



# Celebrating entrepreneurs who make Africa great

In our 2017 Integrated Report we are *Celebrating* entrepreneurs who make Africa great, honouring all entrepreneurs who contribute to the development and prosperity of the African continent.

36 years ago when Business Partners Limited opened its doors, our shareholders tasked us with investing in the entrepreneurs of South Africa understanding that those investments would have a development impact not only on the entrepreneurs themselves but on the communities they serve and the country.

Today our company operates in six additional African countries, being Kenya, Malawi, Namibia, Rwanda, Uganda and Zambia and we continue to adopt this philosophy. As in South Africa, the entrepreneurs we finance are proudly contributing to economic development in their countries. With all their efforts, we have together facilitated 617 349 employment opportunities since inception. We thank these and all other entrepreneurs of the African continent for their continued commitment to Africa and for contributing to making our continent great.

### Our mission, vision and values

#### Vision

Our vision is to live our name, being the premier business partner for small and medium enterprises, facilitating wealth creation, job creation and shared economic development.

#### Mission

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

#### Goals

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

#### Values

#### Entrepreneurial spirit

Our people are both entrepreneurial and passionate about entrepreneurs. We invest where we see opportunity, driven by the conviction that small and medium enterprises are generators of wealth and economic growth and, when viable and successful, create sustainable jobs which give people dignity and contribute towards alleviating the scourge of poverty and inequality which afflicts much of the developing world.

Our entrepreneurial approach to 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 access to business finance and added value service for entrepreneurs from all the communities we serve. It also underpins all our operational decisions, ensuring long-term stability and the ability to deliver optimum value for clients and shareholders alike.

#### Integrity

Honesty, integrity and respect for human dignity are imbued in both our business and personal conduct.

#### Service excellence

We exist for our clients and enjoy serving them. We aim to delight them with our products, our innovative solutions and the quality of our service.

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# It is satisfying to see another set of solid results achieved during a year that became increasingly uncomfortable for financiers, especially for a risk financier with a developmental mandate such as Business Partners Limited (BUSINESS/PARTNERS).

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The strains of low economic growth are showing, and small businesses are feeling it. In such tough conditions, our support teams have to work so much harder to guide, help and find creative ways to keep our SME clients going. Their commendable efforts should not be overshadowed by the rise in defaults and impairments reflected in our results for the year under review, as that is to be expected in difficult times.

The positive results contained in this report are in no small part also due to BUSINESS/PARTNERS' deep institutional ability to make sound investment decisions. To a degree, it becomes moderately easier in trying circumstances such as the year in review. As the banks and other traditional finance institutions increasingly turn away good finance opportunities due to economic uncertainty, the quality of applications to BUSINESS/PARTNERS improves.

But it is a double-edged sword. Even though BUSINESS/PARTNERS is doing very well within its niche, fewer entrepreneurs are willing to start new ventures or expand existing ones in the current harsh conditions. Even though the Company's number of approvals and disbursements are on target for the year, there are worrying signs that the number of applications are not what they should be, at least not at the levels that South Africa needs to grow its way to prosperity.

The situation is not made any better with inappropriate layers of regulation that entrepreneurs have to deal with when they try to create jobs and wealth and grow the economy. Burdensome regulations keep bureaucrats busy and benefit big business because they keep the playing field clear of emerging competition, but eventually everyone loses because of the stifling effect that this has on the economy.

BUSINESS/PARTNERS will continue to appropriately channel these concerns of our SMEs who always find it difficult to make their voices heard, especially in turbulent times.

The results from our property portfolio are especially satisfying. The record-low vacancy and rental arrears levels are due to excellent management on the one hand, and improvements to the quality of the property portfolio itself.

While we acknowledge the significant challenges ahead, these results stand as proof that BUSINESS/PARTNERS is ready to play an ever more important role as SME champion and catalyst for economic growth. Three aspects of the organisation's dynamics are clear reasons for optimism.

First, the process of renewal necessary for any organisation to adapt and grow remains very healthy in BUSINESS/PARTNERS. I am proud of the nurturing and steady manner in which the baton is being passed on to the new generation inside our management team so that our institutional knowledge is carried forward and refreshed at the same time.

Second, BUSINESS/PARTNERS continues with its pioneering entrepreneurial approach to finance, not only in the evolution of its products and processes, but through its successful expansion into six African countries. Business Partners International has started to make its mark with important developmental work to our north, and has provided fertile learning opportunities as a successful administrator of developmental finance.

Third, the optimistic mindset of our clients is thoroughly engrained in everything we do. We know that no matter how bad the economy and how hard the circumstances, entrepreneurs will always be there, always daring, trying out new solutions, and creating opportunities for growth and wealth. I assure them we will be there with them and thank them for their trust in us.

In conclusion, I would I thank the BUSINESS/PARTNERS Management team and staff for their diligent work. I appreciate the support and guidance of the Board and Board Committees to ensure that the company remains profitable and adheres to world class corporate governance standards.

Theo van Wyk
Chairman

### **Board of Directors**



Theo van Wyk Non-executive Chairman Appointed: 1991

Served as Deputy Chairman: 2005

until 2011

Appointed Chairman: 2011

BCom, LLB (Stellenbosch University), LLM (UNISA), HDip Tax (Wits). Director of companies.



Dr Elias (Eltie) Links
Non-executive Director

Appointed: 2002
Served until 17 August 2016
BCom, MCom Economics, MA
Economics, PhD Economics.
Professor Extraordinary at the
University of Stellenbosch
Business School.
Director of companies.



David Moshapalo Non-executive Director

Served: 1996 until 2001 Re-appointed: 2002

Human Resources Development and Personnel Management, National Leadership Programme, Industrial Relations, ILO Strategic Management of Employer's Organisation.

Executive Deputy Chairman: Strategic Partners Group — Black Partner in Bombela Consortium in Gautrain Project.

Director of companies.



Sonja de Bruyn Sebotsa Non-executive Director Appointed: 2013

Served until 6 February 2017 LLB Hons, MA Economic Policy Management. Principal Partner: Identity Partners (Pty) Limited. Director of companies.



**Ben Bierman**Managing Director

Appointed: 1 April 2016 BCom Hons, ACMA, HDip Tax. Advanced Management Programme

(Harvard University, USA).



Nazeem Martin

Non-executive Director

Served: 2002 until 31 March 2016 Served as Managing Director: 2009 until 31 March 2016 Appointed as Non-executive Director: 1 January 2017 BA, HDE, M Urban Planning, Advanced Management Programme (Harvard University, USA).

Independent consultant.

Director of companies.



Raymond Ndlovu
Non-executive Director

Appointed: 2015

B Business Studies Hons (University of Zimbabwe), Personal Leadership Plan (Gordon Institute of Business Science).

Fellow of African Leadership Initiative and Aspen Global Leadership Network.
Investment Executive: Remgro Limited.

Director of companies.



Vusi Twala Non-executive Director

Appointed: 2010

Served until 24 May 2017

BSc Accounting (Eastern College, PA, USA), Masters in Development Finance (University of Stellenbosch), MBA (Nijenrode University, Breukelen, Netherlands), Structuring Effective Private Equity Partnerships (Harvard University, Boston, USA), Strategic Business Management (Stockholm, Sweden).

Managing Director: Tunnel Engineering (Pty) Limited.



Christo Botes
Executive Director
Appointed: 2002
BAcc, BCompt Hons, CTA.



Faffa Knoetze
Non-executive Director
Appointed: 2014
BCom Hons.
Fellow of the Actuarial Society
of South Africa, Actuary:
Remgro Limited.



Friedel Meisenholl
Non-executive Director
Appointed: 2000
BAcc Hons (Stellebosch University),
formerly a registered member of
SAICA (CA(SA)).
Director of companies.



Huli Moliea
Non-executive Director
Appointed: 2015
BCom Hons, MBA, MA Clinical
Psychology.
Global Remuneration Practitioner,
Head of Human Resources: RGA
Reinsurance Company of South
Africa Limited.



Themba Ngcobo
Non-executive Director
Served as Alternate Director:
2002 until 2010
Appointed: 2010
BCom Accounting, Diploma
Management Consulting.
Chief Executive Officer: South
African Cargo Services (Pty) Ltd.



Dr Zavareh Rustomjee
Non-executive Director
Appointed: 1996
Served until 25 May 2017
BSc Hons Chemical Engineering,
MSc Industrial Engineering, MPhil
Development Economics, PhD
Economics, PrEng, MIChemE,
MSAIChE, CEng.
Independent consultant.



Gerrie van Biljon Executive Director Appointed: 2002 BCom, MBA.



Neville Williams
Non-executive Director
Appointed: 2012
BCom Hons (University of
Western Cape), CA(SA).
Chief Financial Officer:
Remgro Limited.



Ben Bierman Managing Director BCom, BCom Hons, ACMA, HDip Tax, Advanced Management Programme. 27 years' service



Christo Botes
Executive Director
BAcc, BCompt Hons, CTA.
31 years' service



Siphethe Dumeko Chief Financial Officer BBusSc, BCompt Hons, MSc Finance, CA(SA). 1 year's service



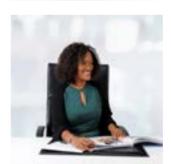
Jeremy Lang
Regional General Manager:
Inland West
BCom, AGA(SA).
10 years' service



Pierre Mey
Executive General Manager:
Operational Support Services
BCom.
30 years' service



Mark Paper
Chief Operating Officer:
Business Partners International
BCom.
25 years' service



Kgomotso Ramoenyane
Executive General Manager:
Human Resources
BCom, Management Advancement
Programme (MAP), MBA.
2 years' service

## Executive management



Marjan Gerbrands Company Secretary; Corporate Legal Counsel BLC, LLB (cum laude), LLM. 16 years' service



Byron Jeacocks
Regional General Manager:
East Coast
BCom, BProc.
30 years' service



Gugu Mjadu Executive General Manager: Marketing BA, BA Hons, CPRP. 4 years' service



David Morobe
Regional General Manager:
Inland East
BA, SED, Executive Development
Programmes.
5 years' service



Anton Roelofse
Regional General Manager:
West Coast
BCom, Honours in Business
Administration.
31 years' service.



Gerrie van Biljon
Executive Director
Head of Business and Property
Investments
BCom, MBA.
31 years' service





## Managing director's report

The last 18 months was a particularly challenging period for South Africa's small and medium enterprises (SMEs). It was a period of economic and political uncertainty and volatility that culminated in the dramatic loss of the country's investment—grade status in the last quarter of the year under review.

Against this backdrop, it is heartening to report that Business Partners Limited (BUSINESS/PARTNERS) approved R1 147 million in financial investments for SMEs and recorded an increase in net profit of 11,2 percent. The strong set of financial and operational results positions the company well to support SMEs through the turbulent times expected over the medium term.

### The macro-economic environment

It is important to reflect on the fact that economic conditions during the initial part of the year under review justified cautious optimism about an economic recovery, despite a fairly depressed set of economic indicators. Various positive developments had indeed created an expectation that better growth may be achievable and that the economy had turned the corner.

Rainfall in large parts of the drought stricken areas in South Africa allowed the agricultural sector to bounce back, contributing once again to the rural economies and more importantly towards curbing food inflation. Commodity prices had increased materially and crucially, the management of the economy had stabilised. The finance minister, in collaboration with civil society and the private sector, managed to steer South Africa clear of a ratings downgrade and confidence in the economy was slowly ticking upwards in anticipation of a period of renewed growth and recovery for South Africa.

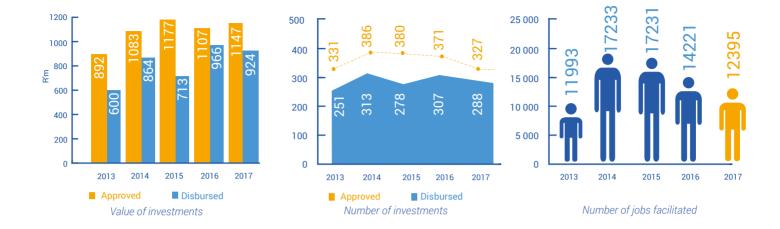
The pressure on consumer spending, was however relentless, not least because of the rise in interest rates in the prior year, but also because of sluggish growth and increased inflation in combination with other economic conditions, continued to impact SME clients.

Apart from the rise in global commodity prices, the influence of global trends on South Africa's macro-economic environment for the period was more difficult to ascertain largely because of the severe impact that local factors

and events had on shaping and influencing our economic environment. Nevertheless, the rise of populism and increased protectionism, marked by the British exit from the European Union and the election of Donald Trump in the United States of America, can harm global trade over the long—term and affect growth prospects for emerging and commodity based markets such as South Africa and other countries in Africa.

Ironically, this continued global uncertainty seems, to a degree, to have neutralised the worst effects of South Africa's downgrade to junk status. The capital flight anticipated with a ratings downgrade did not affect the economy as severely as anticipated, but this benefit will be short—term unless we return to a sound growth path with clear policies and initiatives to ensure that the potential in the economy is unlocked for the benefit of all South Africans.

A combination of improved business confidence on the one hand and adverse economic conditions on the other, can positively impact the investment environment for a risk financier such as BUSINESS/PARTNERS. Entrepreneurs continue to identify business opportunities for which they require finance and traditional financial institutions are often increasingly cautious in managing their credit extension and liquidity. BUSINESS/PARTNERS managed to source high—quality investment opportunities that would have been serviced by traditional financiers such as banks had the economic circumstances been more positive. This opportunity undoubtedly contributed to the solid results of the year under review.



### The state of SMEs

The innate optimism of entrepreneurs is evident even under the most trying of circumstances, and can often mask the underlying distress suffered by the SME sector. The contrast was particularly stark during the year in review.

The BUSINESS /PARTNERS SME Index, which tracks the sentiment of South Africa's SME sector, showed a marked increase in business confidence in the first three quarters of our financial year, despite most SMEs showing signs of being in distress. The confidence levels pulled back sharply in the fourth quarter of our financial year when concerns about the management and performance of the economy again increased in the first quarter of 2017. The survey revealed an average confidence level of 54 percent that the South African economy will be conducive for business growth in the next 12 months, and an average confidence level of 46 percent that the ease of access to finance will improve. Both of these indicators reported a decline of five percentage points when compared to the previous quarter.

BUSINESS/PARTNERS' investment portfolio indicated that SMEs were experiencing significant stress from about the third quarter of the financial year.

Revenue was often not growing and even decreasing, and access to capital resources to ride out the storm were rapidly getting depleted. Their difficulty was reflected in BUSINESS/PARTNERS' business investment portfolio, where net credit losses almost doubled compared to the previous year, and the impairment raised against the portfolio increased to 7,3 percent, up from 6,7 percent the year before.

It is important to note that the SME sector is not homogenous, and that the distressed economy affects various industries differently, with some industries benefiting from the adverse conditions. Tourism businesses benefited from the depreciation of the rand and the demand for private education was strong. Manufacturing businesses in some sectors did well, especially those with a specialised and export focus. Wholesale and retail businesses, on the other hand, were adversely affected by the depressed consumer spending

### Milestones

## The objective which the founding shareholders set for our business was twofold:

First, "do well" — Ensure the business is profitable, providing shareholders with a return on equity which exceeds the inflation rate, so that the pool of resources to support SMEs is kept intact and grown in real terms.

**Second, "do good"** — Facilitate access to finance for entrepreneurs, who will utilise the finance, mentorship and business premises (or any combination thereof) to pursue wealth for themselves, grow the economy, broaden the tax base and create jobs for many.

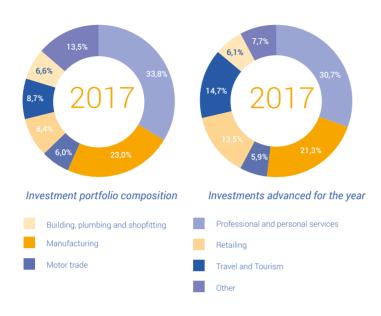
#### Doing well milestones

Success for an SME risk financier in all economic conditions requires a multi-faceted approach to serving SMEs. This formula, which BUSINESS/PARTNERS has been developing since its inception in 1981, is built on high-quality, efficient due diligence processes, a deep understanding of SMEs and entrepreneurs, sound investment decisions, efficient internal processes, patience and most of all, a deep commitment to serve SMEs through our finance and support, specifically the mentorship programme.

Our approach has once again stood us in good stead during the challenging year in review, as evidenced by the 11,2 percent increase in net profit to R207,1 million, and an improvement in our return on equity.



#### Distribution of investments by sector



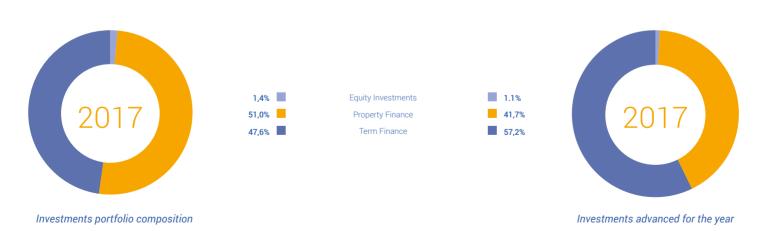
#### **Business Investments**

All the business investment units of BUSINESS/PARTNERS reported growth in their respective investment portfolios and the total investment portfolio grew by 9 percent. Our investment activity delivered strong results, albeit slightly below our expectations. Our service and investment offering continues to find acceptance in the SME market, with improved client service, speed of response, and caring, value—adding relationships with our clients being key differentiators of the BUSINESS/PARTNERS offering.

One of the major challenges facing a development financier in low–growth, uncertain economic conditions is to keep loan–repayment defaults as low as possible, and our operational support team has done sterling work by creatively exploring commercial solutions for client businesses in distress before allowing legal collection processes to take their course.

The credit losses are understandably higher at about 3 percent (2016: 1,7 percent), reflecting the less than ideal trading conditions experienced by some of our clients. It is noteworthy that our efforts to ensure credit losses are minimised, must continue to strike this fine balance between protecting and minimising losses on the one hand and exploring ways to ensure viable businesses in distress are given the opportunity to trade themselves out of difficult circumstances. To this end, our various collection and value adding teams have worked tirelessly and will continue to seek the most appropriate solutions to the credit risk in our portfolio.

#### Distribution of investments by product



The BUSINESS/PARTNERS West Coast region, covering the Western Cape and parts of the Eastern Cape, stands out for its exceptional results for the year. The team has served the local SME sector very well, especially in the tourism industry, and has managed to make several high—impact investments — those with an intellectual property component and the potential for high growth.

It is pleasing to report that the share of our investments into black—owned businesses increased during the year under review to 31,0 percent of our total portfolio from 29,5 percent at the end of 2016. We continue to actively explore how we can better service this target market, so as to increase the number of black owned businesses we fund in line with our developmental objective and the national imperative of inclusive growth.

#### **Property Investments and Property Management Services**

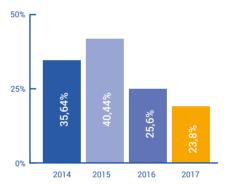
Our Property Management Services team delivered exceptional results, which include achieving a record low vacancy rate of only 4 percent, and rental arrears at a historic low of 23,8 percent.

This remarkable achievement, against the backdrop of the struggling economy, is the result of committed staff and improved processes around property and tenant management and rent collection. The yield realised on the investment property portfolio at 14,7 percent was above market benchmarks. The value of the portfolio increased from R1,25 billion to R1.36 billion.

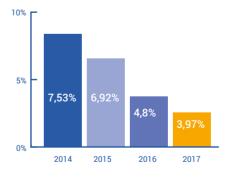
A newly established Property Asset Management function developed a medium—term plan to optimise returns as well as define the desired future property portfolio composition to mitigate risk, improve yields as well as serve SME clients. The implementation of this medium—term plan is expected to positively affect our results in the years ahead.



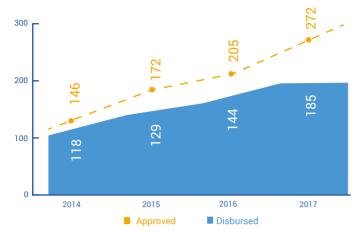
Industrial and commercial properties managed



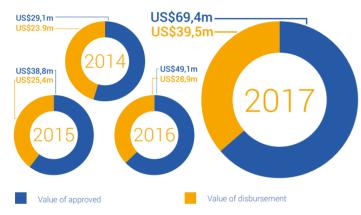
Rental payments in arrears



Vacancy rate



Cumulative number of investments approved VS Number of investments disbursed by Business Partners International since inception

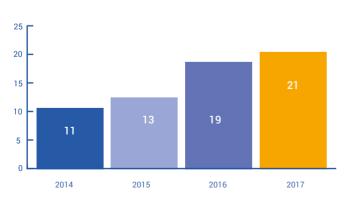


Cumulative number of investments approved VS Number of investments disbursed by Business Partners International since inception

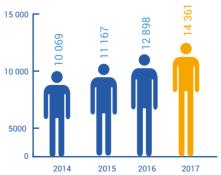
#### **Business Partners International**

Our international operations made significant strides during the financial year, producing exceptional improvements in most performance metrics such as approvals of investments, disbursements and credit risk management. We operate in six additional African countries: Kenya, Malawi, Namibia, Rwanda, Uganda and Zambia.

The achievement was due in large part to the exceptional efforts of the young team that, for the first time, is operating at full capacity in dynamic and growing economic markets in Africa.



Total number of Business Partners International staff per year



Cumulative number of jobs facilitated by Business Partners International



Total number of Business Partners International branches

#### Doing good milestones

In executing our "do good" objective, the Group undertakes several initiatives which include the Entrepreneurs Growth Centre, the SME Toolkit South Africa and Socio Economic Development projects.

#### Job creation

In providing financial support to SME entrepreneurs, our key development impact objective is the employment that is facilitated or unlocked by the capital provided. Over the past 36 years, we have meaningfully impacted employment by facilitating (creating and sustaining) 617 349 job opportunities for Africans; 12 395 job opportunities were facilitated in the year in review.

Inspired by our success, financiers around the world reach out to us with the aim to learn from us and emulate what we have achieved in South Africa, and we are always available to share our insights and experience.

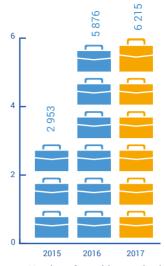
#### **Entrepreneurs Growth Centre**

The Entrepreneurs Growth Centre (EGC) was launched in October 2014 coinciding with the company's repositioning initiative. The EGC addresses the needs of entrepreneurs by providing information, advice and guidance on all entrepreneurship related matters.

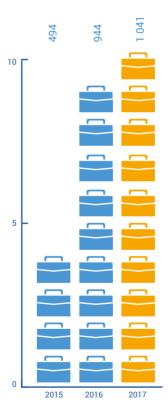
Through the EGC, entrepreneurs access trained business mentors who are equipped to provide information and advice on various aspects of running a business such as the day—to—day operational requirements, tendering processes, employee and risk management, as well as information around the regulatory environment in a specific sector.

The EGC provides mainly electronic and telephonic support and if required, in person visits are accommodated at the company's main office in Houghton.

Since its launch, the EGC has responded to 15 044 enquiries, and assessed 2 479 business plans submitted by entrepreneurs applying for finance.



Number of enquiries received



Number business plans received

#### SMF Toolkit South Africa

Many entrepreneurs have industry—specific skills, but do not have the necessary training or experience to manage other aspects of the business, such as bookkeeping, administration or legal issues. Launched in 2007, the SME Toolkit South Africa addresses this gap by providing information to the entrepreneur, via the internet, on what is needed to run a successful business.

This online portal offers easy access to free software tailor—made for SMEs, "how—to" articles, business forms, financial tools, online training, and information resources developed by leading experts including BUSINESS/PARTNERS. It is aimed at any entrepreneur looking to start or grow an existing small business.

In general the average small business often cannot afford to employ experts or trainers to access the kind of expertise available on the SME Toolkit South Africa. The site is open to all entrepreneurs and aspiring entrepreneurs free of charge.

BUSINESS/PARTNERS has invested significant resources, both monetary and human, in building the website to where it is today. SMEs — end—users — as well as intermediaries and service providers to SMEs such as South African government departments, academia and development institutions generally acknowledge the SME Toolkit South Africa as one of the most comprehensive and helpful sites for SMEs to find support and information in the country.

Since its launch, more than three million visitors have accessed the SME Toolkit South Africa, benefitting from valuable information supporting entrepreneurship. During the next financial year, we plan to improve the user friendliness and interactivity of the SME Toolkit South Africa site.

#### Socio Economic Development

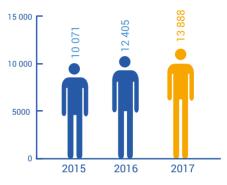
We believe in entrepreneurship and we are passionate about stimulating the growth in entrepreneurship. As such our Socio Economic Development (SED) efforts focus on projects for existing and potential entrepreneurs.

Our flagship SED programme is the Global Entrepreneurship Week Business Plan Competition for young aspiring entrepreneurs. Now in its seventh year, the programme comprises workshops for all entrants where they are exposed to various elements involved in running a business, how to plan, how to do market research and how to budget. The workshops lay the foundation to start a business and mentorship support is provided for regional and national winners.

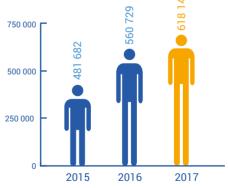
In its first year, the competition attracted 60 entries, and during the year in review more than 400 delegates attended workshops nationally. The programme has, over the seven years, enabled the previous winners to start a business and in the process create jobs. A priority for the new financial year is to intensify our efforts to attract more young aspiring entrepreneurs to enter the competition and attend the workshops.

#### **Graduate Internship Programme**

The BUSINESS/PARTNERS Graduate Internship Programme exposes and prepares new graduates to the world of work. An important milestone for the year under review is the expansion of this very successful programme to accommodate 28 young professionals. The company has also benefitted from the programme as these young professionals have brought energy, new ideas and inspiration to the BUSINESS/PARTNERS team. Because of the programme, we are confident that development finance in South Africa has a bright future.



Number of SME Toolkit SA subscribed members



Number of unique visitors using the SME Toolkit website

### The year ahead

With the recent sovereign credit rating downgrade for South Africa, we anticipate the country and indeed its SMEs, will continue to face economic challenges ahead. Debt is expected to become more costly for both South African consumers and businesses as interest rates and costs rise to adapt to this changed economic environment.

For the year ahead and beyond, South Africa must pull together. We appeal to government to ensure that it limits uncertainties in matters they can control in relation to the economy; this includes matters of leadership, policies and planned projects. Government must present a plan that business, labour and government can all unite behind to ensure that the South African economy works for all. The efficient implementation of the planned government infrastructure programmes would ensure that the economy is stimulated and create the needed opportunities for entrepreneurs.

The private sector on the other hand should provide support and finance through their enterprise development programmes and also procure from SMEs.

In general, the public and private sectors need to work together to improve the entrepreneurial ecosystem and ensure that the required support such as business advice, mentorship and access to finance is available to all entrepreneurs. We pledge to do our part in this endeavour.

- With entrepreneurs and SMEs under strain, we undertake to provide the required support and technical assistance to ensure viable SMEs survive this period of economic downturn.
- We shall embark on a strategic planning and review process aimed at uncovering new initiatives to assist us to better respond to the challenges and opportunities facing South Africa and Sub-Saharan Africa in general. We shall continue to seek methods to improve

our products and the way they are structured to ensure we meet our clients' requirements.

- Our plans for African expansion shall see us exploring two new markets. Our existing teams aim to reach more SMEs and provide improved quality of service to existing and new clients.
- We plan to revisit our internal processes and complete the conversion to the new ISO (International Standards Organisation) standard from ISO 9001:2008 to ISO 9001:2015 This commitment to quality management is essential to improve service and reduce the cost of overheads to remain as efficient as possible.
- We aim to improve our client experience by executing our functions more efficiently with the view to providing the best possible service to all our clients at times, specifically by reducing the time from making an investment decision to paying out the funds.
- The performance of our staff is central to the execution of our plans and the success of our company. During the new financial year a process to understand the levels of engagement of our teams will be undertaken with the intention to identify and address the systemic issues affecting the work environment. A high performance culture coupled with appropriate engagement levels are essential for long term sustainability.

## Thank you

Teamwork, collaboration and partnership are all built into the name BUSINESS/PARTNERS, and lie at the core of our values. The milestones reached during the 2016/2017 financial year were made possible only through the joint efforts of our key stakeholders who deserve our sincere gratitude:

- BUSINESS/PARTNERS' shareholders, who have invested not solely for a sound return, but also with the aim of contributing to the development of our entrepreneurs and the communities which they serve.
- The Chairman and Board of Directors, whose trust, encouragement and high expectations keep us motivated. Without their wise support, we would not have been able to turn the challenge of a difficult year into a success.
- Investors in the funds that we manage, who share our passion for developing Africa's SMEs, and who value our ability do so on a sustainable basis.
- All of the BUSINESS/PARTNERS teams in Kenya, Malawi, Namibia, Rwanda, South Africa, Uganda, and Zambia who work so tirelessly towards our common goal of sustainable development. You can truly be proud of your work and commitment to excellence under trying circumstances.
- Our clients, the unsung heroes of economic development, who never cease to inspire us with their hard work, creativity, and endless optimism.

We thank you.





## Five year summary

	<b>2016 - 2017</b> % change	2017	2016	2015	2014	2013
Consolidated statement of financial	position (R000)					
Investment properties	8,6%	1 360 269	1 252 104	1 079 355	958 943	787 609
Loans and receivables	7,7%	2 783 299	2 584 093	2 323 069	2 274 146	2 060 799
Cash and cash equivalents	31,3%	88 775	67 638	132 989	102 769	99 846
Total assets	8,0%	4 758 614	4 407 212	4 013 070	3 750 159	3 368 984
Capital and reserves	5,5%	3 177 613	3 012 063	2 868 292	2 706 018	2 543 477
Consolidated statement of compreh	nensive income (R	000)				
Net profit		207 131	186 521	182 705	154 837	136 400
Net profit attributable to equity holders		207 131	186 319	182 486	154 850	136 347
Headline earnings		126 503	113 239	110 684	78 146	88 985
Change in net profit		11,05%	2,1%	18,0%	13,5%	36,3%
Change in net profit attributable to equity he	olders	11,17%	2,1%	17,8%	13,6%	36,2%
Change in headline earnings		11,71%	2,3%	41,6%	-12,2%	121,7%
Share statistics						
Earnings per share (cents)	11,17%	119,7	107,7	105,6	89,5	78,8
Headline earnings per share (cents)	11,71%	73,1	65,5	64,0	45,2	51,4
Dividends per ordinary share (cents)	5,0%	21	20	19	17	15
Dividend cover (times)		5,7	5,4	5,6	5,3	5,3
Net asset value per share (cents)	5,5%	1 836,8	1 741,1	1 658,0	1 564,2	1 470,2
Ratios						
Effective tax rate		29,1%	28,4%	23,4%	24,9%	26,3%
Return on opening shareholders' interest		6,9%	6,5%	6,7%	6,1%	5,6%
Return on average assets		4,5%	4,4%	4,7%	4,4%	4,2%
Cost-to-income*		48,9%	53,3%	54,3%	54,6%	53,7%
Net profit per employee (R000)	10,8%	778,7	703,1	678,4	588,8	514,5
Employee cost / net profit		81,4%	92,5%	91,2%	101,9%	102,5%

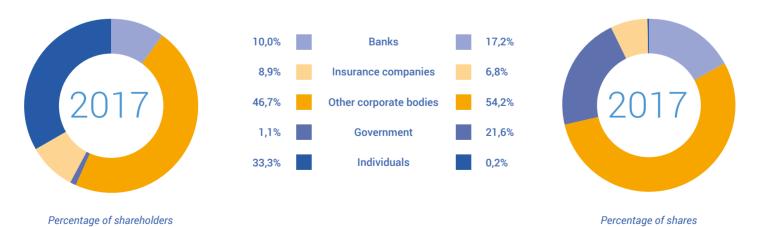
<sup>\*</sup>Cost-to-Income ratio (using page 47 as reference): Cost = Staff costs + Other operating expenses + property expenses Income = Total Income excluding property expenses

## Shareholder information as at 31 March 2017

Distribution of shareholding	Number of holders	% of holders	Number of shares	% of shares
0 - 10 000	27	30,0%	87 425	0,1%
10 001 - 100 000	19	21,1%	695 163	0,4%
100 001 - 1 000 000	26	28,9%	7 288 498	4,2%
1 000 001 - 10 000 000	16	17,8%	53 623 495	31,0%
10 000 000 and above	2	2,2%	111 306 013	64,3%
	90	100,0%	173 000 594	100,0%

Major Shareholders	Number of shares	% of shares
Eikenlust (Pty) Limited (Remgro Limited)	74 011 714	42,8%
Small Enterprise Finance Agency SOC Limited	37 294 299	21,6%
Old Mutual Life Assurance Company (South Africa) Limited	8 733 413	5,0%
Absa Group Limited	8 117 003	4,7%
Nedbank Limited	6 717 405	3,9%
FirstRand Bank Limited	6 093 656	3,5%
Standard Bank Investment Corporation Limited	5 602 422	3,2%
First National Nominees Pty Ltd	2 936 373	1,7%
SABSA Holdings Limited	2 398 528	1,4%
Barloworld Limited	2 209 594	1,3%
Other shareholders' holding	18 886 187	10,9%
	173 000 594	100,0%

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







## Compliance with corporate governance standards

During the 2016/2017 financial year, BUSINESS/PARTNERS continued to inculcate a culture that prizes, above all, integrity, transparency, accountability and compliance with all the laws that govern our business activities. This culture requires the highest standards of good corporate governance which in turn will contribute to the sustainability of our business.

BUSINESS/PARTNERS applies the principles of good governance and recommendations as set out by the King Report on Governance for South Africa 2009 (King III), using it as a tool to measure performance and actions against best practice and standards. By applying these principles, the board strikes a balance between creating accountability and bolstering entrepreneurial spirit.

#### **Board of Directors**

#### Board structure

BUSINESS/PARTNERS' unitary board structure ensures that the roles of the chairman and managing director are separate and not vested in one individual. As per the King III requirement, the chairman is a non-executive director who holds office for a maximum period of one year.

The 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. The board has an appropriate balance of executive, non-executive and independent directors (as set out in King III), and at least 50 percent of the board is elected by shareholders, as per the requirement of the Companies Act, 2008.

As per article 20.1.2 of the company's Memorandum of Incorporation (MOI), up to six directors may be elected by the majority of shareholders. Of those directors at least one third must retire by rotation at every annual general meeting, but may be re-elected.

The directors elected by majority of shareholders in terms of article 20.1.2 of the MOI who served during the 2016/2017 financial year are Dr Links (served until 17 August 2016), Mr Martin (served from 1 January 2017), Mr Meisenholl, Ms Moliea, Mr Moshapalo, Mr Ngcobo and Ms de Bruyn Sebotsa (served until 6 February 2017).

In addition to directors elected in terms of article 20.1.2, shareholders, or groups of shareholders, are entitled — in terms of article 20.1.3 of the MOI — to appoint one director for every 10 percent of issued share capital held, or collectively held, in the company. These appointed directors cease to hold office as soon as the shareholder(s), by whom the director was appointed, no longer holds the requisite number of voting rights or revokes the appointment of the director or replaces the director.

The 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 who

served during the 2016/2017 financial year are Mr van Wyk (chairman), Mr Knoetze, Mr Ndlovu, Dr Rustomjee, Mr Twala and Mr Williams.

In addition to the managing director, the directors may appoint, until confirmed in an election by shareholders, up to two additional executive directors. Once the employment contract of any executive director terminates, the director shall be deemed to have resigned from the position.

The executive directors appointed by the board in terms of article 20.2 of the MOI are Mr Bierman (managing director), Mr Botes and Mr van Biljon.

#### Roles and responsibilities

As the company's highest 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 strategy, annual budget, interim results and financial statements. The board retains effective control through a well-developed governance structure that provides the framework for delegation.

The managing director has been delegated the authority to achieve corporate objectives and manages the business affairs of the group, subject to statutory parameters and the limits imposed by 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 met four times during the year under review. The board and its committees 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, approved by shareholders at the preceding annual general meeting, for their services as directors on the board and as members of board committees.

Remuneration paid to non-executive directors, executive directors and prescribed officers during the year under review, is disclosed in note 28 to the full financial statements.

#### Committees of the Board of Directors

The board has established committees to provide in-depth focus and make recommendations in certain areas and has delegated decision making authority for specific matters.

In line with best practice, committees of the board operate within written charters or terms of reference. Each committee chairman provides the board with feedback on committee matters, and the minutes of committee meetings are distributed to all board members.

#### **Audit and Risk Committee**

The Audit and Risk Committee report for the 2016/2017 financial year appears in the financial statements. The Audit and Risk Committee met four times during the financial year and its members are Mr Williams (chairman), Mr Meisenholl, Mr Twala, Dr Rustomjee (alternate to Mr Twala) and Mr van Wyk.

As stipulated by good corporate governance principles, the chairman of the Audit and Risk Committee is not the chairman of the board or the managing director.

During the year under review, the external and internal auditors attended meetings as standing invitees and were given a private audience with the committee

The committee chair conducted his annual assessment of the committee's performance against the duties and responsibilities setout in its charter. In addition, all members submitted their self-assessment performance questionnaires.

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.

The board, on the recommendation of the Nominations Committee, will present shareholders with independent non-executive directors, who satisfy the applicable requirements prescribed by the Companies Act, 2008, for election or re-election as Audit and Risk Committee members at the company's forthcoming annual general meeting.

#### **National Investment Committee**

The National Investment Committee has two scheduled meetings per month and holds additional meetings if required. The committee held 17 meetings during the year under review to consider investments within its mandate.

The committee members are Mr Knoetze, Mr Bierman, Mr Meisenholl, Mr Moshapalo, Mr Ndlovu, Mr Ngcobo, Dr Rustomjee and Mr van Wyk. The committee elects a chairman for each meeting.

#### **Nominations Committee**

The Nominations Committee held two meetings during the 2016/2017 financial year and its members are Mr van Wyk (chairman), Mr Bierman, Mr Moshapalo, Mr Twala, Dr Rustomjee (alternate to Mr Twala), Mr Williams and Mr Knoetze (alternate to Mr Williams).

As part of its duty to oversee a succession plan for the board, the 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, the skills and knowledge of the incumbent board and the continued independence of the board.

Eligible candidates will be presented to shareholders for election or re-election to the position of director in terms of article 20.1.2 of the company's MOI at the company's forthcoming annual general meeting.

#### Personnel Committee

The members are Mr van Wyk (chairman), Mr Bierman, Ms Moliea (served from 17 August2016), Mr Moshapalo, Mr Twala, Dr Rustomjee (alternate to Mr Twala), Mr Williams and Mr Knoetze (alternate to Mr Williams).

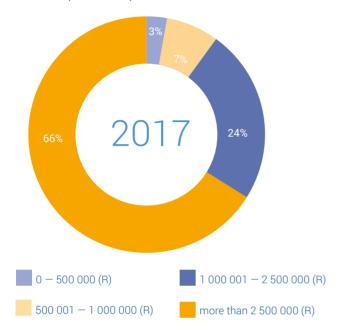
Each member completed an annual assessment of the committee's performance, measured against the duties and responsibilities set out in its charter.

The company's monetary remuneration processes focus on rewarding performance on the achievement of corporate goals aligned to the business strategy.

The Personnel Committee meets at least three times per annum. During the year under review four meetings were held.

#### Stratification of investments

#### Investment portfolio composition as at 31 March 2017



#### Social and Ethics Committee

The Social and Ethics Committee is constituted as a statutory committee of the board under the Companies Act, 2008 and Companies Regulations, 2011. This committee assists the Board in monitoring the company's performance as a good and responsible corporate citizen in terms of its work plan for the year.

During the 2016/2017 financial year, the Social and Ethics Committee gave specific consideration to the company's performance in regard to its environmental goals; client service and relationships; ethics and prevention of corruption; and its employment equity report and plans, promotion of equality and prevention of unfair discrimination and the educational development of staff.

Also considered was the company's performance in respect of Black Economic Empowerment as measured against the Broad-Based Black Economic Empowerment (B-BBEE) initiatives as reflected by the Financial Services Charter. The implications of the Draft Amended Financial Sector Codes were also considered.

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.

The Social and Ethics Committee met twice during the 2016/2017 financial year and its members are Mr Moshapalo (chairman), Mr Dumeko (served from 17 August 2016), Dr Links (served until 17 August 2016), Mr Bierman and Mr van Wyk. The chairman of the committee will report to shareholders at the forthcoming annual general meeting on the matters within its mandate.

#### **Transactions Committee**

The Transactions Committee meets when required and has no permanent members. The committee ensures 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.

The chairman of the board or of the Audit and Risk Committee elects a disinterested quorum for a meeting, which consists of two non-executive directors and the managing director, or any three non-executive directors. During the 2016/2017 financial year no matters required consideration by the committee.

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

Because of the frequent amendments to South Africa's regulatory framework, regulatory awareness is important. As such, the company secretary monitors the legal and regulatory environment and keeps the board abreast of relevant changes to legislation, provides training and advice, and ensures compliance with applicable legislation and regulations within the company.

The company secretary also monitors over-the-counter dealings in the company's securities and ensures adherence.





## Distribution of investments by province

Investment portfolio composition (by rand amount) as at 31 March 2017







# 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 ("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 Company'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. The financial statements incorporate full and responsible disclosure in line with the Company's philosophy on corporate governance.

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

Based on the information and explanations given by management 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 Company, 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 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 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 38 to 39.

The separate annual financial statements of the Company, which appear on pages 46 to 104 have been approved by the Board of Directors on 24 May 2017 and are signed on its behalf of the Board of Directors 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 2017, 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

Congleboch Cor 241

CM Gerbrands Company Secretary 24 May 2017

# Audit and Risk Committee report

The Audit and Risk Committee confirms that it has functioned in accordance with its terms of reference, 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 2017:

- Four 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 determined.
- 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 and 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 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.

NJ Willia Chairma

Chairman: Audit and Risk Committee 24 May 2017

# 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 statements of financial position of Business Partners Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2017, its consolidated and separate statements of financial performance, its consolidated and separate statements of changes in equity, 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 46 to 104 comprise:

- the consolidated and separate statements of financial position as at 31 March 2017;
- 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 audit 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 comprises the Directors' Report, as required by the Companies Act of South Africa and the Audit Committee's Report and the Company Secretary's Certificate. 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, 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 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.

Pricewater bourn loopers Inc.

PricewaterhouseCoopers Inc.

**Director: Vincent Tshikhovhokhovho**Registered Auditor
Sunninghill, 24 May 2017



# Directors' report for the year ended 31 March 2017

# 1. Nature of the business

Business Partners Limited (the Company), registered in South Africa, is principally engaged in investing capital, knowledge and skill in viable small and medium sized enterprises ('SMEs'). The Company is passionate about funding, supporting and mentoring entrepreneurs.

# 2. Review of operations

The operational results, for the period under review, are a satisfactory addition to the Company's performance history and evidence of the meaningful difference we make in positively impacting SMEs, especially in the context of the adverse macroeconomic environment which prevailed over the period.

The volume of new business concluded - in a year during which SMEs experienced tough trading conditions — marginally exceeded expectations; 327 investment transactions amounting to R1 146,9 million were approved. The investment activity represents a satisfactory achievement in comparison to the 372 investments amounting to R1 107,4 million which were approved in the previous financial period.

An equity stake was obtained in 56 investments (2016: 57 investments) at an average investment amount of R5,4 million (2016: R5,1 million). During the period, 291 investments amounting to R923,9 million were disbursed, 4,4 percent lower than the prior period's disbursements.

The Company manages a portfolio of 150 (2016: 154) industrial and commercial properties that are geographically dispersed and provide business premises with a lettable area of more than 437 000 m² (2016: 442 000 m²), to more than 1 650 (2016: 1 690) tenants. The investment properties are carried at a fair value of R1 360,3 million (2016: R1 252,1 million) in the statement of financial position. In addition, owner occupied property amounting to R94,3 million is reflected under 'Property and equipment' (2016: R94,0 million).

The yield on the investment property portfolio outperformed market benchmarks, largely due to excellent results achieved in lowering vacancy rates and in improved rent collections. At the end of the period the vacancy rate was at 4,0 percent (2016: 4,8 percent) of lettable area and the rental payments in arrears reduced to a rate of 23,8 percent (2016: 25,6 percent). The total yield on the portfolio amounted to 14,7 percent (2016: 15,8 percent).

The risk in the investment portfolio, as measured by the repayment performance of investees increased over the period. Investments with repayment obligations in arrear increased from 15,0 percent of the investment portfolio at the end of the prior period to 20,0 percent of the portfolio at 31 March 2017, a reflection of the adverse economic and difficult trading conditions experienced by SMEs.

# 3. Financial highlights

Total income increased by 11,9 percent from R548,2 million in the prior year to R613,4 million in the year under review. Interest expense increased by 26,5 percent from the prior year, the result of the increase in interest rates at the end of the prior year, as well as, the increase in total borrowings to R1 131,4 million (2016: R976,9 million).

Investment income and gains increased by 21,4 percent year on year and amounted to R141,3 million in the current year (2016: R116,4 million). The is largely due to a material increase in equity accounted income from associated companies as well as strong growth in the surplus on realisation of unlisted investments.

Net property revenue increased by 11,8 percent, a result largely driven by rental income increases. Expenses increased by 16,2 percent year on year, the result of increases in maintenance cost as well as administered prices.

Net credit losses increased by 90,4 percent to R81,0 million (2016: R42,5 million). Realised credit losses in the form of bad debts increased by 87,5 percent or R29,8 million to R 63,9 million. The impairment raised against the portfolio amounted to R215,3 million (7,3 percent of the portfolio), an increase of R31,9 million from the prior year impairment of R183,4 million (6,7 percent of the portfolio). The material increase in the credit losses reflect the continued slow growth, policy uncertainty and other adverse economic conditions prevalent over the period.

The net income before taxation amounted to R292,0 million (2016: R260,3 million), a very pleasing increase of 12,2 percent compared to the prior period. The taxation expense for the year increased by 14,9 percent to R84,9 million (2016: R73,8 million).

The Group's net profit attributable to equity holders of Business Partners Limited for the year amounted to R207,1 million, a pleasing increase of R20.8 million (11,2 percent) from the R186,3 million profit reported in the prior year.

# 4. Events subsequent to the statement of financial position date

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

# 5. 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.

#### Dividend

A cash dividend of 21 cents per share in respect of the 2017 financial year (2016: 20 cents) was declared on 24 May 2017, payable on or about 23 August 2017 to all shareholders registered in the share register at the close of business on 16 August 2017.

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 5,7 times (2016: 5,4 times). The dividend policy aims to ensure at least four times cover for the dividend, after evaluating the nature and quality of the profit for the year.

# 7. Earnings per share

Earnings per share amounted to 119,7 cents (2016: 107,7 cents) based on 173,0 million shares in issue. Headline earnings per share increased to 73,1 cents (2016: 65,5 cents). For more information on earnings per share, refer to notes 12 and 24 of the annual financial statements.

#### 8. Directors' remuneration and interest

The directors' remuneration is set out in note 28 to the annual financial statements. No material contracts in which the directors have any interest were entered into in the current year.

# 9. Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of one percent of the issued share capital of the Company are detailed on page 25 of the annual report.

#### 10. Directors

## 10.1 The directors of the Company on 31 March 2017 were:

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

Mr N Martin Mr F Meisenholl Ms HE Moliea

Mr D Moshapalo Mr SST Ngcobo

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

Mr F KnoetzeMr VO TwalaMr RSM NdlovuDr ZZR RustomjeeMr T van Wyk (Chairman)Mr NJ Williams

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

Mr BD Bierman (Managing Director) Mr G van Biljon (Executive Director) Mr C Botes (Executive Director)

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

Director	Event	Terms	Effective Date
		Memorandum of Incorp	oration
Mr BD Bierman	Appointed	Article 20.2	01 April 2016
Dr E Links	Retired	Article 20.1.2	17 August 2016
Mr N Martin	Elected	Article 20.1.2	01 January 2017
Mr SST Ngcobo	Retired and re-elected	Article 20.1.2	17 August 2016
Ms SEN de Bruyn Sebotsa	Retired and re-elected	Article 20.1.2	17 August 2016
Ms SEN de Bruyn Sebotsa	Resigned	Article 20.1.2	06 February 2017

## 10.3 After 31 March 2017 the following changes occurred in the composition of the Board of Directors:

Event	Terms	Effective Date	
	Memorandum of Incorp	oration	
Replaced	Article 20.1.3	24 May 2017	
Replaced	Article 20.1.3	24 May 2017	
Appointed	Article 20.1.3	24 May 2017	
Appointed	Article 20.1.3	24 May 2017	
	Replaced Replaced Appointed	Replaced Article 20.1.3 Replaced Article 20.1.3 Appointed Article 20.1.3	Memorandum of IncorporationReplacedArticle 20.1.324 May 2017ReplacedArticle 20.1.324 May 2017AppointedArticle 20.1.324 May 2017

#### 11. Company secretary

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

#### Annual financial statements 12.

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.

#### 13. **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 2018 financial year. Mr V Tshikhovhokhovho will be the designated auditor.

#### Acknowledgements 14.

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

We would like to extend a special word of gratitude to Ms Sonja de Bruyn Sebotsa, Dr Eltie Links, Dr Zavareh Rustomjee and Mr Vusi Twala for their committed and valuable contributions during their tenure as directors of Business Partners Limited.

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.

24 May 2017

BD Bierman
Managing Director



# Consolidated and separate statement of financial position

as at 31 March 2017

		Gro	oup	Comp	pany
	Notes	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
Assets		11000	11000	11000	11000
Non-current assets		4 180 514	3 928 762	3 829 577	3 659 720
Investment properties	3	1 360 269	1 252 104	827 285	789 520
Loans and receivables	4	2 335 288	2 219 271	2 334 056	2 227 915
Investments in associates	5	112 671	101 647	908	99
Investments in subsidiaries	7	112 071	101041	396 721	388 487
Property and equipment	6	96 908	97 345	2 378	3 994
Deferred tax asset	15	112 194	104 285	105 045	95 595
Defined benefit pension fund surplus	8	163 184	154 110	163 184	154 110
·	0	103 164	154 110	103 164	154 110
Current assets		578 100	478 450	549 464	440 534
Loans and receivables	4	448 011	364 822	447 978	364 513
Assets held for resale	9	4 508	2 147	4 508	2 147
Accounts receivable	10	36 806	43 843	23 641	23 069
Current income tax asset					113
Cash and cash equivalents	11	88 775	67 638	73 337	50 692
Total assets		4 758 614	4 407 212	4 379 041	4 100 254
Equity and liabilities					
Capital and reserves*		3 177 613	3 012 063	2 862 464	2 766 072
Share capital	12	173 001			
Fair value and other reserves	13		173 001	173 001	173 001
Retained earnings	10	64 918	71 899	59 218	66 138
Hetained earnings		2 939 694	2 767 163	2 630 245	2 526 933
Non-controlling shareholders' interest		(141)	(141)		
Total equity		3 177 472	3 011 922	2 862 464	2 766 072
Non-current liabilities		1 357 646	1 227 104	1 331 047	1 203 833
Borrowings	14	1 051 580	937 649	1 051 580	937 649
Post-employment medical benefits	8	92 849	94 217	92 849	94 217
Deferred tax liability	15	213 217	195 238	186 618	171 967
		210211	130 200	100 010	111 301
Current liabilities		223 496	168 186	185 530	130 349
Borrowings	14	79 862	39 272	79 862	39 272
Accounts payable	16	70 490	70 674	36 793	35 818
Provisions	17	52 413	56 342	50 242	54 165
Current income tax liability		19 792	804	17 694	
Shareholders for dividend		939	1 094	939	1 094
Total liabilities		1 581 142	1 395 290	1 516 577	1 334 182
Total equity and liabilities		4 758 614	4 407 212	4 379 041	4 100 254
1 / 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1					

<sup>\*</sup> Attributable to equity holders of the parent

# Consolidated and separate statement of comprehensive income for the year ended 31 March 2017

		Grou	ap	Company		
	Notes	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000	
Net interest revenue	18	290 776	269 151	293 031	271 102	
Interest income		382 807	341 909	385 062	343 860	
Interest expense		(92 031)	(72 758)	(92 031)	(72 758)	
Fee revenue		13 454	14 696	13 453	14 691	
Investment income and gains	19	141 268	116 374	101 755	102 190	
Net property revenue		127 522	114 117	88 537	82 506	
Property revenue		244 449	214 790	161 060	149 769	
Property expenses		(116 927)	(100 673)	(72 523)	(67 263)	
Management and service fee income		36 047	30 649	14 160	12 399	
Other income		4 288	3 201	4 075	3 138	
Total income	00	613 355	548 188	515 011	486 026	
Net credit losses	20	(80 958)	(42 516)	(81 071)	(42 684)	
Staff costs	21	(174 191)	(179 392)	(160 989)	(163 864)	
Other operating expenses		(66 223)	(65 936)	(76 329)	(73 624)	
Profit before taxation	00	291 983	260 344	196 622	205 854	
Income tax expense	23	(84 852)	(73 823)	(58 710)	(47 731)	
Profit for the year		207 131	186 521	137 912	158 123	
Other comprehensive income after tax: Items that will not be reclassified to profit or loss						
Remeasurement of defined benefit pension fund	13	(2 820)	(4 416)	(2 820)	(4 416)	
Remeasurement of post-employment medical benefits	13	5 370	(3 990)	5 370	(3 990)	
Remeasurement of post-employment benefits		2 550	(8 406)	2 550	(8 406)	
Items that may be subsequently reclassified to profit or loss	3					
Fair value adjustment of available-for-sale instruments		(6 956)	(2 249)	(6 956)	(2 249)	
Foreign currency translation reserve movement		(2 429)	624	(2 514)	957	
Share of associates' other comprehensive income		(146)	353_	-		
		(9 531)	(1 272)	(9 470)	(1 292)	
Other comprehensive income for the year		(6 981)	(9 678)	(6 920)	(9 698)	
Total comprehensive income for the year		200 150	176 843	130 992	148 425	
Profit attributable to:						
Equity holders of Business Partners Limited		207 131	186 319	137 912	158 123	
Non-controlling interests		-	202		452.22	
Total comprehensive income attributable to:		207 131	186 521	137 912	158 123	
Equity holders of Business Partners Limited		200 150	176 641	130 992	148 425	
Non-controlling interests		-	202			
		200 150	176 843	130 992	148 425	

# Consolidated and separate statement of changes in equity for the year ended 31 March 2017

		Attributable	to equity holders	s of the parent		
	Notes	Chave conital	Fair value and	Retained	Non-controlling interest	Total
	Notes	Share capital R000	other reserves*	earnings R000	R000	R000
Group						
Balance at 1 April 2015		173 001	81 577	2 613 714	1 286	2 869 578
Share of associates' movement in retained earnings				=		=
Total comprehensive income for the year			(9 678)	186 319	202	176 843
Net profit				186 319	202	186 521
Other comprehensive income			(9 678)			(9 678)
Dividend	25			(32 870)		(32 870)
Non-controlling interest recognised directly in equity					(1 629)	(1 629)
Balance at 31 March 2016		173 001	71 899	2 767 163	(141)	3 011 922
Balance at 1 April 2016		173 001	71 899	2 767 163	(141)	3 011 922
Share of associates' movement in retained earnings				-		_
Total comprehensive income for the year			(6 981)	207 131	-	200 150
Net profit				207 131	-	207 131
Other comprehensive income			(6 981)			(6 981)
Dividend	25			(34 600)		(34 600)
Balance at 31 March 2017		173 001	64 918	2 939 694	(141)	3 177 472
Company						
Balance at 1 April 2015		173 001	75 836	2 401 680		2 650 517
Total comprehensive income for the year			(9 698)	158 123		148 425
Net profit				158 123		158 123
Other comprehensive income			(9 698)			(9 698)
Dividend	25			(32 870)		(32 870)
Balance at 31 March 2016		173 001	66 138	2 526 933		2 766 072
Balance at 1 April 2016		173 001	66 138	2 526 933		2 766 072
Total comprehensive income for the year			(6 920)	137 912		130 992
Net profit			. ,	137 912		137 912
Other comprehensive income			(6 920)			(6 920)
Dividend	25			(24 (00)		(24 600)
Dividend	25			(34 600)		(34 600)

<sup>\*</sup>The composition of fair value and other reserves is disclosed in note 13.

# Consolidated and separate cash flow statement for the year ended 31 March 2017

		Grou	ıp	Company		
	Notes	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000	
Cash flow from operating activities						
Cash received from clients		697 887	593 002	584 466	522 965	
Cash paid to suppliers and employees	07.1	(362 407)	(327 539)	(316 250)	(298 522)	
Cash generated from operating activities Finance cost	27.1	335 480	265 463	268 216	224 443	
Taxation paid	27.2	(92 031)	(70 194)	(92 031)	(70 194)	
Dividends paid	27.3	(46 334) (34 755)	(47 022) (32 191)	(33 961) (34 755)	(30 207) (32 191)	
	21.5	· ·		· ·		
Net cash flow from operating activities		162 360	116 056	107 469	91 851	
Cash flow from investing activities						
Capital expenditure on						
<ul> <li>investment properties</li> </ul>		(59 314)	(121 824)	_	=	
<ul> <li>property and equipment</li> </ul>		(3 643)	(2 334)	(1 182)	(1 370)	
Proceeds from sale of		(0.010)	(= 00 )	(* * * = /	(* 5 * 5)	
<ul> <li>investment properties</li> </ul>		15 755	3 252	15 755	3 252	
<ul> <li>property and equipment</li> </ul>		46	62	46	62	
Loans and receivables advanced		(772 533)	(783 368)	(772 533)	(783 368)	
Loans and receivables repaid		452 634	460 668	453 142	459 700	
Interest received from other investments		6 859	7 361	6 301	6 902	
Loans from subsidiaries repaid				(5 326)	(99 122)	
Proceeds from sale of investments in associates  Dividends received from investments in associates		62 682	59 023	62 682	55 694	
Dividends received from investments in associates		1 770	3 036	1 770	3 036	
Net cash flow from investing activities		(295 744)	(374 124)	(239 345)	(355 214)	
Cook flow from financing activities						
Cash flow from financing activities Utilisation of long-term borrowings		205 000	228 129	205 000	228 129	
Repayment of long-term borrowings						
		(50 479)	(35 412)	(50 479)	(35 412)	
Net cash flow from financing activities		154 521	192 717	154 521	192 717	
Net movement in cash and cash equivalents	11	21 137	(6E 2E1)	22 645	(70.646)	
Cash and cash equivalents at beginning of year	11	67 638	(65 351) 132 989	50 692	(70 646) 121 338	
Cash and cash equivalents at end of year		88 775	67 638	73 337	50 692	



# 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.

#### 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 2016:

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendment did not have a significant impact on the disclosures provided in the financial statements.

Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative.

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The amendment did not have a significant impact on the disclosures provided in the financial statements.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The amendment did not have a significant impact on the disclosures provided in the financial statements.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants. In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.

The amendment did not have a significant impact on the disclosures provided in the financial statements.

Amendments to IAS 27, 'Separate financial statements' on equity accounting. In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment did not have a significant impact on the disclosures provided in the financial statements.

Other standards, amendments and interpretations including the Annual improvements to IFRSs 2012 – 2014 Cycle, which are effective for the financial year beginning on 1 January 2016 are not material to the Group.

#### 1.2.2 New and amended statements not yet adopted

The following amended standards are not yet effective and have not been adopted by the Group:

Amendment to IAS 12 – Income taxes. The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Effective date: 1 January 2017.

The amendment is not expected to have a significant impact on the disclosures provided in the financial statements.

Amendment to IAS 7 – Cash flow statements. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

Effective date: 1 January 2017.

The amendment is not expected to have a significant impact on the disclosures provided in the financial statements.

IFRS 15 – Revenue from contracts with customers. The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

Effective date: 1 January 2018.

The amendment may have an impact on the way royalty fee income is measured and disclosed in the financial statements. The implications to the Group are in the process of being determined.

IFRS 9 – Financial Instruments (2009 &2010)- Financial liabilities - Derecognition of financial instruments - Financial assets- General hedge accounting. This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Effective date: 1 January 2018.

Amendment to IFRS 9 -'Financial instruments', on general hedge accounting. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.

• The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

Effective date: 1 January 2018.

The changes to IFRS 9 may have the following impact:

- Classification of financial instruments, with specific attention to the election of measuring equity instruments at fair value through OCI without recycling it to the income statement, as is currently allowed by IAS 39,
- Impairment model the impact of moving to the expected loss model,
- Business model assessment for financial assets into the respective categories and the resultant measurement impact,
- Impact on classification of shareholder loans and other loans on investment in subsidiaries,
- Expanded disclosure requirements and changes in presentation expected with the adoption of the new standard.

The full implications to the Group are in the process of being determined.

*IFRS 16 – Leases*'. After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

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'.

Effective date: 1 January 2019.

The amendment may have an impact on the lease disclosure. Non-cancellable operating lease commitments may give rise to assets and liabilities under IFRS 16.

The implications for the Group are in the process of being determined.

IAS 40, 'Investment property' Transfers of investment property.

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The amendment is not expected to have a significant impact on the disclosures provided in the financial statements.

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.

The amendment is not expected to have a significant impact on the disclosures provided in the financial statements.

Annual improvements 2014-2016

These amendments impact three standards:

- IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short—term exemptions for first—time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (paragraph B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

  These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

The amendment is not expected to have a significant impact on the disclosures provided in the financial statements.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets. The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The amendment is not expected to have a significant impact on the disclosures provided in the financial statements.

Other standards, amendments and interpretations, which are not yet effective are not material to the Group.

#### 1.3 Consolidation

#### 1.3.1 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 acquireinon–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.

#### 1.3.2 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—company 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.

#### 1.3.3 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. The prior year movement resulted from acquisitions and disposals from non-controlling interests.

#### 1.3.4 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of 'Income from associated companies' in the statement of comprehensive income.

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.

Additional information, is disclosed in note 5.

# 1.4 Foreign currency activities

#### 1.4.1 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 Company's functional currency and the Group's presentation currency, rounded to the nearest thousand, except when otherwise indicated.

#### 1.4.2 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 monetary securities denominated in foreign currency classified as available—for—sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. 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.

## 1.4.3 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 and liabilities 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 notes 7 and 29.

#### 1.5 Financial Instruments

#### 1.5.1 Financial assets

#### 1.5.1.1 Classification

The Group classifies its financial assets primarily in the following categories: loans and receivables and available—for—sale instruments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### Available-for-sale financial instruments

Available—for—sale financial assets are non—derivatives that are designated in this category or not classified in any other categories. They are included in non—current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise 'loans and receivables', 'accounts receivable' and 'cash and cash equivalents' on the face of the statement of financial position.

#### 1.5.1.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchasing or selling the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all risk and rewards of ownership. Available—for—sale financial assets are subsequently carried at fair value and loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Dividends on available—for—sale equity instruments are recognised in the statement of comprehensive income within 'investment income and gains' when the Group's right to receive payments is established.

## 1.5.1.3 Impairment of financial assets

#### Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available—for—sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired.

If any such evidence exists for available—for—sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

#### Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

#### Specific impairments

The portfolio of investments is classified into different risk classes which are defined by the presence of various risk indicators. The presence of these risk indicators is accepted as objective evidence that an impairment event has occurred in the investment. The criteria for assessing an investment's performance in meeting its repayment obligations, and thereby identifying the risk indicators, are as follows:

- A. Investments with no arrears;
- B. Amount in arrears for 30 days is less than the repayment required or value of installment;
- C. Amount in arrears for 60 days is less than the repayment required or value of installment;
- D. Amount in arrears for 30 days is greater than value of installment;
- E. Amount in arrears for 30 days with no planned installments on account;
- F. More than one dishonoured payment occurring in the preceding 6 months;
- G. Informal sector loans;
- H. Investments under legal control.

In addition to the assessment of repayment performance, a qualitative assessment is performed to identify other indicators of impairment.

The following events are considered to be indicative of impairment:

- The loss of big contracts;
- · Labour unrest, litigation or unresolved issues;
- Legal actions being undertaken by other parties against the client;
- Entrance of a new competitor;
- Conflict between partners in the business;
- Chareholders' meetings that are cancelled and which have not been held for a long time;
- The sensitivity of revenue to fluctuations in the market rates;
- Input costs materially affected by high commodity prices or high resource prices.

In quantifying the impairment for investments in the different risk classes, estimates are applied to key variables as follows:

- The probability of a loss giving default occurring for the risk classification applicable to each investment, which ranges from zero percent to 75 percent.
- The time period required from the date of assessment to the point in the future when cash flows are expected from a specific investment. The period is estimated to be 18 months on average. The cash flows are discounted to the current date over the expected period at a discount rate equal to the rate of return expected from the specific investment.

The extent of the loss is quantified by measuring the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income within 'net credit losses'.

#### Collective impairments

Impairment losses are recognised for groups of financial assets with similar industry and financial instrument profiles where losses have been incurred but for which the objective evidence of impairment has not yet been identified. The objective evidence is expected to emerge at some period in the future, estimated to be between 6 to 24 months. The impairment losses collectively assessed are accounted for in the statement of comprehensive income within 'net credit losses'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income within 'net credit losses'.

#### 1.5.1.4 Renegotiated loans

Renegotiated loans are those loans whose terms of repayment have been changed, and are no longer considered to be past due as a result of the renegotiated terms. Where there is a significant modification to the terms, the renegotiated loans are derecognised, a gain/loss is recognised and a new loan with the renegotiated terms is created.

During the year, there were no significant modifications to the terms of renegotiated loans.

Disclosure about financial assets to which the Group is a party is provided in note 2 to the annual financial statements.

#### 1.5.1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and deposits held on call with banks.

#### 1.5.2 Financial liabilities

#### 1.5.2.1 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 of liquidity services and amortised over the period of the facility to which it relates.

# 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 company or the counterparty.

During the year, no significant offsetting arrangements occurred.

# 1.7 Investment properties

Investment properties are recognised as an asset 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 property 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.

# 1.8 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
 Computer hardware and computer software
 Vehicles
 5 years
 3 years
 4 years

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'.

# 1.9 Employee benefits

#### 1.9.1 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 for 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.

# 1.9.2 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.

#### 1.10 Inventories and 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.

#### 1.11 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.

#### 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 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.

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 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and supply of services in the ordinary course of the Group's activities. Revenue is shown net of discounts, returns and value added taxes and after eliminating sales and supply of services within the Group.

The Group recognises revenue when the amount of the revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

*Interest income* is recognised using the effective interest method on a time apportionment basis, taking account of the principal amount outstanding and the effective rate over the period to maturity to determine when such income will accrue to the Group.

Royalty income, fee income and management and service fee income are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Rental income is recognised equally over the period of the lease taking into consideration the clauses affecting the rental charge.

Dividend income is recognised when the right to receive payment is established.

Management fee income earned from the provision of management services is recognised in the accounting period in which the services are rendered, with reference to the stage of completion of the service.

# 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.

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. In determining the recoverable amount on portfolios of investments, the historical loss experience is adjusted to incorporate current economic conditions, as well as changes in the emergence period for evidence of impairment to be identified and reported.

Additional information is disclosed in note 4.

#### 1.17.2 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 8.2.

#### 1.17.3 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 to 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 8.3.

## 1.17.4 Valuation of investment properties

The valuation of the investment properties was performed internally by suitably qualified personnel and is based on the capitalised income method. The key assumptions used in the valuation of the investment properties are capitalisation rates, vacancy factors and expenses to be incurred on each property. The vacancy factors and property expenses are based on actual and historical trends. Capitalisation rates are determined by management with reference to current market information and management's assessment of the property concerned.

Additional information is disclosed in note 3.

#### 1 17 5 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 23.

#### 1.17.6 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.

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 15.

#### 1.17.7 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.

#### 1.17.8 Consolidation of entities

IFRS requires the Group to consolidate an entity where the Group has power; 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.

# 1.18 Share capital and dividend distribution

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

# 2. Financial risk management

The Group's activities expose it to a variety of financial risks. The core activities require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. 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 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, the core business activity of the Group. Credit risk exposures also arise from property rental contracts entered into with lessees.

#### 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. The more than 1 541 (2016: 1 565) investment projects in the portfolio are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. No single investment represents more than 0,9 percent (2016: 0,9 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.

Group		Compan	У
2017	2016	2017	2016
R000	R000	R000	R000

# 2.1.3 Maximum credit risk exposure

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

Related to loans and receivables:				
Interest-bearing loans	2 765 239	2 541 202	2 765 199	2 540 745
Shareholders' loans	129 953	133 152	129 953	133 152
Royalty agreements	69 010	61 705	69 006	61 581
	2 964 202	2 736 059	2 964 158	2 735 478
Related to accounts receivable:				
Rent debtors	18 194	16 899	10 136	9 825
Trade and other receivables	18 612	26 944	13 505	13 244
Cash held in bank accounts	88 775	67 638	73 337	50 692
Related to off-balance sheet items:				
Loan commitments and other credit related liabilities	329 082	351 595	329 082	351 595
	3 418 865	3 199 135	3 390 218	3 160 834

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

# Industry sector exposure

Construction	196 827	176 075	196 827	176 075
Financial intermediation	718 826	703 569	718 826	703 575
Fishing	19 608	15 950	19 608	15 950
Horticulture, animal farming and forestry	36 627	21 720	36 627	21 720
Leisure	93 846	79 704	93 846	79 478
Manufacturing	682 813	637 857	682 813	637 858
Motor trade	179 955	173 596	179 955	173 445
Personal services	276 791	237 381	276 791	237 382
Quarrying	8 718	8 444	8 718	8 444
Retail	251 218	211 954	251 174	211 812
Transport and communication	139 736	132 467	139 736	132 397
Travel and tourism	257 001	229 490	257 001	229 490
Wholesale	102 236	107 852	102 236	107 852
	2 964 202	2 736 059	2 964 158	2 735 478

	Gro	oup	Company	
	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
	RUUU	RUUU	RUUU	RUUU
Geographical exposure				
Eastern Cape	324 508	320 005	324 508	319 855
Free State	132 459	115 225	132 459	115 225
Gauteng	901 204	818 681	901 160	818 340
KwaZulu-Natal	601 656	544 373	601 656	544 375
Limpopo	54 833	49 926	54 833	49 926
Mpumalanga	88 861	88 173	88 861	88 150
North West	78 532	64 037	78 532	64 037
Northern Cape	80 183	75 871	80 183	75 871
Western Cape	701 966	659 768	701 966	659 699
	2 964 202	2 736 059	2 964 158	2 735 478
Product type exposure				
Term Finance	348 604	332 577	348 604	332 577
Term Finance with a Royalty	1 015 967	910 923	1 015 923	910 342
Term Finance with a Royalty and Shareholding	5 656	10 356	5 656	10 356
Term Finance with Shareholding	43 199	23 619	43 199	23 619
Equity Investments	39 443	57 891	39 443	57 891
Property Finance with Shareholding	914 284	868 087	914 284	868 087
Property Finance with a Royalty	395 794	353 222	395 794	353 222
Property Finance with Equity Participation	201 255	179 384	201 255	179 384
	2 964 202	2 736 059	2 964 158	2 735 478
Credit quality of loans and receivables				
The credit quality of loans and receivables are as follows:				
Neither past due nor individually impaired	2 026 965	1 997 044	2 026 961	1 996 463
Past due, but not individually impaired	94 105	23 505	94 105	23 505
Individually impaired	843 132	715 510	843 092	715 510
Gross	2 964 202	2 736 059	2 964 158	2 735 478
Less: allowance for impairment	(215 327)	(183 444)	(215 326)	(183 411)

The allowance for impairment of loans and receivables amounts to R215,3 million (2016: R183,4 million). R159,6 million (2016: R127,1 million) represents the individually impaired loans and the balance of R55,7 million (2016: R56,4 million) represents the portfolio impairment. For additional information regarding the allowance for impairment, refer note 4.3.

2.1.4

Group		Company		
2017	2016	2017	2016	
R000	R000	R000	R000	

#### Loans and receivables neither past due nor individually impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed in terms of the internal risk rating system as disclosed in the accounting policies.

Interest-bearing loans	1 850 063	1 814 228	1 850 063	1 813 771
Shareholders' loans	107 892	121 111	107 892	121 111
Royalty agreements	69 010	61 705	69 006	61 581
	2 026 965	1 997 044	2 026 961	1 996 463

## Loans and receivables past due but not individually impaired

Loans and receivables with amounts past due for 30 days that are less than or equal to the required amount due, are not considered impaired, unless specific information indicators are identified. The gross amount of loans and receivables that were past due, but not impaired, are as follows:

Interest-bearing loans	94 105	22 705	94 105	22 705
Shareholders' loans	-	800	-	800
	94 105	23 505	94 105	23 505
Fair value of collateral-interest-bearing loans	76 097	19 805	76 097	19 805

Upon initial recognition of loans and receivables, the fair value of the collateral is determined by applying valuation methodologies applicable to the specific collateral types.

#### Loans and receivables individually impaired

The individually impaired loans and receivables without considering the fair value of collateral is analysed as follows:

Interest-bearing loans	821 071	704 269	821 031	704 269
Shareholders' loans	22 061	11 241	22 061	11 241
	843 132	715 510	843 092	715 510
Fair value of collateral — interest-bearing loans	490 789	421 510	490 750	421 510

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 loans impaired at year end was recognised in revenue, amounting to R86,0 million (2016: R68,2 million).

#### Loans and receivables renegotiated

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:

	Gro	Group		Company	
	Continue to be impaired R000	No longer impaired R000	Continue to be impaired R000	No longer impaired R000	
At 31 March 2017 Interest-bearing loans	11 522		11 522		
At 31 March 2016 Interest—bearing loans	11 740	-	11 740	-	

## 2.1.5 Credit quality of other financial assets

Rent debtors are fully impaired where amounts outstanding exceed 30 days. The provision for doubtful rent debtors amounts to R4,2 million (2016: R4,0 million).

All other financial assets are internally allocated a "performing" risk grade, being neither past due nor impaired.

#### 2.2 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.

#### 2.2.1 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 one percent higher during the year, the Group's profit before tax would have been R310,0 million (2016: R277,7 million). Alternatively, if the prime rate was one percent lower, the Group's profit before tax would have been R274,4 million (2016: R243,3 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 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

Liquidity risk management requires maintaining sufficient cash resources through an adequate amount of committed credit facilities.

Monitoring and reporting take 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 investment advances, capital expenditure projects, salaries and wages payments, dividend payments 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. These financial liabilities have not been discounted as the fair value approximates the carrying value:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	R000	R000	R000	R000	R000
At 31 March 2017					
Borrowings (refer note 14.1)	79 862	88 685	571 873	391 022	1 131 442
Accounts payable	70 490				70 490
Current tax liability	19 792				19 792
At 31 March 2016					
Borrowings (refer note 14.1)	39 312	40 546	304 927	592 136	976 921
Accounts payable	70 674				70 674
Current tax liability	804				804

### 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 and approximate fair values of those financial assets and liabilities not held at fair value:

	Carrying Value R000	Fair Value R000	Level 1 R000	Level 2 R000	Level 3 R000	Total balance R000
At 31 March 2017						
Financial assets						
Loans and receivables	2 783 299	2 783 299	-	-	2 783 299	2 783 299
Accounts receivable	36 806	36 806	-	36 806	-	36 806
Cash and cash equivalents	88 775	88 775	88 775	-	-	88 775
	2 908 880	2 908 880	88 775	36 806	2 783 299	2 908 880
Financial liabilities						
Borrowings	1 131 442	1 131 442	-	1 131 442	-	1 131 442
Accounts payable	70 490	70 490	-	70 490	-	70 490
	1 201 932	1 201 932		1 201 932		1 201 932
At 31 March 2016						
Financial assets	0.504.000	0.504.000			0.504.000	0.504.000
Loans and receivables	2 584 093	2 584 093	-	-	2 584 093	2 584 093
Accounts receivable	43 843	43 843	- 67.600	43 843	-	43 843
Cash and cash equivalents	67 638	67 638	67 638	=	=	67 638
	2 695 574	2 695 574	67 638	43 843	2 584 093	2 695 574
Financial liabilities						
Borrowings	976 921	976 921	-	976 921	-	976 921
Accounts payable	70 674	70 674	-	70 674	-	70 674
	1 047 595	1 047 595		1 047 595	-	1 047 595

### 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 because the instruments are either short term in nature or have interest rates that reflect market interest rates.

### 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
Accounts receivable	Discounted cash flow model	Discount rate
Borrowings	Discounted cash flow model	Discount rate
Accounts payable	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 balance
	R000	R000	R000	R000
At 31 March 2017				
Available-for-sale financial assets	274	-	32 932	33 206
Investment properties	-	-	1 360 269	1 360 269
	274	-	1 393 201	1 393 475
At 31 March 2016				
Available-for-sale financial assets	325	-	29 003	29 328
Investment properties	-	-	1 252 104	1 252 104
	325	-	1 281 107	1 281 432

### 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 1.17.4 and note 3.

A reconciliation of the opening balances to closing balances for all movements on Investment properties is set out in note 3.

A reconciliation of the opening balances to closing balances for all movements on available-for-sale financial assets is set out in note 4.2.

		Available- for-sale R000	Amortised cost R000	Total R000
2.5	Financial instruments by category			
	At 31 March 2017 Assets per statement of financial position Available—for—sale financial assets Loans and receivables Accounts receivable	33 206	2 748 875 36 806	33 206 2 748 875 36 806
	Cash and cash equivalents		88 775	88 775
		33 206	2 874 456	2 907 662
	<b>Liabilities per statement of financial position</b> Borrowings Accounts payable		1 131 442 70 490 1 201 932	1 131 442 70 490 1 201 932
	At 31 March 2016 Assets per statement of financial position Available—for—sale financial assets Loans and receivables Accounts receivable Cash and cash equivalents	29 328	2 552 615 43 843 67 638 2 664 096	29 328 2 552 615 43 843 67 638 2 693 424
	Liabilities per statement of financial position			
	Borrowings Accounts payable		976 921 70 674	976 921 70 674
			1 047 595	1 047 595

Group		Company		
	2017	2016	2017	2016
	R000	R000	R000	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:

Share capital	173 001	173 001	173 001	173 001
Fair value and other reserves	64 918	71 899	59 218	66 138
Retained earnings	2 939 694	2 767 163	2 630 245	2 526 933
Total capital	3 177 613	3 012 063	2 862 464	2 766 072

# 3. Investment properties

Fair value — beginning of year	1 252 104	1 079 355	789 520	746 835
Acquisitions	59 314	121 824	-	=
Improvements	3 901	8 096	5 158	2 500
Disposals	(11 145)	(13 495)	(11 145)	(3 320)
Fair value adjustment	56 095	56 324	43 752	43 505
Fair value — end of year	1 360 269	1 252 104	827 285	789 520

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 9,0 and 13,0 percent (2016: 9,0 and 13,5 percent);
- Vacancy factors varied between zero and 5,0 percent (2016: zero and 5,0 percent);
- Property expenses varied between 8,5 and 40,1 percent of total rent and recoveries (2016: 8,7 and 39,9 percent).

If the capitalisation rate was on average one percent higher for the portfolio, the Group's profit before tax would have been R185,5 million (2016: R172,8 million). Conversely, if the capitalisation rate was on average 1% lower for the portfolio, the Group's profit before tax would have been R420,0 million (2016: R365,8 million).

The Group has not classified nor accounted for properties subject to an operating lease as investment property. No contractual obligations for the construction or development of investment properties exists.

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

•	Rental income	185 137	171 009	114 347	109 736
•	Repairs and maintenance expenses	18 371	18 304	12 469	12 336
•	Other operating expenses	95 188	79 873	58 419	53 867

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

			Gro	oup	Company	
			<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
			huuu	huuu	hooo	h000
4.	Loans and receivables					
	Investment in <i>En Commandite</i> partnerships	(refer note 4.1)	1 218	2 150	-	11 037
	Available-for-sale financial assets	(refer note 4.2)	33 206	29 328	33 202	29 324
	Gross loans and receivables	(refer note 4.3)	2 964 202	2 736 059	2 964 158	2 735 478
	Less: allowance for impairment	(refer note 4.3)	(215 327)	(183 444)	(215 326)	(183 411)
	Carrying value of loans and receivables		2 783 299	2 584 093	2 782 034	2 592 428
	Long-term portion		2 335 288	2 219 271	2 334 056	2 227 915
	Short-term portion		448 011	364 822	447 978	364 513
			2 783 299	2 584 093	2 782 034	2 592 428

# 4.1 Investment in *En Commandite* partnerships

The Company entered into an *En Commandite* partnership in March 2003 with the Umsobomvu Youth Fund to establish a R125 million investment fund aimed at expanding the ownership of franchises amongst the previously disadvantaged youth. The Company contributed 20 percent of the capital for the fund, and the Umsobomvu Youth Fund the balance of 80 percent.

The Company entered into an *En Commandite* partnership in February 2006 with Small Enterprise Finance Agency Limited ('SEFA'), (previously known as Khula Enterprise Finance Limited) to establish a R150 million investment fund aimed at promoting start—up ventures amongst previously disadvantaged individuals. The Company contributed 20 percent of the capital for the fund, and SEFA the balance of 80 percent.

The Company entered into sales agreements to purchase the remaining interests in both *En Commandite* partnerships listed above. The transactions (including the unwinding and dissolution of the partnership agreements) were effective on 1 April 2016. The purchase price was determined based on the net asset value of the *En Commandite* partnerships as at 31 March 2016.

As at 31 March 2017, the winding up process relating to the Umsobomvu Youth Fund has not been finalised, pending final approval from the National Youth Development Agency.

	Gr	oup	Company	
	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
Available-for-sale financial assets				
Fair value — beginning of year Disposals Acquisitions	29 328 - 16 089	7 139 (2 008) 25 873	29 324 - 16 089	5 127 - 25 873
Fair value surplus transferred to equity	(12 211)	(1 676)	(12 211)	(1 676)
Fair value — end of year	33 206	29 328	33 202	29 324
Available-for-sale financial assets include the following:				
Listed securities Unlisted securities	274 32 932	325 29 003	274 32 928	325 28 999
	33 206	29 328	33 202	29 324

The above available—for—sale investments, comprise listed and unlisted shares, both of which are measured at fair value. 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 the directors.

Refer to note 7.1 and 2.4.2 for detail on the fair value movement and sensitivity analysis relating to unlisted shares.

4.2

Grou	р	Company	/
2017	2016	2017	2016
R000	R000	R000	R000

### 4.3 Loans and receivables

### 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 9,5 and 25,5 percent (2016: 6,5 and 20,3 percent) per annum. The amortised cost of the interest—bearing loans approximates fair value, as the loans are priced at variable, market related rates.

Gross interest-bearing loans	2 765 239	2 541 202	2 765 199	2 540 745
Less: allowance for impairment	(201 114)	(171 070)	(201 113)	(171 037)
	2 564 125	2 370 132	2 564 086	2 369 708

### Shareholders' loans

These loans are unsecured, and are priced at interest rates between zero and 10,50 percent (2016: zero and 10,25 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.

Gross shareholders' loans	129 953	133 152	129 953	133 152
Less: allowance for impairment	(14 213)	(12 374)	(14 213)	(12 374)
	115 740	120 778	115 740	120 778

### 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 1,2 and 14,1 percent (2016: 1,3 and 15,5 pecent). The amortised cost of royalty agreements approximates fair value.

Royalty agreements	69 010	61 705	69 006	61 581
Gross loans and receivables	2 964 202	2 736 059	2 964 158	2 735 478
Less: allowance for impairment	(215 327)	(183 444)	(215 326)	(183 411)
T - 16 1	0.740.075	0.550.615	0.740.000	0.550.067
Total for loans and receivables	2 748 875	2 552 615	2 748 832	2 552 067

The Group accepted mortgage bonds, notarial bonds and other types of collateral, at a value of R2 181,1 million (2016: R1 980,6 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 14.1).

	Interest- bearing loans	Shareholders' loans	Total
	R000	R000	R000
Reconciliation of allowance for impairment on loans and receivables			
Group			
At 1 April 2015	153 805	10 676	164 481
Impairment allowance raised on new investments	42 877	1 607	44 484
Impairment reversed on investments written off or repaid	(37 524)	(295)	(37 819)
Increase in impairment allowance on existing investments	45 895	760	46 655
Decrease in impairment allowance on existing investments	(33 983)	(374)	(34 357)
At 31 March 2016	171 070	12 374	183 444
At 1 April 2016	171 070	12 374	183 444
Impairment allowance raised on new investments	37 590	761	38 351
Impairment answariee raised of riew investments  Impairment reversed on investments written off or repaid	(56 739)	(1 977)	(58 716)
Increase in impairment allowance on existing investments	77 518	3 644	81 162
Decrease in impairment allowance on existing investments	(28 325)	(589)	(28 914)
At 31 March 2017	201 114	14 213	215 327
Company			
At 1 April 2015	153 546	10 676	164 222
Impairment allowance raised on new investments	42 878	1 607	44 485
Impairment anowarice raised of rick investments  Impairment reversed on investments written off or repaid	(37 377)	(295)	(37 672)
Increase in impairment allowance on existing investments	45 895	760	46 655
Decrease in impairment allowance on existing investments	(33 905)	(374)	(34 279)
At 31 March 2016	171 037	12 374	183 411
At 1 April 2016	171 037	12 374	183 411
Impairment allowance raised on new investments	37 591	761	38 352
Impairment reversed on investments written off or repaid	(56 706)	(1 977)	(58 683)
Increase in impairment allowance on existing investments	77 516	3 644	81 160
Decrease in impairment allowance on existing investments	(28 325)	(589)	(28 914)
At 31 March 2017	201 113	14 213	215 326

Group		Compan	У
2017	2016	2017	2016
R000	R000	R000	R000

# 5. 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 R1,1 million before tax (2016: loss of R0,7 million). A register containing details of all listed, unlisted and other investments is available at the registered office.

Unlisted shares at cost Share of retained earnings	908 111 763	99 101 548	908	99
Total for unlisted associates	112 671	101 647	908	99
Fair value of investment in associates	232 560	265 820	232 560	265 820

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

The movement in investments in associates is as follows:

Balance — beginning of year	101 647	105 249	99	87
Share of results before tax	38 327	23 079		
Share of tax	(7 719)	(6 047)		
Other movements (net of acquisitions and disposals)	(19 584)	(20 634)	809	12
Balance — end of year	112 671	101 647	908	99

The Company has investments in 396 associates (2016: 439), a list of which is available at the registered office for inspection. The detail of the Company's 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.

		<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
		11000	11000	11000	11000
6.	Property and equipment				
6.1	Equipment				
	Cost — beginning of year	27 999	27 546	27 066	26 514
	Acquisitions	1 194	1 271	1 182	1 370
	Disposals	(377)	(818)	(377)	(818)
	Cost — end of year	28 816	27 999	27 871	27 066
	Accumulated depreciation — beginning of year	(24 687)	(23 488)	(24 160)	(23 046)
	Depreciation charged	(1 866)	(2 093)	(1 688)	(1 892)
	Exchange differences	40	116		
	Depreciation on disposals	355	778	355	778
	Accumulated depreciation — end of year	(26 158)	(24 687)	(25 493)	(24 160)
	Closing net carrying value	2 658	3 312	2 378	2 906
6.2	Land and buildings				
	Cost — beginning of year	103 632	102 569	1 147	1 147
	Additions	2 449	-	-	-
	Improvements	-	1 063	-	-
	Disposals	(1 147)	-	(1 147)	-
	Cost — end of year	104 934	103 632	-	1 147
	Accumulated depreciation — beginning of year	(9 599)	(8 511)	(59)	(52)
	Depreciation charged	(1 147)	(1 088)	(3)	(7)
	Depreciation on disposals	62	-	62	-
	Accumulated depreciation — end of year	(10 684)	(9 599)	-	(59)
	Closing net carrying value	94 250	94 033	-	1 088

Group

Company

Included in land and buildings are owner occupied properties at a cost of R94,3 million (2016: R94,0 million). The fair value of these properties is R134,3 million (2016: R128,0 million).

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

		2017	2016
		R000	R000
7	Investments in subsidiaries		
	Unlisted shares at cost	13	13
	Interest free loans	367 313	356 898
	Interest-bearing loans	29 395	31 576
		006 701	000 407
		396 721	388 487

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 ten years and interest is charged at prime minus one percent.

Company

The Company's interest in the aggregate net profits and losses of subsidiaries are:

Profits	50 072	47 179
Losses	(4 079)	(6 002)

The details of the subsidiaries are disclosed in note 29.

### 7.1 Unconsolidated structured entities

The Group is involved in unconsolidated structured entities through a 6,67 percent (2016: 6,67 percent) interest held by Business Partners Ltd ('BPL') in Business Partners International Southern Africa Fund LLC ('SAF') and a 16,8 percent (2016: 16,8 percent) interest held by BPL in Business Partners International East Africa Fund LLC ('EAF').

SAF and EAF are US\$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 may subsequently be reclassified to profit and loss. A fair value loss of R7,0 million (2016: R2,2 million) is included in 'Gains or losses from available—for—sale financial assets'.

The Group's maximum exposure to losses from its interests in the SAF and EAF is equal to the total fair value of its investments in the SAF and EAF.

The Group has committed to invest US\$2,0 million during the investment period of the SAF. The investment by the Group in the SAF during the year ended 31 March 2017 was US\$303 751 or R4,2 million (2016: US\$338 640 or R4,7 million). The total investment by the Group in the SAF as at the year ended 31 March 2017 is US\$1,1 million or R13,6 million (2016: US\$0,8 million or R9,4 million).

The Group has committed to invest US\$6,0 million during the investment period of the EAF. The investment by the Group in the EAF during the year ended 31 March 2017 was US\$0,9 million or R11,9 million (2016: US\$1,4 million or R21,2 million). The total investment by the Group in the EAF as at the year ended 31 March 2017 is US\$2,2 million or R33,1 million (2016: US\$1,4 million or R21,2 million).

If the closing exchange rate between the dollar (USD) and rand (ZAR) was on one rand higher, the fair value loss included in 'Gains or losses from available—for—sale financial assets' would have increased by R2,5 million (2016: R0,7 million). Conversely, if the closing exchange rate between the dollar and rand was on one rand lower, the fair value loss included in 'Gains or losses from available—for—sale financial assets' would have decreased by R2,5 million (2016: R0,7 million).

# 8. Post-employment benefits

# 8.1 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 R9,9 million (2016: R10,0 million).

# 8.2 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 87 (2016: 88) 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.

The past service obligation as at 31 March 2017 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 275,3 percent (2016: 260,8 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 R9,1 million (2016: increase of R4,2 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 R1,4 million (2016: R1,4 million) and R11,0 million (2016: R11,5 million) respectively. With the issuance of IAS19 revised 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.

		Gro	ир
		<b>2017</b> R000	<b>2016</b> R000
8.2.2	Amount recognised in the statement of financial position		
	Market value of assets Present value of defined benefit obligation	256 269 (93 085)	249 979 (95 869)
	Defined benefit pension fund surplus	163 184	154 110
8.2.3	Defined benefit plan reconciliations		
	Reconciliation of the net surplus:		
	Defined benefit pension fund surplus — beginning of year Movement in obligation Growth in plan assets Movement in contingency reserves Expenses and tax paid	154 110 (5 378) 15 577 - (1 125)	149 900 (4 343) 10 214 - (1 661)
	Defined benefit pensions fund surplus — end of year	163 184	154 110
	Reconciliation of the movement in the defined benefit obligation:		
	Defined benefit obligation — beginning of year Interest expense Benefits paid	95 869 9 012 (8 162) 96 719	99 280 8 141 (7 754) 99 667
	Remeasurements	(3 634)	(3 798)
	Defined benefit obligation — end of year	93 085	95 869
	Reconciliation of the movement in the plan assets:		
	Market value of assets — beginning of year Interest income Remeasurement Benefits paid Expenses and tax paid	249 979 23 127 (7 550) (8 162) (1 125)	249 180 20 145 (9 931) (7 754) (1 661)
	Market value of assets — end of year	256 269	249 979

Group	
2017	2016
R000	R000

# 8.2.4 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:

Equity assets	137 579	164 249
Capital market assets	76 931	52 880
Money market assets	41 759	32 850
Market value of assets — end of year	256 269	249 979

The value of assets disclosed above are based on quoted prices in active markets.

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

Interest income on net surplus	14 115	12 004
Expenses and tax paid	(1 125)	(1 661)
Total included in staff costs (refer note 21)	12 990	10 343
Remeasurements and movement recognised in other comprehensive income before tax	(3 916)	(6 133)
Actual return on assets	(7 550)	(9 931)
Change in financial assumptions — gain / (loss)	3 285	1 764
Change in demographic assumptions — (loss) / gain	-	-
Experience adjustments — gain / (loss)	349	2 034
Movement in contingency reserves	-	-
Total recognised in the statement of comprehensive income	9 074	4 210

# 8.2.6 The principal actuarial assumptions

Discount rate	9,4%	8,2%
Expected rate of return on plan assets	9,4%	8,2%
Inflation rate	6,9%	7,6%
Target pension increase	6,2%	6,8%
Average life expectancy	12,7 yrs	13,1 yrs
Post-retirement mortality — PA(90) mortality tables with age reduction	2 yrs	2 yrs

# 8.2.7 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	(7 386)	8 621
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)	4 917	(4 319)

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

Group	
2017	2016
R000	R000

# 8.3 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 206 (2016: 210) 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 (the quotient of the interest rate on high quality bonds and the subsidy inflation rate) was determined as follows:

Nominal rate on high quality interest bearing bond  Divided by: real rate on high quality interest bearing bond	9,85% 2,35%	10,04% 1,86%
Implied price inflation	7,33%	8,03%
Subsidy inflation rate (89 percent of implied price inflation)	6,52%	7,15%
Nominal rate on high quality interest bearing bond Divided by: subsidy inflation rate	9,85% 6,52%	10,04% 7,15%
Real discount rate	3,12%	2,70%

	Group	
	<b>2017</b> R000	<b>2016</b> R000
Amount recognised in the statement of financial position		
Liability — beginning of year	94 217	84 837
Benefits paid	(4 488)	(4 069)
Recognised in comprehensive income for the year	10 579	7 907
Recognised in other comprehensive income before tax	(7 459)	5 542
Liability — end of year	92 849	94 217
Movements in post-employment medical benefits accounted for in the statement of	comprehensive	income
Interest expense	9 427	6 749
Current service cost	1 152	1 158
Total included in staff costs (refer note 21)	10 579	7 907
Remeasurements and movement recognised in other comprehensive income before tax	(7 459)	5 542
Change in accrual method — (gain) / loss	-	2 786
Change in economic assumptions — (gain) / loss	(4 931)	(3 570)
Experience adjustments — (gain) / loss	(1 602)	(2 010)
Change in demographic profile — (gain) / loss	(926)	8 336
Total recognised in the statement of comprehensive income	3 120	13 449
Sensitivity analysis		
Should the subsidy inflation rate change by one percent, the impact would be as follows:	Increase of	Decrease of
	1%	1%
Change in interest expense — (decrease) / increase	(93)	77
Change in current service cost — (decrease) / increase	(135)	170
Change in liability — (decrease) / increase	(9 414)	11 363
Should the mortality assumption change by one year, the impact would be as follows:	Increase of	Decrease of
	1%	1%
Change in interest expense — increase / (decrease)	499	(438)
Change in current service cost — increase / (decrease)	54	(47)
Change in liability — increase / (decrease)	5 066	(4 440)

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

## 8.4 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.

# 8.5 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 R4,8 million and R10,4 million respectively.

The weighted average duration of the defined benefit obligation is 9,2 years and the medical aid benefit is 12,6 years.

The expected maturity analysis of undiscounted pension and post-employment medical benefits at 31 March 2017 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	8 687	8 926	27 904	224 307	269 824
Post-employment medical benefits	5 381	5 838	20 548	523 603	555 370
	14 068	14 764	48 452	747 910	825 194

	Group		Company	
	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
Assets held for resale				
Repossessed properties (at lower of cost or net realisable value)	4 495	2 142	4 495	2 14:
Other (at cost)	4 508	2 147	4 508	2 14
Repossessed assets, which comprise mainly properties acquire and are sold as soon as practical.	ed at auction, were use	ed to reduce the out	standing indebtedne	ess of clients
Accounts receivable				
Rent debtors	18 194	16 899	10 136	9 82
Trade receivables	5 673	15 722	1 241	2 40 66
Insurance pre-paid and claims receivable Sundry deposits	868 3 049	864 2 791	645 2 360	2 14
Pre-paid expenses	8 183	7 464	8 138	7 4
Other	839	103	1 121	5
	36 806	43 843	23 641	23 06
Cash and cash equivalents				
Bank current and call accounts	18 897	9 609	18 737	9 1
Funds held in trust on behalf of third parties (restricted)	69 878	58 029	54 600	41 5
	88 775	67 638	73 337	50 69
Cash and cash equivalents are held by financial institutions wit	h credit ratings of BB+	·.		
Share capital				
Authorise				
400 000 000 ordinary shares of R1 each	400 000	400 000	400 000	400 00
Issued				
100000				

		(loss)/gain on post-retirement benefits	Fair value adjust- ment to financial instruments R000	Foreign currency translation reserve R000	Share of other comprehensive in- come of associates R000	Total R000
Fair value and other res	erves					
Group						
At 1 April 2015	t hanafita:	75 727	109	4 119	1 622	81 577
Remeasurement of post-employment Defined benefit pension fund	• gross	(6 133)				(6 133)
benned benefit pension rund	• tax	1 717				1 717
Post-employment medical benefits	s • gross	(5 542)				(5 542)
	<ul><li>tax</li></ul>	1 552				1 552
Revaluation of financial instruments	<ul><li>gross</li></ul>		(2 909)			(2 909)
Ourse out the male tien difference	<ul><li>tax</li></ul>		660	CO.4		660
Currency translation differences Share of associates other comprehens	sive income			624	353	624 353
·	sive income	67.001	(0.140)	4.740		
At 31 March 2016		67 321	(2 140)	4 743	1 975	71 899
At 1 April 2016 Remeasurement of post—employment	t henefits:	67 321	(2 140)	4 743	1 975	71 899
Defined benefit pension fund	• gross	(3 916)				(3 916)
	• tax	1 096				1 096
Post-employment medical benefits	s • gross	7 459				7 459
	<ul><li>tax</li></ul>	(2 089)				(2 089)
Revaluation of financial instruments	• gross		(8 964)			(8 964)
Currency translation differences	<ul><li>tax</li></ul>		2 008	(2 429)		2 008 (2 429)
Share of associates other comprehens	sive income			(2 423)	(146)	(146)
At 31 March 2017		69 871	(9 096)	2 314	1 829	64 918
Company						
At 1 April 2015		75 727	109	_	_	75 836
Remeasurement of post-employment	t benefits:					
Defined benefit pension fund	<ul><li>gross</li></ul>	(6 133)				(6 133)
	<ul><li>tax</li></ul>	1 717				1 717
Post-employment medical benefits	-	(5 542)				(5 542)
Develoption	• tax	1 552	(0.000)			1 552
Revaluation	<ul><li>gross</li><li>tax</li></ul>		(2 909) 660			(2 909) 660
Currency translation differences	lax		000	957		957
At 31 March 2016		67 321	(2 140)			66 138
At 1 April 2016		67 321	(2 140)	957	_	66 138
Remeasurement of post-employment	benefits:		, ,			
Defined benefit pension fund	<ul><li>gross</li></ul>	(3 916)				(3 916)
	<ul><li>tax</li></ul>	1 096				1 096
Post-employment medical benefits	-	7 459				7 459
Davalvation	• tax	(2 089)	(0.05.1)			(2 089)
Revaluation	• gross		(8 964) 2 008			(8 964) 2 008
Currency translation differences	• tax		2 008	(2 514)		(2 514)
*		60.071	(0.000)			
At 31 March 2017		69 871	(9 096)	(1 557)		59 218

Net actuarial

		Gro	Group		pany
		2017	2016	2017	2016
		R000	R000	R000	R000
14.	Borrowings				
14.1	Non-current				
	Interest-free long-term loans	173	173	173	173
	Interest-free Jobs Fund loan	41 831	23 049	41 831	23 049
	Interest-bearing long-term loans	1 009 576	914 427	1 009 576	914 427
		1 051 580	937 649	1 051 580	937 649
	0				
	Current				
	Short-term portion of long-term loans	79 862	39 272	79 862	39 272
		1 131 442	976 921	1 131 442	976 921

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

- Loans secured by bonds over properties and incurring interest at rates between prime minus 0,75 percent and prime minus one percent. The loans' repayment terms are 5 and 10 years respectively. Refer note 2.3.
- A loan secured by a cession of the loans and receivables and incurring interest at prime minus 1,5 percent. The loan's repayment term is 10 years. Refer note 2.3.

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, which is used to facilitate the establishment of new franchises. 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.

# 14.2 Borrowing powers

The maximum permitted borrowings in terms of the Company's memorandum of incorporation (calculated by multiplying the Company's total capital and reserves by a factor of 1.4). Total borrowings

4 007 450	3 872 501
1 131 442	976 921

Camanani

Group		Company	
2017	2016	2017	2016
R000	R000	R000	R000

# 15. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28 percent (2016: 28 percent).

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

Deferred tax asset  • Deferred tax assets to be recovered after more than 12 months  • Deferred tax assets to be recovered within 12 months	97 980 14 214	92 062 12 223	92 648 12 397	84 128 11 467
	112 194	104 285	105 045	95 595
Deferred tax liability  Deferred tax liabilities to be recovered after more than 12 months  Deferred tax liabilities to be recovered within 12 months	(178 046) (35 171) (213 217)	(164 429) (30 809) (195 238)	(151 510) (35 108) (186 618)	(141 230) (30 737) (171 967)
Net deferred tax liabilities	(101 023)	(90 953)	(81 573)	(76 372)
The movement on the deferred tax account is as follows:  Balance — beginning of the year Charge to profit and loss component of the statement of comprehensive income Provisions Investment properties Fair value adjustments: financial instruments Defined benefit pension fund surplus Assessed losses	(90 954) 8 591 (11 769) (1 839) (3 637) (3 157)	(67 674)  2 705 (24 514) (2 278) (2 896) 50	(76 373)  6 965 (8 222) (2 048) (3 637)	(57 897)  2 716 (20 140) (1 808) (2 896)
Charged directly to other comprehensive income	1 742	3 654	1 742	3 653
Balance — end of the year	(101 023)	(90 953)	(81 573)	(76 372)
Net deferred tax liabilities consist of temporary differences relati	ng to:			
Provisions Investment properties Fair value adjustments: financial instruments Defined benefit pension fund surplus Assessed losses	73 730 (111 476) (19 750) (45 692) 2 165	67 228 (99 707) (20 644) (43 151) 5 321	68 809 (86 554) (18 136) (45 692)	63 932 (78 331) (18 822) (43 151)
Net deferred tax liability	(101 023)	(90 953)	(81 573)	(76 372)

		Group		Company	
		<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
16.	Accounts payable				
	Tenant deposits held Funds held in trust	17 302 7 871	16 179 9 959	12 429 -	11 877 -
	Trade vendors Statutory vendors	15 701 8 426	13 522 9 283	10 856 5 230	8 842 5 018
	Prepaid and deferred income Other	13 439 7 751	14 158 7 573	6 846 1 432	7 752 2 329
		70 490	70 674	36 793	35 818
			<b>Leave pay</b> R000	Bonus R000	Total R000
17.	Provisions				
	Group At 1 April 2015		17 690	35 272	52 962
	Provided for the year Utilised during the year		2 144 (2 162)	37 632 (34 234)	39 776 (36 396)
	At 31 March 2016		17 672	38 670	56 342
	At 1 April 2016 Provided for the year Utilised during the year		17 672 1 693 (2 993)	38 670 34 880 (37 509)	56 342 36 573 (40 502)
	At 31 March 2017		16 372	36 041	52 413
	Company At 1 April 2015 Provided for the year Utilised during the year		16 728 2 040 (2 149)	33 823 36 693 (32 970)	50 551 38 733 (35 119)
	At 31 March 2016		16 619	37 546	54 165
	At 1 April 2016 Provided for the year Utilised during the year		16 619 2 066 (2 949)	37 546 33 613 (36 653)	54 165 35 679 (39 602)
	At 31 March 2017		15 736	34 506	50 242

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	
		<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000
18.	Net interest revenue				
	Interest income Interest on loans and receivables Royalty fees Interest on surplus funds Interest on loans to subsidiaries Interest expense	382 807 295 628 80 320 6 859 (92 031)	341 909 252 134 82 414 7 361 (72 758)	385 062 295 610 80 243 6 301 2 908 (92 031)	343 860 252 346 82 174 6 902 2 438 (72 758)
19.	Investment income and gains	290 776	269 151	293 031	271 102
	Investment income Surplus on realisation of unlisted investments Surplus / (loss) on realisation of investment properties Dividends received Investment gains Income from associated companies Fair value movement investment properties Net foreign exchange rate differences	47 829 44 251 3 526 52 93 439 38 327 56 095 (983)	36 087 36 125 (44) 6 80 287 23 079 56 324 884	57 972 52 676 3 526 1 770 43 783 43 752 31	58 679 55 687 (44) 3 036 43 511 43 505 6
20.	Net credit losses				
	Loans and receivables written off Legal and other expenses incurred on recovery Impairments created Portfolio impairments (released) / created Specific impairments created Recovery of loans and receivables written off	63 850 5 422 30 813 (710) 31 523 (19 127)	34 051 3 608 18 963 6 547 12 416 (14 106)	63 850 5 395 30 846 (677) 31 523 (19 020)	33 919 3 598 19 191 6 594 12 597 (14 024)
		80 958	42 516	81 071	42 684

Remuneration at cost to company   135 711   136 188   124 163   122			Grou	lb di	Comp	any
Remuneration at cost to company						<b>20</b> °
Post retirement medical aid costs (refer note 8.3)   10 579   7 907   10 579   7 8 8 8 96   39 955   35 724   38 8 8 96   39 955   35 724   38 8 8 96   39 955   35 724   38 8 8 96   39 955   35 724   38 8 8 96   39 955   35 724   38 8 8 96   39 955   35 724   38 8 95   35 13   10 9 8 9	Staff costs					
Defined benefit pension fund gain (refer note 8.2)	Post retirement med	cal aid costs (refer note 8.3)	10 579	7 907	10 579	122 2 7 9 38 9
Profit from operations  The following items have been included in arriving at profit from operations:  Depreciation on property and equipment Directors' emoluments  as directors (refer note 28.2)  as management (refer note 28.2)  14 240  17 453  14 240  17 453  14 240  17 453  14 240  17 453  19 3 19 3 3 884  30 3 3 181  1 691  1 1 69		on fund gain (refer note 8.2)	(12 990) 3 995	(10 343) 5 685	(12 990) 3 513	169 0 (10 3 5 1
Depreciation on property and equipment Directors' emoluments  a directors (refer note 28.2)  a smanagement (refer note 28.2)  a smanagement (refer note 28.2)  a udit  b other services Dividends received from subsidiaries (refer note 28.1)  Surplus on realisation of property and equipment  Carrent year  prior year  prior year  prior year  2 076  1 866 2 076 1 1 2 076 1 0	Profit from o	perations				
Directors' emoluments	The following items I	nave been included in arriving at profit fro	om operations:			
<ul> <li>as management (refer note 28.2)</li> <li>Auditor's remuneration</li> <li>audit</li> <li>4 499</li> <li>3 709</li> <li>3 484</li> <li>other services</li> <li>Dividends received from subsidiaries (refer note 28.1)</li> <li>Surplus on realisation of property and equipment</li> <li>(30)</li> <li>(25)</li> <li>(25)</li> </ul> Tax expense Tax charge though profit and loss component of comprehensive income Income tax <ul> <li>current year</li> <li>prior year</li> </ul>			3 013	3 181	1 691	1.8
other services Dividends received from subsidiaries (refer note 28.1) Surplus on realisation of property and equipment  Tax expense  Tax charge though profit and loss component of comprehensive income  Income tax  current year prior year 11 157 488 10 982  Deferred tax current year prior year prior year 2 303 (818)  -	<ul> <li>as management (r</li> </ul>	efer note 28.2)				1 8 17 4
Tax expense  Tax charge though profit and loss component of comprehensive income  Income tax  • current year • prior year  • prior year	<ul> <li>other services</li> </ul>	over the idiation (or formate 00.1)			365	3 (
Tax charge though profit and loss component of comprehensive income  Income tax		•	(30)	(25)		
Tax charge though profit and loss component of comprehensive income  Income tax	_					
Income tax	lax expense					
<ul> <li>prior year</li> <li>Deferred tax</li> <li>current year</li> <li>prior year</li> <li>11 157</li> <li>11 811</li> <li>26 933</li> <li>6 942</li> <li>prior year</li> <li>2 303</li> <li>(818)</li> </ul>	Tax charge tho	ugh profit and loss componer	nt of comprehens	ive income		
Deferred tax	Income tax	· · · · · · · · · · · · · · · · · · ·				15 8
<b>64 025</b> 57 712 <b>45 602</b> 37	Deferred tax	<ul><li>current year</li></ul>	11 811	26 933	6 942	22 -
			64 025	57 712	45 602	37 (

13 108

84 852

10 064

73 823

Capital gains tax

10 062

47 731

13 108

58 710

Group	)	Comp	any
2017	2016	2017	2016

# 23.2 Reconciliation of rate of taxation

South African normal tax rate	28,00%	28,00%	28,00%	28,00%
Adjusted for:	1,06%	0,36%	1,86%	-4,81%
Income not subject to tax	-1,63%	-4,50%	-1,77%	-6,11%
Income subject to capital gains tax	-0,82%	-0,46%	-2,06%	-3,77%
Change in inclusion rate for capital gains tax	0,00%	3,95%	0,00%	5,10%
Prior year adjustments	4,59%	-0,17%	5,59%	0,00%
Other	-1,08%	1,54%	0,10%	-0,03%
Effective tax rate on profit before taxation	29,06%	28,36%	29,86%	23,19%

# 23.3 Tax charge through other comprehensive income

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

		2017			2016	
	Before tax R000	Deferred tax R000	After tax R000	Before tax R000	Deferred tax R000	After tax R000
Group						
Actuarial remeasurement on defined benefit pension fund	(3 916)	1 096	(2 820)	(6 133)	1 717	(4 416)
Actuarial remeasurement on post- retirement medical aid obligation	7 459	(2 089)	5 370	(5 542)	1 552	(3 990)
Fair value adjustments of available–for–sale instruments	(8 964)	2 008	(6 956)	(2 909)	660	(2 249)
Share of other comprehensive income of associates	(146)	-	(146)	353	-	353
Foreign currency translation movements	(2 429)	-	(2 429)	624	-	624
Other comprehensive income	(7 996)	1 015	(6 981)	(13 607)	3 929	(9 678)
Company						
Actuarial remeasurement on defined benefit pension fund	(3 916)	1 096	(2 820)	(6 133)	1 717	(4 416)
Actuarial remeasurement on post- retirement medical aid obligation	7 459	(2 089)	5 370	(5 542)	1 552	(3 990)
Fair value adjustments of available—for—sale instruments	(8 964)	2 008	(6 956)	(2 909)	660	(2 249)
Foreign currency translation movements	(2 514)	-	(2 514)	957	-	957
Other comprehensive income	(7 935)	1 015	(6 920)	(13 627)	3 929	(9 698)

Group		Company	/
2017	2016	2017	2016
R000	R000	R000	R000

# 24. 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.

# 24.1 Basic earnings per share

Net profit	207 131	186 319
Weighted number of ordinary shares ('000)	173 001	173 001
Basic earnings per share (cents)	119,7	107,7

# 24.2 Headline earnings per share

Net profit	207 131	186 319
Adjustments net of tax		
<ul> <li>Capital profit on sale of equipment</li> </ul>	(23)	(20)
<ul> <li>Profit on sale of property investments</li> </ul>	(2 736)	36
<ul> <li>Profit on sale of associates</li> </ul>	(34 339)	(29 389)
Fair value adjustment of investment properties	(43 530)	(43 707)
Headline earnings	126 503	113 239
Headline earnings per share (cents)	73,1	65,5

# 25. Dividend per share

Dividend in respect of 2016 of 20 cents per share paid on 22 August 2016 to shareholders registered on 17 August 2016 Dividend in respect of 2015 of 19 cents per share paid on 22 August 2015 to shareholders registered on 12 August 2015	34 600	32 870	34 600	32 870
	34 600	32 870	34 600	32 870

A dividend in respect of 2017 of 21 cents per share was declared on 24 May 2017, due to shareholders registered on 16 August 2017, payable on or about 23 August 2017.

The dividend is subject to a dividend withholding tax at 20 percent (2016: 15 percent). Tax payable is 4.2 cents per share, which results in a net dividend of 16.8 cents per share payable to shareholders who are not exempt from dividends withholding tax, or subject to a reduced rate.

Group		Company	
2017	2016	2017	2016
R000	R000	R000	R000

# 26. Commitments and lease agreements

# 26.1 Capital commitments

Loans and receivables approved but not advanced	329 082	351 595	329 082	351 595
Capital committed in respect of purchase of investment properties	5 219	9 812	5 219	9 812
	334 301	361 407	334 301	361 407

# 26.2 Operating lease commitments — group company as lessee

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 6 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

• 1 year	1 762	4 908	9 497	14 259
<ul><li>between 1 and 5 years</li></ul>	3 315	11 930	5 212	44 083
after 5 years	188	992	188	3 890
	5 265	17 830	14 897	62 232

# 26.3 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:

		Between 1 year		
	Less than 1 year	and 5 years	Over 5 years	Total
	R000	R000	R000	R000
Group	166 025	175 445	2 776	344 246
Company	100 746	95 578	733	197 057

Group		Compar	ny
2017	2016	2017	2016
R000	R000	R000	R000

### Cash flow information 27.

### 27.1 Cash generated from operating activities

outing characted from operating don vites				
Profit before taxation	291 983	260 344	196 622	205 854
Adjustments for non-cash items	(46 169)	(60 372)	(9 275)	(47 771)
Income from associated companies	(38 327)	(23 079)		
Dividends received	(52)	(6)	(1 770)	(3 036)
Surplus on sale of assets	(47 807)	(36 106)	(56 227)	(55 666)
Fair value adjustment of investment properties	(56 095)	(56 324)	(43 752)	(43 505)
Fair value adjustment of financial instruments	(6 642)	(8 486)	(6 764)	(8 618)
Depreciation	3 013	3 181	1 691	1 899
Credit losses — loans and receivables	106 622	62 694	106 628	62 779
Credit losses — rent debtors	2 965	1 763	1 774	1 272
Movement on post-retirement benefits	(2 411)	(2 436)	(2 411)	(2 436)
Foreign currency movements	983	(884)	(31)	(6)
Provisions	(8 418)	(689)	(8 413)	(454)
Changes in working capital	4 494	94	(1 953)	2 942
(Increase) / decrease in inventory and assets held for resale	(2 361)	292	(2 361)	292
(Increase) / decrease in accounts receivable	7 040	(16 865)	(567)	(3 321)
(Decrease) / increase in accounts payable	(185)	16 667	975	5 971
Net finance cost	85 172	65 397	82 822	63 418
Cash generated from operating activities	335 480	265 463	268 216	224 443
Taxation paid				

# 27.2

Taxation liability / (asset) — beginning of year	(804)	(6 983)	113	(4 491)
Tax provision for the year	(84 852)	(73 823)	(58 710)	(47 731)
Deferred tax	11 811	26 933	6 942	22 128
Paid by associated companies	7 719	6 047		
Taxation liability — end of year	19 792	804	17 694	(113)
Taxation paid during the year	(46 334)	(47 022)	(33 961)	(30 207)

### Dividends paid 27.3

Dividends payable — beginning of year Dividends declared	(1 094) (34 600)	(415) (32 870)	(1 094) (34 600)	(415)
Dividends decialed Dividends payable — end of year	939	1 094	939	(32 870) 1 094
Dividends paid during the year	(34 755)	(32 191)	(34 755)	(32 191)

Group		Company	У
2017	2016	2017	2016
ROOO	ROOO	ROOO	ROOO

# 28. Related parties

All related party transactions took place at arm's length.

# 28.1 Loans to / from related parties

Loans to subsidiaries		
Balance — beginning of the year	388 474	286 914
Amount advanced during the year	8 234	101 560
Balance — end of the year	396 708	388 474
Dividends received from subsidiaries	-	-

Refer to note 29 for the details of the Loans to subsidiaries.

Company	
2017	2016
R000	R000

# 28.2 Directors' remuneration

Payments made to directors and prescribed officers for services rendered during the year are as follows:

Payments made to directors and prescribed officers for services rendered during the year are as follows	•	
Non-executive directors		
F Knoetze	107	126
E Links (Dr)	50	99
F Meisenholl	175	144
H Moliea	116	58
D Moshapalo	204	198
R Ndlovu	165	53
SST Ngcobo	165	144
ZZR Rustomjee (Dr)	146	162
SEN Sebotsa	81	90
VO Twala	194	171
N Martin	24	-
NJ Williams	233	243
T van Wyk	417	378
Total	2 077	1 866
Executive directors		
BD Bierman (Managing Director from 1 April 2016)	5 122	_
Salary	3 012	_
Bonuses and performance related payments	2 110	_
N Martin (Retired 31 March 2016)	3 504	7 109
Salary	-	3 611
Bonuses and performance related payments	3 504	3 498
C Botes	4 715	4717
• Salary	2 511	2 357
Bonuses and performance related payments	2 204	2 360
G van Biljon	6 021	5 627
Salary	2 990	2 807
Bonuses and performance related payments	3 031	2 820
Total	19 362	17 453
Prescribed officers		
	-	4 E00
BD Bierman (Chief Financial Officer until 31 March 2016)	-	4 582 2 391
<ul> <li>Salary</li> <li>Bonuses and performance related payments</li> </ul>	-	2 191
	-	2 191
S Dumeko (Chief Financial Officer from 1 April 2016)	1 750	-
Salary	1 500	-
Bonuses and performance related payments	250	-
Total	23 189	23 901

<sup>\*</sup> The bonuses and performance related payments paid during 2017 resulted from bonuses and performance related payments earned and accrued for during 2016.

	Group		Company		
	<b>2017</b> R000	<b>2016</b> R000	<b>2017</b> R000	<b>2016</b> R000	
Loans to associates					
Balance — beginning of the year	1 121 990	990 421	1 121 990	990 421	
Loans advanced during the year	279 974	275 862	279 974	275 862	
Loan repayments received	(180 678)	(144 614)	(180 678)	(144 614)	
Loans written off	(20 202)	(5 470)	(20 202)	(5 470)	
Balance — end of the year	1 201 084	1 116 199	1 201 084	1 116 199	
Loans to associates consist of the following:  Interest bearing loans Shareholders loans	1 071 131 129 953	983 047 133 152	1 071 131 129 953	983 047 133 152	
Total loans to associates	1 201 084	1 116 199	1 201 084	1 116 199	
The allowance for impairment as disclosed in note 4.3 as it relates to loans to associates is as follows:  Impairment provision — beginning of the year  77 064 74 258 77 064 74 258 11 268 11 268 11 268 11 268 11 268 11 268 11 269 11 269 11 290) 11 290)					
Increase in impairment allowance on existing investments	37 609	17 719	37 609	17 719	
Decrease in impairment allowance on existing investments	(8 019)	(13 891)	(8 019)	(13 891)	
Impairment provision — end of the year	96 418	77 064	96 418	77 064	

The loans provided to associates are part of the investment activities of the Company as set out in note 4.3 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.

28.3

	2017	2016	2017	2016	2017	2016
	%	%	R	R	R000	R000
Principal subsidiaries						
Business Partners International (Pty) Ltd	80	80	80	80	484	15 983
Business Partners Mentors (Pty) Ltd <sup>1</sup>	-	100	-	100	-	=
Business Partners Properties 002 (Pty) Ltd	100	100	1 000	1 000	374 221	345 739
Business Partners Property Brokers (Pty) Ltd	100	100	100	100	(550)	(665)
Business Partners Venture Managers (Pty) Ltd <sup>1</sup>	-	100	-	100	-	=
Business Partners Ventures 1 (Pty) Ltd	100	100	100	100	(5 103)	(4 536)
Cussonia Trust (Pty) Ltd	100	100	3	3	3 547	4 664
Fifth Season Investments 114 (Pty) Ltd	80	80	96	96	3 511	3 511
Finance for the Third Millennium (Pty) Ltd <sup>1</sup>	100	100	100	100	693	693
JRC Properties (Pty) Ltd	100	100	100	100	(2 793)	(668)
Labrihof Properties (Pty) Ltd <sup>2</sup>	53	53	530	530	9 478	9 478
Lindros Investments (Pty) Ltd	100	100	4 000	4 000	81	81
Rainbow Place Properties 179 (Pty) Ltd <sup>2</sup>	60	60	600	600	5 671	5 671
Satinsky 189 (Pty) Ltd <sup>2</sup>	100	100	120	120	(419)	(433)
SF Coetzee Eiendomme (Pty) Ltd <sup>2</sup>	60	60	72	72	3 441	3 441
Unitrade 106 (Pty) Ltd	100	100	100	100	4 446	5 515
Yeoman Properties 1016 (Pty) Ltd <sup>2</sup>	80	80	80	80	-	-

Share percentage held

Shares at cost

Loans

Franchize Partners (Pty) Ltd — indirectly held <sup>3</sup>

Business Partners International Madagascar Société Anonyme – indirectly held <sup>4</sup>

Business Partners International Kenya Ltd — indirectly held <sup>5</sup>

Business Partners International Rwanda Ltd — indirectly held <sup>4</sup>

Business Partners International Adviser Ltd — indirectly held <sup>5</sup>

Business Partners International Namibia (Pty) Ltd - indirectly held <sup>4</sup>

Business Partners International Zambia Ltd — indirectly held <sup>5</sup>

7 081	7 281	396 708	388 474

All holdings are in the ordinary share capital of the entity concerned.

1. Dormant subsidiaries.

29.

- 2. The financial year of these subsidiaries 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. These subsidiaries are wholly—owned subsidiaries of Business Partners International (Pty) Ltd.
- 5. These subsidiaries are owned by Business Partners Limited (1 percent shareholding) and Business Partners International (Pty) Ltd (99 percent shareholding).

# 30. Reclassifications

Where necessary, certain other comparatives have been reclassified to conform to current year presentations. These changes did not affect total comprehensive income nor net cash flow for the prior year. The following reclassifications of comparative information took place:

- Note 3, Investment properties, the sensitivity analysis was updated.
- Note 5, Investments in associates, the number of associates for 2016 was corrected.
- Note 6, Property and equipment, exchange differences arising on translation of foreign operations were included.
- Note 11, Cash and cash equivalents, Funds held in trust on behalf of third parties (restricted) was corrected to include all restricted cash.
- Note 26.2, Operating lease commitments group company as lessee, the future aggregate minimum lease payments under non—cancellable operating leases were corrected.
- Note 27.1, Cash generated from operating activities, the adjustment for the foreign currency movements was corrected.

# 31. Contingent Liabilities

On 20 May 2015, the Company received an assessment from the Kenya Revenue Authority relating to a tax audit performed for the period November 2010 to December 2014. The matter is in an objection process with the Tax authorities and the outcome, at the date of approval of these annual financial statements is still unknown. The maximum possible liability that may result from this assessment and its effects on related funds is approximately R6,8 million (2016: R7,7 million) of which approximately R3,0 million (2016: R3,4 million) has been accounted for in the Tax Provision. The movement from the prior year is as a result of exchange rate gains.



# **NOTES**



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