a decision to prepare the financial statements under the liquidation basis.

**The lease payments reflected in the table below represents the gross payments, including interest. The lease payments on the cash flow reflects the payment of the capital portion only.

	Group 2024 R'000	Group 2023 R'000	Company 2024 R'000	Company 2023 R'000
Balance as at the beginning of the period	82 048	79 103	12 595	13 088
Additions	45 852	15 921	-	64
Interest Expense	11 077	6 440	1 137	1 191
Disposals	(239)	-	(239)	-
Lease payments**	(28 599)	(19 416)	(1 419)	(1 748)
	110 139	**82 048**	**12 074**	**12 595**
Maturity Analysis				
Within 1 year	29 816	22 187	1 400	1 552
Two to five years	52 223	57 157	5 098	5 373
After 5 years	69 540	72 639	23 345	24 597
Interest	(41 440)	(69 935)	(17 769)	(18 927)
	110 139	**82 048**	**12 074**	**12 595**

NOTES TO THE FINANCIAL STATEMENTS

25. CASH GENERATED FROM OPERATING ACTIVITIES

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Net (loss) / income before taxation	72 271	(9 861)	70 602	213 165
Adjustment for non-cash items:				
Expected credit loss - loans and advances	61 917	72 040	38 153	60 117
Expected credit loss - trade and other receivables	109 245	35 506	102 805	28 501
Impairment of non-current assets held for sale	697	(1 015)	697	(583)
Depreciation and amortisation	50 682	38 451	17 065	16 741
Movement in straightlining of operating lease income (Note 7)	(25 594)	(10 886)	(24 826)	(10 790)
Movement in NCI	30	(1 869)	-	-
Fair value movements in:				
- Investment Property (Note 3)	(110 139)	15 991	(105 008)	(2 949)
- Investment in listed shares (Note 10)	(1 569)	1 718	(1 569)	1 718
Loss / (Profit) on disposal of assets	807	1 455	219	703
Government grants applied (Note 21)	(51 618)	(65 000)	(51 618)	(65 000)
Impairment of deposits with banks	(4 756)	(3 223)	-	-
Impairment of deposits with banks	4 756	3 223	-	-
Impairment of investment in subsidiaries	-	-	97 736	48 163
Properties in possession costs transfer	-	1 367	-	1 367
Movement in retirement benefit obligation (Note 20)	13 427	13 173	7 236	7 914
Long service obligations (Note 20)	2 922	750	2 370	177
Movement in provisions:				
- Provision for rehabilitation (Note 22)	1 191	4 710	1 014	4 423
- Movement in audit fees (Note 22)	719	(1 795)	477	128
Interest from borrowings and lease liability (Note 18 and 24)	12 966	8 460	3 026	3 186
Insurance contract profits (Note 11)	(6 677)	(5 889)	(6 677)	(5 889)
Dividends accrued	(353)	(722)	(353)	(722)
Dividend accrued - Sundumbili	-	-	-	(198 227)
Net cash generated from operating activities	**130 924**	**96 584**	**151 349**	**102 143**
Changes in working capital:				
Increase in trade and other payables	9 558	89 547	(11 601)	85 675
Decrease / (increase) in trade and other receivables	(23 620)	43 633	(21 997)	28 190
Decrease / (Increase) in inventories	(1 753)	420	343	226
Employee benefits	(10 773)	(12 556)	(7 154)	(9 456)
Deposits received (paid to) / received from customers	(13 798)	20 422	-	-
Current portion of loans to subsidiaries	-	-	(23 504)	(29 564)
	(40 386)	**141 466**	**(63 913)**	**75 071**

26. TAX PAID

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Balance at beginning of the year	(3 006)	(15 105)	-	-
Current tax for the year recognised in profit or loss	(3 985)	(6 000)	-	-
Prior year overprovision	-	16 910	-	-
Balance at end of the year	(2 150)	3 006	-	-
	(9 141)	**(1 189)**	**-**	**-**

27. COMMITMENTS

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Capital commitment				
Authorised and contracted	80 018	48 413	54 649	40 474

The capital commitments at Group has increased significantly mainly due to the rebuild of properties that were damaged during the July 2021 unrests.

28. RELATED PARTIES

Ithala Development Finance Corporation Limited (The Corporation) is a 100% held subsidiary of the KwaZulu Natal Provincial Government, reporting to the Department of Economic Development, Tourism and Environmental Affairs. The Corporation and it's subsidiaries, in the ordinary course of business enter into various transactions with related parties.

Relationships	
Subsidiaries	Ithala SOC Limited (100% owned) Nongoma Plaza (Pty) Ltd (99% owned) Durban Wharfside Trust (100% owned) Ubuciko Fabrics and Twines (Pty) Ltd (100% owned) Portshepstone Quarries (Pty) Ltd (100% owned) Sibaya Conservation Project (Pty) Ltd (100% owned) KwaZulu Natal Property Development Holdings (SOC) Ltd (100% owned)
Associates	Rocktail Bay Dev Co. (Pty) Ltd Mabibi Development Company (Pty) Ltd Banzi Pan Development Company (Pty) Ltd Ntingwe Tea Farming (Pty) Ltd
Joint venture	Ulundi Shopping Centre (Pty) Ltd
Members of key management	PS Bengu Dr M Muthusamy Ms FA Kader (Acting from 1 April 2023 to 31 August 2023) Ms NA Zuma (Appointed 1 September 2023) BM Shangase (Terminated on 31 January 2024) XE Mkhize (Resigned on 31 July 2023) TN Mthethwa K Cele AR Malope

Non-executive key management are disclosed under Note 42.

Compensation paid to key management is disclosed under Note 42.

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (continued)

Related parties balances and transactions with subsidiaries

	Group		Company	
Loans owing by subsidiaries to IDFC	**2024 R'000**	**2023 R'000**	**2024 R'000**	**2023 R'000**
Ithala SOC Limited	-	-	95 427	56 493
Nongoma Plaza	-	-	60 914	60 329
Sundumbili Plaza	-	-	-	15 430
Durban Wharfside Trust	-	-	72 483	66 287
Sibaya Conservation	-	-	4 183	4 183
Port Shepstone Quarries	-	-	58 998	56 036
Ubuciko Twines and Fabrics	-	-	82 769	82 660
	-	**-**	**374 774**	**341 418**

Transactions and balances with subsidiaries and IDFC				
Ithala SOC Limited				
Interest paid on customer deposits and retention accounts	-	-	340	384
Shared services	-	-	8 565	6 677
Rental income	-	-	5 575	4 903
Recovery of operating expenses	-	-	445	439
Administration fees	-	-	3 600	95
Funds transferred to Ithala SOC Ltd	-	-	51 142	65 000
Deposits due to properties tenants	-	-	55 603	53 884
Outstanding balance on savings and fixed deposits	-	-	13 734	13 537
Nongoma Plaza				
Management fees earned	-	-	686	806
Interest income from loans	-	-	3 277	2 727
Insurance	-	-	143	135
Other	-	-	-	2
Sundumbili Plaza				
Sale of refuse	-	-	-	168
Management fees earned	-	-	-	689
Interest income from loans	-	-	-	1 549
Dividends	-	-	-	198 227
Durban Wharfside Trust				
Distribution received	-	-	5 591	3 724
Management fees earned	-	-	499	485
Insurance	-	-	190	60
Port Shepstone Quarries				
Directors' fees	-	-	438	476
	-	**-**	**146 228**	**353 872**

28. RELATED PARTIES (continued)

Related party balances and transactions with associates

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loans owing by associates to IDFC* **				
Rocktail Bay Dev Co. (Pty) Ltd	607	595	607	595
Mabibi Development Company (Pty) Ltd	1 835	1 736	1 835	1 736
Banzi Plan Development Company (Pty) Ltd	6 931	6 931	6 931	6 931
Ntingwe Tea (Pty) Ltd***	65 694	65 694	65 694	65 694
	75 067	**74 956**	**75 067**	**74 956**
Loan owing by joint venture to IDFC				
Ulundi Shopping Centre	4 632	4 039	4 632	4 039
Balances held on behalf of associates				
Ntingwe Tea Farming (Pty) Ltd	24 532	23 767	24 532	23 767
Transactions with associates and IDFC				
Management fee - Rocktail Bay Dev. Co (Pty) Ltd	24	26	24	26
Management fee - Mabibi Development Company (Pty Ltd	142	125	142	125
Transactions with joint venture and IDFC				
Ulundi Shopping Centre				
Interest income	593	113	593	113
Related party balances and transactions with other related parties				
Balances between IDFC and other Government				
Departments and EDTEA				
Department of Human Settlements	122 783	145 716	122 783	145 716
Vulindlela Development Agency	2 793	2 602	2 793	2 602
Bulk Buying Project	17 252	21 601	17 252	21 601
Storm Disaster	1 157	1 069	1 157	1 069
RASET Project	3 907	4 051	3 907	4 051
Operation Vula	6 651	10 511	6 651	10 511
Industrial Hubs	21 838	36 246	21 838	36 246
Thokazi Royal Lodge	8 459	10 317	8 459	10 317
Zimele Traders	19 090	17 602	19 090	17 602
Imbokodo Iyazenzela	11	132	11	132
Shared Infrastructure SMME and Co-operatives	19 675	34 194	19 675	34 194
Maritime Transport and Manufactured	2 179	3 035	2 179	3 035
Other - Ndumo Retail Project	21 250	3 406	21 250	3 406
Bakery Incubation	7 937	5 031	7 937	5 031
Paper and pulp manufacturing	12 093	13 418	12 093	13 418
Inkunzi Isematholeni	116	1 234	116	1 234
Business support funds	13 504	13 980	-	13 980
Banking system	9 304	9 304	-	-
BEE Risk Fund	4 789	-	-	-
DTI Grant	928	928	-	928

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTIES (continued)

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Transactions between Corporation and other EDTEA subsidiaries				
Rental income	3 391	4 609	3 391	4 609
Parking	755	717	755	717
Recovery of operating expenses	927	816	927	816
Recovery of key management benefits	724	-	724	-
	5 797	**6 142**	**5 797**	**6 142**
The following funds were received from EDTEA and other KZN Government Departments				
Ithala SOC Capital injection	51 142	65 000	51 142	65 000
Inkunzi Isematholeni	-	1 750	-	1 750
Bakery Incubation	3 500	5 000	3 500	5 000
Ndumo Retail project	18 000	10 500	18 000	10 500
Clothing and Textile Hub	12 224	5 000	12 224	5 000
Edendale Auto Service Hub	-	9 000	-	9 000
Paper and pulp manufacturing	-	13 410	-	13 410
Shared Infrastructure SMME and Co-operatives	13 000	23 500	13 000	23 500
Human settlements - Emergency transition housing	-	41 346	-	41 346
	97 866	**174 506**	**97 866**	**174 506**
Transactions between Ithala SOC Limited and other IDFC subsidiaries				
Rental	-	-	-	-
Nongoma Plaza (Pty) Ltd	407	503	-	-
Sundumbili Plaza (Pty) Ltd	-	297	-	-
Rental Deposits Held by Ithala SOC Limited				
Nongoma Plaza (Pty) Ltd	1 029	878	-	-
Wharfside Trust	887	915	-	-
	2 323	**2 593**	**-**	**-**
Directors' emoluments for other subsidiaries				
ZB Zwane	90	132	-	-
CS Gina	346	417	-	-
Transactions between Ithala SOC Limited and entities owned by EDTEA				
Deposits due to customers held by Ithala SOC Limited for KZN Growth Fund	82 590	107 590	-	-
Interest expense on KZN Growth Fund Deposits	10 840	7 493	-	-

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loans to members of Provincial Legislature, EDTEA and IDFC Board Members				
Loans Granted	53 345	53 345	53 345	53 345
Outstanding Balance	32 259	35 735	32 259	35 735
Arrears	(11 734)	9 106	(11 734)	9 106
Specific Impairment Charge	3 504	11 739	3 504	11 739
Security Amount	63 806	80 935	63 806	80 935
Interest received	2 751	2 763	2 751	2 763
Loans to key management personnel - Ithala SOC Limited				
Outstanding balance	19 564	12 465	-	-
Security amount	22 486	17 325	-	-
Interest received	1 874	734	-	-
Loans granted by Ithala SOC Limited to executive management of the Company				
Outstanding balance	1 470	1 563	-	-
Security amount	4 165	2 630	-	-
Interest received	169	124	-	-

*Refer to Note 8 for impairments raised as at 31 March 2024 on these loans and the movement in the impairments from the prior year.

***The difference between the loan balances owing by associates above and the balance per the investment in associates note **(Note 12)**, relates to Ntingwe that is included in other sundry debtors.

Various employees of the Holding Company serve as directors in various subsidiaries, associates and joint venture companies at no additional employee benefits to those companies or the holding company. Below is a list of Companies and affected employees.

Directors associations

2024 and 2023 Subsidiaries , Associates, and Joint ventures	Ms P Bengu	Ms Farhana Abdool Kader	Dr M Muthusamy	Mr B Shangase	Mr SD Khwela	Mrs R Sompersadh
Nongoma Plaza (Pty) Ltd		x			x	
Sundumbili Plaza (Pty) Ltd		x			x	
The Durban Wharfside Trust		x				
Sibaya Conservation Projects (Pty) Ltd		x				
Rocktail Bay Dev Co (Pty) Ltd					x	
Banzi Pan Development Company (Pty) Ltd		x				
Mabibi Development Company Pty Ltd		x				
Ubuciko Twines & Fabrics (Pty) Ltd			x			
Port Shepstone Quarries (Pty) Ltd		x	x	x		
Ntingwe Tea (Pty) Ltd						
KwaZulu Natal Property Development Holding (KPDH)	x			x	x	x
Ulundi Shopping Centre		x			x	
Cowslip (Pty) Ltd	x					

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the year and benefits for other stakeholders and to maintain an optimal capital structure to optimise the cost of capital. The capital structure of the group consists of borrowings, deposits due to customers and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Credit risk management

Credit risk is the risk of suffering financial loss, should any customers or market counterparties fail to fulfil their contractual obligations to the group. Credit risk arises mainly from commercial and consumer loans and advances. Credit risk is a significant risk resulting in management carefully managing its exposure. Credit risk management and control are centralised within a credit risk management team, which reports to the Chief Executive Officer.

Whilst the Board retains overall responsibility for risk management, policies and frameworks are developed by management on an Enterprise -Wide basis striving to identify all relevant risks, to measure and understand such risks and to manage and monitor them in order to minimise and control the impact of adverse occurrences. The Board of Ithala has delegated the responsibility for risk management to Board Sub Committees, namely the Audit and Risk, IT Governance and the Human Resources, Social and Ethics Committees, while the Board of Ithala SOC Limited has delegated the responsibility to the IT Governance and Risk and Capital Management Committee. Each committee has specific terms of reference and delegated powers of authority that are reviewed annually by the Board.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into daily operations.

The year has exposure to the following risks from financial instruments, namely, credit risk, liquidity risk, market risks and operational risks.

Credit risk

Credit risk is the risk of potential loss from the failure of customers, clients or counter parties to fulfil obligations to the group. In order to minimise the potential for loss, the group has adopted a credit risk management philosophy, which is based on the principle of assessing the serviceability of individual loans granted and the recoverability of such loans through cash flows and the underlying security. Loans advanced are secured by tangible assets and other forms of security.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit and Investment Committee. A separate Management Credit and Investment Committee is responsible for management of the company's Credit Risk.

Ithala's credit approval is graduated, where increasing magnitudes of credit transactions require higher levels of authorisation. Each credit application is evaluated on its own merits depending on the value and type of transaction under consideration, maybe considered progressively by Delegated Line function, Management Credit Committee and the Board Credit and Investment Committee. The transaction- based approach is in keeping with Ithala's risk management strategy throughout the company while ensuring compliance with credit policies set by the Board.

Problem exposures, when they arise, are initially dealt with by Line Management unless further degeneration occurs whereupon they are attended to by the company's Business Support, legal and collections staff who then administer the recovery process. Exposures are considered to be non-performing when amounts due are unpaid for more than three months or a counter-party is under judicial management or declared insolvent and management believes that further recoveries are no longer probable.

Credit risk measurement

Loans and advances to customers (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and required of models, as the exposures varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as the likelihood of defaults occurring, of the associated loss ratios and of the default correlations between counterparties. The company measures credit risk using Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to notes to details below.

Credit risk grading

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. the company uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into the ratings model.

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:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. Please refer to the next note for a description of how the company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument in then moved to 'stage 3'. Please refer to next note for a description of how the company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months after the reporting date . Instruments in Stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the next note for a description of inputs, assumptions and estimation techniques used in the measuring the ECL.
- It is expected that an exposure would experience a significant increase in credit risk prior to the existence of objective evidence of impairment or the occurrence of default. Therefore, the company incorporates both forward-looking as well as historical information in determining whether such deterioration has occurred.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit loss	(Significant increase in credit risk since initial recognition) Lifetime expected credit loss	(Credit-impaired assets) Lifetime expected credit losses
8 581	35 720	461 441

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

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:

Quantitative criteria:

A SICR rule was included in the staging model which transfers exposures to stage 2 based on credit score deterioration compared to origination. A worse deterioration through-the -cycle threshold of a 15-point drop triggers SICR, which is a common industry benchmark. The threshold varies based upon prevailing forward looking information, i.e. during a downturn a deterioration of fewer than 15 points is required for SICR to trigger.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Qualitative Criteria:

If the borrower meets one or more of the following criteria:
- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted

The assessment of SICR incorporates forward-looking information and is performed on a bi-annually basis at a portfolio level for all financial instruments held by the company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The company has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2024.

The following table shows the impact on the 31 March 2024 ECL allowance of changing the PD thresholds for SICR. Increases in ECL (positive amounts) represent higher impairment allowances that would be recognised:

Ithala SOC Limited

Lifetime PD band at initial recognition	Actual threshold applied	Change in threshold R'000	Lower threshold R'000	Higher threshold R'000
Housing loans				
31 March 2024				
<=545	<=545	(87)	27 400	27 314
545-570	545-570	(10)	12 286	12 275
570-605	570-605	600	19 319	19 919
605-625	605-625	443	8 942	9 385
625-650	625-650	177	7 396	7 573
650-675	650-675	631	2 686	3 317
675-999	675-999	2 564	2 687	5 252
31 March 2023				
<=545	<=545	47	22 383	22 430
545-570	545-570	130	8 380	8 510
570-605	570-605	837	16 082	16 919
605-625	605-625	507	10 981	11 488
625-650	625-650	809	5 619	6 428
650-675	650-675	302	2 574	2 875
675-999	675-999	827	2 223	3 050
Micro-finance secured loans				
31 March 2024				
<=600	<=600	1 056	24 247	25 303
600-699	600-699	1 177	11 157	12 333
31 March 2023				
<=600	<=600	1 265	13 483	14 748
600-699	600-699	1 653	10 522	12 176

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Company

2024

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Relative Increase
Agri- Finance	Performing	18,3%		
	Partial Arrears	62,6%	44.2%	241.3%
Asset Finance	Performing	12,8%		
	Partial Arrears	57,4%	44.6%	348.2%
Commercial Property	Performing	10,3%		
	Partial Arrears	61,1%	50.8%	495.9%
Franchise Finance	Performing	5,4%		
	Partial Arrears	33,0%	27.5%	505.2%
Micro Finance	Performing	6,1%		
	Partial Arrears	50,8%	44.6%	727.3%
Procurement Finance	Performing	29,4%		
	Partial Arrears	57,3%	28.0%	95.2%
Structured finance	Performing	15,2%		
	Partial Arrears	65.1%	49.9%	328.4%

2023

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Relative Increase
Agri- Finance	Performing	19.0%		
	Partial Arrears	53.1%	34.1%	179.8%
Asset Finance	Performing	13.1%		
	Partial Arrears	57.0%	43.9%	336.1%
Commercial Property	Performing	10.6%		
	Partial Arrears	66.1%	55.5%	523.2%
Franchise Finance	Performing	6.0%		
	Partial Arrears	31.6%	25.6%	426.1%
Micro Finance	Performing	6.1%		
	Partial Arrears	28.7%	22.6%	367.7%
Procurement Finance	Performing	29.8%		
	Partial Arrears	57.3%	27.5%	92.2%
Structured finance	Performing	15.4%		
	Partial Arrears	58.7%	73.2%	475.4%

Definition of default and credit-impaired assets

In addition to criteria defined for the transition from Stage 1 into Stage 2, criteria have been defined to be used in transferring accounts into Stage 3 i.e. in the event of default resulting in the commencement of legal collections and rundown proceedings.

Days past due

The IFRS 9 standard incorporates a further rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3. This assumption has not been rebutted in the model, and all such exposures are automatically transferred into Stage 3 in the staging module of the model.

Status codes and write-off amount

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the client provided status codes to indicate distressed accounts to be moved to Stage 3.

Transition due to manual override

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the model incorporates the use of manual overrides in order to allow management to transfer exposures to Stage 3 of the impairment model. This can be done on the basis of an individual assessment that indicates a change from management as an active client to a legal collections and rundown process.

The company 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:

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- The criteria above have been applied to all financial instruments held by the company and are consistent with the definition of default used for internal credit risk management processes. 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 company's expected loss calculation.

A back stop is applied and the financial instruments considered to have met the definition of default if the borrower is more than 90 days past due on its contractual payments.

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 (LCD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), 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 company 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 company 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 (LCD) represents the company'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 or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). 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 or an approximation thereof.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a profile 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 grade 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 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 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 Corporation'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.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/ book values due to forced sales, time to repossession and recovery costs observed.

Forward-Looking economic information is also included in determining the 12-month and Lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note below for an explanation of forward-looking information and its conclusion in ECL calculations.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward -looking information. The company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from various trusted economic sources such as Statistic South Africa and Reserve Bank on a bi-annual basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Changes in the model and assumptions used to calculate ECL for the current year

The model has been recalibrated for the financial year-end to include data up to January 2024. Model parameters and PD segments were recalculated to incorporate this information which resulted in shifts in the parameters.

Additional model and assumption changes are listed below:

- The time to collateral recovery assumption applied within the LGD model was adjusted to 36 months based on the average age of collateral in default.
- Enhanced the current PD methodology to be calibrated to the 6-, 24- and 36-month default rate in addition to the 12-month default rate.
- Put in place a 5% LGD floor to allow for risks related to collateral recovery and direct collection costs.
- Adjusted the discounting of losses in the ECL model on the contractual interest rate, rather than market rates.
- A new macroeconomic model was introduced which uses GDP, CPI and unemployment as predictors for transforming through-the-cycle PDs to point-in-time PDs.

The most significant period-end assumptions used for the ECL estimate as at 31 March 2024 are set out below. The scenario 'Base', 'Optimistic' and 'Downturn' were used for all portfolios.

Company

		2025	2026	2027	2028
Gross Domestic Product (GDP) (Rbn)	Base	4 722	4 802	4 894	4 993
	Optimistic	4 769	4 910	5 060	5 217
	Downturn	4 657	4 625	4 637	4 674
Unemployment (%)	Base	32.08 %	31.85 %	31.40 %	31.02 %
	Optimistic	31.59 %	30.65 %	29.71 %	28.65 %
	Downturn	32.87 %	34.40 %	35.33 %	35.79 %
Consumer Price Index	Base	119	125	130	136
	Optimistic	119	123	127	131
	Downturn	122	129	135	141

Ithala SOC Limited		2025	2026	2027
Household income to disposal income	Base	64	65	65
	Optimistic	68	71	72
	Downturn	61	60	59
Unemployment (%)	Base	32.70 %	33.00 %	33.00 %
	Optimistic	30.70 %	30.70 %	28.60 %
	Downturn	38.10 %	39.00 %	41.10 %
Gross Domestic Product (GDP) (Rbn)	Base	4 730	4 803	4 880
	Optimistic	4 993	5 160	5 370
	Downturn	4 307	4 267	4 184
Consumer Price Index (CPI)	Base	121	126	132
	Optimistic	120	125	130
	Downturn	125	133	143
Private Consumption	Base	3 153	3 213	3 282
	Optimistic	3 327	3 450	3 592
	Downturn	2 967	2 889	2 842

The weightings assigned to each economic scenario at 31 March 2024 were as follows:

	Base	Optimistic	Downturn
All portfolios (Company)	57 %	25 %	18 %
All portfolios (Ithala SOC Ltd)	77 %	5 %	18 %

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis or whenever necessary.

Scenario Sensitivity

The most significant assumptions affecting the ECL allowance are as follows:
- Domestic GDP
- Prime rate; or CPI
- Unemployment

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Set out below are the changes to the ECL as at 31 March 2024 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Corporation's economic variable assumptions (for example, the impact on ECL of increasing the estimated Domestic GDP by in each of the base, Optimistic, Downturn scenarios).

Ithala SOC Limited

2024	Unemployment Rate (R'000)	Household Debt to Nett Disposable income R'000	Gross Domestic Product (GDP) R'000	Consumer Price Index R'000	PRICE CONSUMPTION R'000
[-0.50%]	116 118	116 114	116 121	116 086	116 540
No change	116 120	116 120	116 120	116 120	116 120
[+0.50%]	116 121	116 126	116 119	116 154	115 697

2023	Unemployment rate (R'000)	Gross Domestic Product (GDP) R'000	Consumer Price Index R'000	REPO R'000
[-0.50%]	92 356	92 356	92 352	92 356
No change	92 356	92 356	92 356	92 356
[+0.50%]	92 356	92 356	92 351	92 356

Company

2024	GDP R'000	Unemployment R'000	CPI R'000
[-1%]	448 469	452 517	446 548
No change	452 456	452 456	452 456
[+1%]	452 534	452 397	458 373

2023	GDP R'000	Real Credit Extension to Firms R'000	CPI R'000
[-1%]	413 202	413 208	413 191
No change	413 209	413 209	413 209
[+1%]	413 206	413 209	413 226

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 company to be statistically credible.

Where sufficient information is not available internally, the company has considered benchmarking internal / external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Credit rating band
- Product type
- Month of book
- Arrears status

The appropriateness of groupings is monitored and reviews on a periodic basis by the Credit Risk team.

Maximum exposure to credit - Financial instruments subject to impairment.

29. FINANCIAL RISK MANAGEMENT (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of loans and advances below also represents the company's maximum exposure to credit risk on these financial assets.

Housing and Commercial Property - Ithala SOC Limited

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	919 204	307 909	28 287	1 255 400	932 279	419 010	15 929	1 367 218
30 days	-	59 488	3 419	62 907	-	39 145	2 504	41 649
60 days	-	47 478	8 418	55 896	-	38 978	14 294	53 272
90 days and above	-	-	142 620	142 620	-	-	138 408	138 408
	919 204	414 875	182 744	1 516 823	932 279	497 133	171 135	1 600 547
Loss allowance	(1 606)	(21 272)	(57 838)	(80 716)	(1 804)	(19 686)	(46 859)	(68 349)
Carrying amount	**917 598**	**393 603**	**124 906**	**1 436 107**	**930 475**	**477 447**	**124 276**	**1 532 198**

Micro finance - secured - Ithala SOC Limited

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	608 638	33 180	4 452	646 270	561 966	47 323	4 719	614 008
30 days	673	24 981	1 914	27 568	3 290	43 076	1 126	47 492
60 days	-	24 382	3 036	27 418	-	21 137	3 243	24 380
90 days and above	-	-	36 215	36 215	-	-	24 671	24 671
	609 311	82 543	45 617	737 471	565 256	111 536	33 759	710 551
Loss allowance	(2 111)	(9 698)	(23 595)	(35 404)	(2 357)	(7 783)	(13 865)	(24 005)
Carrying amount	**607 200**	**72 845**	**22 022**	**702 067**	**562 899**	**103 753**	**19 894**	**686 546**

Micro finance - unsecured loans - Ithala SOC Limited

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
90 days and above	-	-	-	-	-	-	-	-

Micro finance - unsecured loans- Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	2 989	2 316	-	5 305	5 228	4 365	-	9 593
30 days	-	112	-	112	-	114	-	114
60 days	-	436	-	436	-	382	156	538
90 days and above	-	-	7 083	7 083	-	-	4 805	4 805
	2 989	2 864	7 083	12 936	5 228	4 861	4 961	15 050
Loss allowance	(56)	(333)	(6 444)	(6 833)	(64)	(233)	(4 604)	(4 901)
Carrying amount	**2 933**	**2 531**	**639**	**6 103**	**5 164**	**4 628**	**357**	**10 149**

Agri Finance - Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	53 428	12 267	7 739	73 434	33 661	13 572	35	47 268
30 days	-	4 282	-	4 282	-	3 879	-	3 879
60 days	-	2 044	6 082	8 126	-	1 115	6 612	7 727
90 days and above	-	-	234 568	234 568	-	-	231 465	231 465
	53 428	18 593	248 389	320 410	33 661	18 566	238 112	290 339
Loss allowance	(1 782)	(4 018)	(186 219)	(192 019)	(221)	(1 732)	(152 827)	(154 780)
Carrying amount	**51 646**	**14 575**	**62 170**	**128 391**	**33 440**	**16 834**	**85 285**	**135 559**

Franchise Finance - Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	20 255	-	2 667	22 922	21 102	3 319	-	24 421
30 days	-	-	-	-	-	-	-	-
60 days	-	-	-	-	-	-	-	-
90 days and above	-	-	22 737	22 737	-	-	23 536	23 536
	20 255	-	25 404	45 659	21 102	3 319	23 536	47 957
Loss allowance	(284)	-	(23 544)	(23 828)	(285)	(35)	(21 329)	(21 649)
Carrying amount	**19 971**	**-**	**1 860**	**21 831**	**20 817**	**3 284**	**2 207**	**26 308**

Procurement Finance - Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	15 901	9 487	-	25 388	9 215	10 604	-	19 819
30 days	-	9 064	-	9 064	-	829	-	829
60 days	-	604	-	604	-	264	937	1 201
90 days and above	-	-	57 100	57 100	-	-	46 862	46 862
	15 901	19 155	57 100	92 156	9 215	11 697	47 799	68 711
Loss allowance	(956)	(2 460)	(53 945)	(57 361)	(652)	(1 084)	(46 291)	(48 027)
Carrying amount	**14 945**	**16 695**	**3 155**	**34 795**	**8 563**	**10 613**	**1 508**	**20 684**

Commercial Property Finance - Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	71 032	-	-	71 032	19 412	35 278	-	54 690
30 days	-	5 581	-	5 581	-	-	931	931
60 days	-	864	-	864	-	964	-	964
90 days and above	-	-	34 306	34 306	-	-	75 077	75 077
	71 032	6 445	34 306	111 783	19 412	36 242	76 008	131 662
Loss allowance	(680)	(785)	(19 372)	(20 837)	(295)	(615)	(47 441)	(48 351)
Carrying amount	**70 352**	**5 660**	**14 934**	**90 946**	**19 117**	**35 627**	**28 567**	**83 311**

Asset Finance - Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	78 657	36 422	5 729	120 808	42 874	22 883	12 744	78 501
30 days	-	2 122	-	2 122	-	4 586	-	4 586
60 days	-	-	-	-	-	-	-	-
90 days and above	-	-	85 116	85 116	-	-	77 177	77 177
	78 657	38 544	90 845	208 046	42 874	27 469	89 921	160 264
Loss allowance	(3 448)	(6 507)	(81 108)	(91 063)	(1 764)	(5 851)	(76 735)	(84 350)
Carrying amount	**75 209**	**32 037**	**9 737**	**116 983**	**41 110**	**21 618**	**13 186**	**75 914**

Structured Finance - Company

	2024				2023			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Total R'000
Current	8 613	-	-	8 613	-	6 499	9 712	16 211
30 days	-	-	-	-	-	-	-	-
60 days	-	-	4 813	4 813	-	-	-	-
90 days and above	-	-	58 654	58 654	-	-	49 228	49 228
	8 613	-	63 467	72 080	-	6 499	58 940	65 439
Loss allowance	(564)	-	(59 992)	(60 556)	-	(1 399)	(51 533)	(52 932)
Carrying amount	**8 049**	**-**	**3 475**	**11 524**	**-**	**5 100**	**7 407**	**12 507**

29. FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk - loans and advances

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Corporation since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Corporation will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group's collateral held against the loans amount to R3.9bn (2023:R4.0bn) , made up of mortgage bonds linked to properties valued at year end, cash, credit agreements, notarial bonds, pledged investments, pension and provident fund assets, cession of income, term deposits and moveable assets, suretyships and where appropriate, key policies.

	2024				2023			
	Gross exposure R'000	Impairment allowance R'000	Carrying amount R'000	Fair value of collateral held R'000	Gross exposure R'000	Impairment allowance R'000	Carrying amount R'000	Fair value of collateral held R'000
Loans and advances								
Housing and commercial property	1 516 822	(80 716)	1 436 106	2 517 237	1 584 567	(65 350)	1 519 217	2 682 755
Micro finance - secured	737 470	(35 404)	702 066	1 013 629	710 551	(24 005)	686 546	954 650
Micro finance - unsecured	12 936	(6 833)	6 103	16	15 050	(4 901)	10 149	18
Agri-finance	320 410	(192 018)	128 392	188 680	290 339	(154 779)	135 560	186 110
Franchise finance	45 659	(23 829)	21 830	25 339	47 957	(21 649)	26 308	25 223
Procurement finance	92 156	(57 361)	34 795	5 586	68 711	(48 027)	20 684	5 591
Commercial property finance	111 783	(20 836)	90 947	92 990	131 662	(48 351)	83 311	96 606
Asset finance	208 046	(91 063)	116 983	59 281	160 264	(84 349)	75 915	38 393
Structured finance	72 080	(60 556)	11 524	2 556	65 439	(52 932)	12 507	2 350
Total loans and advances	**3 117 362**	**(568 616)**	**2 548 746**	**3 905 314**	**3 074 540**	**(504 343)**	**2 570 197**	**3 991 696**

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

	2024				2023			
	Gross exposure R'000	Impairment allowance R'000	Carrying amount R'000	Fair value of collateral held R'000	Gross exposure R'000	Impairment allowance R'000	Carrying amount R'000	Fair value of collateral held R'000
Credit impaired loans and advances								
Housing and commercial property	182 744	(57 838)	124 906	-	171 135	(46 860)	124 275	272 326
Micro finance - secured	45 617	(23 595)	22 022	-	33 759	(13 865)	19 894	40 044
Micro finance - unsecured	7 083	(6 444)	639	16	4 961	(4 604)	357	18
Agri-finance	248 389	(186 219)	62 170	113 425	238 112	(152 826)	85 286	115 603
Franchise finance	25 404	(23 544)	1 860	1 003	23 536	(21 329)	2 207	1 011
Procurement finance	57 100	(53 945)	3 155	4 838	47 799	(46 291)	1 508	4 843
Commercial property finance	34 306	(19 372)	14 934	17 579	76 008	(47 441)	28 567	32 346
Asset finance	90 845	(81 108)	9 737	16 395	89 922	(76 735)	13 187	9 711
Structured finance	63 467	(59 992)	3 475	2 556	58 940	(51 533)	7 407	2 350
Total credit-impaired loans and advances	**754 955**	**(512 057)**	**242 898**	**155 812**	**744 172**	**(461 484)**	**282 688**	**478 252**

Write-off policy

The entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. 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. Indicators that there is no reasonable expectation (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 March 2024 for Group was R 52.4m (2023: R18.3m) and Company was R33.3m (2023: R14.0m).

The comparative tables below relating to 31 March 2023, reflects accounts by product wherein no expected credit loss was raised / recognised due to the value of collateral being more than the loan balance.

The tables below reflects accounts by product wherein the value of collateral is more than the loan balance. As part of improvements made to the model from 31 March 2024 and going forward, a 5% LGD floor has been applied in order to cover some risk of non-recoverability of collateral and to allow for direct expenses not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (continued)

Group 2024	Loan Balances (R'000)	Security Held (R'000)
Agri Finance	52 708	100 092
Asset Finance	2 841	10 134
Com / Prop Finance	30 569	50 210
Franchise Finance	7 079	23 580
Procurement Finance	177	748
	93 374	**184 764**

Group 2023	Loan Balances (R'000)	Security Held (R'000)
Cash Loans	7 808	45 117
Pension Backed Loans	68 075	160 732
Mortgage	221 088	913 406
Vehicle Finance	2 328	10 889
Taxi Finance	1 022	4 808
Agri Finance	8 789	14 641
Asset Finance	2 803	14 130
Com / Prop Finance	4 687	4 881
Franchise Finance	2 079	125
	318 679	**1 168 729**

Company 2024	Loan Balances (R'000)	Security Held (R'000)
Agri Finance	52 708	100 092
Asset Finance	2 841	10 134
Com/Prop Finance	30 569	50 210
Franchise Finance	7 079	23 580
Procurement Finance	177	748
	93 374	**184 764**

Company 2023	Loan Balances (R'000)	Security Held (R'000)
Agri Finance	8 789	14 641
Asset Finance	2 803	14 130
Com/Prop Finance	4 687	4 881
Franchise Finance	2 079	125
	18 358	**33 777**

NOTES TO THE FINANCIAL STATEMENTS

Modification of financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in credit risk of the financial instrument by comparing:

- The risk of a default occurring at the reporting date (based on the modified contractual terms); and
- The risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate, or when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Loans and advances renegotiated

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the group has provided initially.

Rescheduled / renegotiated loans include extended payment arrangements, modification and deferral of payments:

	Group		Company	
Continuing to be impaired after rescheduling:	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Agri Finance	4 145	-	4 145	-
Commercial Property Finance	-	5 597	-	5 597
Asset Finance	5 728	12 579	5 728	12 579
Franchise Finance	5 603	-	4 603	-
Housing Loans	-	1 678	-	-
Micro Finance - secured	-	2 626	-	-
Structured Finance	-	1 415	-	1 415
Non–impaired after rescheduling – would otherwise have been impaired:				
Commercial Property Finance	-	20 499	-	20 499
Non–impaired after rescheduling – would otherwise not have been impaired:				
Agri Finance	4 031	1 382	4 031	1 382
Procurement Finance	3 083	-	3 083	-
Asset Finance	473	1 245	473	1 245
Micro Finance	213	-	213	-
	23 276	**47 021**	**22 276**	**42 717**

29. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the group will be unable to service payment obligations timeously or fund asset growth.

The Board of directors sets the strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation thereof to the Audit and Risk Committee. The Treasury divisions of the group are responsible for the management of liquidity risk. Liquidity risk is monitored on a projected cash flow basis, incorporating ongoing review and assessment of assumptions applied and strategies in place to ensure that commitments are timeously funded.

The risk of a default occurring at the reporting date (based on the modified contractual terms);

- The continuous monitoring of actual and projected net cash flows;
- The maintenance of a liquidity "buffer" to fund unforeseen cash flows;
- Daily management of liquidity to support operations and fund asset growth;
- Periodic assessment of sources of funding to fund liquidity shortfalls; and
- Advising management on trends emerging from variance analysis to reassess where necessary business plans and assumptions.

The details of the group's expected contractual maturity for its financial liabilities has been drawn up based on the summary of the undiscounted contractual maturities of financial assets and liabilities including interest that would be payable. A summary of the group liquidity profile and the contractual maturity is reflected in the table below:

Group

2024

	One year	From two to five years	After five years
Loans receivable	-	-	-
Financial liabilities			
Trade and other payables	508 593	-	-
Lease liability	29 816	45 852	11 077
Deposits due to customers	2 371 214	31 243	-
	2 909 623	**77 095**	**11 077**

2023	One year	From two to five years	After five years
Loans to group companies	-	-	-
Financial liabilities			
Borrowings	8 641	15 872	-
Deposits due to customers	2 378 505	37 750	-
Trade and other payables	507 933	-	-
Lease liabilities	22 187	52 223	69 540
	2 917 266	**105 845**	**69 540**

NOTES TO THE FINANCIAL STATEMENTS

Company

2024	One year	From two to five years	After five years
Loans receivable	-	-	-
Borrowings	8 339	7 664	-
Trade and other payables	462 814	-	-
Lease Liabilities	1 400	5 098	23 345
	472 553	**12 762**	**23 345**

2023	One year	From two to five years	After five years
Financial liabilities			
Borrowings	8 641	15 872	-
Trade and other payables	469 718	-	-
Lease liabilities	1 552	5 373	24 597
	479 911	**21 245**	**24 597**

The Group has sufficient financial resources to meet all payments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period, the Group held deposits at call of R655.8 million (2023: R683.0 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's' liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The group had access to an undrawn credit facility of R100 million at the end of the reporting period.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange risks will affect the group's income or the value of it's holdings of financial instruments.

Management has developed an enterprise risk management framework, which is used to manage the Group's exposure to interest rate and equity price risk. Management reports to the Board on a quarterly basis on its efforts to mitigate the exposure of the Group. The objectives are defined as per below.

Interest rate risk

Interest rate risk refers to the potential adverse impact on earnings as a result of changes in interest rates. Yields on assets and liabilities are monitored monthly. In addition, interest rate shock analysis is performed to assess the sensitivity on net interest due to unanticipated movement in interest rates.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and IFRS 7.34(a) non-derivative instruments at balance sheet date. The analysis is prepared assuming the amount of liability and assets outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable and possible change in interest rates. If interest rates had been 2% lower / higher and all other variables were held constant, the Group's Profit for the year ended 31 March 2024 would decrease by R 15.9 million, for the Company's profit for the year would decrease by R 8.7 million, (2023: Group's loss would decrease by R14.0 million) or Group's profit would increase by R 16.0 million, for the Company's profit for the year would increase by R 8.9 million, (2023: Group's loss would increase by R 14.3 million). This is mainly attributable to the group's exposure to interest on its variable financial instruments.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Equity price risk

The group is exposed to equity risk arising from investments in marketable equity securities at fair value through profit and loss. These investments are held for strategic rather than trading purposes and the group does not actively trade these investments.

Equity price sensitivity

The sensitivity is based on the exposure to equity price risk at the reporting date. The investments are fair valued annually at the close of business on 31 March 2024. The Group applies a critical judgment of 5% on the valuation of these investments. If the valuation of the investment at year end had been higher or lower while other variables were held constant, the fair value of investment and fair value gains would have increased or decreased by R 3.4m (2023: R 3.2m).

Foreign exchange risks

The Group has no exposure to transactions or balances traded or denominated in foreign currencies.

Operational risk

Operational risk arises from human or system error within daily product and service delivery. It transcends to all divisions and products. This risk includes the potential that inadequate technology and information systems, operational problems, insufficient human resources, breaches of integrity or non-compliance with regulations and laws will result in direct or indirect losses. The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. The lending Unit has, as part of preventive controls, Operational Policies and Procedures with clear segregation of functions and duties and clear and independent reporting structures. Furthermore, Group Internal Audit and Compliance function act as secondary–level control through systematic and independent continuous review of the operations and controls within the Lending Unit. Results of Internal Audit and Compliance Review Reports are discussed with Business Unit Heads, Executive Committee and submitted to the Audit and Risk Committee.

Risk related to Cell captives

The risk associated with the cell captives is managed by the insurers, being Guardrisk and Mutual and Federal. The insurers calculate the cells regulatory capital requirement (also known as SAM) as prescribed in the Insurance Act 2017, that came into effect on 1 July 2018.

Each cell's Solvency Capital Requirement (SCR) is monitored by the respective insurers, to ensure compliance with the prescribed Insurance Act 2017 requirements. A cell's Basic Own Funds (BOF) needs to exceed its SCR to meet minimum regulatory capital requirements. Should a cell have BOF less than the SCR, alternatives like reinsurance, solvency support and additional capital injection is evaluated in a plan to return the cell to a regulatory financial sound position. Where cells have BOF in excess of the SCR, dividends could be requested for a portion in excess of the SCR. Both cells were financially sound as at 31 March 2024, hence the dividend requested by the Corporation could be paid.

30. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

30. FAIR VALUE INFORMATION (continued)

Assets measured at fair value

Group

	2024				2023			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets Measured on a recurring basis								
Investment property	-	-	3 477 745	3 477 745	-	-	3 284 681	3 284 681
Investment in Cell Captives*	-	-	-	-	-	57 773	-	57 773
Investment in SA Corp Real Estate	9 229	-	-	9 229	7 660	-	-	7 660
	9 229	**-**	**3 477 745**	**3 486 974**	**7 660**	**57 773**	**3 284 681**	**3 350 114**

	2024				2023			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities								
Borrowings **	-	16 267	-	16 267	-	23 124	-	23 124

(1) Recurring fair value measurements of assets are those assets that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

* For further details, refer to note 11.

**The amortised cost of borrowings is equivalent to the fair value. For further details, refer to note 18.

30. FAIR VALUE INFORMATION (continued)

Company

	2024				2023			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets								
Measured on a recurring basis								
Investment property	-	-	3 280 898	3 280 898	-	-	3 099 441	3 099 441
Investment in Cell Captives*	-	-	-	-	-	57 773	-	57 773
Investment in SA Corp Real Estate	9 229	-	-	9 229	7 660	-	-	7 660
	9 229	**-**	**3 280 898**	**3 290 127**	**7 660**	**57 773**	**3 099 441**	**3 164 874**

	2024				2023			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities								
Borrowings **	-	14 484	-	14 484	-	21 282	-	21 282

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NOTES TO THE FINANCIAL STATEMENTS

30. FAIR VALUE INFORMATION (continued)

Level 3 financial assets

Reconciliation of level 3 assets

Investment property

2024

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group	Corporation
	2024 Investment property R'000	2024 Investment property R'000
Balance at 01 April 2023	3 284 681	3 099 441
Total gains included in profit/loss	110 139	105 008
Issuances and purchases	57 371	51 622
Straight line rental	25 554	24 827
Balance at 31 March 2024	**3 477 745**	**3 280 898**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group	Corporation
	2024	2024
	Investment property R'000	Investment property R'000
Other (loss) / income	110 139	105 008

2023

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group	Corporation
	2023	2023
	Investment property R'000	Investment property R'000
Balance at 01 April 2022 Restated	3 187 570	2 859 421
Total (losses) / gains included in profit/loss	(15 990)	2 949
Issuances and purchases	90 997	89 772
Straight line rental	10 886	10 790
Transfers	11 218	136 509
Balance at 31 March 2023	**3 284 681**	**3 099 441**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

Other (loss) / income	(15 990)	2 949

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

Valuation techniques and inputs for level two and level three assets

Group

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R'000			%
Investment property	3 479 833	Income capitalisation	Rental escalation	8%
			Expenditure rate	6%
			Capitalisation rate	12.38%
			Vacancy rate	6.00%

Sensitivity and interrelationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
	Effect on profit or loss					
	Cap rate		Favourable		(Unfavourable)	
	R'000	%	%	R'000	%	R'000
Investment property	3 479 833	12.38%	11.38%	305 825	13.38%	(260 106)

Company

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R'000			%
Investment property	3 282 985	Income capitalisation	Rental escalation	8%
			Expenditure rate	6%
			Capitalisation rate	12.00%
			Vacancy rate	6.00%

NOTES TO THE FINANCIAL STATEMENTS

30. FAIR VALUE INFORMATION (continued)

Sensitivity and interrelationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
	Effect on profit or loss					
	Cap rate		Favourable		(Unfavourable)	
	R'000	%	%	R'000	%	R'000
Investment property	3 282 985	12.00%	11.00%	288 525	13.00%	(245 392)
Loans and advances	312 982	11%	17%	6 330	-%	(537)

Fair Value of Financial Instruments

	Group		Corporation	
	2024		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R'000	R'000	R'000	R'000
Financial assets				
Loans and advances	2 547 643	2 567 274	409 468	312 982

	2024			2023		
	Level 2 R'000	Level 3 R'000	Total R'000	Level 2 R'000	Level 3 R'000	Total R'000
Company						
Loans and advances Fair value	-	312 982	312 982	-	319 657	319 657
Group						
Loans and Advances Fair value	-	2 567 274	2 567 274	-	2 630 755	2 630 755

IDFC manages an enterprise development fund on behalf of KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs governed through a funding agreement. The purpose of this fund is to advance development within the Province with loans advanced at specified interest rates range that are below the market. The fair value of these loans was determined using a fair value matrix. The matrix calculates the fair value of the loan using the loan term to determine the applicable government bond rate plus a risk premium.

Description	Fair value	Valuation technique	Unobservable input	Risk Premium	Range (weighted average)
	R'000			%	%
2024					
Loans and advances	312 982	Discounting of future cash flows	Risk based rate and prime rate	0,0%-14,9%	11,75% to 15,35%
2023					
Loans and advances	319 657		Risk based rate and prime rate	0,0%-11,1%	4,0% to 15,1%

Unrealised gains / (losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period

There is no impact on the profit or loss at the end of the reporting period

Ithala SOC loans and advances carrying amount approximates fair value.

31. NEW STANDARDS AND INTERPRETATIONS

31.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2024 or later periods. The Group has assessed the impact of the following Standards, as detailed below:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

IAS 1 requires an entity that has an unconditional right to delay settlement of a liability for at least 12 months from the end of the reporting period, then it can be classified as non-current, if not it is classified as current.

If an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender test for compliance as that date or later.

The effective date of the amendment is for years beginning on or after 01 January 2024. **The amendment is not expected to have any impact on the Group as the entity currently does not have a right to delay settlement of liabilities.**

Amendments to IAS 1: Non-Current Liabilities with Covenants

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.

The amendments state that at the reporting date, the entity does not consider covenants that will need to complied with in the future, when considering classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements.

The effective date of the amendment is for years beginning on or after 01 January 2024. **The amendment is not expected to have any impact on the Group as the entity currently does not have any loans with covenants.**

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendment to IFRS 16 Leases, specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

IFRS 16 now specifies that, in subsequently measuring the lease liability, the seller-lessee determines the ''lease payments'' and ''revised lease payments'' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The effective date of the standard is for years beginning on or after 01 January 2024. **The amendment is not expected to have any impact on the Group as the entity currently does not have any sale and leaseback transactions.**

Amendments to IAS 21: Lack of Exchangeability

An entity is impacted by the amendments when it has transactions or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

A currency is exchangeable when there is an ability to obtain the other currency (with normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The effective date of the standard is for years beginning on or after 1 January 2025. **The Group has elected not to early adopt the standard**

Amendment to IAS 17 and IFRS 7: Supplier finance

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to credit risk.

The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The effective date of the standard is for years beginning on or after 1 January 2024. **The Group has elected not to early adopt the standard and the impact on the financial statements is still being assessed.**

NOTES TO THE FINANCIAL STATEMENTS

32. DEFERRED TAX LIABILITY

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Deferred tax liability				
Deferred tax liability	(25 517)	(29 562)	-	-
Reconciliation of deferred tax liability				
At beginning of year	(29 562)	(44 743)	-	-
Expected credit losses	1 076	3 507	-	-
Straight line rental debtors	(141)	(92)	-	-
Fair value adjustment	3 063	(24 951)	-	-
Income received in advance	189	476	-	-
Provision for audit fees and other	(142)	44	-	-
Reversal of deferred tax	-	36 197	-	-
	(25 517)	**(29 562)**	**-**	**-**

33. OTHER OPERATING INCOME

Other operating income is stated after crediting the following significant items:

Sundry income*	16 742	36 774	7 426	31 407
Dividends received	693	721	693	198 948
Grants applied	51 142	65 000	51 142	65 000
Rental received	367 547	351 158	348 771	322 254
Sale of electricity, water, refuse and sewage	466 474	365 867	466 415	365 812
Fees earned, commission and service recovered	311 507	281 077	110 708	99 734
Management fee income from projects	11 200	10 882	11 200	10 882
Fair value adjustment on Investment Property	110 139	(15 991)	105 008	2 949
Fair value adjustment on investments in shares at fair value through profit / loss	1 545	(1 719)	1 545	(1 719)
General service levy	33 734	33 802	33 734	33 802
Dormant deposit income	9 995	10 051	-	-

*Sundry income for Company in the prior year relates to additional insurance proceeds confirmation raised based on final amounts confirmed by SASRIA for rebuild work to be done to the value of R31.4m (Group: Insurance payouts received from SASRIA by Ithala SOC Ltd (2023: R7.8m and additional net sundry income raised relating to SASRIA of R29.0m).

** Dividends received in the current year relates to dividends received mainly from Cell Captives (R4 m) and in the prior year the dividends received for the Company included the dividend received from Sundumbili Plaza (Pty) Ltd of R198.2m which has been eliminated at Group level.

34. OPERATING EXPENDITURE

Operating profit (loss) before taxation for the year is stated after charging / (crediting) the following, amongst others:

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Auditor's remuneration - external				
Audit fees	11 314	14 236	4 772	6 426
Other significant expenses				
Employee costs*	459 261	449 596	227 483	246 844
Purchases of electricity, water and sewage	374 207	294 225	374 207	294 225
Consulting and professional fees	47 429	27 864	25 923	12 885
Assessment rates & municipal charges	163 079	181 039	163 079	181 039
Cleaning	9 019	9 803	9 019	8 229
Security	72 316	70 856	51 850	49 675
Repairs and maintenance	54 239	60 261	36 450	39 966
Expenses relating to debit card products	41 267	35 772	-	-

* Refer to Note 20 for details of the income statement movements in respect of retirement benefits and long service obligations.

35. INTEREST INCOME

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Interest income				
Interest generated from an effective interest rate:				
Investments in financial assets:				
Balances with banks and short-term funds	103 726	71 747	37 743	22 544
Advances	353 171	279 773	79 896	61 966
Other interest income:				
Finance leases	-	3	-	-
Total interest income	**456 897**	**351 523**	**117 639**	**84 510**

36. INTEREST EXPENDITURE

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Interest expense calculated using the effective interest rate				
Borrowings	1 889	2 020	1 889	1 995
Interest on savings and deposit accounts	104 508	64 541	-	-
Bank overdraft	4 106	-	4 106	-
Other interest expense				
Lease liabilities	11 076	6 440	1 137	1 191
Non- trading interest*	12 863	12 161	8 432	9 097
Total interest expenditure	**134 450**	**85 162**	**15 564**	**12 283**

*Non-trading interest consists primarily of interest costs on the long service and post retirement benefits obligations.

NOTES TO THE FINANCIAL STATEMENTS

37. TAXATION

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Major components of the tax (income) expense				
Current				
Current year tax	1 740	5 131	-	-
Prior year underprovision / (overprovision)	2 245	479	-	-
Withholding Tax	-	390	-	-
	3 985	**6 000**	**-**	**-**
Deferred				
Movement in temporary differences	(4 045)	2 919	-	-
Reversal of prior year deferred tax	-	(18 099)	-	-
	(4 045)	**(15 180)**	**-**	**-**
	(60)	**(9 180)**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	15 515	26 833	-	-
Tax at the applicable tax rate of 27% or 45% *	5 181	7 606	-	-
Tax effect of adjustments on taxable income				
Prior year overprovision	(3 379)	(501)	-	-
Fines income	-	390	-	-
Exempt income	352	3 380	-	-
Base cost movement	(53)	(77)	-	-
Current tax attributable to sole beneficiary	(2 161)	(1 879)	-	-
Reversal of deferred tax**	-	(18 099)	-	-
	(60)	**(9 180)**	**-**	**-**

*The tax rate of 27% is applicable to the Property subsidiaries (which are companies) and the 45% tax rate is applicable to Durban Wharfside Trust (which is a trust).

**The reversal of deferred tax in the prior years was as a result of the dissolution of Sundumbili Plaza (Pty) Ltd.

38. IRREGULAR EXPENDITURE

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Irregular Expenditure				
Irregular expenditure - current year	1 367	4 474	-	-
Details of irregular expenditure				
-Irregular expenditure under assessment	-	-	-	-
-Irregular expenditure under determination	-	-	-	-
-Irregular expenditure under investigation*	1 367	4 474	-	-
Total	**1 367**	**4 474**	**-**	**-**

An amount of R1.4m (2023: R4.5m) was incurred by the Group as a result of non-compliance with the Supply Chain Management policy. Irregular expenditure is being investigated to determine the disciplinary action to be taken.

39. FRUITLESS AND WASTEFUL EXPENDITURE

There was no fruitless and wasteful expenditure identified in the current financial year for the Group and Company.

40. MATERIAL LOSSES

The Group suffered a loss of R52.4m due to bad debts written off (2023: R18.4m).

The Group did not suffer a loss as a result of branch robbery in the current year (2023: R0.9m).

Staff losses and other fraud incidents incurred for the Group in the current year to the value of R6.5m (2023: R3.5m was identified relating to theft occurring in prior periods).

NOTES TO THE FINANCIAL STATEMENTS

41. CONTINGENT LIABILITIES

The Group is currently opposing certain claims that have been instituted against it by various parties. At year end, the outcome of the following legal disputes is considered uncertain.

	Group		Company	
CORPORATION	2024 R'000	2023 R'000	2024 R'000	2023 R'000
- Claim by an employee for alleged malicious damage suffered as a result of a disciplinary hearing	400	400	400	400
- Claim by a supplier for unpaid invoices for work done at Nongoma Plaza	77	-	77	-
- Claim by a supplier for electrical installation	579	579	579	579
- Claim for payment of preliminary stage fees for Shopping Centre project Eugene Maphumulo Architects (Pty) Ltd **	15 271	-	15 271	-
- Claim by a supplier for unpaid invoices for work done at Ezakheni	1 734	313	1 734	313
- Counter claim by for refurbishment costs incurred by United Heavy Industries (Pty) Ltd ***	52 497	-	52 497	-
- Counter claim by former employee for accrued short-term employee benefits	71	-	71	-
- Claim for damage resulting from the rain after an Ithala contractor attended to roof repairs	1 809	1 809	1 809	1 809
- Claim for damages caused by an alleged breach of a management agreement	1 002	1 002	1 002	1 002
- Claim by former employee for legal fees	784	784	784	784
- Claim by the Liquidators of Easy Does It (in liquidation)*	-	42 525	-	42 525
- Claim arising from refund of rental deposit - Namaqua Wines (Pty) Ltd)	187	187	187	187
- Counter claim for unpaid invoices Dehal Inc.	186	-	186	-
Ithala SOC Limited				
- Company issued a guarantee in favour of Guardrisk Life Ltd	4 100	-	-	-
- Claim against the company for damages due to breach of contract : Nkosini Investments CC	612	-	-	-
- South African Insurance Association	-	3 000	-	-
- Claim for alleged unfair retrenchment / dismissal	11 112	3 000	-	-
- Claim against invoices not paid: Tech Mahindra****	1 600	1 600	-	-
	92 021	**55 199**	**74 597**	**47 599**

41. CONTINGENT LIABILITIES (continued)

***Liquidators of Easy Does It**

The Liquidators alleged in their action that the sale of the property by Easy Does be set aside as it was of no value. Further more, the liquidators sought orders against the creditors that were paid from the proceeds of the sale to repay the money received with interest and further forfeit claims against the insolvent estate of Easy Does It.The action was withdrawn in the current financial year.

****Eugene Maphumulo Architects (Pty) Ltd**

The plaintiff is claiming that they were appointed by the Corporation to conduct preliminary stage services, for the development of the shopping centre in Ulundi. Following the preliminary stage services, a decision would have been taken to proceed with the development depending on whether it was viable and approved by the Corporation's governance structures. The plaintiff alleges that it has performed in line with its terms of reference, however the Corporation is delaying the procurement of the viability condition. A Joint Venture needed to be formed for this Ulundi Development with IDFC owning 51% and the partner being 49%, therefore the Corporation is of the view that they should not be held accountable for the cost incurred, but the joint venture once it has been established.

*****United Heavy Industries (Pty) Ltd**

United Heavy Industries (tenant) entered into a rental agreement with the Corporation to occupy a space in one of the factories. When the tenant took occupation, they claim to have incurred refurbishment costs. According to the tenant there was an agreement between them and the Corporation to carry out refurbishment costs and these costs will be net off against rental amounts. However there is no clause to that effect within the rental agreement and no communication from the Corporation was sent to the tenant to such extent.

******Tech Mahindra**

In the 2020 financial year, Tech Mahindra submitted invoices for R2,7 million in respect of License Fees and R18,6 million in respect of system implementation. These invoices have not been settled as there is a dispute regarding the work completed. Ithala SOC Ltd has received a summons to settle R1.6m for services they claim were rendered.

NOTES TO THE FINANCIAL STATEMENTS

42. DIRECTORS' EMOLUMENTS

Executive

2024	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Termination benefits	Total
CORPORATION						
PS Bengu - Chief Executive Officer	2 854	650	-	12	-	3 516
Ms NA Zuma (Appointed 1 September 2023)	1 026	146	125	4	-	1 301
F Abdool Kader (Acting from 1 April 2023 to 31 August 2023)	1 583	241	-	298	-	2 122
Dr M Muthusamy (Appointed 01 July 2022)	2 160	318	48	8	-	2 534
B Shangase (Terminated 29 February 2024)	1 438	313	-	-	267	2 018
XE Mkhize (Resigned 31 July 2023)	483	101	-	-	1 585	2 169
TN Mthethwa	2 125	454	-	43	-	2 622
K Cele	1 963	412	-	4	-	2 379
AR Malope (Appointed 1 November 2022)	1 607	-	-	244	-	1 851
ITHALA SOC LIMITED						
T Vilakazi - Chief Executive Officer	3 237	438	-	-	-	3 675
S Xolo - Head Marketing and Communication	1 898	160	-	-	-	2 058
S Moodley - Head Retail and Business Banking	1 812	156	-	-	-	1 968
N Ngobese - Head Business Operations (appointed 01 October 2023)	882	78	-	-	-	960
R Jugoo - Head Credit (appointed 01 April 2023)	1 057	88	-	-	-	1 145
M Gafoor - Chief Financial Officer (appointed 12 July 2023)	2 307	280	-	-	-	2 587
B Van der Lingen - Chief Risk Officer (resigned 31 August 2023)	755	65	-	-	201	1 021
A Pather: Head Insurance	1 798	160	-	-	-	1 958
S Nsele - Chief Audit Executive	1 859	155	-	-	-	2 014
K Nkambule: Compliance Officer	1 898	160	-	-	-	2 058
N Masuku - Company Secretary	1 334	122	-	-	-	1 456
S Phakathi - Chief Information Officer	2 039	176	-	-	-	2 215
T Nell - Head HR	1 798	160	-	-	-	1 958
	37 913	**4 833**	**173**	**613**	**2 053**	**45 585**

Executive

2023

	Salary benefits	Risk and retirement benefits	Vehicle benefits	Other benefits*	Annual short-term incentives	Termination benefits	Total
CORPORATION							
PS Bengu- Chief Executive Officer	2 451	586	-	6	1 508	-	4 551
B Mapisa (Resigned March 2023)	1 972	147	-	-	-	51	2 170
Dr M Muthusamy (Appointed 01 July 2022)	1 790	166	48	247	651	-	2 902
B Shangase	1 691	226	-	-	-	-	1 917
XE Mkhize	1 717	402	-	13	-	-	2 132
TN Mthethwa	1 806	313	-	19	740	-	2 878
K Cele	1 874	244	-	25	555	-	2 698
AR Malope (Appointed 1 November 2022)	739	-	-	-	-	-	739
ITHALA SOC LIMITED							
T Vilakazi - Chief Executive Officer	2 889	379	-	-	-	-	3 268
S Gwala- Head: HR (Resigned 24 June 2022)	392	35	-	-	-	191	618
S Xolo - Head Marketing and Communication	1 557	140	-	-	-	-	1 697
S Moodley - Head Retail and Business Banking	1 616	145	-	-	-	-	1 761
B Van der Lingen - Chief Risk Officer	1 388	122	-	-	-	-	1 510
A Pather- Head Insurance	1 557	140	-	-	-	-	1 697
S Nsele - Chief Audit Executive	1 560	137	-	-	-	-	1 697
K Nkambule: Compliance Officer	1 557	140	-	-	-	-	1 697
X Khumalo - Head Credit (resigned 31 January 2023)	1 401	122	-	-	-	174	1 697
N Masuku - Company Secretary	1 077	95	-	-	-	-	1 172
S Phakathi - Chief Information Officer	1 821	164	-	-	-	-	1 985
S Dlamini - Executive Assistant (resigned 05 May 2022)	211	7	-	-	-	17	235
T Nell - Head HR (appointed 16 September 2022)	929	71	-	-	-	-	1 000
	31 995	**3 781**	**48**	**310**	**3 454**	**433**	**40 021**

NOTES TO THE FINANCIAL STATEMENTS

42. DIRECTORS' EMOLUMENTS

Non-executive

2024

	Directors' fees	Total
CORPORATION		
S Mkhize - Chairperson	1 000	1 000
C Gina - Deputy Chairperson	771	771
P Sibiya (Terminated - 15 September 2023)	412	412
Dr S Ndlovu	658	658
K Mbonambi (Terminated - 15 September 2023)	305	305
Prof D Jairam-Owthar	619	619
M Ngcobo (Terminated - 15 September 2023)	225	225
Dr U Roopnarian	556	556
M Ngubo	567	567
ITHALA SOC LIMITED		
N Simelane	654	654
M Pupuma	1 335	1 335
G Sibiya	863	863
Inkosi SN Mkhize	1 148	1 148
Y Mjiako (appointed 01 September 2022)	850	850
	9 963	**9 963**

2023

	Directors' fees	Total
CORPORATION		
R Morar (Term ended 31 May 2022)	186	186
S Mkhize - Chairperson (Appointed 1 June 2022)	1 086	1 086
C Gina - Deputy Chairperson (Appointed 1 June 2022)	787	787
PN Sibiya	750	750
Dr S Ndlovu	711	711
K Mbonambi	626	626
Z Zwane (Appointed 1 June 2022)	4	4
Prof D Jairam-Owthar (Appointed 1 June 2022)	571	571
M Ngcobo (Appointed 1 June 2022)	436	436
Dr U Roopnarian (Appointed 1 June 2022)	526	526
M Ngubo (Appointed 1 June 2022)	470	470
ITHALA SOC LIMITED		
N Simelane	692	692
M Pupuma	966	966
G Sibiya	771	771
Inkosi SN Mkhize	996	996
Y Mijiako (appointed 01 September 2022)	394	394
	9 972	**9 972**

43. CHANGE IN ESTIMATE

Property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets were reassessed during the current year. The effect of the change in estimate during the current year is as follows:

The future impact of the change in estimate will result in depreciation of R1.7m (2023: R1.4m) for Group and R1.3m (2023: R0.8m) for Company, being recognised over the remaining useful life of the asset.

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Decrease in depreciation	(1 651)	(1 447)	(1 275)	(797)
Increase in net book value	1 651	1 447	1 275	797
	-	-	-	-

44. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

45. LOAN COMMITMENTS

As at 31 March 2024, the Group had loan commitments amounting to R123.8m (2023: R118.4m).

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loan commitment	123 795	118 361	118 395	106 761

46. CORRECTION OF PRIOR PERIOD ERRORS

Effect on Statement of Financial Position

	Group		Company	
	ADJUSTMENT AS AT 2023 (R'000)	ADJUSTMENT AS AT 2022 (R'000)	ADJUSTMENT AS AT 2023 (R'000)	ADJUSTMENT AS AT 2022 (R'000)
Decrease in trade and other payables*	5 207	17 237	-	-
Increase in provisions**	(1 516)	-	-	-
	3 691	**17 237**	**-**	**-**
Effective on Statement of Changes in Equity				
Decrease in accumulated loss as at 31 March 2022	-	17 237	-	-
Decrease in accumulated loss as at 31 March 2023	3 691	-	-	-
	3 691	**17 237**	**-**	**-**

***Accrual of Municipality charges**

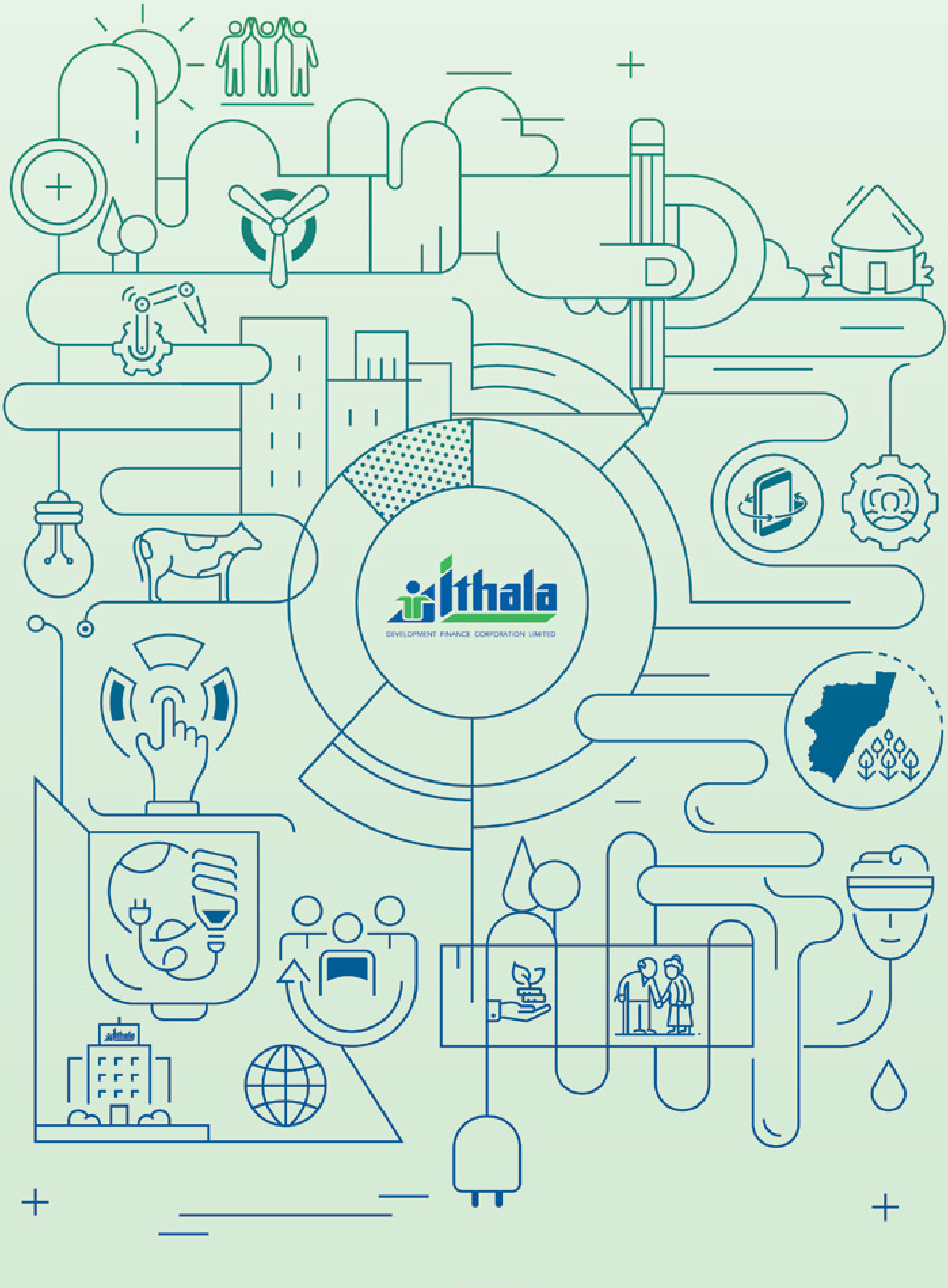
NOTES TO THE FINANCIAL STATEMENTS

The prior period relates to the overstatement of the municipal charges accrual. iThala SOC incurs monthly municipal charges on its head office property, branches and on properties in possession. The municipal charges consist of sewage charges, refuse removal, water and electricity. At the end of every month, the company raises an accrual for the municipal charges and at the beginning of the following month, the accrual is automatically reversed.

The overstatement of this accrual balance was due to the company erroneously raising an accrual for municipal charges and not subsequently reversing the accrual when the payment was made. The error was due to charges raised during the Covid period when these accruals were raised and not reversed to compensate for possible delay in invoices, as there was an impediment in the postal services during Covid. However the balance of the accrual escalated post Covid, and thus a restatement adjustment was processed to correct the error.

****Audit Fee provision**

In the prior year, the audit fees provision was correctly recognised for the statutory audits. The under provision of audit fees stems from other assurance services that are provided by the auditors on an adhoc basis, and these expenses were allocated against the provision account and not the statement of comprehensive income. The restatement of audit fees in 2023 was due mainly to the bi-lateral audit work completed during 2023.


ithala
DEVELOPMENT FINANCE CORPORATION LIMITED

ANNEXURE A

PFMA COMPLIANCE REPORT

PFMA COMPLIANCE REPORT

IRREGULAR EXPENDITURE

	2024 R'000	2023 R'000
Opening Balance	**35 593**	**36 970**
Irregular expenditure - Current Year	-	-
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	(679)
Less: Irregular expenditure removed	(1 388)	(698)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Total Irregular Expenditure	**34 205**	**35 593**

a) Reconciling notes to the annual financial statement disclosure

Irregular expenditure that was under assessment in prior year	-	-
Irregular expenditure that relates to prior year and identified in the current year	-	-
Irregular expenditure for the current year	-	-
Total	**-**	**-**

There was no new irregular expenditure identified in the current or prior financial year.

b) Details of current and previous year irregular expenditure

Irregular expenditure under assessment	19 998	1 530
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	14 207	34 063
Total	**34 205**	**35 593**

Irregular expenditure under assessment are the items submitted to Provincial Treasury for condonation which were still being assessed by them at financial year end.

c) Details of current and previous year irregular expenditure condoned

Irregular expenditure condoned	-	(679)
Total	**-**	**(679)**

This related to the cases where there was contravention with the SCM policies. Disciplinary actions were taken against the affected employees.

d) Details of current and previous year irregular expenditure removed

Irregular expenditure removed	(1 388)	(698)
Total	**(1 388)**	**(698)**

	2024 R'000	2023 R'000

The transactions approved to removed by the board related to:
- transactions where IDFC derived value for money, however were not condoned by Treasury and therefore referred to the board for removal.
- transactions that were added to the irregular expenditure register, however upon conducting determination test in accordance with the provisions of the Irregular Expenditure Framework the transactions were deemed not to be irregular expenditure.

e) Details of current and previous year irregular expenditure recoverable

	2024 R'000	2023 R'000
Irregular expenditure recovered	-	-
Total	**-**	**-**

No irregular expenditure was recovered in the current or prior financial year. During the 2022/23 financial year, IDFC commenced with the recovery of irregular expenditure amounting to R1177839.

f) Details of current and previous year irregular expenditure not recoverable and written off

	2024 R'000	2023 R'000
Irregular expenditure written off	-	-
Total	**-**	**-**

No irregular expenditure was written off in the current or prior financial year.

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement

There is no non-compliance cases where IDFC was involved in an inter-institutional arrangement for the current or prior year.

h) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary action or criminal steps in respect of confirmed irregular expenditure were taken prior to the 2021/22 financial year.

FRUITLESS & WASTEFUL EXPENDITURE

	2024 R'000	2023 R'000
Opening Balance	698	698
Add: fruitless and wasteful expenditure-confirmed	-	-
Less: fruitless and wasteful expenditure recovered	-	-
Less: fruitless and wasteful expenditure not recovered and written off	-	-
Total fruitless and wasteful Expenditure	698	698

	2024 R'000	2023 R'000

a) Reconciling notes to the annual financial statement disclosure

	2024 R'000	2023 R'000
Fruitless and wasteful expenditure that was under assessment in the prior year	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in current year	-	-
Fruitless and wasteful expenditure for the current year	-	-
Total	**-**	**-**

There was no new fruitless and wasteful expenditure identified in the current year or prior financial year

b) Details of current and previous year fruitless and wasteful expenditure

	2024 R'000	2023 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**-**	**-**

c) Details of current and previous year fruitless and wasteful expenditure recovered or transferred to receivables for recovery

	2024 R'000	2023 R'000
Fruitless and wasteful expenditure recovered or transferred to receivables for recovery	698	698
Total	**698**	**698**

Legal recovery steps commenced on the 2 fruitless and wasteful expenditure matters in the 2022/2023 financial year.

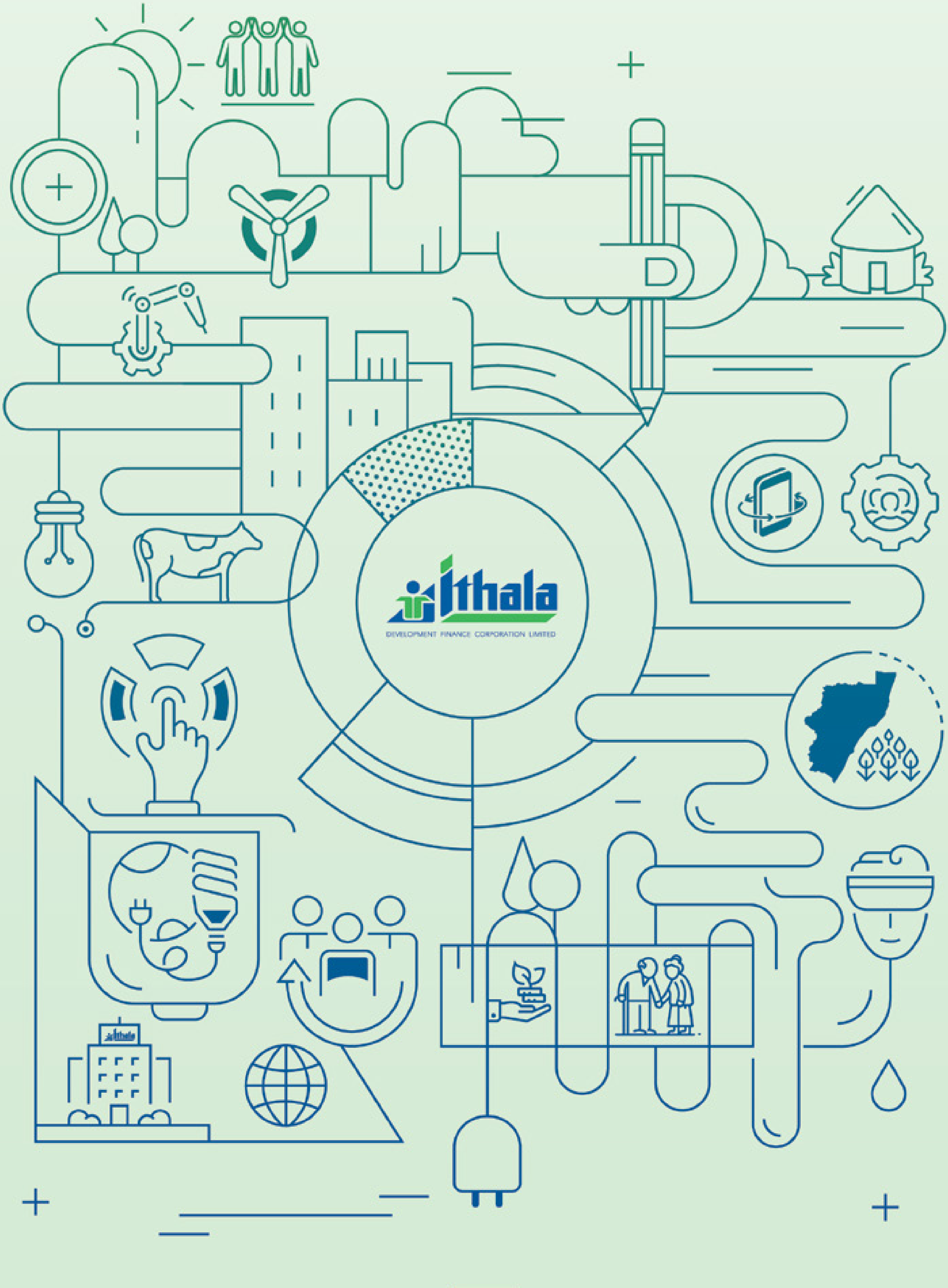
d) Details of current and previous year fruitless and wasteful expenditure written off

No fruitless and wasteful expenditure was written off in the current or prior financial year as IDFC has instituted recovery steps.

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

	2024 R'000	2023 R'000
Disciplinary steps taken as a result of fruitless and wasteful expenditure	-	11
Total	**-**	**11**

Disciplinary action for fruitless and wasteful expenditure amounting to R687 087 was taken against employees involved prior to the 2022/23 financial year.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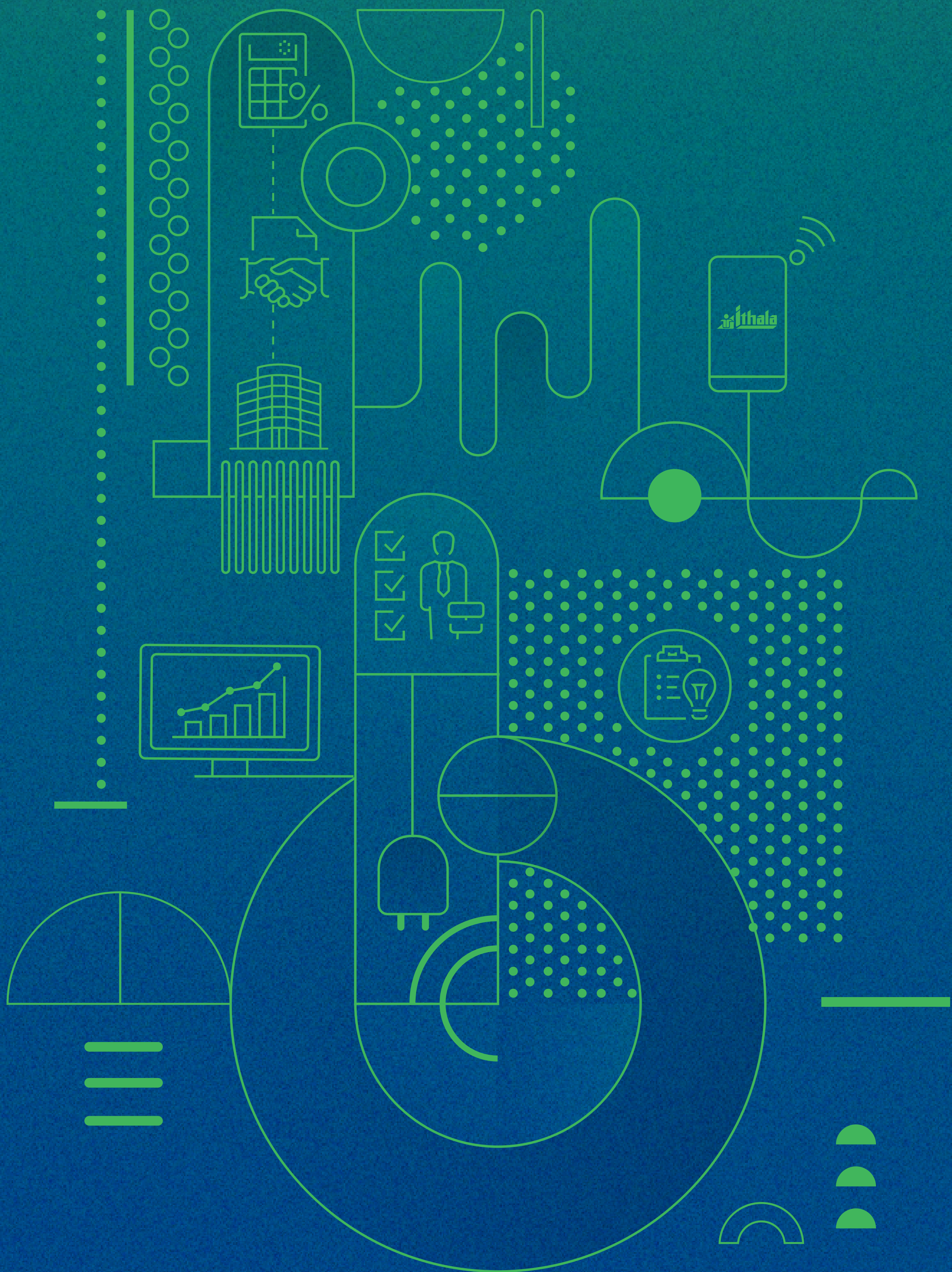

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