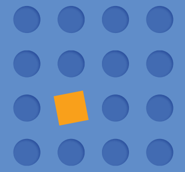

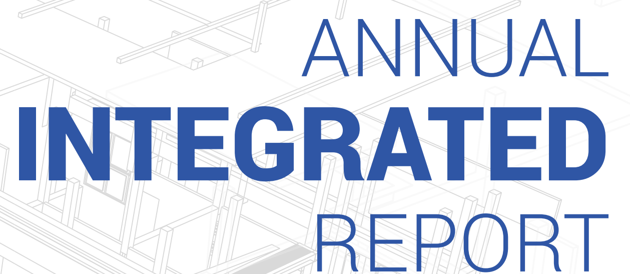

2019

Calling all African entrepreneurs…
It's grow time.
Get up and go time.

Time to grow your business.
Boost our economy.
Build our continent.

Time to scale up.
Innovate.
And rise to the challenge.

Now is the time for entrepreneurs;
For our continent has never needed entrepreneurs more.

Because when you grow,
Africa prospers.

For everything entrepreneur
From tailor-made finance and technical assistance,
To business premises and mentorship…

Grow with Business Partners Limited.

www.businesspartners.co.za
www.businesspartners.africa

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- Operational performance
- Consistently investing R1 billion in business owners annually
- Achieving success and impacting businesses internationally
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- Risk management for our sustainability
- The year ahead
- Thank you

About our Annual Integrated Report

Reporting scope and boundary

This Annual Integrated Report is principally a report to shareholders, funders and other stakeholders. The report consists of two sections.

The first section, the Annual Integrated Report, is essentially strategic. It outlines the purpose of the business, summarises the Business Partners Limited journey of success and impact since establishment in 1981 and provides an overview of the strategy for the future.

In addition, it reports on the performance against operational and strategic targets for the financial year ended 31 March 2019.

The second section, the Annual Financial Report, includes the consolidated and separate statements of financial position, comprehensive income and changes in equity, as well as cash flow statements.

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Forward-looking statements

This Annual Integrated Report includes forward-looking statements based on management’s expectations of future conditions, particularly with regard to the impact of global and domestic economic conditions on the company’s strategy, performance and operations.

These forward-looking statements should be evaluated in the context of the many uncertainties that affect Business Partners Limited and the small and medium owner-managed business owners / enterprises (SMEs) the company serves.

Board of Director’s statement of responsibility

The Board of Directors (the board), assisted by the Audit and Risk Committee, is responsible for overseeing the integrity and relevance of this Annual Integrated Report.

The board has reviewed this report, and believes it is a fair representation of the performance of our company. The board accordingly approved this Annual Integrated Report on 4 July 2019.

ANNUAL
INTEGRATED
REPORT 2019

About Business Partners Limited

Who is Business Partners Limited?

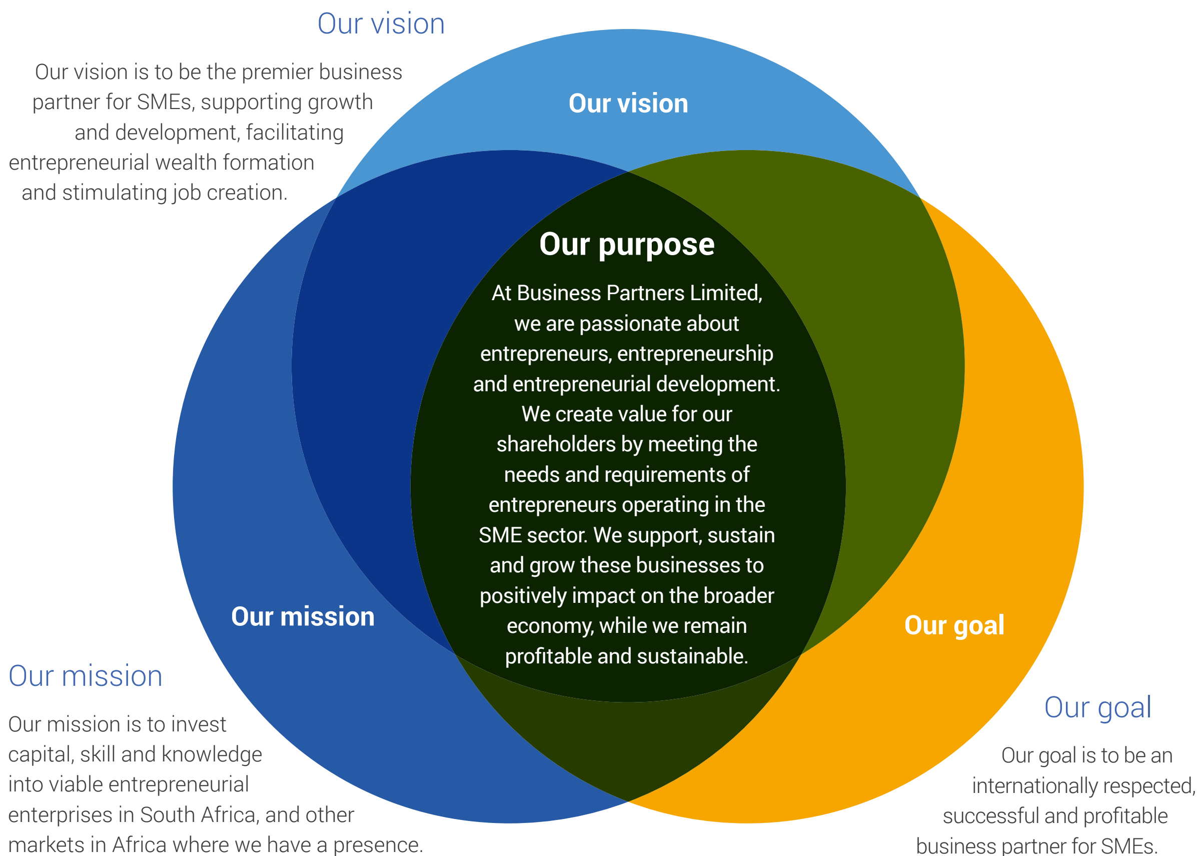
Business Partners Limited (BUSINESS/PARTNERS) was established in 1981 with the prime objective of fostering entrepreneurship in South Africa by assisting business owners with business finance, mentorship, technical assistance and affordable business premises that many of them need to grow their businesses. From the outset, the company recognised that its own sustainability is an essential requirement if it were to increasingly "partner" small and medium owner-managed businesses over the long term.

To this end, the company has continuously developed and improved its business model and business processes to ensure that its product and service offerings assist small and medium owner-managed businesses to achieve growth and job facilitation objectives. Simultaneously, the business model seeks to ensure a sound and strong balance sheet, delivering growth and returns which enhances the company's capacity to finance and serve viable small and medium owner-managed businesses.

In recent years, the company's proven South African business model has been successfully tested and deployed in selected Eastern and Southern African countries, viz. Kenya, Malawi, Namibia Rwanda, Uganda and Zambia.

Our vision

Our vision is to be the premier business partner for SMEs, supporting growth and development, facilitating entrepreneurial wealth formation and stimulating job creation.



Our mission

Our mission is to invest capital, skill and knowledge into viable entrepreneurial enterprises in South Africa, and other markets in Africa where we have a presence.

Our goal

Our goal is to be an internationally respected, successful and profitable business partner for SMEs.

Our values

Entrepreneurial spirit

Our people are both entrepreneurial and passionate about entrepreneurs. We invest where we see opportunity, driven by the conviction that SMEs are generators of wealth and economic growth. We believe that viable and successful SMEs create sustainable jobs that provide dignity and contribute towards alleviating the scourges of poverty and inequality which afflict much of the developing world. Our entrepreneurial approach and passion for doing business enables us to partner with our clients in the success of their businesses.

Economic merit

Economic merit underpins all our finance and investment decisions, ensuring that access to business finance and added-value services for entrepreneurs is consistent, sustainable, and inclusive — so that we may serve all communities and groups of entrepreneurs. It is also the foundation of all our operational decisions, ensuring long-term sustainability and the ability to deliver optimum value for clients and shareholders alike.

Integrity

Both our business and personal conduct are imbued with honesty, respect for human dignity and the highest levels of ethical business practices.

Service excellence

We exist for our clients. We enjoy serving them. We continuously strive to exceed their expectations with our products, innovative solutions and the quality of our service.

Alderman Sagiya
Bradford Schools
South Africa

"It would not have been possible to start a school without the much-needed finances from Business Partners [Limited]... Business Partners [Limited] believes in the depth of your idea, not the depth of your pocket."

Glen Pillay and Kalai Pillay
Traffic Signals & Accessories
South Africa

"In the process of our growth, we have accumulated six properties... Business Partners [Limited] came to the party and provided the funding... [they] have enabled us to purchase property assets."

"When we tried to get a property, our banks turned us down... We managed to wrap up the entire funding [process] within a month [with Business Partners Limited]."

Our value creating business model

Leading in impact investing — always dedicated to doing good

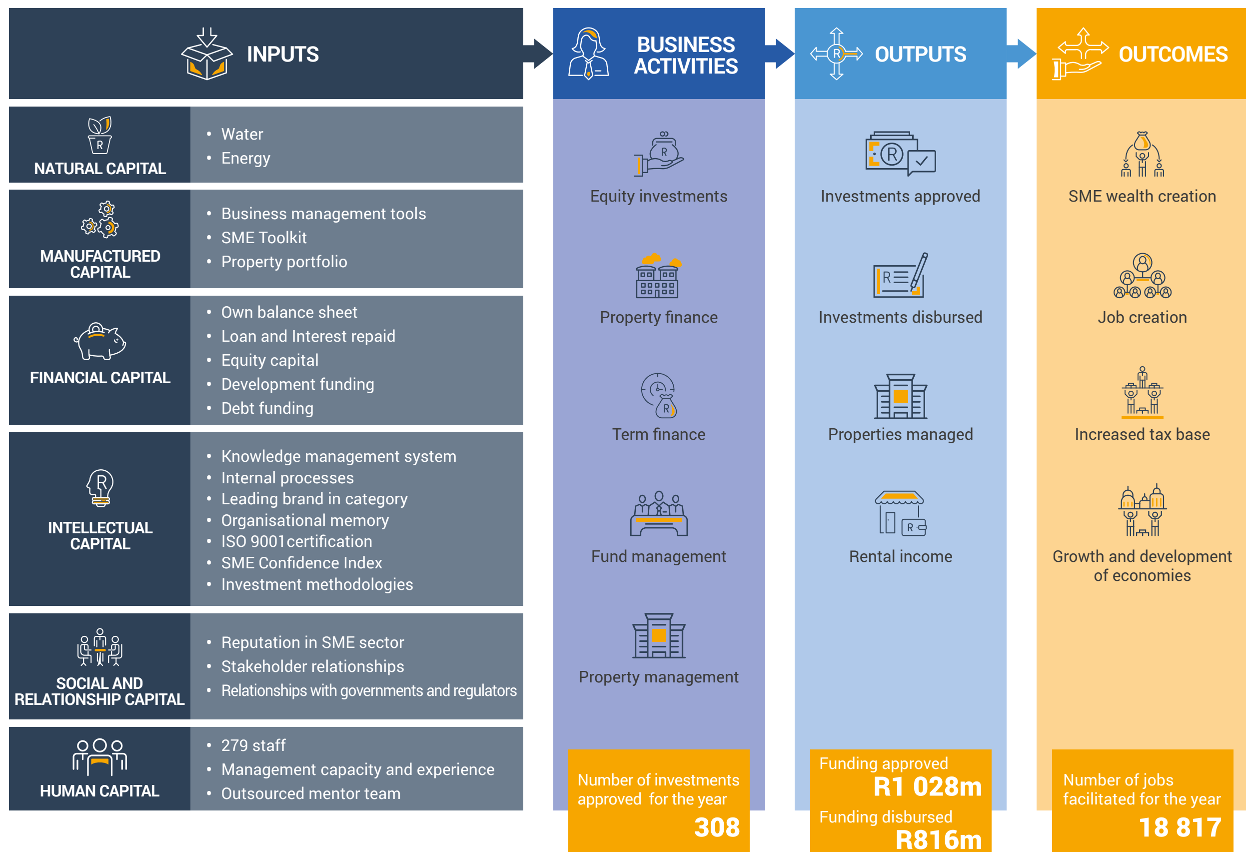
The Business Partners Limited business model is internationally acknowledged as one of the more successful models for delivering risk finance to SMEs in the developing world.

An important factor in the company's success over the years has been its single-minded, unwavering and exclusive focus on enabling the growth of SMEs. This focussed approach, together with a culture of continuous improvement, has been at the core of the ability to improve on what we do, every year.

Central to our ability to sustainably assist business owners in attaining their growth objectives are the following: a business model supported by considerable intellectual property (IP) embedded in best-of-breed business processes that have evolved over more than 38 years, experienced and passionate staff dedicated to serving the company's cause, and a robust, healthy balance sheet.

Remaining true to the cause of making investments that positively impact society has underpinned the

OUR VALUE-CREATING BUSINESS MODEL



Business Partners Limited business model since inception. As market conditions and competitors change, our single-minded focus enables us to adapt and hone our ability to select, add value to, and profitably realise our investments in SMEs.

Impact investing is a current term that describes investments with a specific intent of positively impacting on broader society or aspects of broader society, such as the empowerment of people, facilitating employment, generating wealth, contributing to the tax base and improving the environment. Simultaneously, impact investing aims to ensure a healthy return on capital.

In 1981, when Business Partners Limited was created, the phrase "impact investing" did not exist, but the essence of the concept was built into the very DNA of the company.

The company's founders, the Rupert family, and their partners in the private sector and Government created a small-business development entity that would do good and do well at the same time, on a sustainable basis. The concept of partnering has been part of the company's approach since inception and is reflected in its unique ownership structure — the combination of private enterprise and Government which is reflected in the company's shareholding.

Given its origins, it is therefore logical for Business Partners Limited to embrace impact investing and to prioritise it in its operations.

A strategic priority for the medium term is to ensure that accurate and detailed data is gathered on the full impact of Business Partners Limited's investments into SMEs. Data has always been collected on the most obvious areas of impact enabling us to report that, since inception, Business Partners Limited has made a total 71 615 investments in SMEs amounting to R19,5 billion, which has facilitated close to 650 000 jobs.

In more recent times, we have expanded our focus by targeting investments in black-owned businesses, women-owned businesses, and even at business owners located outside of main economic centres or hubs.

We will expand our impact tracking to include measures such as the year-on-year growth in turnover in client businesses, the increase in their contributions to the tax revenue, as well as the social and environmental governance of our client businesses.

The processes by which this data will be collected will be expanded beyond the already well-established and detailed due diligence that is performed with each application for finance. Additional follow-up visits by investment officers will provide opportunities for identifying progress and collecting and recording data, a process that will be enhanced and expanded through the use of communication and information technology and systems.

"Impact investing is a current term that describes investments with a specific intent of positively impacting on broader society or aspects of broader society, such as the empowerment of people, facilitating employment, generating wealth, contributing to the tax base and improving the environment. Simultaneously, impact investing aims to ensure a healthy return on capital."

Stephanie Erasmus
Amecon
South Africa

"Business Partners [Limited] has helped us grow our business by giving us affordable funding...We rented for about 11 years, paying R20 000 to R25 000 a month... It's very difficult for an entrepreneur to get funding from a bank... Business Partners [Limited] came in, gave us a very good deal and guided us through it all... Business Partners [Limited] was extremely professional, very helpful and I do believe that they gave us the best deal."

Business Partners Limited provides a holistic offering through a variety of resources that are made available to SME business owners whether they are clients, prospective clients or even non-clients.

Our SME Toolkit, an online resource comprising of "how-to" articles, case studies and document templates, is available free of charge to the public. So too is our Entrepreneurial Growth Centre, a call centre staffed by experienced entrepreneurs who are passionate about helping other business owners.

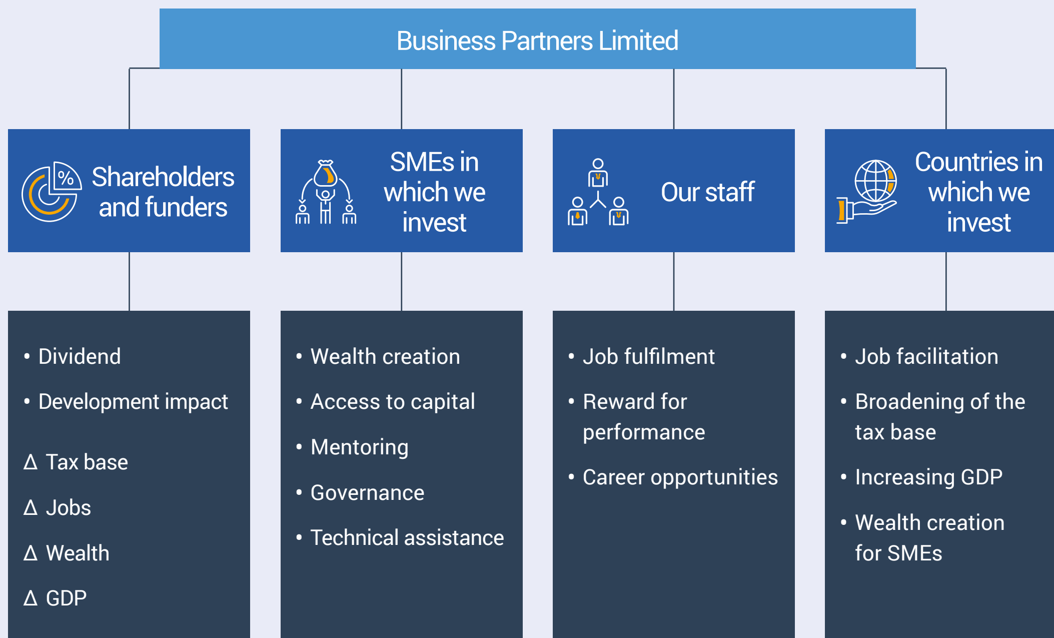
So far, the SME Toolkit has recorded more than 3,5 million website visits and the Entrepreneurs Growth Centre has fielded a total of 28 500 enquiries.

Business Partners Limited has drawn together a large pool of business mentors, a total of 225 technical experts and industry specialists in South Africa through our Mentorship Programme. Although they are normally linked up to our clients whenever a need for such an intervention is identified; non-client businesses have also benefited from our Mentorship Programme.

A Technical Assistance Fund, in cooperation with the Swiss State Secretariat for Economic Affairs (SECO) adds value through specialist support and knowledge transfer by providing interest-free loans to clients to enable them to afford the technical assistance interventions.

This fund is expected to have a significant impact on the sustainability of businesses with a total of R25 million technical-assistance assignments having been approved since the introduction of the programme in October 2017.

SHAREHOLDER VALUE CREATION MODEL



An important part of the social capital that we invest comes in the form of our Entrepreneur of the Year® competition, through which we drive awareness of the importance of entrepreneurship and celebrate the achievements of entrepreneurs in South Africa.

The broader initiatives are not merely peripheral to our financial investments, but form an integral part of Business Partners Limited's operations.

Business Partners Limited can highlight its impact in certain focus areas by deliberately targeting certain sectors to invest in. Here, there are many of our investments that are aligned with the UN's sustainable development goals, with specific reference to Goal number 3: Health; Goal number 4: Education; Goal number 5: Gender Equality and Goal number 8: Decent work and economic growth.

Our past experience shows that an effective way of enhancing such impact is through the management of targeted funds, such as an Education SME Fund and a Women in Business Fund which we have run successfully.

Business Partners Limited is looking to raise and manage more such funds so that our impact, together with our returns, continues to grow.

Technical Assistance Fund key metrics

VALUE OF APPROVALS

2018: R3m

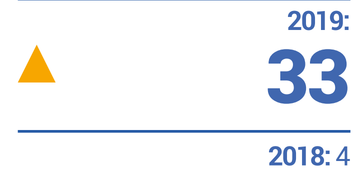
VALUE OF ADVANCES

2018: R0,7m

NUMBER OF APPROVALS

2018: 19

NUMBER OF ADVANCES



2018: 4

Entrepreneurs Growth Centre key metrics

ENQUIRIES RECEIVED

2018: 6 485

BUSINESS PLANS RECEIVED

2018: 1 220

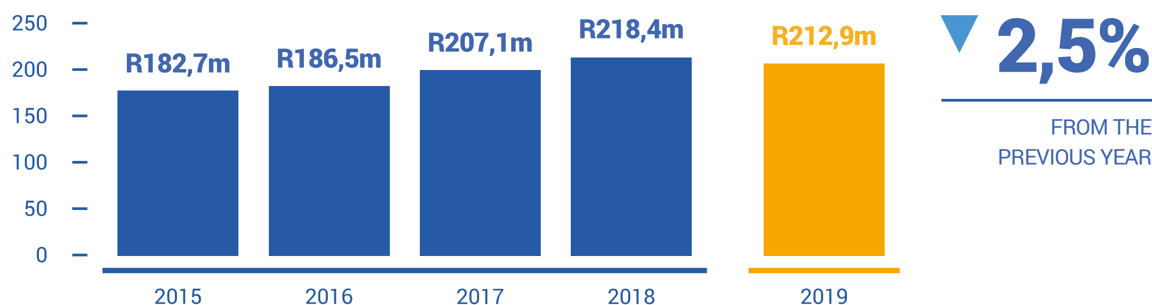
BUSINESS PLANS ASSIGNED TO BUSINESS UNITS

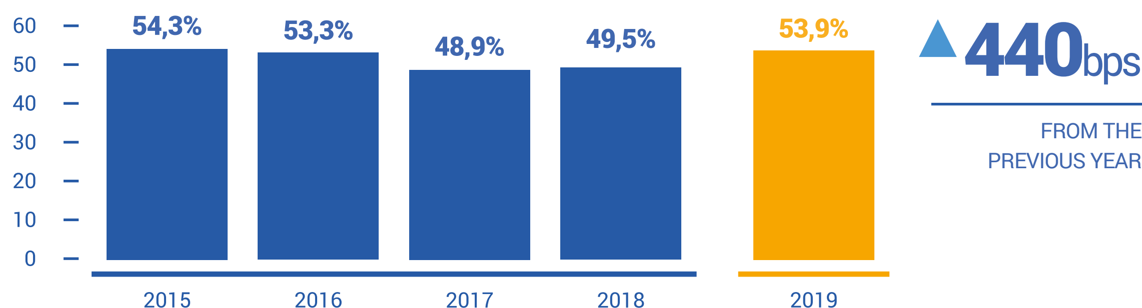
2018: 135

BUSINESSES RECEIVING SUPPORT / ADVICE

2018: 1 164

2019 Key highlights



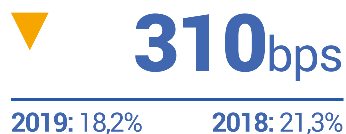


Property and Asset Management key metrics

INVESTMENT PROPERTIES

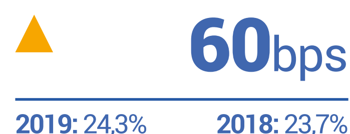
2019: R1,52bn **2018:** R1,48bn

AVERAGE ARREARS



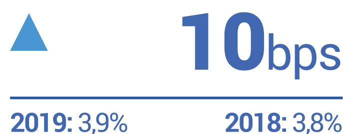
2019: 18,2% **2018:** 21,3%

PERCENTAGE OF FEMALE TENANTS



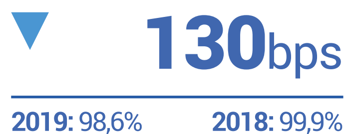
2019: 24,3% **2018:** 23,7%

VACANCIES



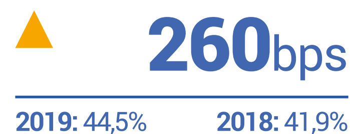
2019: 3,9% **2018:** 3,8%

AVERAGE COLLECTIONS



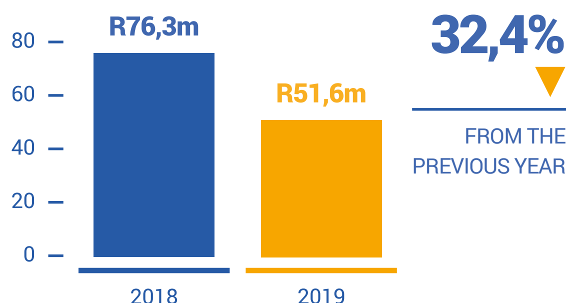
2019: 98,6% **2018:** 99,9%

PERCENTAGE OF BLACK TENANTS

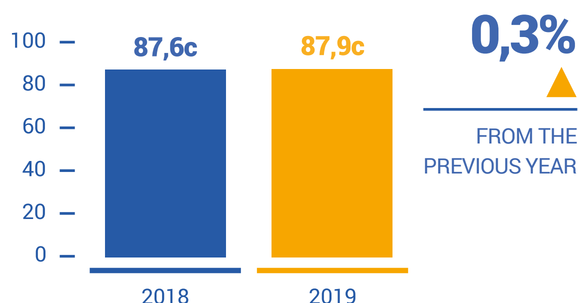


2019: 44,5% **2018:** 41,9%

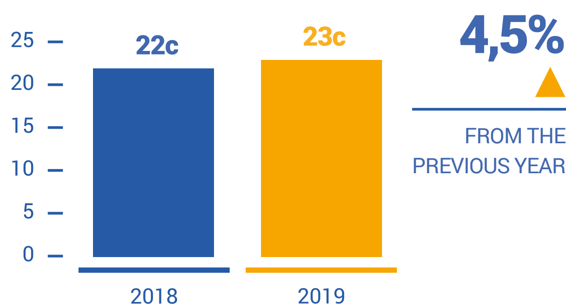
NET CREDIT LOSSES



HEADLINE EARNINGS PER SHARE

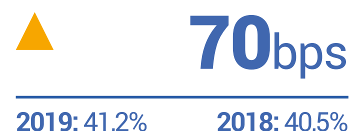


DIVIDEND PER SHARE



Investment impact

DISBURSEMENTS TO BLACK BUSINESS OWNERS



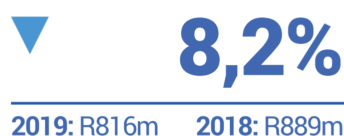
2019: 41,2% **2018:** 40,5%

Business Investments key metrics

VALUE OF APPROVALS

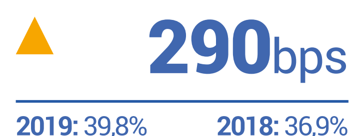
2019: R1 028m **2018:** R1 049m

VALUE OF ADVANCES



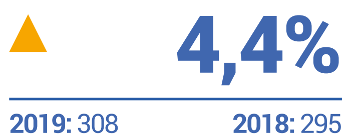
2019: R816m **2018:** R889m

DISBURSEMENTS TO FEMALE BUSINESS OWNERS



2019: 39,8% **2018:** 36,9%

NUMBER OF APPROVALS

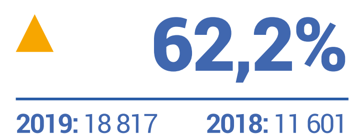


2019: 308 **2018:** 295

NUMBER OF ADVANCES

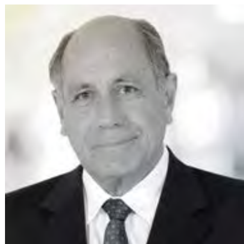
2019: 262 **2018:** 238

JOBS FACILITATED



2019: 18 817 **2018:** 11 601

Our leadership: The Board of Directors



THEO VAN WYK

Non-executive Chairman

Served as Alternate Director: 27 August 1991 until 17 August 1998.
Appointed: 18 August 1998.
Served as Deputy Chairman: 29 July 2003 until 2 August 2011.
Appointed Chairman: 2 August 2011.

Qualifications: BCom (SU), LLB (SU), LLM (UNISA), HDip Tax (Wits).

Director of companies.

Committee membership/s: ARC, NC (chair), PC (chair), SEC, BIC.

BEN BIERMAN

Managing Director

Appointed: 1 April 2016.

Qualifications: BCom Hons (SU), ACMA, HDip Tax (Wits), Advanced Management Programme (Harvard, USA).

Committee membership/s: NC (until 15 Aug 2018), PC (until 15 Aug 2018), SEC, BIC.

CHRISTO BOTES

Executive Director

Served: 6 November 2002 until 30 November 2018.

Qualifications: BAcc (SU), BCompt Hons (UNISA), CTA.

DAVID MOSHAPALO

Non-executive Director

Served: 23 January 1996 until 7 November 2001.
Reappointed: 14 February 2002.

Qualifications: Industrial Relations, Human Resources Development and Personnel Management (Tokyo, Japan), New Leadership Program (Arthur D'Little Man. Ed. Institute, Cambridge, USA), ILO Strategic Management of Employers' Organisation in English Speaking Africa (Turin, Italy).

Executive Deputy Chairman: Strategic Partners Group (Pty) Ltd — Black Partner in Bombela Consortium in Gautrain Project. Director of companies.

Committee membership/s: NC, PC, SEC (chair), BIC, BCC.

FAFFA KNOETZE

Non-executive Director

Served: 1 January 2014 until 21 February 2019.

Qualifications: BCom Hons (SU), Fellow of the Actuarial Society of South Africa.

Actuary: Remgro Limited. Director of companies.

Committee membership/s: (until 21 February 2019): NC (alternate), PC (alternate), BIC.

FRIEDEL MEISENHOLL

Non-executive Director

Appointed: 23 February 2000.

Qualifications: BAcc Hons (SU), formerly a registered member of SAICA (CA(SA)).

Director of companies.

Committee membership/s: ARC, BIC.

HLONELA LUPUWANA-PEMBA

Non-executive Director

Appointed: 10 April 2019.

Qualifications: MBA (UP), B Social Sciences (UCT), Associate in Management (UCT).

Chairperson: Sefa SOC Limited.

HULI MOLIEA TSHIVHASE

Non-executive Director

Appointed: 12 August 2015.

Qualifications: BCom Hons (UNISA), MBA (UP), MA Clinical Psychology (UJ), Registered Clinical Psychologist (HPCSA), Global Chartered Remuneration Professional.

Executive Director Organisational Development, EMEA: RGA Reinsurance.

Committee membership/s: NC, PC.

ARC — Audit and Risk Committee **NC** — Nominations Committee **PC** — Personnel Committee
SEC — Social and Ethics Committee **BIC** — Board of Directors Investment Committee **BCC** — B-BBEE Compliance ad-hoc Committee

KHOLOFELO MOLEWA

Non-executive Director

Appointed: 24 May 2017.

Qualifications: LLB Hons (Wits), Masters in Development Finance (GSB, UCT).

CEO & Partner: Africa Infrastructure Securities (Pty) Ltd.

Committee membership/s: ARC (from 15 August 2018), NC (from 15 August 2018), BIC.

MARIZA LUBBE

Non-executive Director

Appointed: 22 February 2019.

Qualifications: BA (SU).

Executive Director Compliance and Corporate Social Investments: Remgro Limited.
Director of companies.

It is important to note that not all directors served on the board or committees for the full financial year. If a member served for part of the financial year, the relevant date is stated.

NAZEEM MARTIN

Non-executive Director

Appointed: 1 January 2017.
Served as Executive Director: 6 November 2002 until 31 March 2016.
Served as Managing Director: 1 January 2009 until 31 March 2016.

Qualifications: BA, HDE (UCT), M Urban Planning (Hunter College, City University of New York), Advanced Management Programme (Harvard, USA).

Independent SME finance consultant.
Director of companies.

Committee membership/s: NC, PC, BCC (chair).

NEVILLE WILLIAMS

Non-executive Director

Appointed: 15 May 2012.

Qualifications: BCom Hons (UWC), CA(SA).

Chief Financial Officer: Remgro Limited.

Committee membership/s: ARC (chair), NC, PC.

OLGA KOTZE

Non-executive Director

Appointed: 16 August 2017.

Qualifications: BCom Hons (UJ), Postgraduate Diploma in Applied Ethics (SU), JSE Registered Persons Exams, Financial Advice Intermediaries Regulatory Exams.

Executive Director: etfSA Investments (Pty) Ltd.
Director of companies.

Committee membership/s: BCC, BIC.

RAYMOND NDLOVU

Non-executive Director

Appointed: 12 August 2015.

Qualifications: Business Studies Hons (UZ), Personal Leadership Plan (GIBS), Fellow of African Leadership Initiative and Aspen Global Leadership Network.

Investment Executive: Remgro Limited.
Director of companies.

Committee membership/s: ARC (alternate), BCC, BIC.

THAKHANI MAKHUVHA

Non-executive Director

Served: 24 May 2017 until 12 February 2019.

Qualifications: BCom Acc (UniVen), BCompt Hons (UNISA), Masters in Financial Management (UJ), Leadership Development Programme (GIBS).

Formerly the CEO of Sefa SOC Limited.

Committee membership/s: BCC.

THEMBA NGCOBO

Non-executive Director

Served as Alternate Director: 20 February 2002 until 22 February 2010.
Appointed: 23 February 2010.

Qualifications: BCom Acc (UNIZULU), Diploma Management Consulting, New Leadership Program (Arthur D'Little Man. Ed. Institute, Cambridge, USA).

Chief Executive Officer: South African Cargo Services (Pty) Ltd.

Committee membership/s: SEC, BIC.

Our leadership: The executive management

BEN BIERMAN

Managing Director

BCom, BCom Hons, ACMA, HDip Tax, Advanced Management Programme.

29 years' service.

ANTON ROELOFSE

Regional General Manager: West Coast

BCom, Honours in Business Administration.

33 years' service.

DAVID MOROBE

Executive General Manager: Impact Investment

BA, SED, Executive Development Programmes.

7 years' service.

SIPHETHE DUMEKO

Chief Financial Officer

BBusSc, BCompt Hons, MSc Finance, CA(SA).

3 years' service.

BYRON JEACOCKS

Regional General Manager: East Coast

BCom, BProc.

32 years' service.

GUGU MJADU

Executive General Manager: Marketing

BA, BA Hons, Global Executive Development Programme, CPRP.

6 years' service.

JEREMY LANG

Regional General Manager: Inland

BCom, AGA(SA), EDP.

12 years' service.

MARJAN GERBRANDS

Company Secretary; Corporate Legal Counsel

BLC, LLB (cum laude), LLM, Certificate on Corporate Governance.

18 years' service.

PIERRE MEY

Executive General Manager: Operational Support Service

BCom.

32 years' service.

KGOMOTSO RAMOENYANE

Executive General Manager: Human Resources

BCom, Management Advancement Programme (MAP), MBA.

4 years' service.

MARK PAPER

Chief Operating Officer: Business Partners International

BCom.

27 years' service.

STANTON NAIDOO

Executive General Manager: Property and Asset Management

N4 Electrical Engineering.

5 years' service.

Chairman's statement

It is deeply satisfying to present the last financial statements that I have had the honour to preside over as chairman of the Business Partners Limited board. It is a commendable set of results in what was once again an economically difficult year for South Africa.

So dependable has the organisation's solid results become in the face of year after year of economic adversity, that we run the risk of losing sight of just how remarkable it is to maintain investments of close to R1 billion a year — and a steady return of profit — in a sector that is very risky at the best of times, and extremely sensitive to economically hard times.

Our clients, small and medium owner-managed businesses, have been battered and bruised by all that goes with a slowing economy — falling consumer spending, unspent corporate budgets, the limited availability of credit, slow payments and bad debts. Not to mention the disruption of load shedding.

At the start of a slowdown, Business Partners Limited experiences an uptick in finance applications because risk-averse traditional financial institutions clam up to some extent. But a few years into a slowing economy, even a risk financier such as Business Partners Limited finds it harder and harder source by good investments as many business owners decide to postpone their planned expansions.

Yet we have managed to approve another R1 028 million worth of investments into small businesses, and disburse a further R816 million in the year in review.

> "It is a testament to the finely tuned model that Business Partners Limited has developed over 38 years of serving small and medium owner-managed businesses, to its deep institutional knowledge about the needs and challenges of business owners, and to its management capabilities."

It is a testament to the finely tuned model that Business Partners Limited has developed over 38 years of serving small and medium owner-managed businesses, to its deep institutional knowledge about the needs and challenges of business owners, and to its management capabilities.

Business Partners Limited's unique financial products and market niche make it difficult to gauge its management performance by comparing it to other financial institutions, but one sure indication is the sterling performance of its property portfolio. While publicly listed property funds took a beating in the year in review, Business Partners Limited's once again managed to keep its vacancy rate below 4 percent, an outstanding achievement in the current economic conditions.

Another sign of the efficiency and commitment of Business Partners Limited's management is the way in which it grappled with an abrupt change in the Financial Sector Charter, which saw its Broad Based Black Economic Empowerment (B-BBEE) compliance level drop to Level 8, clearly an unacceptable position for an organisation so steeped in the ethos of economic empowerment. A concerted team effort pushed our score up to Level 4.

The fulfilling experience of presiding over such a capable organisation has been tempered throughout the years with the frustration of seeing factories standing empty and young workers standing idle throughout South Africa, while knowing that the only way to solve these problems is for the economy to grow out of them, and that the only way to grow a job-rich, inclusive economy is through the widespread stimulation of small and medium businesses.

Here is an organisation with a proven track record of successfully investing in small and medium owner-managed businesses in good times and bad, thereby helping them to create and sustain many hundreds of thousands of jobs. The Business Partners Limited model is portable, as our successful expansion into six other African countries has shown.

Yet the growth of its operations in South Africa through investors or the deployment of its expertise to manage development funds for small and medium businesses has remained disappointingly slow relative to the scale of South Africa's economic problems.

This, I am very pleased to announce, seems set to change at last. The International Finance Corporation, with which Business Partners Limited has built a fruitful relationship through its expansion into the rest of Africa, is investing R600 million into Business Partners Limited which will provide the South African operation with expansion capital.

The investment is an acknowledgement of the unrivalled ability of Business Partners Limited to disburse development finance to small and medium owner-managed businesses in a sustainable way. It is an unambiguous vote of confidence in its excellent staff, management and board and in their deep knowledge of and passion for SMEs.

Ultimately, it is also a vote of confidence in the true heroes of South African economic development — the entrepreneurs who, in spite of economic slowdowns, still focus on creating jobs and wealth and contributing to our GDP and tax base by building their own businesses, one transaction at a time.

Theo van Wyk
Chairman

As I say my goodbyes, I would like to thank our Shareholders and Investors, for their continued commitment to South Africa and Africa by investing in the growth of entrepreneurs.

I would also like to thank:

- The Business Partners Limited Board and Board Committees for their support and guidance in our efforts to pursue a relevant strategy and adhere to world class corporate governance standards;
- The Management Team and Staff in all our offices in Kenya, Malawi, Namibia, Rwanda, Uganda, South Africa and Zambia who work tirelessly to invest in business owners and meet our challenging targets, yet still remain true to our vision;
- The intermediaries who continue to link us with business owners who require our finance; and
- Most importantly, our clients who continue to call on us for finance and support.

To the whole Business Partners Limited family, go ahead and flourish!

T van Wyk
Chairman

Juliette du Preez
Eat Smart Organics
South Africa

"Owning our factory gives us the opportunity to expand our operation."

Business Partners [Limited] was there right from the start... [They have] supported us by actually being quite tough and urged us towards profitability."

"What we appreciate most about Business Partners [Limited] is their integrity and honesty... [and] their empathy and understanding of what being an entrepreneur is all about."

MANAGING
DIRECTOR'S
REPORT

Economic and competitive context

In a year in which local economic challenges and the uncertainty caused by international trade disputes did little to boost confidence and expansion in our SME target market, it is fair to say that Business Partners Limited's financial performance was satisfactory.

Although the economic environment was slightly better than the prior year, the depth of the problems in the South African economy became apparent, together with a realisation that recovery would be slower and more difficult than initially thought. It is particularly reassuring that under these circumstances we were able to maintain strong cash flows, primarily the result of strong credit management and collection. The fact that we were able to decrease the number of loans in arrears (2019: 19,2 percent vs 2018: 21,4 percent) over the year in review is a significant achievement.

Our performance in Kenya, Malawi and Zambia during the year in review underscore that smaller economies are especially vulnerable to external shocks such as droughts, and political uncertainty during an election period, can have a disturbing effect on a local economy.

It is not only external factors that impact our operations. Our performance in each region and country is also closely linked to the strength of the team that we have in place and the speed with which we replenish our human capacity where required. We have worked hard to establish the required capacity in each region and country, which puts us in good stead for meeting our performance targets in the new financial year.

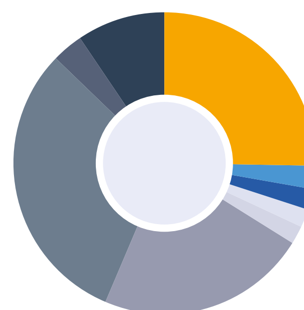
Two specific factors beyond our control affected our financial results. The first is the implementation of the new accounting standard IFRS9, in terms of which we are required to quantify and provide for future expected credit losses in contrast to the previous standard which required credit losses incurred to be provided for. Coming to grips with the new standard is a challenge faced by most financial services institutions, and it is anticipated to take another year or two before the statement is fully embedded.

The second factor was the re-measurement of Business Partners Limited's investment property portfolio. Consistent with a below average year for the property asset class in the broader economy, the fair value re-measurement of a 1,6 percent increase in value impacted our financial performance, but we believe that the portfolio is poised for better performance in the future.

Looking forward, it is anticipated that with the newly appointed Cabinet in place, the South African government will increase its efforts to support small and medium businesses in line with the targets set in the National Development Plan. As such, government financing agencies should become more active presenting some competition to Business Partners Limited.
The expected increase in national infrastructure spend is likely to be a contributor to SME growth, and presents opportunities for increasing our deal flow in the sector going forward.

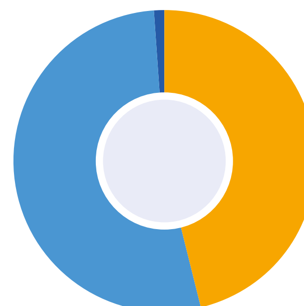
We have already identified opportunities to better serve businesses, particularly through improving their experience of interacting with us. As such, we are confident that the 2019/2020 financial year will bring even more quality returns for our shareholders, as well as the clients that we serve and help to contribute to greater economic growth in the new financial year.

Distribution of business investments by province



Eastern Cape	**9,0%**
Free State	**3,3%**
Gauteng	**31,0%**
KwaZulu-Natal	**22,9%**
Limpopo	**1,9%**
Mpumalanga	**2,0%**
North West	**2,2%**
Northern Cape	**2,7%**
Western Cape	**25,0%**

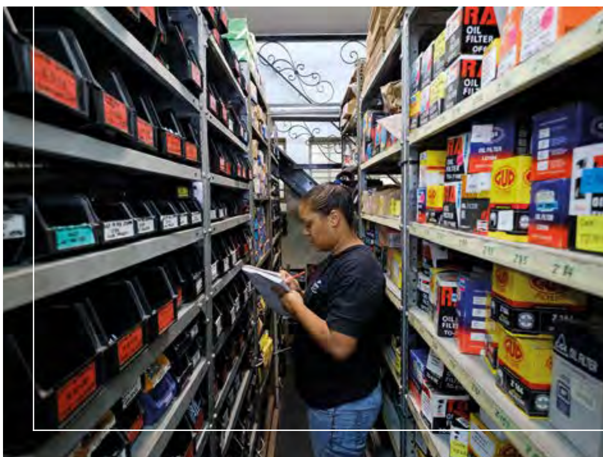
Distribution of business investments by product



Equity Investments	**0,9%**
Property Finance	**53,1%**
Term Finance	**46,0%**

Clint and Lesley du Toit
Entek Chemicals
South Africa

"Owning our own premises is key for us to grow... We never had the finances to own our property... I couldn't see us growing into what we are today without Business Partners [Limited]... [They] helped us recognise where we needed to improve in our business."



Craig Joubert
Mavericks T/A Crazy Nuts and Bolts
South Africa

"Since starting with Business Partners [Limited], our growth has been massive... Do you want to grow, or do you not want to grow?"

Operational performance

Operationally, the team managing our property portfolio produced excellent results with the vacancy rate at 3,9 percent and rental arrears at 18,2 percent.

In the year in review, a total of 308 investments in South African SMEs were approved with a total value of R1027,5 million (2018: R1049,2 million), and R816,0 million (2018: R889,3 million) was disbursed to local SMEs. Moreover, 50 investments worth R250,9 million were made through Business Partners International operations.

Given the economic circumstances, it is a fair performance, but one that we believe could have been better. Shortcomings identified have been corrected and we are confident of an improved performance in the future.

We are encouraged by the investment activity underlying the aggregate results. Although the total value of our approvals is slightly down (-2,1 percent), the number of transactions has increased (2019: 308 vs 2018: 295). Furthermore, we have managed to increase the percentage of investments in black-owned (2019: 41,2 percent vs 2018: 40,5 percent) and women-owned businesses (2019: 39,8 percent vs 2018: 36,9 percent).

One figure that we will be tracking carefully is the number of transactions with existing clients of Business Partners Limited, which was slightly up in number and value during the year in review (2019: 51,5 percent of the number of investments approved vs 2018: 39,9 percent). While repeat business with existing clients is an important indication of client satisfaction, we must balance the figure with a healthy increase in new clients.

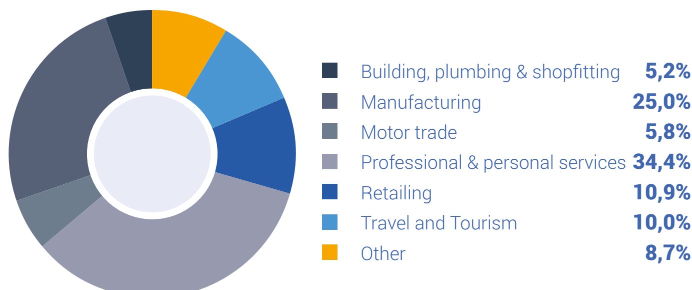
It is only through the continued pursuit of new clients that Business Partners Limited will expand its role as a catalyst for economic development. We have therefore prioritized the refinement of our client interaction to ensure that Business Partners Limited improves the ease of doing business especially for new clients. It is an exciting challenge, because some of Business Partners Limited's unique products are quite complex. Our collaboration with a group of behavioural scientists in this regard has yielded some valuable insights so far.

Once again, SMEs in the tourism sector formed a significant portion of our client profile, which is satisfying because of this sector's potential as an engine for job creation.

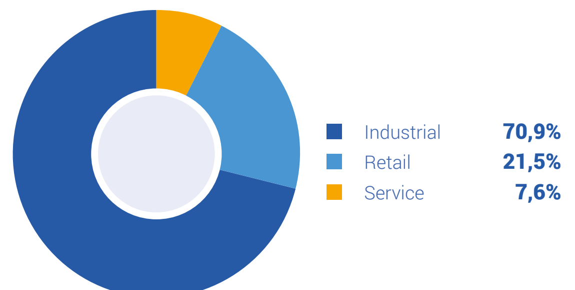
We have done exceptionally well in supporting entrepreneurs in the education sector as they step up to meet the gap in affordable quality education. In the process we have gained significant insights in sustainable models in early childhood development, primary schooling and even high schools.

An important sector for sustained economic growth is manufacturing. This sector has faced a challenging few years and we look forward to invest more in it as the macro-economic conditions improve.

Distribution of business investments by sector



Sectoral breakdown of property portfolio



Consistently investing R1 billion in business owners annually

How does Business Partners Limited manage to invest around R1 billion year after year in a part of the small and medium business sector that few financiers care to serve?

The secret to Business Partners Limited's success lies primarily in its staff and its processes. More specifically, the institutional memory and experience that is transferred to each investment officer and manager. Embedded in that memory are thousands of business investment successes and failures, an insight and a degree of experience, which is not easily found in literature and is most effectively absorbed by spending a few years in the company.

It may sound like some mystical intuition that we impart to our staff members, but a reason why it cannot be easily encapsulated in a textbook is simply because it often takes years for a weakness or defect in a small and medium owner-managed business to cause a failure, and often the weaknesses are apparent only to very experienced investors in the SME sector.

Individuals working on their own, or organisations starting from scratch in the SME finance space will often require more time to refine the models and decision-making criteria that have been developed through extensive experience by Business Partners Limited.

It is crucial that Business Partners Limited remains a learning organisation. New employees are trained and mentored by more experienced investment team members. Processes are continuously refined and updated to reflect the recent learnings and insights.

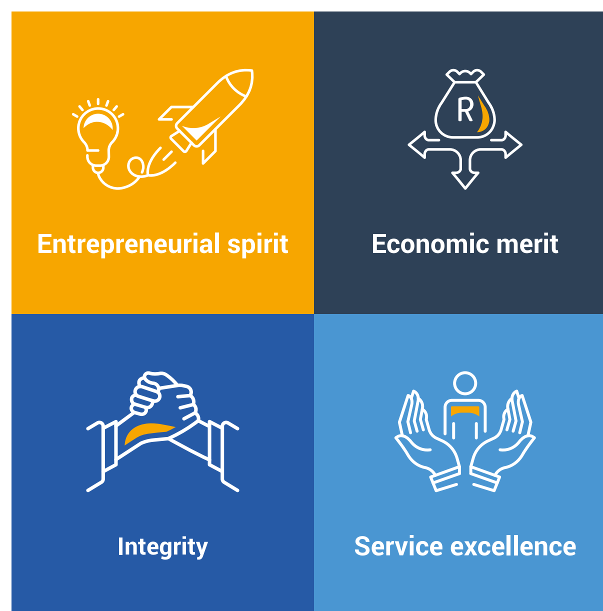
Perhaps even more important than the institutional memory of the organisation is the way its values and culture affects its operating models. Economic merit is a simple but overriding factor in determining who is financed by Business Partners Limited and who is not. It does not matter who owns the business and who recommends the finance. If the concept is not economically viable, the application for finance will not be approved.

Determining viability in a changing market is not always simple, but the focus on that one value of economic merit helps to simplify and clarify the decision-making process enormously. It gives investment staff confidence because they know what to look for when they do due diligence on an applicant's business — and it makes them efficient.

The second value that Business Partners Limited cultivates is service excellence and the inclination to add value to all our transactions is borne out of a genuine desire to help entrepreneurs. It manifests in individual interactions between staff members and entrepreneurs, in the way we share the reasons for turning down applications with business owners whose applications were unsuccessful so that it becomes a learning experience, in the way in which we will advise our clients of any weaknesses identified during a due diligence process, even if it makes no difference to our investment. On an institutional level, the drive to add value and support manifests in the development of projects such as the Technical Assistance Fund, the SME Toolkit, the Entrepreneurs Growth Centre and the Entrepreneur of the Year® competition.

A third value which is deeply embedded in Business Partners Limited is integrity. Business integrity and economic merit allow no room for corruption and fraud, require the highest levels of confidentiality

OUR COMPANY VALUES



around client businesses and business ideas. It has always been and must continue to be the foundation of our business conduct. We recognise the importance of constant and continued vigilance in this regard especially since a lapse of integrity and economic merit has been the ruin of many finance organisations.

Another aspect that differentiates Business Partners Limited from many financiers is the strength of its processes and systems. Every investment application is subjected to a rigorous but clear process to ensure that due diligence is done thoroughly. The approval of investments is governed by experienced and well-capacitated committees, mitigating the risk of individual lapses in economic merit and integrity.

Business Partners Limited's network of intermediaries, including lawyers, accountants, business consultants and development professionals is another important aspect of the organisation's success. They help link us up with entrepreneurs who may need the type of investment solution that Business Partners Limited excels at.

Lastly, Business Partners Limited tries to emulate its clients in its willingness to innovate and to develop new products. As a company we recognise the need to be nimble and agile in meeting the service requirements of small and medium businesses. Markets and trading circumstances are dynamic, volatile and ever-changing, and the willingness to innovate, to improve and to change is as much an element of SME sustainability as it is for Business Partners Limited's success. The willingness to change, the commitment and determination to see it through is part of the entrepreneurial spirit we admire in our clients, and we strive to emulate them with our fourth value: entrepreneurial spirit.

Jenny and Darrell Lush
Alaskan Snow Properties (Pty) Ltd
South Africa

"We appreciated the thoroughness of the process and the questions Business Partners [Limited] asked us... [Their] due diligence helped us ask the right questions about our business... The questions alone help you grow and improve your business."

Achieving success and impacting businesses internationally

When Business Partners Limited was challenged in 2003 by the International Finance Corporation to help finance small and medium businesses in Africa, it was an open question whether Business Partners Limited's unique risk finance model could be successfully deployed in countries other than South Africa.

The reach, the achievements and the impact of Business Partners International (BPI) has exceeded our expectations and provided confirmation that our model can be replicated outside of South Africa.

Now operating from Kenya, Malawi, Namibia, Rwanda, Uganda, Zambia, BPI's total investment portfolio has grown to more than US$ 36,8 million, a truly commendable achievement. In the year in review BPI approved US$ 20,5 million in loans to 50 businesses and disbursed US$13,9 million.

A total of 2 510 employment opportunities were facilitated and/or sustained as a result of BPI support in the year in review, increasing the total number of employment opportunities facilitated since inception to 10 540.

BPI's Technical Assistance facility, which is available in the form of interest-free loans to BPI clients, continues to deliver exceptional results.

Research among BPI clients in Kenya has shown that those clients who made use of BPI business finance coupled with services available from the Technical

VALUE OF INVESTMENTS APPROVED FOR THE YEAR

8,5%

FROM THE PREVIOUS YEAR

VALUE OF DISBURSEMENTS FOR THE YEAR

23,2%

FROM THE PREVIOUS YEAR

Impact of Technical Assistance on businesses

GROWTH IN TURNOVER

GROWTH IN PROFITABILITY

INCREASE IN JOBS

Assistance facility, to either remediate a weakness in their business or improve the business, substantially outperform those clients who did not utilise the Technical Assistance facility. For example, businesses using the Technical Assistance facility increased employment in their business by up to 25 percent, grew their turnover by 32 percent and improved their profitability by no less than 79 percent.

Also, the Technical Assistance intervention substantially improved a business's odds of survival. Only 8 percent of those that made use of our technical assistance at some point defaulted on their BPI loans repayment obligations, compared to 22 percent that had not made use of this service.

Part of the need for BPI's presence is the demand in the market for appropriate entrepreneurial risk finance. Between 60 and 90 percent of all businesses in the countries in which BPI operates are family-run small and medium businesses — bakeries, butcheries and supermarkets.

The banks have finance available, but often only to businesses that can put down large deposits, can prove profitability, or provide 100 percent collateral. They are also reluctant to fund specialised equipment or early-stage investment, certainly not without collateral.

The private equity institutions in those countries will invest, but often only in businesses with high growth potential who are requiring investments of more than US$1 million.

BPI serves a market segment with a need for risk finance below US$1 million, a risky and costly market segment. The demand and need for appropriate risk finance in this part of the market has always been high and we have remained committed to supporting these business owners despite the risk and cost.

Another reason for BPI's success is the quality of our staff. In our experience, it is abundantly clear that the relevant technical skills and excellent local knowledge are available in each of the countries. Our role has been to enhance this talent through providing relevant on-the-job training for all new staff and instilling the Business Partners Limited Group's approach to providing finance without which our products simply would not work — professionalism, quick turnaround times, efficiency and exceptional client service.

For the year in review, the teams have done well in providing finance beyond the different countries' main economic hubs and approving more than 50 percent of all our investments to women-owned businesses. We have been most impressed with Rwanda's performance. With investment activity increasing every year, the country office has produced excellent results in the year under review.

In the coming year or two, establishing a presence in countries such as Botswana and Tanzania will be considered. There is no doubt that BPI is destined for continued growth and will produce some of the most exciting developments in the Business Partners Limited Group in the near future.

Our staff are the cornerstone of our success

In a knowledge-based organisation like Business Partners Limited, the human resources (HR) function is critical for long-term success. Recruiting, nurturing and retaining talent in a skill-scarce environment requires constant improvements and innovation, and it is satisfying to note that the company has made several strides on the human-resources front in the year in review.

The formalisation of our comprehensive in-house training was boosted through the accreditation of Business Partners Limited by the South African Institute for Chartered Accountants (SAICA) for the CA (SA) Training outside Public Practice (TOPP) Programme.

"A 38-year-old organisation has to grapple not only with retaining young talent, but also with loss on the other end of the spectrum as the most experienced, most knowledgeable talent reach retirement age."

The year also saw the launch of two more remote-learning courses, called "Due Diligence: Where it All Started" and "The Nature of Due Diligence" — both ensuring knowledge transfer and preservation in our company's unique and important due diligence process. This brings to four the number of remote-learning courses available to Business Partners Limited's operational staff.

Previously, training at Business Partners Limited had been primarily class-room based, and the move towards remote learning, with only the final stretch of each course completed at a central location, has helped to modernise and integrate learning in the operations of the company.

The existence of such courses is invaluable for anyone wanting to pursue a career in SME finance, and is an important drawcard for recruiting new staff members or trainees in the TOPP programme.

But it also brings its own challenges. After a few years at Business Partners Limited, young investment officers are in possession of a fine set of very marketable skills, not only because of the formal training, but also because the nature of the work at Business Partners Limited, which during the due diligence process exposes investment officers to practical knowledge in fields such as accounting, leases, contracts and license agreements, and most importantly, experience in robust and extensive due diligence.

Retaining young talent with such a range of skills is a challenge, which begins with offering a solid set of employment benefits.

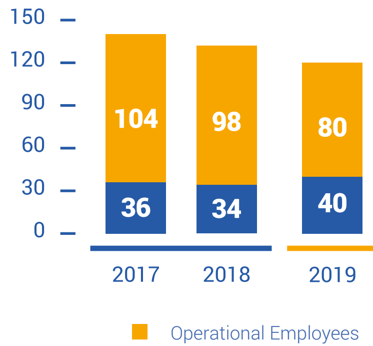
A 38-year-old organisation has to grapple not only with retaining young talent, but also with loss on the other end of the spectrum as the most experienced, most knowledgeable talent reach retirement age.

In the year in review, as part of our retention efforts, we undertook an important initiative to provide internal and external training for staff across all occupational levels. In addition to positive staff feedback, the project had far reaching impact as it resulted in a significant improvement in the company's skills development score from 24 percent in the 2017/2018 financial year to 65 percent in the year under review.

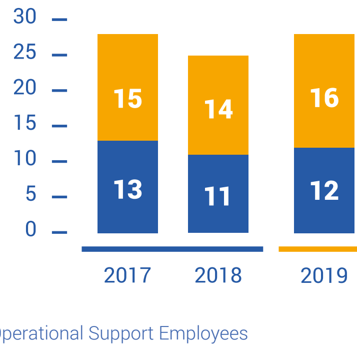
In the coming year, a more intentional mentorship programme will be developed to help our longest-serving staff members to impart their knowledge and wisdom to younger staff members as they near retirement.

Our workforce profile

BUSINESS INVESTMENTS

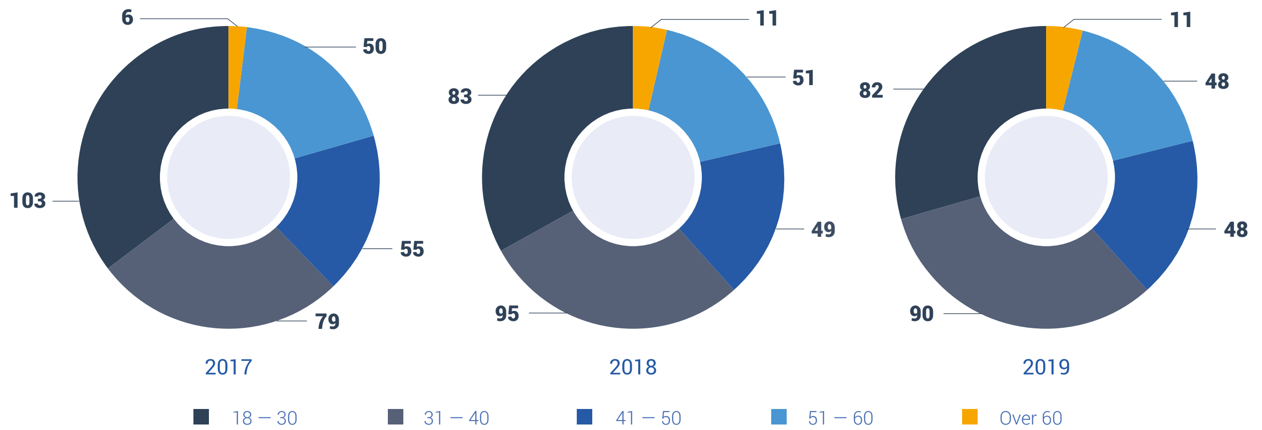


PROPERTY MANAGEMENT

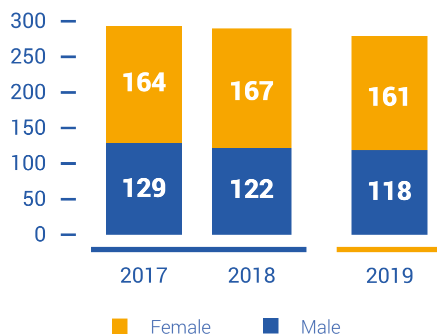


OTHER DIVISIONS

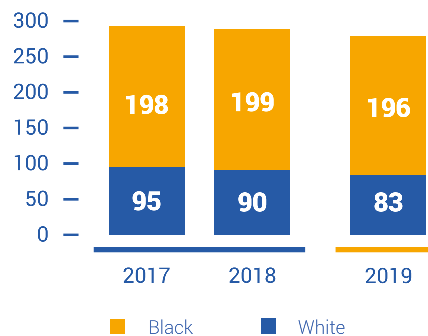
AGE DISTRIBUTION OF EMPLOYEES



GENDER PROFILE



COMMUNITY PROFILE



TOTAL EMPLOYEES

2019:

279

EMPLOYEES IN 7 COUNTRIES

2018: 289

2017: 293

Risk management for our sustainability

Enterprise Risk Management requires that a regular and comprehensive risk assessment and evaluation is undertaken. Such a risk management process is necessary to improve the understanding of internal and external levels of risk which affect each area of the business, and to develop and apply appropriate risk mitigating measures to ensure acceptable risk levels.

The results of this process are reported to the Audit and Risk Committee and, in turn, the committee reports to the Board. Major risks identified include the following: the relevance of the business model; cyber security risk; competitor risk; liquidity risk; reputational damage risk; external macro-economic risk and human resources risk –succession.

The board is satisfied with the company's risk management process and that mitigation and management control measures result in acceptable levels of risk tolerance.

The year ahead

Business Partners Limited is well-positioned to increase its impact during the 2019/2020 financial year. The operating model has been improved on various fronts and the company has the capacity to efficiently and effectively invest in and assist a larger number of SME businesses. Adequate capital is available to provide for growth during this period and the teams are capacitated to meet the targets set.

It will however remain a challenge for the company to invest the more than R1,3 billion targeted for the year ahead. The South African economy is not expected to grow at levels reflective of its potential and the economies in the other African countries where we operate will remain sensitive to external variables such as uncertain global growth and volatile commodity prices.

The further improvements planned this year to streamline product and service offerings and to improve our client engagement platforms is expected to enhance our competitiveness. The concerted and motivated efforts of all the colleagues will be essential to achieve success in the period.

Thank you

Our operational and financial results and the positive developmental impact achieved in the year in review would not have been possible without the support and dedication of the following stakeholders, to whom I would like to convey my sincere gratitude:

- Our company's shareholders who recognise the value and sustainability of the company's model to deliver risk finance and technical assistance to small and medium owner-managed businesses at scale;
- The Chairman, Mr Theo van Wyk, and Board of Directors, who ensure we adhere to the highest standards of good corporate governance, and continuously support and encourage management to reach new heights;
- Our incredible staff who work to source, finance and support small and medium business owner-managed businesses and their ardent owners; and

  Our clients — small and medium business owners — the champions of the continent's economy.

As we bid farewell to our Board Chairman, I would like to express my sincere appreciation for the guidance and support he provided to this company over a period of more than 28 years. His commitment to, and insight into the highest level of Corporate Governance has been instrumental in establishing a lasting and robust model of best practice in governance at this company. His wise and caring counsel will be sorely missed by myself and executive management, even though we recognise that his care and passion for the company will continue.

On a personal level I wish to thank him for his support, advice and wise counsel. Mr van Wyk, may your years ahead be filled with lasting joy and contentment.

BD Bierman
Managing Director

Five year summary

	2019 / 2018 Change	2019	2018	2017	2016	2015
Consolidated statement of financial position (R000)						
Loans and receivables	-0,5%	2 940 964	2 956 025	2 748 875	2 584 093	2 323 069
Investment properties	2,7%	1 519 679	1 478 948	1 360 269	1 252 104	1 079 355
Cash and cash equivalents	0,3%	48 258	48 125	88 775	67 638	132 989
Total assets	1,7%	5 202 594	5 116 737	4 758 614	4 407 212	4 013 070
Capital and reserves*	4,1%	3 498 667	3 360 822	3 177 613	3 012 063	2 868 292
Net borrowings**	-5,5%	1 183 305	1 252 100	1 042 667	909 283	648 651
Consolidated statement of comprehensive income (R000)						
Net profit		212 881	218 387	207 131	186 521	182 705
Headline earnings		152 059	151 494	126 503	113 240	110 684
Change in net profit		-2,5%	5,4%	11,1%	2,1%	18,0%
Change in headline earnings		0,4%	19,8%	11,7%	2,3%	41,6%
Share statistics						
Earnings per share (cents)	-2,7%	122,8	126,2	119,7	107,7	105,6
Headline earnings per share (cents)	0,3%	87,9	87,6	73,1	65,5	64,0
Dividends per ordinary share (cents)	4,5%	23	22	21	20	19
Dividend cover (times)	-7,0%	5,3	5,7	5,7	5,4	5,6
Net asset value per share (cents)	4,1%	2 022,3	1 942,7	1 836,8	1 741,1	1 658,0
Ratios						
Effective tax rate	20 bps	25,9%	25,7%	29,1%	28,4%	23,4%
Return on opening shareholders' interest	-50 bps	6,4%	6,9%	6,9%	6,5%	6,7%
Cost to income***	440 bps	53,9%	49,5%	48,9%	53,3%	54,3%
Debt** to equity	-350 bps	33,8%	37,3%	32,8%	30,2%	22,6%
Debt** to assets	-180 bps	22,7%	24,5%	21,9%	20,6%	16,2%

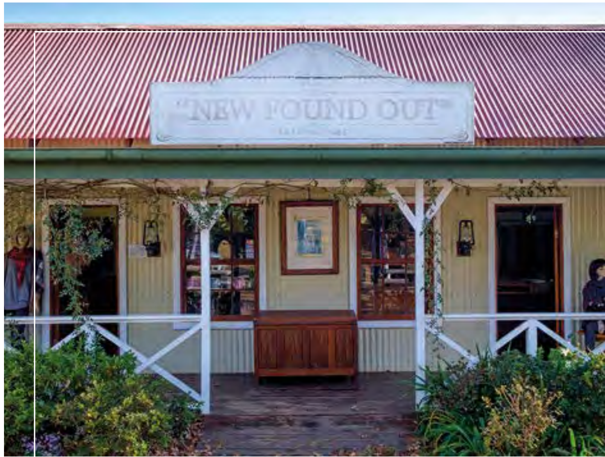
** Excludes non-controlling interest.*

*** Total borrowings (including bank overdraft) less cash and cash equivalents.*

**** Cost to income ratio:*

Cost = Staff costs, Other operating expenses, and Property expenses (as included in Net property revenue)
Income = Total income adjusted by excluding Property expenses from Net property revenue

The above five year summary has been prepared based on the annual financial statements.



Linda Wilkinson
Pennefather Catering
South Africa

"Approaching banks was impersonal... Business Partners [Limited] made it easier to look at things differently... I know that someone is there when I need them... It's comforting to know that there is someone there that could help me... It was easy to communicate, which I don't think I would have had with any other financial institution."

CORPORATE
GOVERNANCE
REPORT

Business Partners Limited is committed to the principles of transparency, integrity, accountability, competence, responsibility, fairness and compliance with all the laws that govern its business activities and in its dealings with stakeholders. The company applies the principles of good corporate governance of the King IV Report on Corporate Governance for South Africa, 2016 (King IV), using it as a tool to measure performance and actions against best practice and standards.

The company constantly evaluates the recommended practices of King IV that are applicable for its business and activities in order to improve existing corporate governance structures and practices, providing stakeholders with the necessary assurances. By applying these principles, the board strikes a balance between creating accountability and bolstering entrepreneurial spirit.

Board of Directors composition and structure

Business Partners Limited has a unitary board structure which ensures that the roles of the chairman and managing director are separate and not vested in one individual.

The chairman is a non-executive director who holds office for a maximum period of one year at a time. Our unitary board structure ensures the high degree of independence required to maintain objectivity as well as the effective functioning of the board and its committees. In compliance with the principles of King IV, the board has an appropriate balance of executive, non-executive and independent directors.

> "Business Partners Limited has a unitary board structure which ensures that the roles of the chairman and managing director are separate and not vested in one individual."

At least 50 percent of the board is elected by shareholders, as per the requirement of the Companies Act, 2008. The following directors served on the board during the 2018/2019 financial year:

- Directors elected by majority of shareholders in terms of article 20.1.2 of the memorandum of incorporation (MOI): Ms Kotze, Mr Martin, Mr Meisenholl, Ms Moliea Tshivhase, Mr Moshapalo and Mr Ngcobo.
- Directors appointed by shareholder/s holding at least 10 percent of the issued share capital in terms of article 20.1.3 of the MOI: Mr van Wyk (Chairman), Mr Knoetze, Ms Lubbe, Mr Makhuvha, Mr Molewa, Mr Ndlovu and Mr Williams.
- Executive directors appointed by the board and confirmed by an election of the shareholders in terms of article 20.2 of the MOI: Mr Bierman (Managing Director) and Mr Botes.

Refer to the Directors Report for full details on the changes which occurred in the composition of the board during the 2018/2019 financial year.

Board roles and responsibilities

As the company's highest governing and decision-making body, corporate governance is ultimately the responsibility of the board of directors. The board functions within its written charter, which is reviewed annually. In its decision-making, the board reserves for itself the appointment of executive directors and approval of the business' strategic direction, annual budget, interim results and financial statements.

The board retains effective control through a well-developed governance structure that provides the framework for delegation and monitoring of decision-making bodies. The managing director has been delegated the authority to achieve corporate

objectives and manages the business affairs of the Business Partners Limited Group, subject to statutory parameters and the limits imposed by the board, and is accountable to the board. Executive management's implementation of approved plans and strategies, and the measurement of financial performance against objectives are monitored on an ongoing basis.

Board meetings

The board and its committees met as per the schedules provided in the graphs on pages 39 to 41. The company secretary and the managing director ensure that members and invitees are timeously provided with relevant, complete, accessible and accurate information to enable them to reach objective and well-informed decisions and effectively discharge their responsibilities.

Remuneration of non-executive board members

Non-executive directors receive fees for their services as directors on the board and as members of board committees as approved by shareholders at the preceding annual general meeting. Remuneration paid to non-executive directors, executive directors and prescribed officers during the year under review, is disclosed in note 29 of the annual financial statements.

Non-executive directors' board meeting attendance for the year ended 31 March 2019

DIRECTOR	24 MAY '18	7 JUNE '18 special meeting	15 AUG '18	15 NOV '18	21 FEB '19
Mr T van Wyk (Chairman)	1	1	1	1	1
Ms H Moliea Tshivhase	1	1	1	1	1
Mr F Knoetze (resigned 21/02/2019)	A	1	1	A	1
Ms O Kotze	1	1	1	1	1
Mr T R Makhuvha (resigned 12/02/2019)	1	1	A	NAT	N/A
Mr F Meisenholl	1	1	1	1	1
Mr D Moshapalo	1	A	1	1	1
Mr N Martin	1	1	A	1	1
Mr K Molewa	1	1	1	1	1
Mr R S M Ndlovu	A	A	A	1	1
Mr S S T Ngcobo	1	1	1	1	1
Mr N J Williams	1	1	1	1	1
Ms M Lubbe (appointed 22/02/2019)	N/A	N/A	N/A	N/A	N/A

1 — Present **A** — Apology with leave of absence **N/A** — Not applicable **NAT** — No apology tendered

Our board committees

Non-executive directors' committee meeting attendance for the year ended 31 March 2019

Transactions Committee

The Transactions Committee's role is to ensure full transparency and independent decision making on all investments and transactions in which a director or employee — or a person related to a director or employee — has a personal financial interest. It meets when required and has no permanent members. The chairman of the board or of the Audit and Risk Committee elects a disinterested quorum for a meeting, when required.

During the 2018/2019 financial year there were no matters that required consideration by this committee.

Audit and Risk Committee

The board mandates the Audit and Risk Committee to raise any finance and risk-related concerns, and the committee performs a key role in the company's integrated risk management process.

During the year under review, each committee member conducted an annual assessment of the committee's performance against the duties and responsibilities set out in its charter.

The external and internal auditors attended meetings as standing invitees and were given a private audience with the committee at all its meetings.

The Audit and Risk Committee report for the 2018/2019 financial year appears in the financial statements.

Committee members and meeting attendance

MEMBER / *STANDING INVITEE	15 MAY '18	4 JUNE '18 special meeting	1 AUG '18	6 NOV '18	12 FEB '19
Mr F Meisenhol	1	1	1	1	1
Mr K Molewa (appointed 15/08/2018)	N/A	N/A	N/A	1	1
Mr D Moshapalo* (SEC Chairman) (standing invitee for May meeting)	1	N/A	N/A	N/A	N/A
Mr R S M Ndlovu (alternate member)	N/A	N/A	N/A	N/A	N/A
Mr T van Wyk (Board Chairman)	1	1	1	1	1
Mr N J Williams (Chairman)	1	1	1	1	1

Nominations Committee

As part of its duty to oversee a succession plan for the board, the Nominations Committee from time to time identifies suitable potential candidates to serve as directors. This is done with due regard to the circumstances of the company, continuity, the skills, knowledge and diversity of the incumbent board, and the continued independence of the board.

During the year under review the committee gave particular consideration to the successor of the chairman of the board. An eligible candidate will be presented to the board for election as chairman at its meeting to be held after the Annual General Meeting (AGM) on 15 August 2019.

Committee members and meeting attendance

MEMBER	23 MAY '18	5 FEB '19
Mr T van Wyk (Chairman) (Board Chairman)	1	1
Mr D Moshapalo	1	1
Mr N J Williams	1	1
Mr F Knoetze (alternate to Mr Williams)	N/A	N/A
Mr N Martin	1	1
Ms H Moliea Tshivhase	1	1
Mr K Molewa (appointed 15/08/2019)	N/A	1

Company secretary and compliance governance

The board-appointed company secretary's role is to guide the board on discharging its duties and responsibilities. The company secretary assists the chairman and managing director with the orientation and induction of new directors.

Since the board views regulatory awareness as an important aspect of governance, the company secretary also monitors the legal and regulatory environment on an ongoing basis and ensures compliance with applicable legislation and regulations within the company. The company secretary keeps the board informed of relevant changes to legislation, and provides training and advice and distributes guidance notes to the board.

The company secretary also monitors over-the-counter dealings in the company's securities and ensures adherence to closed periods for share trading.

During the year under review the directors who were newly appointed to the board participated in the company's induction programme for directors.

B-BBEE Compliance ad hoc Committee

Disbanded on 31 March 2019

During February 2018 the board constituted, on the recommendation of the Social and Ethics Committee, an ad hoc B-BBEE Compliance Committee with a mandate to approve B-BBEE initiatives and related expenses in improving the company's B-BBEE rating and achieving B-BBEE compliance for the 2018/2019 financial year. This was necessitated by amendments to the Financial Sector Code of Good Practice on Broad-Based Black Economic Empowerment, which negatively impacted the company's B-BBEE compliance level.

The ad hoc committee was also tasked with providing report backs on the committee's decisions to the Social and Ethics Committee, which it did following its meeting in July.
The Committee's mandate ended on 31 March 2019.

Committee members and meeting attendance

MEMBER	25 JULY '18
Ms O Kotze	1
Mr T R Makhuvha	1
Mr N Martin (Chairman)	1
Mr D Moshapalo	1
Mr R S M Ndlovu	1

Personnel Committee

The Personnel Committee provides an in-depth focus and makes decisions on, and recommendations to the board with respect to the company's human capital and related matters. In the year under review, each member completed an annual assessment of the committee's performance, measured against the duties and responsibilities set out in its charter.

Committee members and meeting attendance

MEMBER	23 MAY '18	7 JUN '18	14 NOV '18	5 FEB '19
Mr T van Wyk (Chairman) (Board Chairman)	1	1	1	1
Mr D Moshapalo	1	A	1	1
Mr N J Williams	1	1	1	1
Mr F Knoetze (alternate to Mr Williams)	N/A	N/A	N/A	N/A
Ms H Moliea Tshivhase	1	1	1	1
Mr N Martin	1	1	1	1

1 — Present
N/A — Not applicable
A — Apology with leave of absence
NAT — No apology tendered

Board of Directors Investment Committee

The role of the Board of Directors Investment Committee is to consider investments within its mandate and during the year under review, this was done diligently with members attending meetings on a rotating basis.

Social and Ethics Committee (SEC)

The Social and Ethics Committee's role is to assist the board in monitoring the company's performance as a good and responsible corporate citizen in terms of its work plan for the year.

Any material matters and risks identified by the committee are reported to the Audit and Risk Committee, Personnel Committee or the Board of Directors.

Because the functions of the Social and Ethics Committee overlap with those of the Audit and Risk Committee, internal auditors attend Social and Ethics Committee meetings by invitation. The internal auditors are tasked with providing assurance to the committee as part of their combined assurance process. In addition, the chairman of the Social and Ethics Committee attends, as a standing invitee, the Audit and Risk Committee meeting at which the annual financial statements are considered.

During the year in review, the Social and Ethics Committee gave specific consideration to the company's performance in regard to client service, relationships and exposure and social and economic development activities, its employment equity progress report and environmental impact and goals and health and safety standards at its offices and managed properties, as well as anti-money laundering measures, prevention of corruption and commercial crimes and the company's whistleblowing policy.

The committee also monitored the company's performance as regards Black Economic Empowerment (BEE) as measured against the Amended Financial Sector Code of Good Practice on Broad-Based Black Economic Empowerment (B-BBEE), in keeping with the decisions made by the B-BBEE Compliance ad hoc Committee.

The chairman of the committee will report to shareholders on the matters within its mandate at the AGM.

Committee members and meeting attendance

MEMBER	1 AUG '18	12 FEB '19
Mr D Moshapalo (Chairman)	1	1
Mr T van Wyk (Board Chairman)	1	1
Mr S S T Ngcobo	1	1

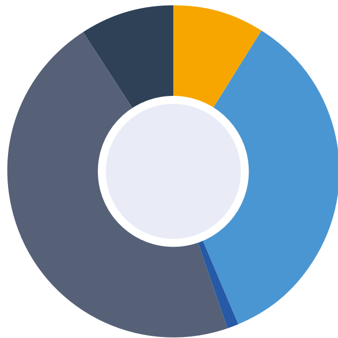
It is important to note that not all directors served on the board or committees for the full financial year. If a member served for part of the financial year, the relevant date is stated.

Shareholder information

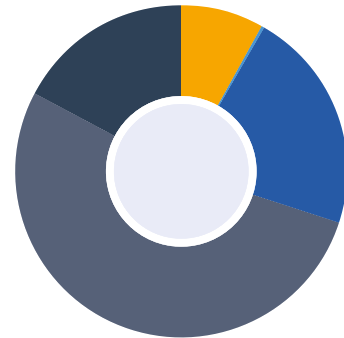
as at 31 March 2019

Number of shareholders

Number of shares



Number of shareholders		Number of shares
9,0%	Banks	17,1%
46,1%	Corporate bodies	52,9%
1,1%	Government	21,6%
34,8%	Individuals	0,2%
9,0%	Insurance companies	8,2%



Distribution of shareholding	Number of holders	Percent of holders	Number of shares	Percent of shares
0 – 10 000	28	31,5%	91 705	0,1%
10 001 – 100 000	19	21,3%	690 883	0,4%
100 001 – 1 000 000	25	28,1%	7 275 514	4,2%
1 000 001 – 10 000 000	15	16,9%	53 521 199	30,9%
10 000 000 and above	2	2,2%	111 421 293	64,4%
	89	**100%**	**173 000 594**	**100,0%**

Shareholders	Number of shares	Percent of shares
Eikenlust (Pty) Limited (Remgro Limited)	74 126 994	42,9%
Small Enterprise Finance Agency SOC Limited	37 294 299	21,6%
Old Mutual Life Assurance Group (South Africa) Limited	11 131 941	6,4%
Absa Group Limited	8 117 003	4,7%
Nedbank Limited	6 717 405	3,9%
Firstrand Limited	6 093 656	3,5%
Standard Bank Investment Corporation Limited	5 602 422	3,2%
First National Nominees (Pty) Limited	2 936 373	1,7%
Barloworld Limited	2 209 594	1,3%
South African Distilleries & Wines (SA) Limited	2 149 323	1,2%
Other shareholders	16 621 584	9,6%
	173 000 594	**100%**

Business Partners Limited shares can be traded by contacting the Company Secretary.

ANNUAL FINANCIAL REPORT 2019

Statement of responsibility by the Board of Directors

The directors of Business Partners Limited are responsible for the preparation of the consolidated annual financial statements of the Group ('the Group') and the separate annual financial statements of the Company ('Company'). In discharging this responsibility, the directors rely on management to prepare the annual financial statements in accordance with International Financial Reporting Standards ('IFRS') and for keeping adequate accounting records in accordance with the Group's system of internal control. As such, the annual financial statements include amounts based on judgments and estimates made by management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve significant changes to accounting policies. However, there were no changes to accounting policies during the financial year except as disclosed elsewhere in the financial statements. The financial statements incorporate full and responsible disclosure in line with the Group's philosophy on corporate governance.

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

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the internal controls are adequate and that the financial records may be relied on in preparing the annual financial statements in accordance with IFRS and maintaining accountability for the Company's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Group, during the year and up to the date of this report.

Based on the effective internal controls implemented by management, the directors are satisfied that the annual financial statements fairly present the state of affairs of the Group and the Company, at the end of the financial year, and the net income and cash flows for the year. Mr S Dumeko, Chief Financial Officer, supervised the preparation of the annual financial statements for the year.

The directors have reviewed the Company's budget and flow of funds forecast and considered the Company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review, and in the light of the current financial position and profitable trading history, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The going concern basis therefore continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the Company's independent external auditors, PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. Their unqualified report appears on pages 48 to 49.

The separate annual financial statements of the Company, which appear on pages 56 to 139 were approved by the Board of Directors on 30 May 2019 and are signed on its behalf by two directors. No authority was given to anyone to amend the annual financial statements after the date of issue.

T van Wyk
Chairman

BD Bierman
Managing Director

Certificate by the Company Secretary

I **certify,** in terms of section 88(2) of the Companies Act 71 of 2008 ('the Act'), that for the year ended 31 March 2019, the Company has filed all the required returns and notices in terms of this Act, and that all such returns and notices appear, to the best of my knowledge and belief, true, correct and up to date.

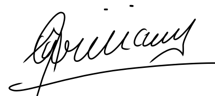
CM Gerbrands
Company Secretary
30 May 2019

Audit and Risk Committee report

This report is provided by the Audit and Risk Committee, in respect of the 2019 financial year of Business Partners Limited, in compliance with section 94 of the Companies Act 71 of 2008.

The Audit and Risk Committee confirms that it has functioned in accordance with its terms of reference and fulfilled all its duties as prescribed by the Companies Act 71 of 2008 ('the Act') and reports as follows in terms of section 94(7) of the Act for the financial year ended 31 March 2019:

- Five committee meetings were held during the financial year.
- The committee is governed by a Board-approved Charter and has discharged its responsibilities contained therein. The effectiveness of the committee and its individual members was assessed as part of the annual committee self-evaluation process.
- The committee nominated the external auditors for appointment and has satisfied itself that the external auditors are independent of the Group as set out in section 94(8) of the Act.
- The appointment of the external auditors complies with the Act and with all other legislation relating to the appointment of external auditors.
- The external auditors' terms of engagement, audit scope, approach and budgeted fees have been reviewed.
- The nature and extent of non-audit services that the external auditors may provide to the Group was defined and pre-approved.
- The committee reviewed the accounting policies and the financial statements of the Group, is satisfied that they are appropriate and comply with International Financial Reporting Standards, and recommended their approval to the Board.
- The committee oversaw a process by which internal audit assessed the effectiveness of the system of internal control and risk management, including internal financial controls.
- The committee receives and deals with any concerns or complaints relating to accounting practices and internal audit of the Group, the content or auditing of the Group's financial statements, the internal financial controls of the Group or any related matter. No matters of significance were raised in the past financial year.
- The committee assessed and obtained assurance from the external auditors that their independence was not impaired.
- The committee confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005.
- The committee is satisfied that the Group is able to manage its Information Technology capabilities and the related controls are appropriate to support the integrity of financial reporting.
- In respect of the financial statements, the committee:
  - Reviewed management's process and progress with respect to new financial accounting and reporting developments.
  - With respect to IFRS 9, reviewed the results of the Group's internal estimations, as well as the results and external auditors' findings on the Group's IFRS 9 audit process.
  - Confirmed the going concern basis for the preparation of the annual financial statements.
  - Examined and reviewed the annual financial statements prior to submission and approval by the Board.
  - Reviewed reports on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors concerning any changes that were made to the models applied by management in determining such impairments.
  - Ensured that the annual financial statements fairly present the financial position of the Group and of the Company as at the end of the financial year and the results of operations and cash flows for the financial year then ended.
  - Considered accounting treatments, significant unusual transactions and accounting judgements.
  - Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
  - Reviewed and discussed the independent auditor's report.



NJ Williams
Chairman: Audit and Risk Committee
30 May 2019

Peter Flint
Armcoil Afrika
South Africa

"You get the sense that you are dealing with the decision-makers. They understand business."

Independent auditor's report to the shareholders of Business Partners Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Business Partners Limited (the 'Company') and its subsidiaries (together the 'Group') as at 31 March 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Business Partners Limited's consolidated and separate financial statements set out on pages 56 to 139 comprise:

- The consolidated and separate statements of financial position as at 31 March 2019;
- The consolidated and separate statements of comprehensive income for the year then ended;
- The consolidated and separate statements of changes in equity for the year then ended;
- The consolidated and separate statements of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the Business Partners Limited Annual Integrated Report, which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of

the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho
Registered Auditor
4 Lisbon Lane, Waterfall City, Jukskei View, 2090
30 May 2019

Directors' Report for the year ended 31 March 2019

1. Nature of the business

Business Partners Limited, a specialist financial services group, offers risk finance, mentorship and business premises to small and medium enterprises (SMEs). In addition to operating in South Africa, the Group manages SME investment funds on behalf of international investors in East Africa (Kenya, Rwanda and Uganda) and Southern Africa (Malawi, Namibia, and Zambia).

The Group's investment property portfolio consists of retail and industrial properties. The portfolio is managed by a property management team that also offers property management services to the market.

2 Market conditions

Economic conditions have been challenging during the past twelve months. Low economic growth and adverse macro-economic conditions were present in most of the operating geographies. Events such as Brexit and the trade relations between the US and China have contributed to global uncertainty and volatility in markets. These developments have in turn created increased uncertainty for SMEs.

A lack of confidence in the future and in the potential for economic prosperity had a dampening effect on SMEs' expansion and new business prospects. Opportunities for investing in SMEs and in real estate were adversely affected. The disappointing market conditions continued to have a negative impact on the credit risk of the investment portfolio in most geographies.

3. Operational performance

The operational performance for the financial year was reasonable considering the adverse market circumstances.

In South Africa, 308 (2018: 295) investments were approved amounting to R 1 027,5 million (2018: R1 049,2 million). Disbursements amounted to R816,0 million (2018: R889,3 million) through 262 (2018:238) investments. Our operations in the rest of Africa, through Business Partners International ("BPI"), resulted in the approval of 50 (2018: 61) investments amounting to R250,9 million (2018: R 314,0 million). Disbursements amounted to R170,8 million (2018: R253,3 million) in 43 (2018: 42) investments.

In total, investments disbursed by the Group (which includes the activities of BPI) decreased by 13,6 percent year on year to R 986,8 million (2018: R 1 142,6 million).

The credit risk, as measured by the repayment obligations in arrears, improved marginally year on year from 21,4 percent in the prior year to 19,2 percent of the investment portfolio, in March 2019.

The Group manages a geographically dispersed portfolio of 146 (2018:148) industrial and commercial properties, providing business premises with a lettable area of more than 454 000m², to more than 1 641 (2018: 1 630) tenants.

The vacancy rate of 3,9 percent (2018: 3,8 percent) of lettable area and the rental payments in arrears of 18,3 percent (2018: 15,2 percent) at the end of the period under review represents more than satisfactory performance. The total yield on the investment property portfolio amounted to 12,3 percent (2018: 15,4 percent) and the portfolio was carried at fair value of R1 519,7 million (2018: R1 478,9 million).

4. Financial Highlights

The financial performance of the Group for the year was satisfactory. The Group's net profit amounted to R212,9 million, a decrease of R5,5 million (2,5 percent) from the R218,4 million profit reported in the prior year.

The adoption and implementation of the IFRS 9 accounting standard required the de-recognition of interest income on impaired loans which amounted to R26,2 million for the period under review. The net interest income reported accordingly amounted to R298,2 million, marginally down on the previous year.

Property revenue increased by 7,8 percent (2018: 8,0 percent), largely driven by increases in rental income and the improved recovery of expenses. Property expenses increased by 7,2 percent year on year, the result of above inflationary increases in administered prices for expense items such as assessment rates and electricity costs.

Investment income and gains amounted to R113,3 million, a 5,7 percent decrease compared to the comparative period amount of R120,2 million. This decrease was largely the consequence of a lower re-measurement gain on the value of the investment property portfolio, consistent with declining capital appreciation in the real estate asset class. The re-measurement gain on the investment property portfolio amounted to R24,4 million, R38,0 million less than the prior year.

Net credit losses for the Group decreased by 32,3 percent to R51,6 million (2018: R76,3 million). The allocation of the de-recognised interest income to the credit losses, as well as the release of impairment — which resulted in an improvement in credit risk at the end of the period — amounted to R38,8 million. This credit to net credit losses had a substantial impact on decreasing the effect of higher bad debts on net credit losses. Bad debts written off increased by 15,0 percent from R91,2 million in the prior year to R105,0 million.

The provision for impairment at 31 March 2019 amounted to R296,5 million representing 9,2 percent of the portfolio. The implementation of IFRS 9 required the prior year impairment to be restated to an amount of R309,1 million at 1 April 2018, representing 9,7 percent of the portfolio.

5. Events subsequent to the statement of financial position date

No events occurred between the balance sheet date and the date of this report that would require disclosure in, or adjustment to, the financial statements as presented.

6. Share capital and reserves

The authorised share capital remained unchanged at 400 million ordinary shares of R1 each. The issued share capital remains at 173,0 million shares. The par value of the shares remains unchanged at R1 per share.

7. Dividend

A cash dividend of 23 cents per share in respect of the 2019 financial year (2018: 22 cents) was declared on 30 May 2019, payable on or about 23 August 2019 to all shareholders registered in the share register at the close of business on 15 August 2019.

The solvency and liquidity tests as required by the Companies Act 71 of 2008 were applied, and the Company will satisfy the requirements of these tests immediately after completing the proposed distribution.

Dividend cover for the year equals 5,3 times (2018: 5,7 times). The dividend policy aims to ensure at least four times cover for the dividend, after evaluating the nature and quality of the earnings for the year.

8. Earnings per share

Earnings per share amounted to 122,8 cents (2018: 126,2 cents) based on 173,0 million shares in issue. Headline earnings per share increased to 87,9 cents (2018: 87,6 cents). For more information on earnings per share, refer to notes 14 and 25 of the annual financial statements.

9. Directors' remuneration and interest

The directors' remuneration is set out in note 29.2 to the annual financial statements. No material contracts in which the directors have any interest were entered into in the current year.

10. Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of one percent of the issued share capital of the Group are detailed on page 42 of the Annual Integrated Report.

11. Directors

11.1 The directors of the Company on 31 March 2019 were:

Directors elected by shareholders in terms of Article 20.1.2 of the Memorandum of Incorporation:

Ms O Kotze	Ms HE Moliea Tshivhase
Mr N Martin	Mr D Moshapalo
Mr F Meisenholl	Mr SST Ngcobo

Directors appointed by shareholders in terms of Article 20.1.3 of the Memorandum of Incorporation:

Ms M Lubbe	Mr RSM Ndlovu
Mr K Molewa	Mr T van Wyk (Chairman)
Mr NJ Williams	

Directors appointed by the Board of Directors and confirmed by an election of the shareholders in terms of Article 20.2 of the Memorandum of Incorporation:

Mr BD Bierman (Managing Director)

11.2 During the financial year the following changes occurred in the composition of the Board of Directors:

Director	Event	Terms Memorandum of incorporation	Effective date
Mr TR Makhuvha	Resigned	Article 20.1.3	12 February 2019
Mr F Knoetze	Replaced	Article 20.1.3	22 February 2019
Ms M Lubbe	Appointed	Article 20.1.3	22 February 2019
Mr C Botes	Retired as executive director	Article 20.2	30 November 2018
Mr F Meisenholl	Retired and re-elected	Article 20.1.2	15 August 2018
Mr SST Ngcobo	Retired and re-elected	Article 20.1.2	15 August 2018

11.3 After 31 March 2019 the following changes occurred in the composition of the Board of Directors:

Director	Event	Terms Memorandum of incorporation	Effective date
Ms H Lupuwana-Pemba	Appointed	Article 20.1.3	10 April 2019

12. Company Secretary

The Company Secretary is Ms CM Gerbrands, whose business and postal address are the same as those of the registered office of the Company.

13. Annual Financial Statements

These annual financial statements have been audited by the external auditor, PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act 71 of 2008. The preparation of the annual financial statements was supervised by Mr S Dumeko, Chief Financial Officer.

14. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors of the Group. The Audit and Risk Committee nominated PricewaterhouseCoopers Inc. for re-appointment at the forthcoming annual general meeting as auditors for the 2020 financial year. Mr V Tshikhovhokhovho will be the designated auditor.

15. Acknowledgements

We would like to extend a special word of gratitude to Mr Christo Botes for his commitment and service as Executive Director. He retired on 30 November 2018 after 32-years at Business Partners Limited. We would also like to thank Messrs Faffa Knoetze and Thakhani Makhuvha for their commitment and valuable contributions during their tenure as directors of the Company.

Sincere appreciation is extended to all our shareholders for their support, and to the members of the Board of Directors and its committees for their dedicated and positive participation throughout the year.

We would also like to thank our clients for their business and continued support.

To the entire staff of Business Partners Limited, we express our gratitude for their hard work and commitment in pursuing the objectives of the Group.

T van Wyk
Chairman
30 May 2019

BD Bierman
Managing Director
30 May 2019

BUSINESS PARTNERS LIMITED
FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Consolidated and separate statements of financial position

as at 31 March

	Notes	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Assets					
Non-current assets		4 657 664	4 546 806	3 847 569	3 726 542
Deferred tax asset	16	133 306	108 691	125 154	103 573
Property and equipment	7	97 083	97 311	3 949	2 964
Investment properties	3	1 519 679	1 478 948	897 081	853 496
Loans and receivables	5	2 496 989	2 477 568	2 497 347	2 477 556
Investments in associates	6	112 363	123 267	1 466	919
Investments in subsidiaries	8			8	8
Loans to subsidiaries	8			24 324	27 010
Other Investments	4	75 686	56 968	75 682	56 963
Assets held for resale	10	34 978	29 708	34 978	29 708
Defined benefit pension fund surplus	9	187 580	174 345	187 580	174 345
Current assets		544 930	569 931	923 634	952 993
Loans to subsidiaries	8			411 341	415 446
Loans and receivables	5	443 975	478 457	443 617	478 457
Accounts receivable	11	52 697	43 349	37 109	27 574
Cash and cash equivalents	12	48 258	48 125	31 567	31 516
Total assets		**5 202 594**	**5 116 737**	**4 771 203**	**4 679 535**
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent		3 498 667	3 360 822	3 115 209	2 985 751
Share capital	14	173 001	173 001	173 001	173 001
Fair value and other reserves	13	83 362	66 420	77 311	61 359
Retained earnings		3 242 304	3 121 401	2 864 897	2 751 391
Non-controlling shareholders' interest		337	(141)		
Total equity		**3 499 004**	**3 360 681**	**3 115 209**	**2 985 751**
Non-current liabilities		1 490 480	1 466 125	1 465 776	1 437 131
Deferred tax liability	16	254 665	233 953	229 961	204 959
Borrowings	15	1 148 102	1 137 493	1 148 102	1 137 493
Post-employment medical benefits	9	87 713	94 679	87 713	94 679
Current liabilities		213 110	289 931	190 218	256 653
Shareholders for dividend		1 925	1 449	1 925	1 449
Borrowings	15	82 195	101 965	82 195	101 965
Accounts payable	17	77 060	72 081	42 751	33 136
Provisions	18	46 604	47 316	43 652	44 887
Current income tax liability		4 060	6 353	3 926	4 713
Loan from subsidiaries	8			15 769	12 515
Bank overdraft	12	1 266	60 767		57 988
Total liabilities		1 703 590	1 756 056	1 655 994	1 693 784
Total equity and liabilities		**5 202 594**	**5 116 737**	**4 771 203**	**4 679 535**

Consolidated and separate statements of comprehensive income

for the year ended 31 March

	Notes	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Net interest income	19.1	298 247	299 452	299 987	301 575
Interest income		406 659	405 123	408 399	407 213
Interest expense		(108 412)	(105 671)	(108 412)	(105 638)
Fee revenue	19.2	2 018	12 875	2 016	12 860
Investment income and gains	20	113 330	120 221	159 561	87 605
Net property revenue		158 730	146 611	102 623	97 083
Property revenue		284 558	263 953	176 882	169 471
Property expenses		(125 828)	(117 342)	(74 259)	(72 388)
Management and service fee income	19.3	30 693	30 385	15 452	14 164
Other income		6 658	6 249	3 806	3 284
Total income		**609 676**	**615 793**	**583 445**	**516 571**
Net credit losses	21	(51 618)	(76 346)	(51 690)	(76 440)
Staff costs	22	(177 401)	(173 958)	(160 827)	(158 967)
Other operating expenses		(93 521)	(71 643)	(106 645)	(76 149)
Profit before taxation		**287 136**	**293 846**	**264 283**	**205 015**
Income tax expense	24	(74 255)	(75 459)	(59 272)	(47 539)
Profit for the year		**212 881**	**218 387**	**205 011**	**157 476**
Other comprehensive income after tax:					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension fund		(397)	(1 438)	(397)	(1 438)
Gross Amount	9.1.6	(551)	(1 997)	(551)	(1 997)
Tax effect	24.3	154	559	154	559
Remeasurement of post-employment medical benefits		7 836	2 273	7 836	2 273
Gross Amount	9.2.2	10 883	3 157	10 883	3 157
Tax effect	24.3	(3 047)	(884)	(3 047)	(884)
Fair value adjustment on financial assets held at fair value through other comprehensive income		(2 175)		(2 175)	
Gross Amount	13	(2 803)		(2 803)	
Tax effect	24.3	628		628	
Foreign currency translation reserve movement		9 916		10 688	
Gross Amount	13	13 001		13 773	
Tax effect	24.3	(3 085)		(3 085)	
Share of associates' other comprehensive income	13	1 762			
Sale of investments held at fair value through other comprehensive income		(53)		(53)	
		16 889	835	15 899	835
Items that may be subsequently reclassified to profit or loss					
Fair value adjustment on financial assets held at fair value through other comprehensive income			7 031		7 031
Gross Amount	13		9 060		9 060
Tax effect	24.3		(2 029)		(2 029)
Foreign currency translation reserve movement			(5 062)		(5 725)
Gross Amount	13		(6 715)		(7 378)
Tax effect	24.3		1 653		1 653
Share of associates' other comprehensive income	13		(1 302)		
			667		1 306
Other comprehensive income for the year		16 889	1 502	15 899	2 141
Total comprehensive income for the year		**229 770**	**219 889**	**220 910**	**159 617**
Profit attributable to:					
Equity holders of Business Partners Limited		212 403	218 387	205 011	157 476
Non-controlling interests		478	-		
		212 881	**218 387**	**205 011**	**157 476**
Total comprehensive income attributable to:					
Equity holders of Business Partners Limited		229 292	219 889	220 910	159 617
Non-controlling interests		478	-		
		229 770	**219 889**	**220 910**	**159 617**
Earnings per share					
Basic earnings per share (cents)	25	122,8	126,2		
Headline earnings per share (cents)	25	87,9	87,6		

Consolidated and separate statements of changes in equity

for the year ended 31 March

	Notes	Share capital R000	Fair value and other reserves* R000	Retained earnings R000	Non-controlling interest	Total R000
		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Group						
Balance at 1 April 2017		173 001	64 918	2 939 694	(141)	3 177 472
Total comprehensive income for the year			1 502	218 387	-	219 889
Net profit				218 387	-	218 387
Other comprehensive income			1 502			1 502
Dividend	26			(36 680)		(36 680)
Balance at 31 March 2018		**173 001**	**66 420**	**3 121 401**	**(141)**	**3 360 681**
Balance at 1 April 2018		173 001	66 420	3 121 401	(141)	3 360 681
IFRS 9 transitional adjustment**				(40 056)		(40 056)
Effective interest rate adjustment***				(13 331)		(13 331)
Balance at 1 April 2018 (restated)		173 001	66 420	3 068 014	(141)	3 307 294
Total comprehensive income for the year			16 942	212 350	478	229 770
Net profit				212 403	478	212 881
Other comprehensive income			16 942	(53)		16 889
Dividend	26			(38 060)	-	(38 060)
Balance at 31 March 2019		**173 001**	**83 362**	**3 242 304**	**337**	**3 499 004**
Company						
Balance at 1 April 2017		173 001	59 218	2 630 245		2 862 464
Total comprehensive income for the year			2 141	157 476		159 617
Net profit				157 476		157 476
Other comprehensive income			2 141			2 141
Dividend	26			(36 330)		(36 330)
Balance at 31 March 2018		**173 001**	**61 359**	**2 751 391**		**2 985 751**
Balance at 1 April 2018		173 001	61 359	2 751 391		2 985 751
IFRS 9 transitional adjustment**				(40 061)		(40 061)
Effective interest rate adjustment***				(13 331)		(13 331)
Balance at 1 April 2018 (restated)		173 001	61 359	2 697 999		2 932 359
Total comprehensive income for the year			15 952	204 958		220 910
Net profit				205 011		205 011
Other comprehensive income			15 952	(53)		15 899
Dividend	26			(38 060)		(38 060)
Balance at 31 March 2019		**173 001**	**77 311**	**2 864 897**		**3 115 209**

** The fair value and other reserves composition is disclosed in note 13.*

*** In the current year, the Group adopted IFRS 9 and as a consequence, opening retained earnings was adjusted. This adjustment has been made in order to recognize the difference between the carrying amount disclosed at 31 March 2018 (under IAS 39) and the recalculated carrying amount (under IFRS 9). Further details are included in note 1.3.1.*

**** In the current year, it was determined that the decision applied under IAS 39 and IAS 18 to recognise contract fees (other than administration fees) upfront was no longer appropriate. Therefore, the Group changed the recognition of these fees, comprised mainly of initiation fees from upfront recognition in fee revenue to amortisation in interest income, using the effective interest rate method.*

Consolidated and separate cash flow statements

for the year ended 31 March

	Notes	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Cash flow from operating activities					
Profit before taxation		287 136	293 846	264 283	205 015
Non-cash adjustments	28.1	(25 709)	(26 247)	(72 208)	16 052
Dividends received		(6)	(353)	(2 197)	(12 056)
Net interest income per income statement	28.2	(298 247)	(299 452)	(299 987)	(301 575)
Net interest received in cash	28.3	233 251	256 588	233 250	256 619
Other movements in assets and liabilities	28.4	(15 533)	(40 108)	(11 608)	(43 005)
		180 892	184 274	111 533	121 050
Net inflow from borrowed funds		15 337	83 518	15 337	83 518
• Utilisation of long term borrowings		100 000	135 850	100 000	135 850
• Repayment of short term portion of long term borrowings		(84 663)	(52 332)	(84 663)	(52 332)
Net outflow on loans and receivables		(125 354)	(262 933)	(120 258)	(262 388)
• Loans and receivables advanced		(722 924)	(754 977)	(722 924)	(754 977)
• Loans and receivables repaid		579 136	468 947	584 312	469 609
• Cash recoveries on loans and receivables written off		18 434	23 097	18 354	22 980
Cash generated from/(utilised in) operating activities before tax		70 875	4 859	6 612	(57 820)
Taxation paid	28.5	(60 245)	(58 302)	(41 226)	(41 408)
Net cash flow generated from/(utilised in) operating activities		**10 630**	**(53 443)**	**(34 614)**	**(99 228)**
Cash flow from investing activities					
Capital investment in					
• Investment properties		(31 652)	(83 520)	-	(6 900)
• Property and equipment		(2 926)	(3 439)	(2 713)	(2 234)
Proceeds from sale of					
• Investment properties		28 463	33 876	28 463	33 876
• Property and equipment		38	57	38	57
Interest received from other investments		4 934	7 927	4 346	7 353
Loans from/to subsidiaries				12 372	(30 208)
Proceeds from sale of investments in associates		85 534	21 588	85 534	21 588
Dividends received from investments in associates		2 197	11 707	2 197	11 707
Net cash generated from / (utilised in) investing activities		**86 588**	**(11 804)**	**130 237**	**35 239**
Cash flow from financing activities					
Dividends paid	28.6	(37 584)	(36 170)	(37 584)	(35 820)
Net cash flow utilised in financing activities		**(37 584)**	**(36 170)**	**(37 584)**	**(35 820)**
Movement in cash and cash equivalents		59 634	(101 417)	58 039	(99 809)
Cash and cash equivalents at beginning of the year	12	(12 642)	88 775	(26 472)	73 337
Cash and cash equivalents at end of the year	12	**46 992**	**(12 642)**	**31 567**	**(26 472)**

Leonie Finch
Solomon Coatings
South Africa

In 1988, Tommy Finch opened a tiny powder-coating workshop in Blackheath, Cape Town and slowly but surely started to grow the operation with the help of a loan from Small Business Development Corporation, the forerunner of Business Partners Limited.

Today Leonie Finch works as General Manager and runs the family business with her father. Their recent purchase of a new 2000 square metre premises in Blackheath, close to their previous premises, was made possible with a loan from Business Partners Limited.

TO THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Notes to the consolidated and separate financial statements

for the year ended 31 March 2019

1. Accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below and are consistent with those of the previous year, unless otherwise stated.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB'), and the Companies Act 71 of 2008 in South Africa. The financial statements have been prepared under the historical cost basis except for the following material items in the statement of financial position:

- Post-employment benefit obligations that are measured in terms of the Projected Unit Credit method;
- Investment properties that are accounted for by using the fair value model;
- Financial Instruments at fair value;
- Investments in associates are accounted for at cost at a Company level and are equity accounted at a Group level;
- Cash and cash equivalents at fair value.

1.2 New and amended statements

1.2.1 New and amended statements adopted

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, applicable to the financial year beginning on or after 1 January 2018:

Standard	Summary
IFRS 9 — Financial Instruments	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model.
IFRS 15 — Revenue from contracts with customers	The Standard is a comprehensive revenue recognition model for all contracts with customers and aims to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occur when the control of goods or services transfer to a customer.
Amendment to IFRS 15 — Revenue from contracts with customers	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The relevent amendments comprise clarifications of the guidance on identifying performance obligations and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance.

Standard	Summary
IFRIC 22 — Foreign currency transactions and advance consideration	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

1.2.2 New and amended statements not yet adopted

The following standards are applicable to periods beginning on or after 1 January 2019 (except for the amendments to IAS 1 & IAS 8, which are applicable to periods beginning on or after 1 January 2020). The Group has not early adopted these standards.

The amendments below may have an impact in the manner in which the below items are measured and disclosed in the financial statements. The impact of these Standards will be assessed during the financial year ending 31 March 2020.

Standard	Summary
IFRS 16 — Leases	This standard replaces the current guidance in IAS 17, in particular the change in accounting by lessees. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, there is guidance on the definition of a lease (as well as guidance on the combination and separation of contracts). Lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases — Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Standard	Summary
Annual improvements cycle 2015-2017	These amendments include minor changes to: • IFRS 3, 'Business combination' — a company remeasures its previously held interest in a joint operation when it obtains control of the business. • IFRS 11,'Joint arrangements', — a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. • IAS 12,' Income taxes' — The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23,' Borrowing costs' — a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
IFRIC 23 — Uncertainty over income tax treatments	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.
Amendment to IAS 1 — Presentation of financial statements and IAS 8 — Accounting policies, changes in accounting estimates and errors' on the definition of material	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • Clarify the explanation of the definition of material; and • Incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Standard	Summary
Amendments to IAS 19 — Employee benefits' on plan amendment, curtailment or settlement.	These amendments require an entity to: • Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss The impact of the amendments is to confirm that these effects are not offset.
Amendments to IFRS 9 — Financial instruments on prepayment features with negative compensation and modification of financial liabilities.	The amendments cover two issues: • Allowing for companies to measure particular prepayable financial assets (with negative compensation) at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. • The accounting for the modifications for financial liabilities. This will result mostly in immediate recognition of a gain or loss.

1.3 Adoption of new Standards

The Group adopted the following accounting policies in the current financial year:

1.3.1 IFRS 9 Financial Instruments

1.3.1.1 IFRS 9 transitional impact on classification and measurement

a) Impact on classification

The Group has adopted IFRS 9: Financial Instruments (as issued by the IASB in July 2014) with a date of transition of 1 April 2018. This resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening retained earnings.

The consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as *IFRS 7: Financial Instruments — Disclosures.*

Set out below are disclosures relating to the impact of the adoption IFRS 9.

The table below sets out, for the Group, differences in the measurement categories and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 April 2018:

		IAS 39		IFRS 9	
	Notes	Measurement category	Carrying Amount R000	Measurement category	Carrying Amount R000
Financial assets					
Cash	12	Amortised cost	48 125	Amortised cost	27 033
Call account	12	Fair value	-	Fair value	21 092
Cash and cash equivalents			48 125		48 125
Loans and receivables	5	Amortised cost	2 956 025	Amortised cost	2 881 869
Financial liabilities					
Borrowings	15	Amortised cost	1 239 458	Amortised cost	1 239 458

b) Impact on measurement

The following table reconciles the carrying amounts of financial assets, from their previous measurement in accordance with IAS39 to their new measurement upon transition to IFRS 9 on 1 April 2018:

	Notes	IAS 39 carrying amount 31 March 2018 R000	Reclassifications R000	Remeasurements R000	IFRS 9 carrying amount 1 April 2018 R000
Amortised cost					
Cash and cash equivalents	12	48 125	-	-	48 125
Loans and receivables	5	2 956 025	-	(74 156)	2 881 869
Transitional adjustment: expected credit loss				(90 342)	
Transitional adjustment: contracted future royalties*				34 705	
Effective interest rate adjustment**				(18 519)	
		3 004 150	-	(74 156)	2 929 994

There have been no changes in the measurement of financial liabilities.

A total remeasurement loss of R74,2 million before tax was recognised in opening retained earnings as at 1 April 2018.

** Prior to adoption of IFRS 9, the carrying value of contracted future royalties was determined by discounting the contracted future royalty cashflows, taking into account the credit risk on the cashflows. As a result of the adoption of IFRS 9, the carrying value of these loan products, which include the royalty instrument, was determined using the Expected Credit Loss ("ECL") model.*

*** In the current year, the Group reviewed the accounting policy on the effective interest rate. As a result of the review, the Group determined that the judgement applied under IAS 39 to recognise certain initiation fees upfront in Fee revenue was not appropriate. Therefore, the Group changed the recognition of initiation fees from upfront recognition in fee revenue to amortisation in interest income, using the effective interest rate method. The cumulative impact of the change in effective interest rate was R18,5m (before tax) and R13,3m (after tax). The Group assessed whether this change should be corrected retrospectively. The Group determined that the retrospective correction of the recognition of the initiation fees upfront was immaterial with respect to prior-period loans and receivables of R2,9 billion, interest income of R405 million and retained earnings of R3,1 billion.*

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The table below reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model, to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model, as at 1 April 2018:

	Allowance for impairment under IAS 39	Reclassifications	Remeasurements	Allowance for impairment under IFRS 9
	R000	R000	R000	R000
Provision for impairment	(218 755)	-	(90 342)	(309 097)
	(218 755)	-	(90 342)	(309 097)

1.3.1.2 Measurement methods for financial assets

From 1 April 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

(i) Amortised cost;
(ii) Fair value through other comprehensive income ("FVOCI").

(i) Amortised cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at fair value through profit and loss ('FVPL'), are measured at amortised cost.

Amortised cost and effective interest rate

The amortised cost is the amount at which a financial asset is measured. It is measured as the amount at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amortised cost is adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs and fees received that are integral to the effective interest rate.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets. Interest income includes the following contract fee revenue (which was previously included and disclosed under fee revenue):

Contract fees

Contract fees which consist of raising fees, amendment fees, legal and valuation fees are generated from loan agreements and fall within the scope of IFRS 9. Contract fees are generated upon the provision of services as follows:

- *Raising fees*
  Raising fees are payable by the customer in respect of preliminary due diligence work performed in arranging a loan for a client. The raising fee is payable upon the disbursement of a loan. The payment for the raising fees is either in the form of a direct receipt from the client or the fee is included as a part of the principal debt on the approved loan amount.

- *Amendment fees*
  Amendment fees arise upon giving effect to amendments to the terms and conditions of an agreement.

- *Legal and valuation fees*
  These fees arise when legal and valuation expenses related to the agreement are recovered from the client.

The Group's amortised costs assets are further classified into debt and equity instruments sub-categories based on the requirements described below:

(i)(a) Debt instruments

Debt instruments are those instruments that meet the definition of a financial asset, such as loans and receivables.

Classification of debt instruments depends on:

(i) The business model used for managing the asset; and
(ii) The cash flow characteristics of the asset.

The business model informs 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 flows from the assets or is to collect both the contractual cash flows and the cash flows arising from the sale of assets.

Solely Payments of Principal and Interest ('SPPI') test: To collect contractual cash flows, the Group assesses whether the financial instruments' 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 the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(i)(b) Equity instruments

Equity investments 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.

The Group measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

(i)(c) Loan commitments

Loan commitments provided by the Group are measured as the exposure amount less the loss allowance (calculated as described in note 2.1.3). Except for inter-company loans, the Group has not provided any commitment to provide loans at below market interest rates, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(ii) Fair value through other comprehensive income

Financial assets that are held for the collection of contractual cash flows and for selling the assets, where the assets' cash flows represents solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through Other Comprehensive Income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to retained earnings. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

1.3.1.3 Financial assets: recognition and measurement

(i) Initial recognition and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognises financial assets at their fair value, plus or minus transaction costs that are incremental and directly attributable to the acquisition of the assets. This only applies to financial assets not measured at fair value through profit or loss. Transaction costs of financial assets measured at fair value through profit or loss are expensed as incurred. After initial recognition, an expected credit loss allowance is recognised in profit or loss for financial assets measured at amortised cost.

(ii) Subsequent measurement

The carrying amount of assets carrried at amortised cost are adjusted by any expected credit loss allowance recognised and measured as described in 2.1.3. Interest income from these financial assets is included in "Interest income' using the effective interest rate method.

Movements in the carrying amount of assets measured at fair value through OCI are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to retained earnings. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

(iii) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- 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.

Note 2.1.3 provides more detail of how the expected credit loss allowance is measured.

(iv) Modifications of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, amongst others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to an amount the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- The seeking of additional collateral or other credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. The date of the renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstance 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.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows as the original effective interest rate.

Modifications have been disclosed further in note 2.2.7.

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

(i) The Group transfers substantially all the risk and reward of ownership; or
(ii) The Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

1.3.1.4 Measurement method for financial liabilities

Financial liabilities are classified and measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1.3.1.5 Financial liabilities: recognition and measurement

(i) Initial recognition and measurement

At initial recognition, the Group recognises financial liabilities at their fair value, plus or minus transaction costs that are incremental and directly attributable to the issuance of the liabilities. This only applies for financial liabilities not measured at fair value through profit or loss.

(ii) Subsequent measurement

Borrowings are subsequently measured at amortised cost.

(iii) Derecognition

Financial liabilities are derecognised when they are extinguished. This is when the obligation specified in the contract is discharged.

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modification of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and changes in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gains or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Collateral furnished by the Group under borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards and therefore the derecognition criteria are not met.

1.3.1.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

During the year, no significant offsetting arrangements occurred.

1.3.1.7 Fair value adjustment to financial instruments

The Group has elected to recognise, in OCI, changes in the fair value of certain investments. These changes are accumulated within the fair value adjustment to the financial instruments reserve within equity.

1.3.2 Adoption of new standards: IFRS 15 Revenue from Contracts with Customers

1.3.2.1 Background

The Group adopted IFRS 15 effective from 1 April 2018. The nature and effect of the changes as a result of adoption are as follows:

IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue (including the related Interpretations). It applies to all revenue arising from contracts with its customers unless the contracts are within the scope of other standards such as IFRS 9 Financial Instruments and IAS 17 Leases (IFRS 16 Leases will replace IAS 17 effective 1 January 2019). IFRS 15 requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group assesses its contracts and determines whether the fees identified in the contracts are in the scope of IFRS15.

If so, the revenue will be recognised only when the Group can:
(1) Identify the contract(s) with a customer;
(2) Identify the performance obligation in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract; and
(5) Recognise the revenue as and when the performance obligation is satisfied.

The Group is able to identify the contract when both the client and the Group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the Group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The Group recognises revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

IFRS 15 requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances.

1.3.2.2 Disaggregation of revenue

The Group has determined that the categories of its business activities can be used to meet the objective of the disaggregation disclosure requirement. This disclosure requirement requires the disaggregation of revenue into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows, as follows:

(1) Interest income;
(2) Rental income and recoveries;
(3) Property management fees;
(4) Fund management fees;
(5) Fee revenue.

1.3.2.3 Recognition and measurement

i) Financing arrangements

Financing arrangements consist of term finance, property finance and equity investments which are funding options that are provided to clients by the Group. These financing options are provided in the form of loan facilities and equity capital which generate, where applicable, the following revenue streams: interest income, royalty fees and contract fees (in the form of administration fees).

(a) Interest income

Interest income generated due to the long-term repayment terms afforded to borrowers on the loan facilities are fully outlined in IFRS 9 because the interest is an integral component of the effective interest rate of the loan. As a result, interest income falls outside the scope of IFRS 15.

(b) Royalty fees

Royalty fees represent additional compensation for the risk taken in respect of a loan that has been advanced. It is calculated based on the higher of the projected or actual of a set factor's performance. Royalty fees are accounted for under IFRS9 and as a result fall outside the scope of IFRS15.

(c) Administration fees

Contract fees in the form of administration fees are generated from loan agreements and fall within the scope of IFRS 15. These administration fees are generated upon the provision of services, in the form of a monthly administration fee which is charged to a client for the period that the loan is active.

Administration fees are recognised as revenue from contracts with customers and charged to the customer upon invoicing and once the efforts in fulfilling the service have been satisfied and can quantified. Under IAS 18, service fee income was recognised on an accrual basis in accordance with the substance of the relevant agreement. In view that the recognition under either (IFRS15 or IAS18) accounting policies are the same and there was no change in the current year in terms of accounting treatment for administration fees.

ii) Property revenue

The property asset class results in the following streams of receipts from tenants: rental income, property expense recoveries and security deposits.

(a) Rental income

Rental income, although it is earned revenue from a contract with a customer, falls under Lease accounting (under IAS 17), and it is therefore specifically excluded from the scope of IFRS 15.

(b) Property expense recoveries

The tenant pays a monthly contribution, through charges made by the Group to the tenant, for operating costs related to: rates, building insurance, water, electricity, sanitation, taxes, security, cleaning and refuse removal.

The Group engages service providers to provide these services in order to fulfil its duty towards the tenant in managing the operational activities. Subsequently, the Group will effect payments to the service providers and recover these costs from the tenant monthly. In considering whether the Group is acting as a principal or agent, the following factors are relevant:

- The Group enters into the contract with tenant before engaging the service providers;
- The Group is the counterparty to the service contract, rather than the tenant; and
- The Group has the contractual right to direct how the external service provider renders the services and the Group also has the right to suspend the service provider's services.

The above factors indicate that the Group uses service providers as subcontractors and that the Group acts as a principal. In reaching this decision, the Group is considered by the tenant as the counterparty with the primary responsibility for the fulfilment of the operational activities. Therefore, the monthly contributions of tenants towards operating costs are paid to the Group as the principal. This treatment is similar to the previous Standard, IAS18.

(c) Security deposits

Under the terms of a lease contract, where the Group receives a deposit from a tenant, it will be repaid to the tenant at the end of the lease term. The tenant deposit received is treated as a financial liability.

iii) Property management and leasing services

The Group provides management services on behalf of property owners and is responsible for the oversight of the properties, payment of service charges (such as rates, security services and insurance etc.), whilst ensuring that the properties are in good condition, by performing repairs and maintenance and providing the administrative support.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are: (i) substantially the same; and (ii) have the same pattern of fulfilment and therefore the series of management services are treated as one performance obligation. The underlying activities performed by the Group satisfy a promise and the overall objective is to provide management services.

Property management fees are earned on a monthly basis either as fixed fees or based on a proportion of the rental collections.

The Group recognises revenue from the property management services on an accrual basis and measured at the fair value of the consideration received or receivable.

The leasing services are recognised separately to the management services and are separately identifiable per the agreement. The activities that are necessary to perform the day-to-day management of the property are independent of those that are required to negotiate and execute leases with the tenants. Leasing services include several activities that occur throughout the leasing process, including monitoring of upcoming vacancies, new tenant identification, lease negotiation and document preparation as well as placing advertising or promotional signage around the property.

The leasing services revenue is recognised upon invoicing to the property owner, once the efforts to fulfil the service have been satisfied and can quantified. Under IAS 18, revenue was recognised on an accrual basis in accordance with the substance of the relevant agreement. The recognition under IFRS15 and the previous IAS18 standard is the same.

iv) Fund management

The nature of the service level agreements requires the provision of fund management duties by the Group on behalf of external investors. The Group provides support services under the terms and conditions of the service level agreement. The duties include accounting, legal, information technology, administrative and oversight services (performance obligations) for an agreed fee that is invoiced to the managed entity (customer).

For contracts with multiple components to be delivered, such as the delivery of outsourced services, judgement is applied when considering whether those promised goods and services are:

(i) Distinct — to be accounted for as separate performance obligations (i.e. accounting services billed separately from oversight services);
(ii) Not distinct — to be combined with other promised goods or services until a bundle is identified that is distinct (i.e. accounting services grouped with oversight services since accounting information is used to make decisions, this constitutes provision of oversight of the managed entity); or
(iii) Part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer (i.e. all the listed services from support services are distinguished separately).

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are: (i) substantially the same; and (ii) have the same pattern of fulfilment (as the series of support services constitutes services provided in distinct time increments (e.g. daily, monthly, quarterly or annual services) and therefore treats the series of support services as one performance obligation (i.e. provision of support services holistically). Although the underlying activities performed by the Group to satisfy their obligation vary significantly throughout the day and from day-to-day, the overall objective is to provide support services, which are all inclusive.

The Group recognises revenue using the output method as it best measures the fulfilment of its obligation. The Group recognises and allocates the fund management fee at the end of each month on a straight-line basis as the related services can be measured and have been fulfilled.

In line with IFRS15, fund management fees received in advance are recognised as deferred revenue and reflected as a liability, accordingly. These contract liabilities are recognised as revenue when the Group performs under the contract.

1.3.2.4 Significant accounting judgements, estimates and assumptions affecting revenue recognition

Judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying the raising fees on preliminary work as administrative fee earned before inception of the contract

The Group provides preliminary work in determining whether or not to grant the loan to the customer and in arranging the loan.

Principal versus agent considerations

The Group enters into contracts with its customers with the following understanding:

- Property expense recoveries: The Group will incur operating costs related to its performance obligation incidental to the operations of the property, building and premises and charge them onto the customer. The customer pays a monthly contribution towards these operating costs.

The Group will engage service providers to provide these services in order to fulfil its duty towards the customer. Subsequently, the Group will effect payments to the service providers and recover these costs from the customer. In considering whether the Group is acting as a principal or agent, the following factors are relevant:

- The Group enters into a contract with a customer before engaging the external service providers;
- The Group is primarily responsible for fulfilling the promise to provide the specified services to the customer;
- The Group does not have the duty to obtain approval of the customer prior to engaging the external service provider;
- The Group is the counterparty to the service contract, rather than the customer;
- The Group has the contractual right to direct how the external service provider provides the services and the Group also has the right to suspend the services; and
- The Group delivers its services, the customer simultaneously receives and consumes the benefits provided by the Group's performance. The Group performs its services over the life of the contract.

Consequently, the above factors indicate that the Group uses service providers as subcontractors and acts as a principal in directing the external service providers who provide services on its behalf.

1.4 Other Accounting Policies:

Consolidation

1.4.1 Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as and when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's share of the subsequent change in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

1.4.2 Subsidiaries

Subsidiaries are all entities (including structured 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 over 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.

Intra-Group transactions, balances and unrealised gains on transactions with Group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of the Company.

1.4.3 Transactions with non-controlling interests

The Group accounts for transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.4.4 Investments in associates

Associates are all entities over which the Group generally has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss component of the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates. The latest audited financial statements and approved management accounts are utilised to determine the share of the associated companies' earnings.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income. A reserve account "share of other comprehensive income of associates is used to record the Group's share of other comprehensive income of the associate companies. These reserves are reclassified to retained earnings when the investments in associates are disposed.

The Company carries its investment in associates at cost.

Additional information is disclosed in Note 6.

1.5 Foreign currency activities

1.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in South African Rand, which is the Group's functional currency and the Group's presentation currency, rounded to the nearest thousand, except when otherwise indicated.

1.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity, using the exchange rates prevailing at the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'net interest income'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'investment income and gains'.

Changes in the fair value of instruments denominated in foreign currency classified as investments through other comprehensive income (formally classified as available for sale under IAS 39) are analysed between translation differences resulting from changes in the amortised cost of the instrument and other changes in the carrying amount of the instrument. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income.

Exchange differences arising on translation of the investments held in foreign non-consolidated entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to retained earnings when the net investment is disposed of.

1.5.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

(a) Assets, liabilities and equities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to other comprehensive income. When a foreign operation is partially or fully disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Additional information is disclosed in note 8 and 31.

1.6 Investment properties

Investment properties are recognised as assets when it is probable that the future economic benefits that are associated with the investment properties will flow to the enterprise in the form of long term rental yields and capital appreciation, and the costs of the investment properties can be reliably measured.

Investment properties are initially recorded at cost including transaction costs. Subsequent to initial measurement, investment properties are measured at fair value. Fair value is determined using the capitalised income method as performed by suitably qualified personnel. A gain or loss arising from a change in fair value is included in the statement of comprehensive income within ‘investment income and gains’.

Investment properties are not occupied by the Group. Owner-occupied offices are recognised as part of property and equipment.

1.7 Property and equipment

Property and equipment, principally buildings comprising of owner-occupied offices, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of a replaced part of an asset is derecognised. All other repairs and maintenance are charged to profit and loss during the financial period in which it is incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to the residual values over the estimated useful lives of the assets, as follows:

- Buildings — between 25 to 30 years
- Machinery, equipment, furniture and fittings — 5 years
- Computer hardware and computer software — 3 years
- Vehicles — 4 years

Equipment as disclosed in note 7 is the aggregate of machinery, equipment, vehicles, computer hardware, computer software, furniture and fittings.

Land is not depreciated.

The residual value and the useful life of each asset are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income within 'other operating expenses'.

1.8 Employee benefits

1.8.1 Staff costs

Short-term employee benefits, including salaries, bonuses, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Staff costs are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

1.8.2 Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the

benefits relating to employee service in the current and prior periods. A defined benefit plan is any pension plan that is not a defined contribution plan, and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. In terms of this method, the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. As there is no deep market of such bonds in South Africa, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the statement of comprehensive income in the year in which they arise.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense within 'staff costs' when they are due.

1.8.3 Post-retirement medical aid obligations

The Group provides post-retirement medical aid benefits to employees and pensioners in service of the Group on or before 30 April 1999. The entitlement to post-retirement medical aid benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the Projected Unit Credit method. Valuations of these obligations are carried out by actuaries. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Net actuarial (loss)/gain on post retirement benefits reserve is used to record the gains/losses arising from annual revaluation of retirement benefits obligations described under Note 9.

1.9 Assets held for resale

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as Inventories and assets held for resale, if the carrying amounts of the assets are recovered principally through sale, the assets are available for sale in their present condition and their sale is highly probable. They consist mainly of repossessed assets and are recorded at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. No depreciation is charged in respect of assets held for resale.

1.10 Accounts receivable

Accounts receivable are amounts due from customers for services performed in the ordinary course of business and consist mainly of rent receivable. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for al trade recievables.

The expected loss rates are based on payment profiles of sales over a period of 12 months. The historical loss rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss component of the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed each reporting date and are reduced to the extend that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relates to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis or their tax assets and liabilities will be realised simultaneously.

Taxes on dividends declared by the Group are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the Group.

Indirect taxes, including non-recoverable VAT, are recognised in the statement of comprehensive income as part of 'Other operating expenses'.

1.13 Accounts payable

Accounts payable consist mainly of funds held in trust on behalf of customers and obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. The amounts are unsecured and are, where applicable, usually paid within 30 days of recognition. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.14 Provisions and contingent liabilities

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Employee entitlements to annual leave and bonuses are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Provisions for future operating losses are not recognised.

Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are 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.

1.15 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statement of comprehensive income on a straight-line basis over the period of the lease.

1.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within current liabilities in the balance sheet.

1.17 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Where it is not practical to disclose a sensitivity analysis for estimates and judgements, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year could be different from the assumptions. This could require material adjustment to the carrying amount of the asset or liability affected in future.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1.17.1 Impairment of loans and receivables

Assets are subject to regular impairment reviews as required. Impairments are measured as the difference between the cost (or amortised cost) of a particular asset and the current fair value or recoverable amount.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses (ECL) is further detailed in note 2.1.3 which also sets out key sensitivities' of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios.

Detailed information about the judgements and estimates made by the Group is set out in note 2.1.3.

1.17.2 Royalty Agreements: Future royalty fees

In the determination of the fair value of future royalty fees, the contracted royalty fees are present valued to reflect the values of the royalty fees likely to be received in the future.
The judgments made by management are done by applying a discrete rule equal to the expected return linked to the royalty agreement.

1.17.3 Present value of defined benefit obligation

The present value of the defined benefit obligation using the Projected Unit Credit method relies on a number of assumptions including the discount rate and mortality rates. Any changes in the assumptions applied will impact the carrying amount of the pension obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Additional information, as well as the sensitivity analysis, is disclosed in note 9.

1.17.4 Present value of post-retirement medical aid obligation

The present value of the post-retirement medical aid obligation relies on a number of assumptions including the discount rate and the Consumer Price Index at which the medical aid subsidy increase each year is linked. Any changes in the assumptions applied will impact on the carrying amount of the post-retirement obligation.

The Group determines the appropriate discount rate at the end of each year, which is based on the 11,9 year yield from the South African zero coupon government bond yield curve. This is the interest rate used to determine the present value of estimated future cash outflows required to settle the post-retirement medical aid obligations.
In the prior year, the rate of the R186 government bond was used.

Additional information, as well as the sensitivity analysis, is disclosed in note 9.

1.17.5 Valuation of investment properties

The valuation of the investment properties was performed internally by suitably qualified personnel using the capitalised income method. A valuation panel reviews and approves the principles applied in the valuation parameters. The rental assumption, vacancy factors, and property expenses are informed by actual and historical trends. Capitalisation rates are approved by the valuation panel with reference to current market information and after a detailed assessment of the respective properties.

Additional information is disclosed in note 3.

1.17.6 Income taxes

The Group is subject to direct and indirect taxation in a number of jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the period in which such determination is made.

Additional information is disclosed in note 24.

1.17.7 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses 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. BPL and its subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Management's judgement regarding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Additional information is disclosed in note 16.

1.17.8 Provisions

The accounting policy for provisions is set out in accounting policy note 1.14. The principal assumptions taken into account in determining the value at which provisions are recorded in the Group's results include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources occurring and the estimate of the amount and timing for the settlement of the obligation.

The probability of an event of a significant nature occurring will be assessed by management and where applicable, consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the balance sheet date up to the date of the approval of the financial statements.

Additional information is disclosed in note 18.

1.17.9 Consolidation of entities

IFRS requires the Group to consolidate an entity where the Group has power over the investee; is exposed to variable returns from its involvement with the investee; and has the power to affect the returns through its power over the entity, including structured entities. Determining whether the Group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the Group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights, including whether such rights are substantive.

Additional information is disclosed in note 8.

1.17.10 Share capital and dividend distribution

Ordinary shares are classified as equity. Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Additional information is disclosed in note 14 and note 26.

1.17.11 Assets held for resale

Assets held for resale represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or assets held for sale within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

The Group applies its accounting policy for non-current assets held for sale or disposal groups of assets held for resale where the relevant conditions for such classification are met at the end of the reporting period.

Additional information is disclosed in note 10.

2. Financial risk management

The Group's activities expose it to a variety of financial risks and the following section discusses the Group's risk management policies. The core activities require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The measurement of Expected Credit Losses ("ECL") under IFRS 9 uses the information and approaches that the Group uses to manage credit risk. Certain adjustments are made in order to comply with the requirements of IFRS 9. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The approach taken for IFRS 9 measurement purposes is discussed in 2.1.3.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to risk exposure limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Group's management. In addition, internal audit is responsible for the independent review of risk management policies and the control environment.

The primary financial risks to which the Group is exposed are credit risk, market risk, interest rate risk and liquidity risk.

2.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is a material risk for the Group's business. Credit risk exposures arise principally from investing in small and medium businesses, loans, advances and loan commitments arising from lending activities as well as cash and cash equivalents, trade and other receivables and property rental contracts entered into with lessees.

Credit risk is the single largest risk for the Group's business. Management therefore carefully manages its exposure to credit risk.

2.1.1 Credit risk measurement

The credit risk for loans and receivables at the investment stage of any potential investment is analysed and assessed in a due diligence process where the entrepreneur is evaluated, the viability of the enterprise is considered and various other risk indicators are determined, verified and benchmarked.

2.1.2 Risk management process

The Group manages, limits and controls concentrations of credit risk where they are identified.

Loans and receivables

The concentration of risk in the investment portfolio is decreased through industry diversification.
There are more than 1 455 (2018: 1 509) investment projects in the portfolio which are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. No single investment represents more than 1,1 percent (2018: 1,1 percent) of the total investment portfolio, limiting the concentration of risk in single investments.

The on-going monitoring of the risk profile of the portfolio is guided by investment policies, investment committees and credit control functions. Exception reporting at various levels within the organisation provides early identification of increases in the credit risk of the business investment portfolio. A formal risk assessment process is undertaken in terms of which investments are impaired in line with movements in the credit risk.

Collateral

The Group employs various policies and practices to mitigate credit risk, principally by securing collateral for investments made. The Group implements guidelines on the acceptability and valuation of specific classes of collateral. The principal collateral types for loans and receivables are:

- Mortgage bonds over residential, commercial and industrial property;
- Notarial bonds over property and equipment;
- Personal sureties and the cession of policies and investments.

Rental contracts

The credit risk of rent debtors is controlled and monitored on an on-going basis by property management committees, credit control functions as well as exception reporting at various levels in the management structure.

2.1.3. 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.

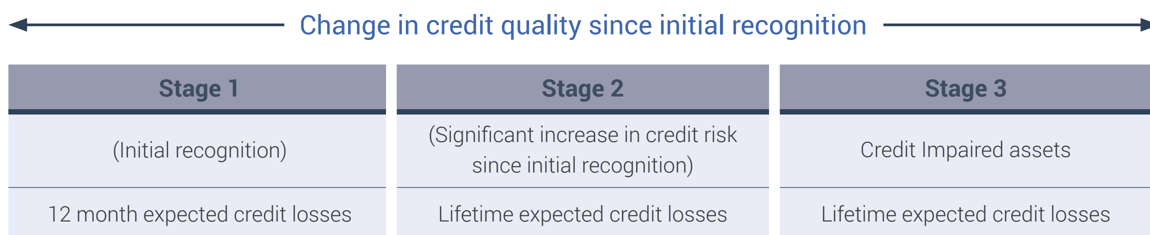
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.1.3.1 for a description of how the Group determines when a SICR has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 2.1.3.2 for a description of how the Group defines credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 2.1.3.3 for a description of input, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 2.1.3.2 includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit impaired financial assets):



Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	Credit Impaired assets
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

2.1.3.1 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 quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The Group uses the following criteria to assess whether there has been an SICR:

- The client has no arrears, however they have missed more than two instalments in the past six months; or
- The client has been in arrears for 30 — 89 days.

Qualitative criteria and backstop:

The Group has applied the backstop in determining whether there has been a SICR as the Group is still in the process of developing a set of qualitative criteria which can be back tested and accepted if accurate.

2.1.3.2 Definition of default in credit-impaired assets

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

Quantitative criteria:

The client is more than 90 days past due on its contractual payments.

Qualitative criteria:

The client is in legal control and the Company has instituted legal action against the client.

A client is placed under legal control when one or more of the following criteria are met:

- Legal judgements are issued against the client;
- The client has been placed under liquidation, judicial management, business rescue or has stopped trading;
- The ownership within the clients company changes;

- The client fails to comply with any of the terms and conditions, or acts in conflict with any of the provisions of the Loan, Shareholders or Royalty agreement;
- The client has supplied false information or withheld material information from the Group.

The criteria above has been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default, Exposure at Default and Loss given Default throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of six months. The period of six months has been determined based on past experience of behavioural patterns of investments.

2.1.3.3 Measuring Expected Credit Loss

The Expected Credit Loss ("ECL") is measured on either a 12 month 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 Probably of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The inputs to the ECL is defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (i.e. 12 month PD), or over the remaining lifetime (i.e. lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (i.e. 12 months EAD) or over the remaining lifetime (i.e. lifetime EAD).

- LGD represents the Group's expectation for the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral. 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. 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 future quarters and for each product segment. These three components are multiplied together and this effectively calculates an ECL for each future quarter, which is then discounted back to the reporting date and aggregated. The discount rate used in the ECL calculation is an approximation of the original effective interest rate.

The PD is calculated through a migration matrix approach. The average quarterly migrations over 2 years are taken as the base matrix, and subsequently multiplied to obtain a probability of default curve over 10 years. The PD curve is then finally adjusted for the likelihood of survival. A PD curve is constructed for each product. The migration matrix is based on historical observed data and is assumed to be the same across all exposures within a product segment. The 12-month PD is then taken as the probability after default on the 12 month tenor on the PD curve, while the Lifetime PD is calculated as the tenor on the PD curve which equals the remaining lifetime of the particular exposure.

The 12-month and lifetime EAD is determined based on an expected payment profile up until default. The profile is based on historical observed contractual repayments. The profile incorporates any overpayment or early repayment made by a borrower.

The LGD is estimated through the product of the probability of write-off (POW) and the loss given write-off (LGW). The POW based on a curve over time in default, and the POW curve is calculated by taking into account the number of write-offs per each time in default. The POW curve is then adjusted for the likelihood of survival. The exposures which are not in default will receive the POW as on the first point of the curve, while the POW of exposures which are in default is taken as the tenor on the curve which is equal to the time the exposure has been in default. The LGW is calculated by aggregating all the recoveries made on an exposure from default to write-off, which includes the sale of any collateral, and subtracting it from the amount at the point of default in order to obtain the loss amount. The ratio of the loss amount over the default amount is the LGW.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

2.1.3.4 Forward-looking information incorporated in the ECL model

The Group obtained macroeconomic forecasts from external sources in order to incorporate forward looking information (FLI) in the Expected Credit Loss (ECL) model. The main macro economic factor that was utilised was GDP forecasts in order to estimate the forward looking impact on the IFRS9 ECL provision, which is summarised as follows:

	Base scenario	Bearish scenario	Bullish scenario
Macroeconomic forecast			
GDP — South Africa (next 12 months)	1,3%	1,0%	1,6%
Weight (assumption)	50,0%	25,0%	25,0%

The Probability of Default's (PD's) of the loans and receivables book were adjusted to incorporate the above forward looking information (across scenarios and weights) in order to determine the impairment provision of R296,5 million.

The sensitivity of the IFRS9 provision against this forward looking information, as at 31 March 2019 is as follows:

	IFRS9 ECL Provision	Change in IFRS9 ECL provision
	R000	%
ECL provision	296 498	
ECL provision based on the different scenarios:		
Bearish (GDP 0,3%)	298 196	0,60%
Bullish (GDP 2,6%)	296 361	-0,05%

2.2 Credit risk exposure

2.2.1 Maximum exposure to credit risk in Financial Instruments subject to impairment

The table below represents the maximum credit risk exposure scenario for the Group without considering any collateral or other credit enhancements.

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000
Interest-bearing loans	2 972 608	2 954 983	2 972 608	2 954 952
Shareholders' loans	154 011	142 488	154 011	142 488
Royalty agreements	110 835	77 309	110 835	77 309
Intercompany loans	-	-	435 665	442 456
Cash & cash equivalents	48 258	48 125	30 871	31 516
	3 285 712	3 222 905	3 703 990	3 648 721
Rent debtors	21 758	17 717	13 362	9 371
Trade and other receivables*	38 594	25 632	23 747	18 203
	3 346 064	**3 266 254**	**3 741 099**	**3 676 295**

**This amount excludes prepayments as prepayments are not financial assets.*

2.2.2 Financial instruments subject to impairment

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 financial assets below also represents the Group's maximum exposure to credit risk on these assets

	2019				2018
	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total	Total R000
Loans and receivables					
• Interest-bearing loans	1 890 938	527 029	573 313	2 991 280	2 954 983
• Royalty agreements	53 984	18 153	38 697	110 834	142 488
• Shareholders' loans	135 996	7 099	10 916	154 011	77 309
Gross carrying amount	2 080 918	552 281	622 926	3 256 125	3 174 780
Provision for impairment*	(54 759)	(15 915)	(225 824)	(296 498)	(218 736)
Carrying amount	2 026 159	536 366	397 102	2 959 627	2 956 044
Less: effective interest rate adjustment	(13 050)	(3 550)	(2 063)	(18 663)	-
	2 013 109	**532 816**	**395 039**	**2 940 964**	**2 956 044**
• Loan commitments	282 898	-	-	282 898	-
Total	**2 296 007**	**532 816**	**395 039**	**3 223 862**	**2 956 044**

Information on how the ECL is measured and how the three stages above are determined is included in note 2.1.3

The numbers presented in the above table for the 2018 financial year are as per the requirements of IAS 39 and not IFRS 9 as the Group has not elected to restate the comparative figures.

* The estimated provision for impairment for 2019 includes impairment on loan commitments, in line with IFRS9.

2.2.3 Financial instruments not subject to ECL

The following table contains an analysis of the credit risk exposure of financial instruments which are not subject to the ECL allowance:

	Maximum credit risk exposure	
	2019 R000	**2018 R000**
Investments at fair value through other comprehensive income*	75 364	
Available-for-sale financial assets (unlisted securities)*		56 657
Listed shares	322	311
	75 686	**56 968**

**The change in classification and measurement in 2018 and 2019 between available-for-sale and fair value through other comprehensive income was as a result of the transition from IAS 39 to IFRS 9.*

The maximum credit risk exposure related to loans and receivables is analysed as follows:

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000
Industry sector exposure				
Construction	168 310	170 034	168 310	170 034
Financial intermediation	731 228	723 617	731 228	723 617
Fishing	23 968	15 727	23 968	15 727
Horticulture, animal farming and forestry	41 867	39 308	41 867	39 308
Leisure	95 153	97 701	95 153	97 701
Manufacturing	815 320	729 438	815 321	729 438
Motor trade	190 073	192 885	190 073	192 885
Personal services	388 334	370 442	388 336	370 442
Quarrying	24 575	24 054	24 575	24 054
Retail	265 540	274 061	265 531	274 030
Transport and communication	192 024	165 493	192 024	165 493
Travel and tourism	229 288	267 194	229 288	267 194
Wholesale	90 445	104 826	90 445	104 826
	3 256 125	**3 174 780**	**3 256 119**	**3 174 749**
Geographical exposure				
Eastern Cape	294 139	321 580	294 139	321 580
Free State	110 147	136 254	110 147	136 254
Gauteng	1 008 636	992 761	1 008 630	992 730
KwaZulu-Natal	744 141	691 589	744 141	691 589
Limpopo	60 590	47 469	60 590	47 469
Mpumalanga	65 009	70 438	65 009	70 438
North West	72 219	88 853	72 219	88 853
Northern Cape	87 360	84 917	87 360	84 917
Western Cape	813 884	740 919	813 884	740 919
	3 256 125	**3 174 780**	**3 256 119**	**3 174 749**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000
Product type exposure				
Equity Investments	30 301	339 885	30 301	339 885
Term Finance with Shareholding	36 349	1 078 277	36 349	1 078 249
Property Finance with Shareholding	1 018 557	746	1 018 562	743
Property Finance with Equity Participation	213 228	40 468	213 228	40 468
Term Finance with a Royalty and Shareholding	305	37 074	305	37 074
Term Finance with a Royalty	1 096 474	1 018 281	1 096 463	1 018 281
Term Finance	365 491	459 196	365 491	459 196
Property Finance with a Royalty	495 420	200 853	495 420	200 853
	3 256 125	**3 174 780**	**3 256 119**	**3 174 749**

2.2.4 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process based off valuation methodologies appropriate for the specific type of collateral. When a client has been classified as within legal control, refer to note 2.1.3, the collateral in place over the deal will be revalued internally at the start of the legal control process and then subsequently every six months.

The principal collateral types for loans and advances are:

- Mortgages over commercial and residential properties;
- Other assets of the business (i.e. motor vehicles, office furniture, machinery, investments).

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 Group 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 Group will take possession of collateral to mitigate potential credit losses.

2.2.5 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to the 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.
- Impact on the measurement of ECL due to changes in PD's, EAD's and LGD's in the period, arising from refreshing inputs to the model.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Financial assets derecognised during the period and write-offs of allowance related to assets that were written off during the period (refer to note 2.2.6).

The following table explains the changes in the loss allowance between the beginning and the end of the reporting period:

	Stage 1	Stage 2	Stage 3	Total
	R000	R000	R000	R000
Interest bearing loans				
Loss allowance as at 1 April 2018	60 531	13 341	202 942	276 814
Existing loan transfers between stages	(8 295)	11 373	(3 078)	-
Existing loans net ECL raised / (released)	(10 949)	(9 217)	55 670	35 504
New loan agreements originated	13 208	1 043	4 362	18 613
Written off / dormant loans	(3 237)	(1 583)	(63 639)	(68 459)
Loss allowance as at 31 March 2019	**51 258**	**14 957**	**196 257**	**262 472**
Shareholders' loans				
Loss allowance as at 1 April 2018	2 204	167	8 289	10 660
Existing loan transfers between stages	(5)	(32)	37	-
Existing loans net ECL raised / (released)	(874)	(73)	3 964	3 017
New loan agreements originated	116	-	-	116
Written off / dormant loans	(41)	-	(2 444)	(2 485)
Loss allowance as at 31 March 2019	**1 400**	**62**	**9 846**	**11 308**

	Stage 1	Stage 2	Stage 3	Total
	R000	R000	R000	R000
Royalty agreements				
Loss allowance as at 1 April 2018	2 886	747	17 991	21 624
Existing loan transfers between stages	(719)	187	532	-
Existing loans net ECL raised / (released)	(46)	10	3 839	3 803
New loan agreements originated	87	19	36	142
Written off / dormant loans	(107)	(67)	(2 677)	(2 851)
Loss allowance as at 31 March 2019	**2 101**	**896**	**19 721**	**22 718**
Total loss allowance	**54 759**	**15 915**	**225 824**	**296 498**

2.2.6 Write-off policy

The Group writes off financial assets as a whole if during the re-evaluation of securities and collateral, the cover is found to be less than 0,5 and one or more of the following criteria are met:

- No payment of contractual cash flows has been received during the preceding 12 months;
- The client has absconded or cannot be traced;
- The client is sequestrated, liquidated or the entity is in business rescue;
- The business has ceased trading;
- The possible protracted litigation or the availability of court dates and the subsequent impact on arrears and the value of any underlying security may be a cause to transfer the account to bad debt control; or
- The viability of the business is doubtful and or the business is trading under insolvent circumstances.

The above indicators represents instances where the Group has concluded that there is no reasonable expectation of recovery.

The Group may write-off financial assets which are still subject to enforcement activities. The outstanding contractual amounts of such assets written off during the year ended 31 March 2019 was R102,1 million.

The Group still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of recovery.

2.2.7 Modification of financial assets

The Group will in certain instances modify the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximise recovery.

Such restructuring activities include extended payment term arrangements and renegotiation of the interest charged. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial it does not result in derecognition of the original asset.

The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to financial assets where the terms have been modified.

Loans and receivables are classified as renegotiated when a new agreement is concluded. The revised terms are considered for approval after a rigorous risk assessment by a special credit committee.

Renegotiated loans and receivables at the end of the year are as follows:

	GROUP		COMPANY	
	Continue to be impaired R000	No longer impaired R000	Continue to be impaired R000	No longer impaired R000
At 31 March 2019				
Interest bearing loans	7 710	-	7 710	-
At 31 March 2018				
Interest bearing loans	9 097	-	9 097	-

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000
	IFRS9	IAS39	IFRS9	IAS39

2.3 Credit quality of loans and receivables

	GROUP 2019 R000 IFRS9	GROUP 2018 R000 IAS39	COMPANY 2019 R000 IFRS9	COMPANY 2018 R000 IAS39
The credit quality of loans and receivables is as follows:				
Stage 1	2 062 255		2 062 247	
Stage 2	552 281		552 281	
Stage 3	622 926		622 926	
Neither past due nor individually impaired		2 116 736		2 116 735
Past due, but not individually impaired		72 428		72 428
Individually impaired		985 616		985 586
Gross	3 237 462	3 174 780	3 237 454	3 174 749
Less: allowance for impairment	(296 498)		(296 490)	
Stage 1	(54 759)		(54 759)	
Stage 2	(15 915)		(15 915)	
Stage 3	(225 824)		(225 816)	
Less: allowance for impairment		(218 755)		(218 736)
Portfolio impairment		(175 740)		(175 721)
Specific impairment		(43 015)		(43 015)
	2 940 964	**2 956 025**	**2 940 964**	**2 956 013**
Fair value of collateral — loans and recievables	2 672 345	2 430 886	2 672 345	2 430 886

Upon initial recognition of loans and receivables, the fair value of the collateral is determined by applying valuation methodologies appropriate for the specific type of collateral.

During the year, interest on stage 3 loans has been derecognised against credit losses amounting to R26,2 million.

Of all the inputs included in the ECL model the most sensitive input is the hair cut on the security value, if the hair cut increases by 10% the impairment value will increase from a base of R296,5 million to R320,9 million and if the haircut decreases by 10% the impairment will decrease to R272,9 million.

Collateral taken

During the year, collateral of R5,3 million (2018: R33,0 million) was taken and recognised under assets held for resale. The derecognised value of these loans amounted to R6,25 million (2018: R77,2 million).

2.3.1 Credit quality of other financial assets

Rent debtors are impaired using the IFRS 9 simplified approach where debtors are impaired based on historical credit losses patterns based on the relevant debtors aging category. The provision for doubtful rent debtors' amounts to R0,6 million (2018: R2,9 million).

In line with IFRS 9, an impairment assessment was conducted on inter-company loans and management concluded that the impairment was immaterial.

2.3.2 Market risk

The Group accepts exposure to market risk, which is defined as the risk that the future cash flows from a financial instrument will fluctuate due to changes in the financial market rates. Market risks arise primarily from risks associated with interest rate changes.

2.3.3 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the majority of the Group's interest-bearing investments are linked to the prime overdraft rate, changes in the prime rate will affect the revenue of the Group. The prime rate also affects the return on, and the cost of, treasury funds.

If the prime rate was 100 basis points higher during the year, the Group's profit before tax would have been R308,2 million (2018: R313,6 million). Alternatively, if the prime rate was 100 basis points lower, the Group's profit before tax would have been R266,1 million (2018: R274,1 million).

Risk management process

The sensitivity to interest rate changes is decreased by non-interest revenue instruments in the investment portfolio such as dividends and royalty fees. The exposure to interest rate changes for the Group is reduced by investment in property assets as well as the effect of prime-linked borrowings.

2.3.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the obligations of disbursing investments, settling financial liabilities and commitments and paying day to day expenses when required.

Risk management process

Monitoring and reporting takes the form of cash flow measurements and projections for all key periods. Such cash flow projections take into consideration the Group's debt obligations and covenant compliance as well as regulatory and legal requirements. The major cash outflows consist of advances, capital expenditure projects, salaries, dividend payments, debt repayments and income tax payments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. All financial liabilities have not been discounted as the amounts below represent the actual contractual cash flows that will flow out of the business.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	R000	R000	R000	R000	R000
31 March 2019					
Borrowings	188 304	309 860	536 619	242 958	1 277 741
Accounts payable	77 060				77 060
Provisions	46 604				46 604
Shareholders for dividend	1 925				1 925
Bank overdraft	1 266				1 266
	315 159	**309 860**	**536 619**	**242 958**	**1 404 596**
31 March 2018					
Borrowings	203 546	174 161	967 715	268 850	1 614 272
Accounts payable	72 081				72 081
Provisions	47 316				47 316
Shareholders for dividend	1 449				1 449
Bank overdraft	60 767				60 767
	385 159	**174 161**	**967 715**	**268 850**	**1 795 885**

2.4 Fair values of assets and liabilities

The Group uses the following fair value measurement hierarchy to measure the assets and liabilities on the statement of financial position:

- Level 1: quoted prices in active market for identical assets or liabilities.
- Level 2: inputs other than quoted prices included with level 1 that are observable.
- Level 3: inputs for the asset or liability that are not based on observable market data.

2.4.1 Financial assets and liabilities not held at fair value

The table below summarises the carrying amounts which approximate to fair value for those financial assets and liabilities not held at fair value:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3	Total balance
	R000	R000	R000	R000	R000	R000
31 March 2019						
Financial assets						
Loans and receivables	2 940 964	2 940 964	-	-	2 940 964	2 940 964
Cash and cash equivalents	18 913	18 913	-	18 913	-	18 913
	2 959 877	**2 959 877**	**-**	**18 913**	**2 940 964**	**2 959 877**
Financial liabilities						
Borrowings	1 230 297	1 230 297	-	1 230 297	-	1 230 297
Bank overdraft	1 266	1 266	-	1 266	-	1 266
	1 231 563	**1 231 563**	**-**	**1 231 563**	**-**	**1 231 563**
31 March 2018						
Financial assets						
Loans and receivables	2 956 025	2 956 025	-	-	2 956 025	2 956 025
Cash and cash equivalents	48 125	48 125	-	48 125	-	48 125
	3 004 150	**3 004 150**	**-**	**48 125**	**2 956 025**	**3 004 150**
Financial liabilities						
Borrowings	1 239 458	1 239 458	-	1 239 458	-	1 239 458
Bank overdraft	60 767	60 767	-	60 767	-	60 767
	1 300 225	**1 300 225**	**-**	**1 300 225**	**-**	**1 300 225**

Valuation methodology — non-fair value items

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of certain financial assets and financial liabilities have been determined using measurement bases other than fair value. IFRS 13 — Fair Value ("IFRS 13") imposes specific fair value disclosure requirements on these items that fall within the scope of the standard. The valuation methodology described below has been applied in order to determine the disclosed fair values for such financial assets and financial liabilities that are not carried at fair value.

Financial assets and liabilities

The carrying value of financial assets and liabilities held at amortised cost is determined in accordance with the accounting policy. In all cases, the disclosed fair value approximates the carrying value.

Measurement of financial assets and liabilities at Level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial assets and liabilities not held at fair value categorised as Level 2. A description of the nature of the techniques used to calculate valuations based on observable inputs, is set out in the table below:

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Borrowings	Discounted cash flow model	Discount rate

Measurement of financial assets and liabilities at Level 3

The table below sets out information about significant unobservable inputs used at the end of the reporting period in measuring financial assets and liabilities not held at fair value categorised as Level 3.

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs
Loans and receivables	Discounted cash flow model	Discount rate, historical loss experience, emergence period

2.4.2 Assets and liabilities held at fair value

The table below presents the Group's assets that are measured at fair value:

	Level 1	Level 2	Level 3	Total
	R000	R000	R000	R000
31 March 2019				
Investment properties	-	-	1 519 679	1 519 679
Listed securities	322	-	-	322
Unlisted shares	-	-	75 364	75 364
Call account	29 345	-	-	29 345
	29 667	**-**	**1 595 043**	**1 624 710**
31 March 2018				
Investment properties	-	-	1 478 948	1 478 948
Listed securities	311	-	-	311
Unlisted shares	-	-	56 657	56 657
	311	**-**	**1 535 605**	**1 535 916**

Measurement of assets at Level 3

The fair value of level 3 assets is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the Group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the assets.

The sensitivity analysis applied to the unobservable inputs in the fair value model of the Investment properties is set out in note 3.

A reconciliation of the opening balances to closing balances for all movements on Investment properties is set out in note 3. There have been no transfers between fair value hierarchy levels for investment properties.

A reconciliation of the opening balances to closing balances for all movements on investments at fair value through other comprehensive income is set out in note 4.1.

2.5 Financial instruments by category

	Fair value	Amortised cost	Total
	R000	R000	R000
31 March 2019			
Assets per statement of financial position			
Investments at fair value through other comprehensive income	75 686		75 686
Loans and receivables		2 940 964	2 940 964
Accounts receivable*		38 594	38 594
Bank balances at amortised cost		18 913	18 913
Bank balances at fair value through profit and loss	29 345		29 345
	105 031	**2 998 471**	**3 103 502**
Liabilities per statement of financial position			
Cash and cash equivalents (bank overdraft)		1 266	1 266
Borrowings		1 230 297	1 230 297
Accounts payable		77 060	77 060
		1 308 623	**1 308 623**
31 March 2018			
Assets per statement of financial position			
Available-for-sale financial assets	56 967		56 967
Loans and receivables		2 956 025	2 956 025
Accounts receivable*		34 477	34 477
Bank balances at amortised cost		48 125	48 125
	56 967	**3 038 627**	**3 095 594**
Liabilities per statement of financial position			
Cash and cash equivalents (bank overdraft)		1 266	1 266
Borrowings		1 239 458	1 239 458
Accounts payable		72 081	72 081
		1 312 805	**1 312 805**

** The accounts receivable amount excludes pre-paid expenses as these are not financial assets, as defined.*

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

2.6 Capital management

The Group's objectives in managing its capital are:

- To protect the going concern status in order to continue providing returns for shareholders and benefits for other stakeholders; and
- To maintain an optimal capital structure to reduce the cost of capital with which to support the development and growth of the business.

The table below summarises the composition of capital:

	Group 2019 R000	Group 2018 R000	Company 2019 R000	Company 2018 R000
Share capital	173 001	173 001	173 001	173 001
Fair value and other reserves	83 362	66 420	77 311	61 359
Retained earnings	3 242 304	3 121 401	2 864 897	2 751 391
Total capital	**3 498 667**	**3 360 822**	**3 115 209**	**2 985 751**

3. Investment properties

	Group 2019 R000	Group 2018 R000	Company 2019 R000	Company 2018 R000
Fair value — beginning of the year	1 478 948	1 360 268	853 496	827 285
Acquisitions	31 652	83 520	-	6 900
Improvements	5 345	1 609	1 853	835
Disposals	(20 520)	(28 860)	(20 520)	(28 860)
Fair value adjustment	24 372	62 411	62 370	47 336
Depreciation on leasehold property	(118)	-	(118)	-
Fair value — end of the year	**1 519 679**	**1 478 948**	**897 081**	**853 496**

The valuation of property investments is performed internally by suitably qualified personnel and uses a capitalised income valuation method. The key assumptions used in the valuation of the investment properties are as follows:

- Capitalisation rates varied between 8,7 and 13 percent (2018: 8,7 and 11 percent);
- Vacancy factors varied between 1,0 and 10,0 percent (2018: zero and 5,0 percent); and
- Property expenses varied between 13,7 and 38,2 percent of total rent and recoveries (2018: 10,0 and 38,1 percent).

All investment properties generated rental income during the financial year.

If the capitalisation rate was on average one percent higher for the portfolio, the Group's profit before tax would have been R167,5 million (2018: R175,9 million). Conversely, if the capitalisation rate was on average one percent lower for the portfolio, the Group's profit before tax would have been R456,7 million (2018: R424,3 million).

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

The Group has not classified nor accounted for properties subject to an operating lease as investment property. As at 31 March 2019, the Group was committed to investing in properties to the value of R24,9 million.

The following items, regarding the investment properties, are included in the profit and loss component of the statement of comprehensive income:

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
• Rental income	200 826	193 645	117 871	116 573
• Repairs and maintenance expenses	16 582	16 322	9 960	11 036
• Other operating expenses	108 225	99 585	64 038	60 749

A register of the property portfolio is available for inspection at the registered office.

4 Other Investments

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Fair value through other comprehensive income ("OCI") financial assets*	75 686		75 682	
Available-for-sale financial assets*		56 968		56 963
Carrying value of other investments	**75 686**	**56 968**	**75 682**	**56 963**

** The change in classification and measurement from 2018 to 2019 between available-for-sale and fair value through other comprehensive income was as a result of the transition from IAS 39 to IFRS 9.*

4.1 The movement in fair value through OCI financial assets is as follows

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Fair value — beginning of the year	56 967	33 206	56 963	33 202
Disposals	(8)	-	(7)	-
Acquisitions	21 582	22 079	21 581	22 079
Fair value surplus/(deficit) transferred to equity	(2 855)	1 682	(2 855)	1 682
Fair value — end of the year	**75 686**	**56 967**	**75 682**	**56 963**
Fair value through OCI financial assets includes:				
Listed securities	322	311	322	311
Unlisted securities	75 364	56 657	75 360	56 652
	75 686	**56 968**	**75 682**	**56 963**

The above investments at fair value through other comprehensive income comprise listed and unlisted shares. The fair value of listed shares is determined with reference to quoted prices on the relevant securities exchange. The fair value of unlisted shares is determined with reference to recognised valuation techniques performed by suitably qualified personnel. The directors approve the valuation techniques.

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

5. Loans and receivables

	2019 R000	2018 R000	2019 R000	2018 R000
Gross loans and receivables	3 256 125	3 174 780	3 256 117	3 174 749
Less: effective interest rate (EIR) adjustment	(18 663)		(18 663)	
Loans and receivables net of EIR adjustment	3 237 462	3 174 780	3 237 454	3 174 749
Less: Allowance for impairment	(296 498)		(296 490)	
Stage 1	(54 759)		(54 759)	
Stage 2	(15 915)		(15 915)	
Stage 3	(225 824)		(225 816)	
Less: Allowance for impairment		(218 755)		(218 736)
Specific impairment		(175 740)		(175 721)
Collective impairment		(43 015)		(43 015)
Carrying value of loans and receivables	**2 940 964**	**2 956 025**	**2 940 964**	**2 956 013**
Long-term portion	2 496 989	2 477 568	2 497 347	2 477 556
Short-term portion	443 975	478 457	443 617	478 457
	2 940 964	**2 956 025**	**2 940 964**	**2 956 013**

5.1 Loans and receivables by loan type

5.1.1 Interest-bearing loans

These loans are secured and are priced at market rates representative of the risk of the investment and the quality and extent of the collateral pledged. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity that vary between 7.25 and 20,75 percent (2018:7.20 and 20,8 percent) per annum. The amortised cost of the interest-bearing loans approximates fair value, as the loans are priced at variable, market related rates.

	2019 R000	2018 R000	2019 R000	2018 R000
Gross interest-bearing loans	2 972 616	2 954 983	2 972 608	2 954 952
Less: allowance for impairment	(262 472)		(262 464)	
Stage 1	(51 258)		(51 258)	
Stage 2	(14 957)		(14 957)	
Stage 3	(196 257)		(196 249)	
Less: allowance for impairment		(204 667)		(204 648)
Specific impairment		(163 644)		(163 625)
Collective impairment		(41 023)		(41 023)
	2 710 144	2 750 316	2 710 144	2 750 304

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

5.1.2 Shareholders' loans

These loans are unsecured, and are priced at interest rates between zero and 10,25 percent (2018: zero and 10,2 percent) per annum. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity equal to the prime rate at the date of approval of the loan. Fair value at initial recognition is determined with reference to the prime rate. Should the repayment terms of the loan be indeterminable the loan is recognised at cost. The amortised cost of the shareholders' loans approximates fair value.

	Group 2019	Group 2018	Company 2019	Company 2018
Gross shareholders' loans	154 011	142 488	154 011	142 488
Less: allowance for impairment	(11 307)		(11 307)	
Stage 1	(1 400)		(1 400)	
Stage 2	(61)		(61)	
Stage 3	(9 846)		(9 846)	
Less: allowance for impairment		(14 088)		(14 088)
Specific impairment		(12 096)		(12 096)
Collective impairment		(1 992)		(1 992)
	142 704	128 400	142 704	128 400

5.1.3 Royalty agreements

The cash flows expected from royalty agreements are determined by adjusting the contracted royalty payments with a risk factor. The expected future royalty payments are initially measured at fair value and then measured at amortised cost by applying a discount rate equal to the expected return from the investment linked to the royalty agreement. The rates vary between 2,19 and 27,07 percent (2018: 1,2 and 13,7 percent). The amortised cost of royalty agreements approximates fair value.

	Group 2019	Group 2018	Company 2019	Company 2018
Royalty agreements	110 835	77 309	110 835	77 309
Less: allowance for impairment	(22 719)		(22 719)	
Stage 1	(2 102)		(2 102)	
Stage 2	(896)		(896)	
Stage 3	(19 721)		(19 721)	
	88 116	77 309	88 116	77 309
Gross loans and receivables	3 237 462	3 174 780	3 237 454	3 174 749
Less: Allowance for impairment	(296 498)	(218 755)	(296 490)	(218 736)
Total for loans and receivables	**2 940 964**	**2 956 025**	**2 940 964**	**2 956 013**

The Group accepted mortgage bonds, notarial bonds and other types of collateral, at a value of R2 672,3 million (2018: R2 430,9 million) as collateral for interest-bearing loans. The Group has the authority to cede or repledge this collateral.

At the reporting date, although the Group has not sold or repledged any of the collateral held, the Group has ceded contingent rights to its loans and receivables as collateral for a loan facility in the amount of R400 million (refer note 15.1 for details on Borrowings).

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

6. Investments in associates

Audited financial statements are used to account for the share of associated companies' earnings. For those associates for which audited financial statements are not available, an estimation is made of the associated company's earnings. For the current year, the impact is estimated to amount to a profit of R2.6 million before tax (2018: profit of R1,4 million). A register containing details of all listed, unlisted and other investments is available at the registered office.

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Unlisted shares at cost	1 466	919	1 466	919
Share of retained earnings	110 897	122 348		
Total for unlisted associates	**112 363**	**123 267**	**1 466**	**919**
	261 878	256 530	261 878	256 530

The valuation methods applied to determine the directors' valuation are consistent with the valuation guidelines recommended by the Southern African Venture Capital and Private Equity Association (SAVCA).

The movement in investments in associates is as follows:

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Balance — beginning of the year	123 267	112 671	919	908
Share of results before tax (Refer note 20)	33 851	33 495		
Share of tax	(4 791)	(7 058)		
Other movements (net of acquisitions and disposals)	(39 964)	(15 841)	547	11
Balance — end of the year	**112 363**	**123 267**	**1 466**	**919**

The Group has investments in 396 associates (2018: 425), a list of which is available at the registered office for inspection. The detail of the Groups' investment in associates, principally their assets, liabilities, revenues, profits or losses and the percentage held, is not disclosed as these investments are not individually material to the results of the Group.

All balances included in investments in associates are from continued operations and do not have discontinued operations.

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

7. Property and equipment

7.1 Equipment

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Cost — beginning of the year	30 898	28 816	29 747	27 870
Acquisitions	2 926	2 439	2 713	2 234
Disposals	(428)	(357)	(428)	(357)
Cost — end of the year	33 396	30 898	32 032	29 747
Accumulated depreciation — beginning of the year	(27 667)	(26 158)	(26 783)	(25 492)
Depreciation charged	(1 836)	(1 755)	(1 696)	(1 632)
Exchange differences	(22)	(95)		
Depreciation on disposals	396	341	396	341
Accumulated depreciation — end of the year	(29 129)	(27 667)	(28 083)	(26 783)
Closing net carrying value	**4 220**	**3 231**	**3 949**	**2 964**

7.2 Land and buildings

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Cost — beginning of the year	105 934	104 934	-	-
Additions	-	-	-	-
Improvements	-	1 000	-	-
Disposals	-	-	-	-
Cost — end of the year	105 934	105 934	-	-
Accumulated depreciation — beginning of the year	(11 854)	(10 684)	-	-
Depreciation charged	(1 217)	(1 170)	-	-
Accumulated depreciation — end of the year	(13 071)	(11 854)	-	-
Closing net carrying value	**92 863**	**94 080**	**-**	**-**
Total net carrying value for property & equipment	**97 083**	**97 311**	**3 949**	**2 964**

Included in land and buildings are owner occupied properties at a carrying amount of R92,9 million (2018: R94,1 million).

A register of the property and equipment is available for inspection at the registered office.

	COMPANY	
	2019 R000	2018 R000

8. Investments in subsidiaries and loans to/(from) subsidiaries

8.1 Investments in subsidiaries

	2019 R000	2018 R000
Unlisted shares at cost	8	8
	8	**8**

8.2 Loans to/(from) subsidiaries

	2019 R000	2018 R000
Loans to subsidiaries		
Interest free loans	411 341	415 446
Interest-bearing loans	24 324	27 010
	435 665	442 456
Loans from subsidiaries		
Interest free loans	(15 769)	(12 515)
	419 896	**429 941**

Interest bearing loans comprise a loan made available to Business Partners Properties 002 (Pty) Ltd to purchase a property. The loan has a tenure of 10 years and interest is charged at prime minus one percent.

The Company's interest in the aggregate net profits and losses of subsidiaries are:	2019 R000	2018 R000
Profits	25 882	79 919
Losses	(2 812)	(7 238)

The details of the subsidiaries are disclosed in note 31.

8.3 Unconsolidated structured entities

The Group is involved in unconsolidated structured entities through a 6,67 percent (2018: 6,67 percent) interest held by Business Partners Limited ('BPL') in Business Partners International Southern Africa Fund LLC ('SAF') and a 16,8 percent (2018: 16,8 percent) interest held by BPL in Business Partners International East Africa Fund LLC ('EAF').

SAF and EAF are USD 30 million funds incorporated in Mauritius and have the objective of investing capital, knowledge and skills in viable SME's in Southern Africa (Malawi, Namibia and Zambia) and in East Africa (Kenya , Rwanda and Uganda) respectively. These funds are financed by issuing shares to investors.

SAF and EAF are managed by Business Partners International (Pty) Ltd ('BPI'), a subsidiary of BPL. BPI earns an asset-based fee and a performance-based incentive fee.

The change in fair value of BPL's interest in SAF and EAF will be included as 'Gains or losses from available-for-sale financial assets' in the statement of comprehensive income as other comprehensive income that will not be reclassified to profit or loss. A fair value loss of R3,5million (2018: R7,0 million loss) is included in 'Gains or losses from Available-for-sale financial assets'.

The Group has committed to invest USD 2,0 million during the investment period of the SAF. The investment by the Group in the SAF during the year ended 31 March 2019 was USD174 162 or R2,5 million (2018: USD327 886 or R4,3 million). The total investment by the Group in the SAF as at the year ended is USD1,6 million or R20,4 million (2018: USD1,4 million or R17,9 million).

The table below reflects the sensitivity on carrying amount of the unlisted shares as a result of changes in foreign exchange rates or the underlying net asset value of the funds.

		EFFECT ON THE CARRYING AMOUNT (R'000)			
		Southern Africa Fund		East Africa Fund	
		2019	2018	2019	2018
Movement in foreign exchange rate by 1 USD\ZAR	Increase	1 241	1 169	3 965	3 604
	Decrease	(1 241)	(1 169)	(3 965)	(3 604)
Movement in net asset value by 10%	Increase	1 299	1 554	4 860	4 849
	Decrease	(1 299)	(1 554)	(4 860)	(4 849)

9. Post-employment benefits

9.1.1 Defined contribution pension fund

The Group pays fixed contributions into a separate trustee-administered fund in terms of the defined contribution plan. The Group has no legal or constructive obligation to pay additional contributions to the fund apart from those contributions that are contractual between the employer and employee. Should the fund not hold sufficient assets to pay employee benefits, no liability to make any additional contribution can or will accrue to the Group. The amounts included in the statement of comprehensive income under staff costs for the defined contribution fund are R10,1 million (2018: R10,2 million).

9.1.2 Defined benefit pension fund

The Group operates a defined benefit pension fund for the benefit of pensioners providing a guaranteed level of pension payable. The fund is closed to new members and has no active members. There are 84 (2018: 86) members benefiting from the fund. The benefits provided are based on years of service and remuneration level at retirement. Responsibility for the governance of the fund is vested in the board of trustees and is regulated as described below.

All active members became members of the Business Partners Limited Retirement Fund with effect from 1 March 2012. During the course of the prior year, after obtaining the Section 14 approval from the Registrar of Pension Funds, the final transfer values of the active members were determined and transferred to the defined contribution fund.

The past service obligation as at 31 March 2019 in respect of pensioners, has been calculated in accordance with the Projected Unit Credit method by actuaries. No current service costs were incurred since the fund has no active members. The interest cost represents the increase during the year in the obligation which arises because the benefits are one year closer to settlement and is determined by multiplying the discount rate by the average liability over the period.

The fund is governed by the Pension Funds Act of 1956 (as amended) which requires that a statutory valuation be carried out at least every three years. The last statutory valuation of the fund was conducted at 1 April 2016 and confirmed that the fund was in a sound financial position. The funding level, in terms of the market value of the plan assets and this valuation basis and assumptions, was 318 percent (2018: 282,7 percent).

The Pension Funds Second Amendment Act of 2001 ("the PF Act") regulates a surplus apportionment and avoids the inappropriate distribution of surpluses. In terms of the rules of the Fund, the surpluses in the Fund are for the benefit of the employer and are recognised in full as an asset on the statement of financial position. The increase in the value of the surplus of R13,2 million (2018: increase of R11,2 million) is accounted for in the statement of comprehensive income.

The PF Act requires that a fund establish contingency reserves to ensure the financial soundness of the fund. The contingency reserves consist of a Data Reserve and a Solvency Reserve amounting to R1,6 million (2018: R1,5 million) and R9,6 million (2018: R11,6 million) respectively. With the issuance of the revised IAS19 standard and the accompanying guidance statement, the recognition of a liability for these reserves is no longer permitted. The liability for these reserves was reversed through other comprehensive income in the financial year ended 31 March 2015.

	GROUP & COMPANY	
	2019 R000	2018 R000

9.1.3 Amount recognised in the statement of financial position

	2019 R000	2018 R000
Market value of assets	273 648	269 785
Present value of defined benefit obligation	(86 068)	(95 440)
Defined benefit pension fund surplus	**187 580**	**174 345**

9.1.4 Defined benefit plan reconciliations

Reconciliation of the net surplus

	2019 R000	2018 R000
Defined benefit pension fund surplus — beginning of the year	174 345	163 184
Movement in obligation	730	(10 617)
Growth in plan assets	13 168	23 399
Expenses and tax paid	(663)	(1 621)
Defined benefit pensions fund surplus — end of the year	**187 580**	**174 345**

Reconciliation of the movement in the defined benefit obligation

	2019 R000	2018 R000
Defined benefit obligation — beginning of the year	95 440	93 085
Interest expense	8 112	8 657
Benefits paid	(8 642)	(8 262)
	94 910	93 480
Remeasurements	(8 842)	1 960
Change in actuarial assumptions — (gain) / loss	(7 866)	1 587
Experience adjustments — (gain) / loss	(976)	373
Defined benefit obligation — end of the year	**86 068**	**95 440**

Reconciliation of the movement in the plan assets

	2019 R000	2018 R000
Market value of assets — beginning of the year	269 785	256 269
Interest income	22 561	23 436
Remeasurement	(9 393)	(37)
Benefits paid	(8 642)	(8 262)
Expenses and tax paid	(663)	(1 621)
Market value of assets — end of the year	**273 648**	**269 785**

	GROUP & COMPANY	
	2019 R000	2018 R000

9.1.5 Nature of the pension fund assets

The pension fund assets are administered by asset managers in accordance with prudential guidelines, and consist of the following:

	2019 R000	2018 R000
Equity assets	159 341	145 476
Capital market assets	53 528	86 025
Money market assets	43 604	38 284
Property related assets	17 174	-
Market value of assets — end of the year	**273 647**	**269 785**

The value of assets disclosed above are based on quoted prices in active markets, with the exception of property related assets.

9.1.6 Movements in defined benefit plan accounted for in the statement of comprehensive income

	2019 R000	2018 R000
Interest income on net surplus	14 449	14 779
Expenses and tax paid	(663)	(1 621)
Total included in staff costs (refer note 22)	13 786	13 158
Remeasurements and movement recognised in other comprehensive income before tax	(551)	(1 997)
Actual return on assets	(9 393)	(37)
Change in financial assumptions — (loss) / gain	7 866	(1 587)
Experience adjustments — (loss) / gain	976	(373)
Total recognised in the statement of comprehensive income	**13 235**	**11 161**

9.1.7 The principal actuarial assumptions

	2019	2018
Discount rate	4,0%	2,9%
Expected rate of return on plan assets	9,4%	8,5%
Inflation rate	6,1%	6,2%
Target pension increase	5,4%	5,5%
Average life expectancy	11.9 yrs	12.2 yrs
Post-retirement mortality — PA(90) mortality tables with age reduction	2 yrs	2 yrs

9.1.8 Sensitivity analysis

Should the discount rate change by one percent, the impact would be as follows:	Increase of 1%	Decrease of 1%
Change in liability — (decrease) / increase	(6 158)	7 097

The mortality assumption used in the calculation of the liability assumes a 1 percent improvement per annum in mortality rates. Should the mortality assumption change by one percent per annum, the impact would be as follows:	Improvement of 2% per annum	No improvement
Change in liability — increase / (decrease)	4 816	(4 290)

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

9.2 Post-employment medical benefits

The Group operates a post-retirement medical aid benefit scheme for employees and pensioners who were in the service of the Group on or before 30 April 1999. There are 199 (2018: 201) members benefiting from the fund. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age. The plan is not funded, and monthly subsidy payments are made to all qualifying members. The post-retirement medical aid subsidy is increased annually by 89 percent of the Consumer Price Index ("CPI").

The main actuarial assumption used in calculating the liability at balance sheet date is the discount rate at which the present value of the future liability (payments) is determined. The real discount rate is the quotient of the market rates on high quality interest bearing bonds and the increase in the subsidy rate.

The real discount rate was determined as follows:

	GROUP & COMPANY	
	2019	2018
Nominal rate on high quality interest bearing bond	9,90%	8,92%
Real rate on high quality interest bearing bond	3,35%	2,41%
Implied price inflation	**6,34%**	**6,36%**
Subsidy inflation rate (89 percent of implied price inflation)	5,64%	5,66%
Nominal rate on high quality interest bearing bond	9,90%	8,92%
Subsidy inflation rate	5,64%	5,66%
Real discount rate	**4,03%**	**3,09%**

	GROUP & COMPANY	
	2019 R000	2018 R000

9.2.1 Amount recognised in the statement of financial position

	2019 R000	2018 R000
Liability — beginning of the year	94 679	92 849
Benefits paid	(5 181)	(4 860)
Recognised in comprehensive income for the year	9 098	9 847
Recognised in other comprehensive income before tax	(10 883)	(3 157)
Liability — end of the year	**87 713**	**94 679**

9.2.2 Movements in post-employment medical benefits accounted for in the statement of comprehensive income

	2019 R000	2018 R000
Interest expense	8 219	8 912
Current service cost	879	935
Total included in staff costs (refer note 22)	9 098	9 847
Remeasurements and movement recognised in other comprehensive income before tax	(10 883)	(3 157)
Change in economic assumptions — loss / (gain)	(9 562)	435
Experience adjustments — (gain) / loss	(164)	(1 766)
Change in demographic profile — (gain) / loss	(1 157)	(1 826)
Total recognised in the statement of comprehensive income	**(1 785)**	**6 690**

9.2.3 Sensitivity analysis

Should the discount rate change by one percent, the impact would be as follows:	Increase of 1%	Decrease of 1%
Change in interest expense — (decrease) / increase	(27)	2
Change in current service cost — (decrease) / increase	(93)	116
Change in liability — (decrease) / increase	(8 030)	9 555

Should the mortality improvement assumption change by one percent, the impact would be as follows:	Increase of 1%	Decrease of 1%
Change in interest expense — (decrease) / increase	466	(417)
Change in current service cost — (decrease) / increase	37	(33)
Change in liability — (decrease) / increase	4 707	(4 214)

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

9.3 Exposure to actuarial risk

The post-employment obligations expose the Group to the risk that the benefits promised cost more than the accumulated assets set aside to meet such benefits, which will ultimately require additional funding from the Group. This risk can be categorised as follows:

Investment risk

The actuarial valuations make assumptions about the returns that may be available on invested assets. If the return on plan assets is below this rate, it may lead to a strain on the fund, which over time, may lead to a plan deficit.

For the year under review, a liability driven investment strategy has been followed to reduce the interest rate risk to which the fund is exposed. This consists of applying a dynamic hedging/matching strategy by investing assets to match the fund's obligations to the pensioners in a combination of a matching and a growth portfolio. The fund is well hedged for future market movements.

Inflation risk

Benefits in these plans are linked to inflation. Increased inflation represents the risk of increasing the cost of meeting the benefit obligation.

Longevity risk

If members live longer than expected, the fund's obligation will increase as the benefits are paid for a longer period.

Regulatory risk

The funds' benefit obligations are governed by the rules of the respective plans which operate within the regulatory framework of the country. Should the regulatory framework change, the Group is exposed to a risk of an increase in the obligations

9.4 Cash flow impact

No contributions will be made to the defined benefit pension fund in the coming financial year. Contributions to the post-employment medical plan and the defined contribution fund are expected to approximate R5,1 million and R10,3 million respectively.

The weighted average duration of the defined benefit obligation is 9,0 years and the medical aid benefit is 12,3 years.

The expected maturity analysis of undiscounted pension and post-employment medical benefits at 31 March 2019 are as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	R000	R000	R000	R000	R000
Defined benefit pension fund	8 955	9 085	27 655	179 006	224 701
Post-employment medical benefits	5 974	6 468	21 753	364 317	398 512
	14 929	**15 553**	**49 408**	**543 323**	**623 213**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

10 Assets held for resale

	2019 R000	2018 R000	2019 R000	2018 R000
Repossessed properties — at the beginning of the year	29 708	4 495	29 708	4 495
Additions	5 300	26 106	5 300	26 106
Disposals		(881)		(881)
Impairment	(29)	(12)	(29)	(12)
Other (at cost)	(1)	-	(1)	-
Balance — end of the year	**34 978**	**29 708**	**34 978**	**29 708**

Assets comprising mainly of properties were acquired on auction in order to recover the indebtedness of clients. These repossessed assets are reflected at the lower of cost or net realisable value.

11 Accounts receivable

	2019 R000	2018 R000	2019 R000	2018 R000
Rent debtors	21 758	17 717	13 362	9 371
Trade receivables	11 006	9 356	3 002	3 002
Insurance pre-paid and claims receivable	1 025	970	740	704
Sundry deposits	4 687	3 801	3 067	2 807
Pre-paid expenses	14 103	8 872	13 977	8 783
Other	118	2 633	2 961	2 907
	52 697	**43 349**	**37 109**	**27 574**

12. Cash and cash equivalents

	2019 R000	2018 R000	2019 R000	2018 R000
Bank current and call accounts	(1 266)	(60 767)	696	(57 988)
Funds held in trust on behalf of third parties (restricted)	48 258	48 125	30 871	31 516
	46 992	**(12 642)**	**31 567**	**(26 472)**

Cash and cash equivalents are held by financial institutions with credit ratings of BB+.
The cash and cash equivalents disclosed above and in the statement of cash flows includes funds held in trust of R 48,3 million (2018: R48,1 million). These funds are held with Nedbank and therefore are not available for general use within the Group.

The overdraft is secured by a reversionary cession of the loans and receivables and incurs interest at prime minus 0,5 percent.

13. Fair value and other reserves*

		Net actuarial (loss)/gain on post-retirement benefits	Fair value adjustment to financial instruments	Foreign currency translation reserve	Share of other comprehensive income of associates	Total
		R000	R000	R000	R000	R000
Group						
At 1 April 2017		69 871	(9 096)	2 314	1 829	64 918
Remeasurement of post-employment benefits:						
Defined benefit pension fund	- gross	(1 997)				(1 997)
	- tax	559				559
Post-employment medical benefits	- gross	3 157				3 157
	- tax	(884)				(884)
Revaluation of financial instruments	- gross		9 060			9 060
	- tax		(2 029)			(2 029)
Currency translation differences	- gross			(6 715)		(6 715)
	- tax			1 653		1 653
Share of associates other comprehensive income					(1 302)	(1 302)
At 31 March 2018		**70 706**	**(2 065)**	**(2 748)**	**527**	**66 420**
At 1 April 2018		70 706	(2 065)	(2 748)	527	66 420
Remeasurement of post-employment benefits:						
Defined benefit pension fund	- gross	(551)				(551)
	- tax	154				154
Post-employment medical benefits	- gross	10 883				10 883
	- tax	(3 047)				(3 047)
Revaluation of financial instruments	- gross		(2 803)			(2 803)
	- tax		628			628
Currency translation differences	- gross			13 001		13 001
	- tax			(3 085)		(3 085)
Share of associates other comprehensive income					1 762	1 762
At 31 March 2019		**78 145**	**(4 240)**	**7 168**	**2 289**	**83 362**
Company						
At 1 April 2017		69 871	(9 096)	(1 557)	-	59 218
Remeasurement of post-employment benefits:						
Defined benefit pension fund	- gross	(1 997)				(1 997)
	- tax	559				559
Post-employment medical benefits	- gross	3 157				3 157
	- tax	(884)				(884)
Revaluation of financial instruments	- gross		9 060			9 060
	- tax		(2 029)			(2 029)
Currency translation differences				(5 725)		(5 725)
At 31 March 2018		**70 706**	**(2 065)**	**(7 282)**	**-**	**61 359**
At 1 April 2018		70 706	(2 065)	(7 282)	-	61 359
Remeasurement of post-employment benefits:						
Defined benefit pension fund	- gross	(551)				(551)
	- tax	154				154
Post-employment medical benefits	- gross	10 883				10 883
	- tax	(3 047)				(3 047)
Revaluation of financial instruments	- gross		(2 803)			(2 803)
	- tax		628			628
Currency translation differences	- gross			13 773		13 773
	- tax			(3 085)		(3 085)
At 31 March 2019		**78 145**	**(4 240)**	**3 406**	**-**	**77 311**

** The nature and purpose of each reserve is detailed in the respective accounting policy.*

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

14. Share capital

14.1 Authorised

400 000 000 ordinary shares of R1 each	400 000	400 000	400 000	400 000

14.2 Issued

173 000 594 (2018: 173 000 594) ordinary shares of R1 each	173 001	173 001	173 001	173 001
	173 001	**173 001**	**173 001**	**173 001**

15. Borrowings

15.1 Non-current

Interest-free Jobs Fund loan	40 640	40 077	40 640	40 077
Interest-bearing long-term loans	1 107 462	1 097 416	1 107 462	1 097 416
	1 148 102	**1 137 493**	**1 148 102**	**1 137 493**

Current

Short-term portion of long-term loans	82 195	101 965	82 195	101 965
	1 230 297	**1 239 458**	**1 230 297**	**1 239 458**

The nature and terms of the Interest-bearing long-term loans are as follows:

- Loans secured by bonds amounting R782 million over properties and incurring interest at rates between prime minus 0,6 percent and prime minus one percent.
  The loans' repayment terms are 5 and 10 years respectively. Refer note 2.3.4
- A loan secured by a cession amounting to R2,94 billion of the loans and receivables and incurring interest at prime minus 1,5 percent. The loan's repayment term is 10 years. Refer to note 2.3.4

All covenants were adhered to during the year and as at the balance sheet date.

The nature and terms of the Interest-free Jobs Fund loan is as follows:

- The Group obtained a facility amounting to R48,7 million during the 2014 financial year. This interest free loan is intended to facilitate the establishment of new franchises through the advancement of loans to SMEs. Drawdowns will take place over a 3 year period and the initiative will run for a period of 5 years. All capital recovered will be distributed in terms of the agreement.

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

15.2 Net debt reconciliation

	2019 R000	2018 R000	2019 R000	2018 R000
Net debt by repayment term				
Cash and cash equivalents	48 258	48 125	31 567	31 516
Borrowings — repayable within one year (including overdraft)	(83 461)	(162 732)	(82 195)	(159 953)
Borrowings — repayable after one year	(1 148 102)	(1 137 493)	(1 148 102)	(1 137 493)
Net debt	**(1 183 305)**	**(1 252 100)**	**(1 198 730)**	**(1 265 930)**
Net debt by interest structure				
Cash and cash equivalents	48 258	48 125	31 567	31 516
Gross debt — fixed interest rates	(40 640)	(40 077)	(40 640)	(40 077)
Gross debt — variable interest rates (including overdraft)	(1 190 923)	(1 260 148)	(1 189 657)	(1 257 369)
Net debt	**(1 183 305)**	**(1 252 100)**	**(1 198 730)**	**(1 265 930)**

15.3 Total borrowings reconciliation

	2019 R000	2018 R000	2019 R000	2018 R000
Opening balance	1 239 458	1 131 442	1 239 458	1 131 442
Interest	106 020	103 510	106 020	103 510
Repayments	(221 224)	(132 990)	(221 224)	(132 990)
Drawdowns	100 000	135 850	100 000	135 850
Other movements	6 043	1 646	6 043	1 646
Total borrowings	**1 230 297**	**1 239 458**	**1 230 297**	**1 239 458**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

16. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28 percent (2018: 28 percent).

An aging of deferred tax assets and deferred tax liabilities is as follows:

	2019 R000	2018 R000	2019 R000	2018 R000
Deferred tax asset				
• Deferred tax assets to be recovered after more than 12 months	18 580	95 967	16 555	92 593
• Deferred tax assets to be recovered within 12 months	114 726	12 724	108 599	10 980
	133 306	108 691	125 154	103 573
Deferred tax liability				
• Deferred tax liabilities to be recovered after more than 12 months	(44 408)	(190 494)	(44 331)	(161 573)
• Deferred tax liabilities to be recovered within 12 months	(210 257)	(43 459)	(185 630)	(43 386)
	(254 665)	(233 953)	(229 961)	(204 959)
Net deferred tax liabilities	**(121 359)**	**(125 262)**	**(104 807)**	**(101 386)**

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group is expected to continue generating taxable income into the foreseeable future.

The movement on the deferred tax account is as follows:

	2019 R000	2018 R000	2019 R000	2018 R000
Balance — beginning of the year	(125 262)	(101 023)	(101 386)	(81 573)
Charge to profit and loss component of the statements of comprehensive income:				
• Provisions	(2 996)	(7 468)	(3 512)	(7 698)
• Investment properties	(3 650)	(10 076)	(11 451)	(5 938)
• Fair value adjustments: financial instruments	(434)	(2 139)	(10)	(1 792)
• Defined benefit pension fund surplus	(3 860)	(3 684)	(3 860)	(3 684)
• Assessed losses	(570)	(171)	-	-
Charged directly to other comprehensive income	(5 350)	(701)	(5 350)	(701)
Charged directly to retained earnings	20 763	-	20 762	
Balance — end of the year	**(121 359)**	**(125 262)**	**(104 807)**	**(101 386)**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000
Net deferred tax liabilities consist of temporary differences relating to:				
Provisions	89 817	65 380	84 149	60 227
Investment properties	(125 203)	(121 553)	(103 943)	(92 492)
Fair value adjustments: financial instruments	(34 875)	(22 266)	(32 491)	(20 304)
Defined benefit pension fund surplus	(52 522)	(48 817)	(52 522)	(48 817)
Assessed losses	1 424	1 994	-	-
Net deferred tax liability	**(121 359)**	**(125 262)**	**(104 807)**	**(101 386)**

17. Accounts payable

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Tenant deposits held	19 601	18 665	13 391	12 667
Funds held in trust	7 911	9 709	-	-
Trade vendors	21 372	17 176	10 613	7 760
Statutory vendors	7 722	8 088	7 162	4 726
Prepaid and deferred income	10 120	10 013	6 844	7 132
Other	10 334	8 430	4 741	851
	77 060	**72 081**	**42 751**	**33 136**

18. Provisions

	Leave pay	Bonus	Total
	R000	R000	R000
Group			
At 1 April 2017	16 372	36 041	52 413
Provided for the year	1 717	32 071	33 788
Utilised during the year	(1 682)	(37 203)	(38 885)
At 31 March 2018	**16 407**	**30 909**	**47 316**
At 1 April 2018	16 407	30 909	47 316
Provided for the year	1 785	30 319	32 104
Utilised during the year	(2 227)	(30 589)	(32 816)
At 31 March 2019	**15 965**	**30 639**	**46 604**
Company			
At 1 April 2017	15 736	34 506	50 242
Provided for the year	1 619	30 540	32 159
Utilised during the year	(1 696)	(35 818)	(37 514)
At 31 March 2018	**15 659**	**29 228**	**44 887**
At 1 April 2018	15 659	29 228	44 887
Provided for the year	1 748	28 471	30 219
Utilised during the year	(2 227)	(29 227)	(31 454)
At 31 March 2019	**15 180**	**28 472**	**43 652**

The provision for leave pay is determined in terms of the contractual obligations incorporated in the conditions of employment.
The provision for bonuses is payable within three months after finalisation of the audited financial statements.

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

19. Revenue

19.1 Net interest income

	2019 R000	2018 R000	2019 R000	2018 R000
Interest income	406 659	405 123	408 399	407 213
Interest on loans and receivables	307 624	314 333	307 623	314 329
Interest on surplus funds	4 934	7 927	4 346	7 353
Royalty fees	94 101	82 863	94 101	82 861
Interest on loans to subsidiaries			2 329	2 670
Interest expense	(108 412)	(105 671)	(108 412)	(105 638)
Interest bearing borrowings	(106 020)	(103 544)	(106 020)	(103 511)
Bank overdraft	(2 392)	(2 127)	(2 392)	(2 127)
	298 247	**299 452**	**299 987**	**301 575**

19.2 Fee revenue

	2019 R000	2018 R000	2019 R000	2018 R000
Fee revenue*	2 018	12 875	2 016	12 860

** In the 2019 financial year, it was determined that the decision applied under IAS39 and IAS18 to recognise contract fees (other than administration fees) upfront was no longer appropriate. Therefore, the Group changed the recognition of these fees, comprised mainly of initiation fees from upfront recognition in revenue to amortisation in interest income, using the effective interest rate method. The fee amounts disclosed under fee revenue (in 2019) relate primarily to administration fees, in line with IFRS15.*

19.3 Management and service fee income

	2019 R000	2018 R000	2019 R000	2018 R000
Management and service fee income	30 693	30 385	15 452	14 164

20. Investment income and gains

	2019 R000	2018 R000	2019 R000	2018 R000
Investment income	53 391	24 105	95 665	39 866
Surplus on realisation of unlisted investments	45 442	18 736	85 525	22 794
Surplus on realisation of investment properties	7 943	5 016	7 943	5 016
Dividends received	6	353	2 197	12 056
Investment gains	59 939	96 116	63 896	47 739
Income from associated companies	33 851	33 495		
Fair value movement on investment properties	24 371	62 411	62 369	47 336
Net foreign exchange rate differences	1 717	210	1 527	403
	113 330	**120 221**	**159 561**	**87 605**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

21. Net credit losses

	Group 2019 R000	Group 2018 R000	Company 2019 R000	Company 2018 R000
Loans and receivables written off	104 969	91 235	104 969	91 235
Legal and other expenses incurred on recovery	3 873	4 778	3 855	4 774
Impairments (released)/created	(38 790)	3 430	(38 780)	3 411
Portfolio impairments released		(12 704)		(12 704)
Specific impairments created		16 134		16 115
Stage 1	(10 863)		(10 863)	
Stage 2	1 660		1 660	
Stage 3 (includes suspended interest for loans in stage 3)	(29 587)		(29 577)	
Recovery of loans and receivables written off	(18 434)	(23 097)	(18 354)	(22 980)
	51 618	**76 346**	**51 690**	**76 440**

22. Staff costs

	Group 2019 R000	Group 2018 R000	Company 2019 R000	Company 2018 R000
Remuneration at cost to company	145 337	140 106	130 797	127 252
Post retirement medical aid costs (refer note 9.2.1)	9 098	9 847	9 098	9 847
Bonuses and provisions	32 076	33 955	30 170	32 159
	186 511	183 908	170 065	169 258
Defined benefit pension fund gain (refer note 9.1.6)	(13 786)	(13 158)	(13 786)	(13 158)
Indirect staff costs	4 676	3 208	4 548	2 867
	177 401	**173 958**	**160 827**	**158 967**

23. Profit from operations

The following items have been included in arriving at profit from operations:

	Group 2019 R000	Group 2018 R000	Company 2019 R000	Company 2018 R000
Depreciation on property and equipment	3 173	2 925	1 814	1 632
Directors' emoluments:				
• As directors (refer note 29.2)	2 628	2 446	2 628	2 446
• As management (refer note 29.2)	9 963	15 768	9 963	15 768
Auditor's remuneration:				
• Audit	5 494	4 254	4 152	3 149
• Other services	1 358	166	1 157	166
Dividends received from subsidiaries (refer note 29.1)			-	(350)
Surplus on realisation of property and equipment	(40)	(40)	(7)	(41)

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

24. Tax expense

24.1 Tax charge though profit and loss component of comprehensive income

	2019 R000	2018 R000	2019 R000	2018 R000
Income tax — current year	41 114	36 191	23 834	19 776
— prior year	(21)	(21)	-	-
Deferred tax — current year	11 511	23 537	18 833	19 112
— prior year	255	43	-	-
	52 859	59 750	42 667	38 888
Tax of associated companies	4 791	7 058		
Capital gains tax	16 605	8 651	16 605	8 651
	74 255	**75 459**	**59 272**	**47 539**

24.2 Reconciliation of rate of taxation

	2019	2018	2019	2018
South African normal tax rate	28,00%	28,00%	28,00%	28,00%
Adjusted for:	-2,14%	-2,32%	-5,57%	-4,81%
Income not subject to tax	-2,97%	-0,03%	-2,92%	-1,65%
Income subject to capital gains tax	1,66%	-2,15%	-3,25%	-3,23%
Prior year adjustments	-0,02%	0,90%	0,00%	0,00%
Other	-0,81%	-1,04%	0,60%	0,07%
Effective tax rate on profit before taxation	**25,86%**	**25,68%**	**22,43%**	**23,19%**

24.3 Tax charge through other comprehensive income

The tax effect of items accounted for in other comprehensive income is as follows:

	2019 R000	2018 R000	2019 R000	2018 R000
Actuarial remeasurement on defined benefit pension fund	154	559	154	559
Actuarial remeasurement on post-retirement medical aid obligation	(3 047)	(884)	(3 047)	(884)
Fair value adjustments of financial assets held at fair value through other comprehensive income	628	(2 029)	628	(2 029)
Foreign currency translation movements	(3 085)	1 653	(3 085)	1 653
Other comprehensive income	**(5 350)**	**(701)**	**(5 350)**	**(701)**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

25. Earnings per share

Basic earnings per share is calculated by dividing the net profit by the number of ordinary shares in issue during the year.

25.1 Basic earnings per share

	2019 R000	2018 R000
Net profit	212 403	218 387
Weighted number of ordinary shares ('000)	173 001	173 001
Basic earnings per share (cents)	122,8	126,2

25.2 Headline earnings per share

	2019 R000	2018 R000
Net profit	212 403	218 387
Adjustments net of tax		
• Capital profit on sale of equipment	(5)	(31)
• Profit on sale of property investments	(6 164)	(3 892)
• Profit on sale of associates	(35 263)	(14 539)
• Fair value adjustment on investment properties	(18 912)	(48 431)
Headline earnings	**152 059**	**151 494**
Headline earnings per share (cents)	87,9	87,6

26. Dividend per share

	Group 2019 R000	Group 2018 R000	Company 2019 R000	Company 2018 R000
Dividend in respect of 2018 of 22 cents per share paid on 23 August 2018 to shareholders registered on 16 August 2018	38 060		38 060	
Dividend in respect of 2017 of 21 cents per share paid on 23 August 2017 to shareholders registered on 16 August 2017		36 680		36 330
	38 060	**36 680**	**38 060**	**36 330**

A dividend in respect of 2019 of 23 cents per share was declared on 30 May 2019, due to shareholders registered on 15 August 2019, payable on or about 23 August 2019.

The dividend is subject to a dividend withholding tax at 20 percent (2018: 20 percent). Tax payable is 4,6 cents per share, which results in a net dividend of 18,4 cents per share payable to shareholders who are not exempt from dividends withholding tax, or subject to a reduced rate.

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

27. Commitments and lease agreements

27.1 Capital commitments

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Loans and receivables approved but not advanced	282 898	288 271	282 898	288 271
Capital committed in respect of purchase of investment properties	24 887	25 333	24 887	25 333
	307 785	**313 604**	**307 785**	**313 604**

27.2 Operating lease commitments — group company as lessee

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between one and six years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The amount paid in respect of operating leases during the year amount to R 4,6 million (2018: R4,1 million).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
• 1 year	2 217	1 907	9 808	3 805
• Between 1 and 5 years	3 709	3 933	5 607	3 933
• After 5 years	120	252	120	252
	6 046	**6 092**	**15 535**	**7 990**

27.3 Operating lease receivables — group company as lessor

The Group leases its properties to tenants under long-term operating leases with rentals payable monthly.

The future minimum lease payments receivable from these long-term operating leases are as follows:

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	R000	R000	R000	R000
Group	168 361	204 822	6 370	379 553
Company	99 013	109 419	2 746	211 178

28. Cash flow information

28.1 Non-cash adjustments

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000
Income from associated companies (refer note 20)	(33 851)	(33 495)		
Surplus on sale of assets	(53 392)	(23 791)	(93 474)	(27 851)
Fair value adjustment of investment properties (refer note 20)	(24 371)	(62 411)	(62 369)	(47 336)
Fair value adjustment of financial instruments	16 290	(7 217)	16 290	(7 221)
Depreciation (refer note 7)	3 173	2 925	1 814	1 632
Net credit losses	70 052	99 443	70 044	99 420
• Loans and receivables written off (refer note 21)	104 969	91 235	104 969	91 235
• Legal and other expenses incurred on recovery (refer note 21)	3 873	4 778	3 855	4 774
• Impairments (released) / created (refer note 21)	(38 790)	3 430	(38 780)	3 411
Credit losses — rent debtors	1 078	1 610	175	719
Movement on post-retirement benefits	(4 688)	(3 311)	(4 688)	(3 311)
	(25 709)	**(26 247)**	**(72 208)**	**16 052**

28.2 Adjustment for net interest income per income statement

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Deduct interest income (refer note 19)	(406 659)	(405 123)	(408 399)	(407 213)
Add back interest expenses (refer note 19)	108 412	105 671	108 412	105 638
	(298 247)	**(299 452)**	**(299 987)**	**(301 575)**

28.3 Adjustment for net interest received in cash

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Interest income received in cash	366 161	337 760	366 161	337 758
Interest expense paid in cash	(132 910)	(81 172)	(132 911)	(81 139)
	233 251	**256 588**	**233 250**	**256 619**

28.4 Other movements in assets and liabilities

	GROUP 2019 R000	GROUP 2018 R000	COMPANY 2019 R000	COMPANY 2018 R000
Provisions	(5 893)	(9 956)	(6 417)	(10 215)
(Increase) / decrease in assets held for resale	(5 271)	(25 200)	(5 271)	(25 200)
(Increase) / decrease in accounts receivable	(9 348)	(6 543)	(9 535)	(3 933)
(Increase) / decrease in accounts payable	4 979	1 591	9 615	(3 657)
	(15 533)	**(40 108)**	**(11 608)**	**(43 005)**

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

28.5 Taxation paid

	2019 R000	2018 R000	2019 R000	2018 R000
Taxation (liability) / asset — beginning of the year	(6 352)	(19 792)	(4 713)	(17 694)
Tax provision for the year	(74 255)	(75 459)	(59 272)	(47 539)
Deferred tax	11 511	23 538	18 833	19 112
Paid by associated companies	4 791	7 058	-	-
Taxation liability — end of the year	4 060	6 353	3 926	4 713
Taxation paid during the year	**(60 245)**	**(58 302)**	**(41 226)**	**(41 408)**

28.6 Dividends paid

	2019 R000	2018 R000	2019 R000	2018 R000
Dividends payable — beginning of the year	(1 449)	(939)	(1 449)	(939)
Dividends declared	(38 060)	(36 680)	(38 060)	(36 330)
Dividends payable — end of the year	1 925	1 449	1 925	1 449
Dividends paid during the year	**(37 584)**	**(36 170)**	**(37 584)**	**(35 820)**

29. Related parties

29.1 Loans to / from related parties

	2019 R000	2018 R000	2019 R000	2018 R000
Loans to subsidiaries				
Balance — beginning of the year			429 941	396 708
Amount advanced/(repaid) during the year			(10 045)	33 233
Balance — end of the year			**419 896**	**429 941**
Dividends received from subsidiaries			-	350

Refer to Note 31 for the details of the loans to subsidiaries.

	COMPANY	
	2019 R000	2018 R000

29.2 Directors' remuneration

Payments made during the year to directors and prescribed officers are as follows:

	2019 R000	2018 R000
Non-executive directors		
F Knoetze	135	135
O Kotze	168	86
M Lubbe	11	-
TR Makhuvha	108	89
N Martin	190	135
F Meisenholl	224	187
K Molewa	258	99
H Moliea	179	156
D Moshapalo	269	312
R Ndlovu	168	187
ZZR Rustomjee (Dr)		15
SST Ngcobo	179	198
VO Twala		67
NJ Williams	291	291
T van Wyk	448	489
Total	**2 628**	**2 446**
Executive directors		
BD Bierman	5 820	5 937
• Salary	3 451	3 240
• Bonuses and performance related payments	2 369	2 697
C Botes (Retired on 30 November 2018)	4 143	4 806
• Salary	1 889	2 674
• Bonuses and performance related payments	2 254	2 132
G van Biljon (Retired on 31 July 2017)*		5 025
• Salary		1 061
• Bonuses and performance related payments		3 964
Total	**9 963**	**15 768**
Prescribed officer		
S Dumeko	2 933	2 644
• Salary	2 220	1 900
• Bonuses and performance related payments	713	744
Grand total	**15 524**	**20 858**

** The bonuses and performance related payments paid during 2018 resulted from bonuses and performance related payments earned and accrued for during 2017.*

	GROUP		COMPANY	
	2019 R000	2018 R000	2019 R000	2018 R000

30. Loans to associates

	2019 R000	2018 R000	2019 R000	2018 R000
Balance — beginning of the year	1 295 036	1 201 084	1 295 036	1 201 084
Loans advanced during the year	214 676	285 312	214 676	285 312
Loan repayments received	(166 003)	(162 663)	(166 003)	(162 663)
Loans written off	(50 985)	(28 697)	(50 985)	(28 697)
Balance — end of the year	**1 292 724**	**1 295 036**	**1 292 724**	**1 295 036**
Loans to associates consist of the following:				
• Interest bearing loans	1 138 713	1 152 548	1 138 713	1 152 548
• Shareholders loans	154 011	142 488	154 011	142 488
Total loans to associates	**1 292 724**	**1 295 036**	**1 292 724**	**1 295 036**

The allowance for impairment as disclosed in note 5 as it relates to loans to associates is as follows:

	2019 R000	2018 R000	2019 R000	2018 R000
Impairment provision — beginning of the year	115 772	96 418	115 772	96 418
IFRS9 transition	3 550	-	3 550	
Impairment allowance raised on new investments	6 391	12 263	6 391	12 263
Impairment reversed on investments written off / repaid	(24 953)	(22 499)	(24 953)	(22 499)
Increase in impairment allowance on existing investments	31 942	37 609	31 942	37 609
Decrease in impairment allowance on existing investments	(22 846)	(8 019)	(22 846)	(8 019)
Impairment provision — end of the year	**109 856**	**115 772**	**109 856**	**115 772**

The loans provided to associates are part of the investment activities of the Company and are comprised of Interest-bearing loans and Shareholders' loans. The interest bearing loans have an average payment period of seven years. The majority of shareholders' loans have no scheduled repayment date. Loans to associates are not required to be settled in the associate's shares.

	Share percentage held		Shares at cost		Loans	
	2019 %	2018 %	2019 R	2018 R	2019 R000	2018 R000

31. Principal subsidiaries

	2019 %	2018 %	2019 R	2018 R	2019 R000	2018 R000
Business Partners International (Pty) Ltd	80	80	80	80	1 346	2 451
Business Partners Properties 002 (Pty) Ltd	100	100	1 000	1 000	411 075	413 011
Business Partners Property Brokers (Pty) Ltd	100	100	100	100	(2 449)	(2 449)
Business Partners Ventures 1 (Pty) Ltd	100	100	100	100	(5 266)	(5 184)
Cussonia Trust (Pty) Ltd	100	100	3	3	(835)	2 162
Fifth Season Investments 114 (Pty) Ltd	80	80	96	96	3 511	3 511
Finance for the Third Millennium (Pty) Ltd[1]	100	100	100	100	682	693
JRC Properties (Pty) Ltd	100	100	100	100	(7 219)	(4 882)
Labrihof Properties (Pty) Ltd[2]	53	53	530	530	9 478	9 478
Lindros Investments (Pty) Ltd[1]	100	100	4 000	4 000	-	81
Rainbow Place Properties 179 (Pty) Ltd[2]	60	60	600	600	5 671	5 671
SF Coetzee Eiendomme (Pty) Ltd[2]	60	60	72	72	3 441	3 441
Unitrade 106 (Pty) Ltd	100	100	100	100	461	1 957
Yeoman Properties 1016 (Pty) Ltd[2]	80	80	80	80	-	-
Franchize Partners (Pty) Ltd — indirectly held[3]						
Business Partners International Madagascar Société Anonyme — indirectly held[4]						
Business Partners International Kenya Ltd — indirectly held[5]						
Business Partners International Rwanda Ltd — indirectly held[4]						
Business Partners International Adviser Ltd — indirectly held[5]						
Business Partners International Namibia (Pty) Ltd — indirectly held[4]						
Business Partners International Zambia Ltd — indirectly held[5]						
			6 961	**6 961**	**419 896**	**429 941**

All holdings are in the ordinary share capital of the entity concerned.

1. *Dormant subsidiary.*
2. *The financial year of the subsidiary ends in February. Consolidation of the results are based on the latest audited financial statements received.*
3. *Franchize Partners (Pty) Ltd is a wholly-owned subsidiary of Business Partners Ventures 1 (Pty) Ltd.*
4. *This subsidiary is wholly-owned by Business Partners International (Pty) Ltd.*
5. *This subsidiary is owned by Business Partners Limited (1 percent shareholding) and Business Partners International (Pty) Ltd (99 percent shareholding).*

32. Events subsequent to the statement of financial position date

No events occurred between the balance sheet date and the date of this report that would require disclosure in, or adjustment to, the financial statements as presented.

33. Contingent Liabilities

There is an ongoing matter with the South African Revenue Services whereby the Company has lodged a notice of objection. Management has assessed the likely outcome of this matter and is of the view that no provision is required at this point.

Business Partners Limited
Registered office

37 West Street
Houghton Estate
Johannesburg
2198
South Africa

PO Box 7780
Johannesburg
2000

T +27 (0)11 713 6600
F +27 (0)11 713 6650
enquiries@businesspartners.co.za

businesspartners.co.za
smetoolkit.businesspartners.co.za
eoy.co.za

Company Registration Number: 1981/000918/06

International offices

businesspartners.africa

Kenya (+254)
Nairobi: T (0)20 280 5000/1
enquiries@businesspartners.co.ke

Malawi (+265)
Blantyre T (0)1 811 769
T (0)212 248 563/564
F (0)1 873 768
enquiries@businesspartners.mw

Namibia (+264)
Windhoek T (0)61 273 668
F (0)61 273 669
enquiries@businesspartners.com.na

Rwanda (+250)
Kigali T (0)252 585 065
enquiries@businesspartners.rw

Uganda (+256)
Kampala T (0)414 505 236
enquiries@businesspartners.co.ug

Zambia (+260)
Lusaka T (0)211 843 390
enquiries@businesspartners.co.zm

National offices

South Africa	(+27)
Entrepreneurs Growth Centre	T (0)861 763 346 F (0)11 713 6650
Bellville	T (0)21 919 3242 F (0)21 919 3333
Bloemfontein	T (0)51 430 9846 F (0)51 430 9847
Cape Town	T (0)21 464 3600 F (0)21 461 8720
Durban (Westville)	T (0)31 240 7700 F (0)31 266 7286
East London	T (0)43 721 1525 F (0)43 726 0317
East London (Arcadia)	T (0)43 743 5485 F (0)43 743 0596
East Rand (Boksburg)	T (0)11 395 4150 F (0)11 395 2565
George	T (0)44 873 6112 F (0)44 873 3397
Johannesburg	T (0)11 713 6600 F (0)11 713 6650
Kimberley	T (0)76 879 9402 F (0)86 655 0617
Pietermaritzburg	T (0)33 347 0120 F (0)33 347 1001
Polokwane	T (0)15 297 1571 F (0)15 297 1461
Port Elizabeth	T (0)41 367 1082 F (0)41 367 3962
Pretoria	T (0)12 347 3208 F (0)12 347 2198
Richards Bay	T (0)35 789 7301 F (0)35 789 6727
Stellenbosch	T (0)21 809 2160 F (0)21 887 2001
Umhlanga	T (0)31 566 5626 F (0)86 647 9212
Upington	T (0)54 331 1172 F (0)54 332 2334