



Contents

| | |
|-----------------------------------|----|
| About this report | 2 |
| About BUSINESS/PARTNERS | 4 |
| Our value-creating business model | 6 |
| Chairman's report | 8 |
| Managing director's report | 10 |
| Our strategy | 12 |
| Our material matters | 14 |
| Our key risks | 15 |
| Our performance | 16 |
| Business Partners International | 20 |
| Human resources | 22 |
| Outlook | 24 |
| Our corporate governance | 26 |
| Annual financial statements | 37 |
| Shareholder information | 96 |

Navigational icons:

The following icons are applied throughout the report to improve usability and to highlight integration between relevant content elements:



For more information
see pages of this
report

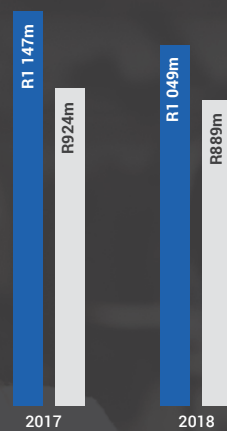


For further information
visit our website

HOT SUGAR STYLE
Brenda and Clive Fredericks

Highlights

SOCIO-ECONOMIC IMPACT



VALUE OF INVESTMENTS

Approved Advanced

▼8,5% Approvals down from 2016/2017

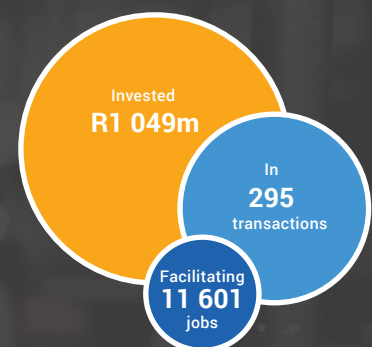


NUMBER OF INVESTMENTS

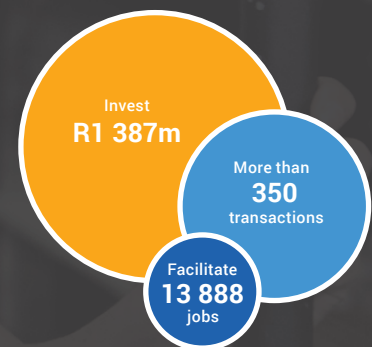
Approved Advanced

▼9,8% Approvals down from 2016/2017

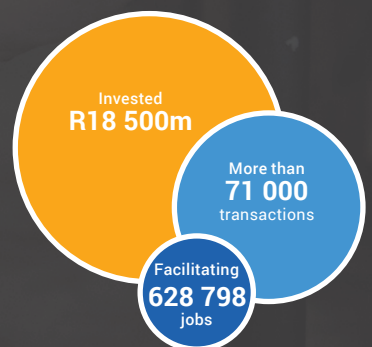
MILESTONES AND TARGETS



2018 RESULTS



2019 TARGETS



SINCE INCEPTION (1981)

About this report

This is the primary report of Business Partners Limited (BUSINESS/PARTNERS) to its stakeholders, outlining risks, activities, relationships, interactions and the performance of the company for the financial year ended 31 March 2018.



This is the primary report of Business Partners Limited (BUSINESS/PARTNERS) to its stakeholders, outlining risks, activities, relationships, interactions and the performance of the company for the financial year ended 31 March 2018. The report aims to provide all interested stakeholders with an integrated and balanced view of the ability of BUSINESS/PARTNERS to create value in the short, medium, and long term.

While the scope of the report remains consistent with that of the prior year, material issues with regard to the six capitals as outlined in the International Integrated Reporting Council (IIRC) framework were identified and are reported upon. The report was prepared with due regard to the principles described in the King IV Code on Corporate Governance for South Africa, 2016 (King IV).

Reporting boundary

This report covers the performance of operations across all the areas of our business for the financial year 1 April 2017 to 31 March 2018. We define material matters for reporting purposes as those issues that substantially affect our ability to create and sustain value over the short, medium and long term. (For more about materiality, see Material Matters on page 14)

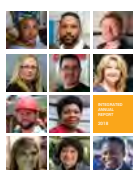
Forward-looking statements

Certain forward-looking statements are made in the report, particularly with regard to the impact of global and domestic economic conditions on the company's strategy, performance and operations. These forward-looking statements include important factors that could impact our company's results and performance in the future.



Directors' Statement of Responsibility

The board of directors (the board), assisted by the Audit and Risk Committee, is responsible for overseeing the integrity and relevance of this integrated report. The board has applied its collective mind in the presentation and preparation of this report, and believes it is a fair representation of the performance of the company and its material matters. The board accordingly approved this integrated report on 9 July 2018.



Integrated Annual Report

(Left to right)

Line 1: Nocwaka Mazaleni (Kwantu Guest Houses), Hilikia Jacobs (BlueTel) and Thomas Reib (Grand Prix Transport)

Line 2: Lola Robertson (Armadillo Concepts), Jose Nunes (Die Fish en Chips Plek) and Erna Storm (Thrive Pre-School & Aftercare Academy)

Line 3: Quinton Groenewald (GQ Construction) and Busi Pepu (Hlunga Consulting)

Line 4: Delia Cupido (Chameleon Junior School), Thara Singh (Shenton Valves) and Bongani Robert Khoza (BR Khoza Carriers)

About BUSINESS/PARTNERS

Our logo reflects not only the essence of who we are, but also of who we aim to serve – the entrepreneur. In the design, one of the stylised objects is immediately seen as different from the others – a square peg surrounded by round holes. This, together with its 'twist', represents not only the scarcity of people who possess the distinctive, mould-breaking character of the entrepreneur, but the character and spirit of BUSINESS/PARTNERS as well.

OUR PURPOSE

At BUSINESS/PARTNERS, we are passionate about entrepreneurs, entrepreneurship and entrepreneurial development. We exist to create value for our shareholders by fulfilling the needs and requirements of entrepreneurs operating in the small and medium enterprise (SME) sector. We do this to grow and sustain both their businesses and the wider economy.

OUR VISION

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

OUR MISSION

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

OUR GOAL

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

TIMELINE

1979

Dr Anton Rupert, encouraged by his son, Johann, proposes the idea for a joint venture between the public and private sectors to finance and support SMEs.

1981

In 1981 the Small Business Development Corporation Ltd (SBDC) is established to support small, micro and medium enterprises (SMMEs), with both the public and private sectors represented with an equal shareholding.

1994

The SBDC undertakes a restructuring process, and after extensive negotiations between its public and private sector shareholders the company narrows its focus and market segment to SMEs only.

OUR 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. We believe that when SMEs are viable and successful, they 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 is also the foundation of all our operational decisions, ensuring long-term stability and the ability to deliver optimum value for clients and shareholders alike.

Integrity

Both our business and personal conduct are imbued with honesty, integrity and respect for human dignity.

Service excellence

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



1998

BUSINESS/PARTNERS becomes the new name of the company, which cements its move into the niche SME market. Innovative financing and investment products for SMEs are developed and the property portfolio is restructured to ensure that business premises are available at market-related rentals for SMEs.

2004

Exhorted by international development finance institutions, the BUSINESS/PARTNERS business model was rolled out into other sub-Saharan African countries, initially on a pilot basis to test the portability and rigour of the business model, and subsequently as an integral part of the business' strategy and expansion plan.

2014

BUSINESS/PARTNERS undertakes a further repositioning exercise to strengthen its brand presence and to help foster and entrench a culture of entrepreneurship. This results in the improvement of processes, refinement of products and changes to the company's branding.

Our value-creating business model



INPUTS



NATURAL CAPITAL

- Water
- Energy



MANUFACTURED CAPITAL

- Business management tools
- SME Toolkit
- Property portfolio



FINANCIAL CAPITAL

- Equity capital
- Debt funding



INTELLECTUAL CAPITAL

- Knowledge management system
- Internal processes
- Leading brand in category
- Organisational memory
- ISO 9001: 2015 certification
- SME Confidence Index
- Investment methodologies



SOCIAL AND RELATIONSHIP CAPITAL

- Stakeholder relationships
- Reputation in SME sector
- Relationships with governments and regulators



HUMAN CAPITAL

- 289 employees
- Management capacity and experience
- Governance structures



For further information visit our website



BUSINESS ACTIVITIES



Equity investments



Property finance



Term finance



Fund management



Property management

Number of investments approved
295



OUTPUTS



Investments approved



Investments disbursed



Properties managed



Rental income

Funding approved
R1,049bn
Funding disbursed
R889,3m



OUTCOMES



SME wealth creation



Job creation



Increased tax base



Growth and development of economies

Number of jobs facilitated
11 601



Chairman's report

Once again, the latest set of results adds to BUSINESS/PARTNERS' track record as a sustainable development-oriented risk financier that can serve as a growth catalyst even in times of great need.

Theo van Wyk
Chairman



To anyone who has been following our annual results over the past few years, it should by now be abundantly clear that BUSINESS/PARTNERS has developed and refined a unique methodology that can deliver on its all-important developmental mandate and, at the same time, produce a profit for its shareholders.

Once again, the latest set of results reinforces BUSINESS/PARTNERS' track record as a sustainable development-oriented risk financier that can serve as a growth catalyst even in times of great need.

Despite very difficult conditions – probably the lowest ebb of economic and political uncertainty before the turn of the tide – BUSINESS/PARTNERS has not only maintained the approval of loans to small and medium enterprises to the value of more than R1 billion for the year, but has also delivered an increased profit for the year in review.

In an uncertain period when many businesses are struggling for survival and few are expanding, this dual achievement is remarkable. It is evidence of BUSINESS/PARTNERS' profound

knowledge of the SME sector, and its unique balance between making sound investment decisions in viable small and medium enterprises on the one hand and supporting entrepreneurs who cannot find finance in the banking sector on the other.

BUSINESS/PARTNERS' dual mandate was embedded in its DNA when it was founded in 1981 as the Small Business Development Corporation, a joint initiative between the state and private sector. Crucially, its private sector shareholders always maintained the controlling share, ensuring the long-term sustainability of the organisation through business discipline in the pursuit of profit and social and economic impact.

BUSINESS/PARTNERS' intricate balance is not easily achieved. Instead of the recruitment of single-minded finance experts, BUSINESS/PARTNERS has had to find and cultivate investment professionals who are passionate about the entrepreneurs they serve, who can look beyond cold financial statements to the human beings behind the businesses and recognise the support, encouragement and patience they need.



DREAM BODY FITNESS
Steve Mululu

This approach has also served us well with our substantial property portfolio which has done remarkably well. Rental arrears and vacancies are both down despite the fact that our tenants – also small and medium businesses – have struggled in the difficult economic conditions in the year in review.

The same combination of ability to evaluate entrepreneurs and a desire to support them has helped to make BUSINESS/PARTNERS a landlord of choice.

BUSINESS/PARTNERS' property portfolio provides a home for many small and medium enterprises, but its prime purpose is to provide us with a strong balance sheet that can ensure stability in the rough seas of risk finance.

This stability will be even more important as BUSINESS/PARTNERS continues to expand its footprint, not only in South Africa, but, through Business Partners International (BPI), to the rest of Africa. The growth of BPI proves the scalability of BUSINESS/PARTNERS' unique model, and we believe the time is right to do so.

A turning point has been reached in the South African economy, and the only way to solve the triple problem of unemployment, poverty and inequality is to grow out of it. South Africa has vast underutilised resources, from factories producing well below capacity to unemployed young people eager to work. We need to put those resources to work so as to start a virtuous growth cycle.

BUSINESS/PARTNERS is an underestimated resource when it comes to the key role it can play in economic recovery. With its strong board, expert management, deep institutional knowledge, strong balance sheet and proven methodology, BUSINESS/PARTNERS is ready to expand, not only through its own resources, but by administering the funds of any entity that shares our aim of sustainable development.

Theo van Wyk
Chairman

BUSINESS/PARTNERS is an underestimated resource when it comes to the key role it can play in the economic recovery

37
years our
company
has been in
existence

Managing director's report

Key financial results

Net
profit

▲ **5,4%**

to R218,4m
FY2017: R207,1m

Total
assets

▲ **7,5%**

to R5,1bn
FY2017: R4,8bn

Headline earnings
per share

▲ **19,8%**

to 87,6 cents
FY2017: 73,1 cents

Dividend
per share

▲ **4,8%**

to 22 cents
FY2017: 21 cents



For more
information see
pages 46 to 47
and page 89 of
this report



FORMIT PALISADE
FENCING EAST LONDON

Despite the heightened operating environment risks, volatility and uncertainty prevalent over the past number of years, the financial year under review has yielded satisfactory results. Our financial results reported a growth in profit, investment activity was strong, albeit below our expectations and very significantly, we have seen a stabilisation in the credit risk in our portfolios. Significant progress was made to bolster and expand our ability to assist businesses with technical assistance. Through making available more than R1 billion for business owners, we significantly contributed to sustaining businesses and in the process creating and facilitating employment.

Low economic growth, higher interest rates, increased taxation – both direct and indirect – and a high degree of uncertainty about the future creates almost a perfect storm for SMEs who often do not have the capital structures and reserves to navigate these headwinds for extended periods of time. The distressed conditions that our clients have experienced will continue for some time even though much has happened to improve both confidence and the medium term outlook. It is imperative that we continue to monitor the credit risk in our portfolio closely, that we understand the business challenges and risks facing our clients and that we assist prudently to ensure survival, sustainability and growth.

Looking into the near future, our investment and financial targets for the next financial year reflects our increased confidence in the improved conditions for business in the various countries in which we operate. We anticipate a period of increased economic growth as well as improved confidence, policy certainty and business-friendly macro-economic variables, such as interest rates, in South Africa. A similar positive expectation applies to other countries in Southern Africa, specifically in Malawi, Namibia and Zambia. Our operations in East Africa, namely Kenya, Rwanda and Uganda, are expected to mirror the good growth expected in the region.

Revenue overview

Strong growth in a number of revenue streams were reported for the year under review. Improvements in efficiency and cost effectiveness in our business operations had a pleasing and significant impact on our profitability.

Capital yields and returns were down from previous years, an expected result that is indicative of the adverse economic conditions that prevailed over the reporting period.

The management of our property investment portfolio was outstanding, delivering outperformance across most critical performance areas. The performance from a unique property portfolio is the result of a passionate committed and dedicated team of colleagues who are doing extraordinary work.

Strategic focus

Periods of high uncertainty and volatility require shorter planning cycles and agile and innovative responses to changes in the business environment, changes which include both opportunities and threats. Notwithstanding the complex and often congested competitive world of SME financing, the unique and differentiated product and service offering to SMEs remain relevant and informs our medium term focus of accelerated growth through operational and service excellence.

Manufactured capital

We will be exploring ways and developing appropriate action plans to not only maintain our operational edge but also to continue investing in technology and processes that will deliver improvements in products, service and operating excellence.

Financial capital

The future growth trajectory creates a demand for additional capital to invest in the targeted asset classes. Delivering a medium term liquidity solution that ensures the desired or optimum

balance between equity and debt is a priority and a key enabler of our growth strategy. Our balance sheet is primed to absorb the next phase of debt, thereby enabling growth and ensuring the mechanics of gearing delivers increased value to the shareholders while not increasing risk unduly.

Beyond the medium term time frame, growth in our investment activity – and improvements in our efficiency – will be realised in a cautious expansion of our positioning as a manager or co-investor of SME specific investment funds. We plan to shape this offering carefully, ensuring that the skills and technical capacity we have built can be utilised, improved and offered as a compelling and competitive service offering making optimal use of capital on the balance sheet.

Human capital

Our teams are to be highly commended for their performance and achievements during the year under review – we pursued our operational targets without neglecting the important investment of training and upskilling our teams. The improvements in capabilities and processes, combined with the prudent application of economic merit ensured that we exceeded the target for improving the cost effectiveness with which we operate our business.


The diversity of our staff and the manner in which their diverse strengths are united and moulded together in the pursuit of our objectives form a key component of our strategy moving forward. During the year under review we expanded the formal communication platforms with our staff specifically to assess the engagement and enablement levels. Our training academy expanded the training offered in both soft skills and work related offerings. With an induction programme framed to promote and define our commitment to values and governance, the development of our human capital continued and will continue to be primarily premised on adherence to our values, ethical behaviour and continued development.

During the year under review we continued to focus on improving our client service. In particular, we carefully examined our turnaround times and our decision-making, in the quest to provide the best possible service.

Despite the heightened operating environment risks, volatility and uncertainty prevalent over the past number of years, the financial year under review has yielded satisfactory results.

It remains for me to thank every single one of our colleagues, who through their commitment, passion and skill, in challenging and uncertain times, have contributed to delivering results that have been very satisfactory.

I would like also to thank our board for their clarity of leadership and the transparency and rigour with which they provide their guidance and support.



Ben Bierman
Managing director

Our strategy

Planning horizons in an environment which is highly uncertain and volatile must of necessity become shorter. Shorter planning horizons ensure a greater degree of flexibility and agility, but the downside of shorter cycles is that a much greater number of strategy aspects need to be revised at any given time. As the degree of volatility decreases and greater certainty about the future is realised, greater opportunity for longer term strategic planning and positioning arises and we believe that now is the appropriate time to assess the medium term strategic positioning of our company by revisiting every aspect of our business very carefully.



HLUNGA CONSULTING
Busi Pepu



GRAND PRIX TRANSPORT
Thomas Reib

Our strategy is formulated and revised in the context of three key components – the strategy must remain true to our core purpose, it must clearly identify the areas which we target with our operations and, thirdly, the strategy must address how we achieve success. On a practical level, our short-, medium- and long-term planning must incorporate and adhere to all three components to ensure that goals and objectives are defined and consistent with the pursuance of our strategy.

Our strategic purpose is clearly expressed in terms of dual objectives of doing good and doing well. Doing well is essential in delivering value to our shareholders and ensuring our sustainability. In addition, our shareholders require from us to have significant impact on the environment in which we operate through the focus on employment creation and transformation in our service and product offering to SME entrepreneurs (doing well).

Matters affecting strategy

During the year under review, the uncertainty and volatility in the political environment continued to affect not only our company and but the SME environment in general and specific SMEs in particular. While we have a very dynamic and often noisy young democracy, we have to find the necessary policy frameworks and policy certainty that will deliver the kind of business environment that aids business formation and foster business resilience that can deliver sustainable and inclusive economic growth for all our citizens.

Our strategic decisions must therefore address all aspects that are materially affected by the broader environment – our clients that may be in distress, access to funding for clients and to grow our balance sheet, organisational structures, systems and processes, human resources and the need for continuous innovation

and improvement. It is our formalised processes that enable us to build a repository of skills and experience, allowing us to mitigate the risk in our operations, investment portfolios and human capital.

 For more on material matters, see page 14.

Our material matters

External factors

There are a number of external factors that may materially affect our business operations. These are:

Socio-economic conditions

Prior to December 2017 the broader political and social environments in South Africa presented clear evidence of trust, confidence and growth deficits. Great progress has been made in narrowing the deficits since the beginning of 2018, which we believe is a prerequisite in delivering the kind of inclusive economic growth – delivering new business formation and job creation – that reflect our potential as a country.

We currently have more than 1 800 SME clients whose ability to navigate an adverse economic environment directly impacts their and our profitability and therefore sustainability. It is therefore essential that we remain effective in nurturing and supporting our clients to position them for what we anticipate will be a positive growth cycle, thus enabling their full and successful participation in a higher growth economy.

We are optimistic that the economy expectations and predictions are trending upward, we are therefore revisiting the positioning and structuring of our organisation to take advantage of the growth cycle when as it occurs. Essential in this positioning is a strong balance sheet with sufficient liquidity, strong and enduring relations with existing and new clients, relevant and innovative service and product offerings and most importantly, a motivated, capable and engaged staff complement that is committed to play the role that we envisage of being the best possible business partner to SMEs.

Technology

The rapid changes and developments in technology such as artificial intelligence (AI), FinTech and the dynamics of the shared economy, can have a significant impact on the relevance, competitiveness and attractions of our offering to our clients.

Similarly, SME clients are vulnerable to disintermediation and irrelevance as a result of developments in technology, specifically the shared economy. The opportunities, and threats and risks posed by the Fourth Industrial Revolution must be carefully assessed and evaluated to assure not only our future sustainability and prosperity, but also that of our clients through a vigilant and informed consideration of the potential and impact of the technological shifts and developments.

Specifically, the role of technology in improving our operational processes, our institutional and industry knowledge and ultimately our ability to make informed decisions about SME viability cannot be underestimated. The continuous investment in processes, industry knowledge and systems over the past 37 years has delivered an operating environment that provides distinct advantages in cost effective operations, quality due diligence processes and the ability to serve the needs of our clients. This advantage can only be maintained through a continued investment in and development of our operating capabilities to maintain relevance and competitiveness in the face of rapid and innovative developments such as FinTech and Artificial Intelligence.

Legislation and regulation

Compliance with the legislative and regulatory environment is increasingly adding to the cost of doing business, constraining the ability to innovate and adapt to client needs and adding to the risk of inadvertent non-compliance. As an organisation our intention to comply

fully with all regulatory frameworks – both in spirit and in substance – has never wavered. In addition to compliance, our advocacy role to support the SME sector in an attempt to improve the ease of doing business is now as important as ever.

We intend to strengthen our voice by identifying aspects of the legal environment that constrains the sustainability of SMEs and propose steps that will allow a more conducive environment for business formation and sustainability.

Specifically, one of the biggest challenges identified in engaging directly with SME clients is their frustration about the inconsistent and ineffective application of laws and regulations.

Human capital

As a knowledge-based service organisation, the extent to which we can recruit, attract, engage and retain our staff will remain one of the most important material matters to consistently consider and address. The war for talent, despite the huge untapped potential that exists in South Africa's diverse workforce, continues.

During the year under review we engaged formally with our colleagues to identify the factors that will improve the engagement and enablement of the various teams and individuals as part of the continuous drive to retain, develop and motivate this invaluable resource in a quest to ensure that all the inherent potential is unlocked from all our employees.

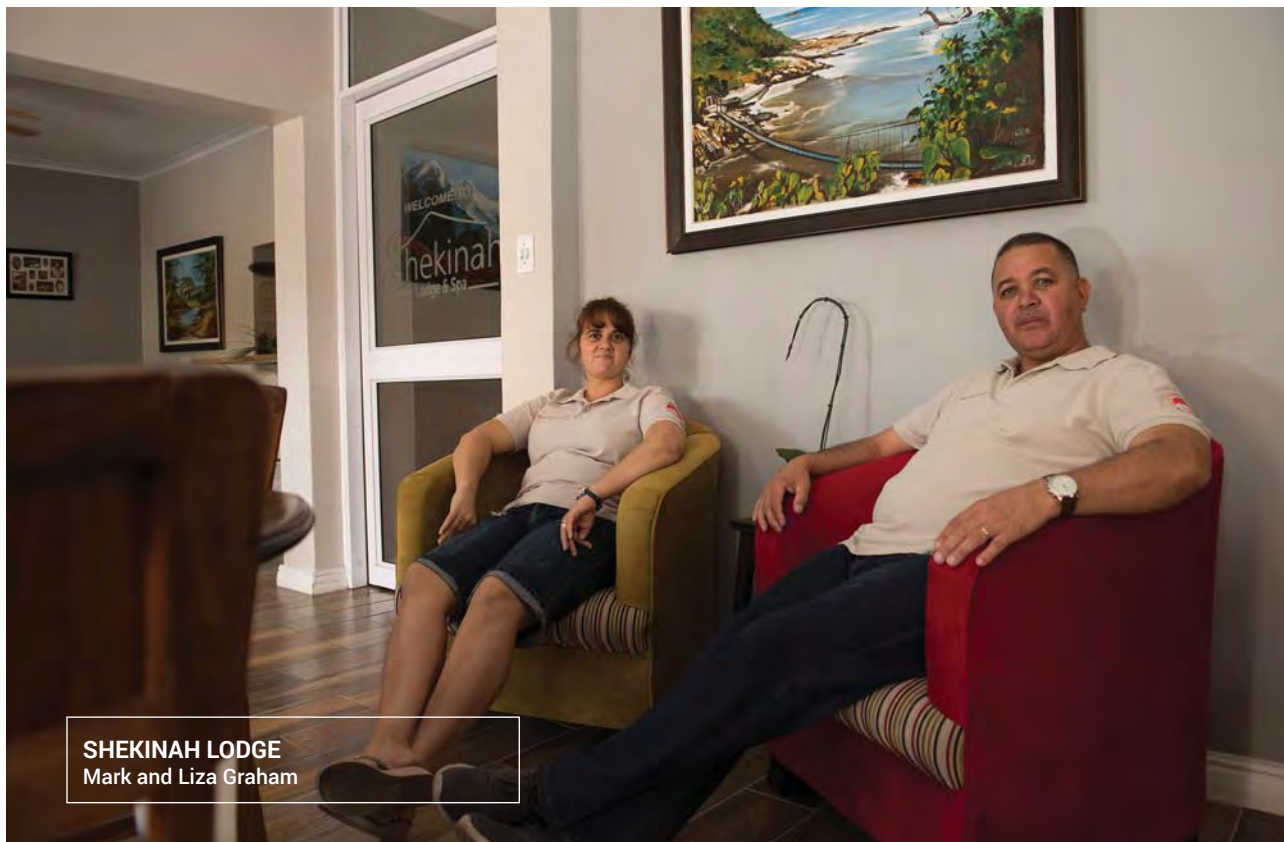
Ethics and governance

Ethics and governance is about how we operate, how we behave. Our commitment to ethical behaviour and good governance relies on our values and our intentions and more importantly the public and visible embracement of ethical behaviours as well as the constant and visible reinforcement of the importance of ethical conduct. The adoption of the King IV principles of ethical leadership forms a key part of ensuring our adherence to the highest levels of integrity and ethical behaviour.



For more on the way our material matters affect risk and opportunities, see page 15.

Our key risks



SHEKINAH LODGE
Mark and Liza Graham

Risk management

Our approach to risk management is premised on the setting of strategic objectives for the organisation. The achievement of those objectives are supported by the risk management framework in a way that drives good governance, improves efficiency and allows for the identification, and pursuit of opportunities that will support the attainment of the objectives.

Risk management is an integrated and organisation wide approach that identifies and analyse risks, monitors the risks and the adherence to risk exposure limits by means of reliable and up-to-date information systems. We regularly review our risk management framework and policies to reflect changes

in markets, products and best practice and communicate the registers and frameworks to the various layers of control and governance within the organisation.

A major step in the evolution of our risk management practices was taken in the past year through the successful integration of the ISO processes of quality management with the risk management framework.

The migration from the ISO standard 9001:2008 to the ISO standard 9001:2015 was successfully completed and incorporated a newly developed framework and process for the regular identification and formal recording of opportunities.

Our performance

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

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

First, 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; and

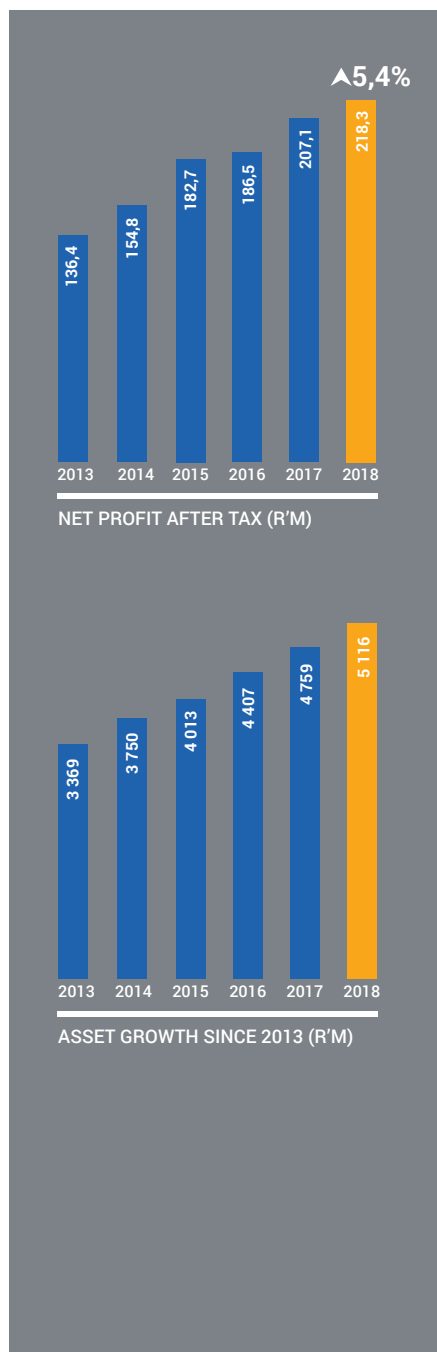
Second, do well – Ensure the business is profitable, providing shareholders with a return on equity which exceeds the inflation rate, so that the pool of resources to support SMEs is kept intact and grown in real terms.

Doing well milestones

Our Doing well objective sees us undertaking multiple initiatives all aimed at providing SMEs with finance and support to withstand and achieve success during varying economic conditions. Our risk finance model is built on our deep knowledge of SMEs and the SME sector, consistent and effective internal processes, superior and efficient due diligence processes, sound investment decisions and our eternal belief in the role that entrepreneurs play in growing country economies.

To this end, the financial results for the Business Partners Limited Group for the year ended 31 March 2018 were satisfactory in view of the challenging economic conditions that SMEs experienced.

We achieved growth in profit for the year, with net profit attributable to equity holders increasing by 5,4 percent, to R218,4 million (2017: R207,1 million).



Funding approved

R1,049bn

Funding disbursed

R889,3m

Number of investments approved

295

Our financial results were largely enabled by the company's human capital and supported by a strong balance sheet and efficient cost structures.

Asset growth and investment activity

The disbursement of R889,3 million (2017: R923,9 million) in new investments in the year under review was a satisfactory result, albeit below our targeted levels for the year. The result was especially meaningful in the context of the challenging economic conditions facing small businesses, especially in the context of the high levels of uncertainty and volatility where expansion plans and new investments were often postponed as a result of a lack of confidence.

Our total assets increased by 7,5 percent to R5 116 million (2017: R4 758 million), a pleasing achievement where the strong growth in our asset base this year will positively affect our ability to generate growth in revenue in the future.

The relatively low gearing levels on our balance sheet provide a strong foundation from which to grow, allowing us to play an even more significant role in investing and supporting SMEs.

Total income

The total income realised during the year increased marginally. The low growth in revenue is mainly attributable to the following:

Investment income and gains

Investment income and gains reduced by R21,0 million from the results achieved in the prior year, a decrease of 14,9 percent. Investment gains delivered a marginal improvement in performance, which was offset by the material decline in investment income from R47,8 million in 2017 to R24,1 million in the year in review. This decline was not unexpected, and reflected the adverse market conditions which were not conducive for the sale of equity investments held in SME businesses.



Net interest income

Despite the loans and receivables portfolio increasing by 7,5 percent to R2 956 million (2017: R2 748 million), the net interest income increased by 3,0 percent to R299,4 million (2017: R290,8 million), the result of a decrease in the general level of interest rates and the increase in interest expense from R92,0 million in 2017 to R105,6 million in the year in review.

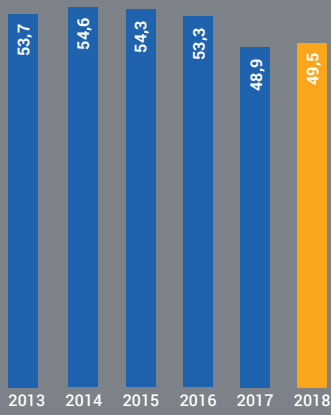
Most other revenue streams delivered flat growth with the exception of the revenue generated from our property investment portfolio.

Net property revenue

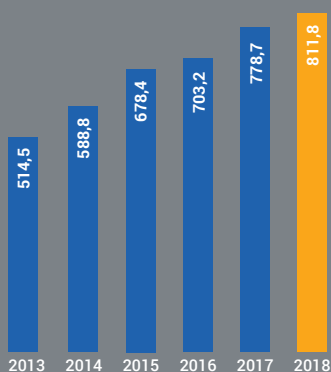
Property revenue increased by 8,0 percent to R263,9 million (2017: R244,4 million) and property expenses increased well

below inflationary levels, by a marginal 0,4 percent to R117,3 million (2017: R116,9 million). The net property revenue accordingly increased by 15,0 percent. The improvements in rental collections and property expense recoveries were instrumental in delivering the strong results, as was the exceptionally low vacancy levels in our portfolio.

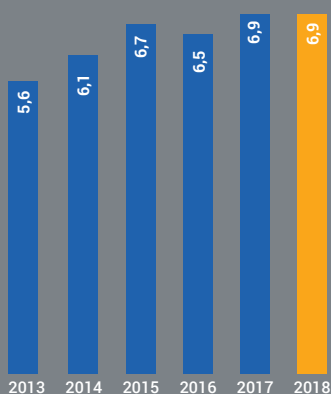
Efficiency and effectiveness



COST TO INCOME (%)



PROFIT PER EMPLOYEE (R'000)



RETURN ON EQUITY (%)

Expenses

Total expenses increased by 0,2 percent to R321,9 million (2017: R321,4 million) – the result of improved cost-effectiveness across a number of expense lines. The attainment of a cost-to-income ratio* of below 50 percent for the second consecutive year was a satisfactory achievement in the context of the challenging economic conditions.

**Cost to Income ratio is calculated as follows from the Annual Financial Statements:*

Cost = Staff costs, Other Operating expenses and Property expenses (as included in Net Property Revenue)

Income = Total income adjusted by excluding Property expenses from Net Property Revenue

Credit risk

The deterioration in the quality of the loans and receivables portfolio has been evident in investments with repayment obligations in arrears increasing to 21,4 percent (2017: 20,0 percent) of the loans and receivables portfolio.

Loans and receivables written off amounted to R91,2 million (2017: R63,8 million) and the impairment raised against the portfolio increased by R3,4 million to R218,8 million (2017: R215,3 million), representing 6,9 percent of the portfolio (2017: 7,3 percent of the portfolio).

Credit risk and credit losses remain a concern. We will therefore continue with efforts to closely monitor clients and support those in distress with the appropriate value adding and turnaround initiatives.

Return on equity

The growth in assets – exceeding the rate of inflation – assisted our growth in profit and contributed to our sustainability. A return on equity of 6,9 percent was achieved, consistent with the prior year, generating above inflation returns for our shareholders.

Doing good milestones

In executing our doing good objective, we implement initiatives aimed at stimulating entrepreneurship in all locations where we operate, contributing towards building a conducive entrepreneurial eco-system through advocacy work and adding value to our clients and the SME sector in general. These include the Technical Assistance Programme, Entrepreneurs Growth Centre and the SME Toolkit.

Technical Assistance (TA) Programme

We believe that the sustainability and prosperity of businesses increase significantly when the finance they receive is coupled with well-executed and appropriate technical assistance.

The year under review saw our company introduce a new TA programme for South African SMEs with support from the Swiss State Secretariat for Economic Affairs (SECO). This interest-free technical assistance facility catalyses skills transfer for SMEs in fields that range from sector specific specialist services to legal and accounting offerings. We believe the facility will meaningfully support business owners to better manage their businesses and improve profitability and competitiveness.

During the year under review 19 clients were approved for technical assistance to the value of over R3 million.

Entrepreneurs Growth Centre (EGC)

The EGC supports entrepreneurs with business information, advice and guidance on all entrepreneurship related matters via trained business mentors. During the year under review, the EGC has responded to 6 485 enquiries, and assessed 1 220 business plans submitted by entrepreneurs applying for finance.

| Entrepreneurs Growth Centre | 2018 financial year | Since inception |
|---|------------------------|--------------------|
| Enquiries received | 6 485 | 20 714 |
| Business plans received | 1 220 | 3 403 |
| Business plans assigned to Business Units | 135 | 473 |
| Business receiving support/info/advice | 1 164 | 3 117 |

SME Toolkit

The SME Toolkit is an online portal offering financial tools, online training, and information resources developed by leading experts for aspiring and existing small businesses. During the year under the review, our SME Toolkit portal was visited more than 331,000 times.

Client care

As BUSINESS/PARTNERS, we acknowledge that to be successful in the SME space, we need to place customers at the core of our business. As such we have adopted a Client Service Charter which guides communication and interaction between staff and our clients.

The company undertakes monthly client satisfaction surveys and the survey reports shed some light on the relationship between BUSINESS/PARTNERS and its clients. During the year under review, clients were generally very satisfied with services provided by the company and interaction with our staff. A common concern for some of the surveyed clients was pricing of our services and products, which may be attributed to the challenging economic conditions that SMEs are operating under.

Entrepreneur of the Year® competition

BUSINESS/PARTNERS hosts an annual Entrepreneur of the Year® competition, which honours successful South African SME owners. This is done with the aim to inspire others to venture into and succeed in the world of business. Now in its 30th year, this competition, which is run with Sanlam as our valued co-sponsor, has established itself as a premier business competition in the country.

A notable achievement for the year under review is that 83 percent of the 2017 winners were black entrepreneurs, an accomplishment which we believe will go a long way in stimulating entrepreneurship amongst young aspiring African black entrepreneurs.

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 37 years, we have meaningfully impacted employment by facilitating (creating and sustaining) over 620 000 job opportunities; 11 601 job opportunities were facilitated in the year in review.



JESSEN (PTY) LTD
Martin and Ronel Jessen

Business Partners International

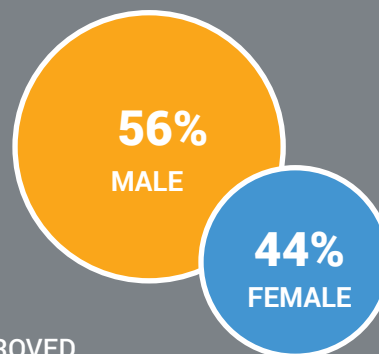
During the year under review we had great success with our international operations, tracking approval and disbursement budgets, and importantly growing the investment portfolio by 88,1 percent year on year.

In line with our company objective of doing good, we had a very productive year in terms of our development goals by:

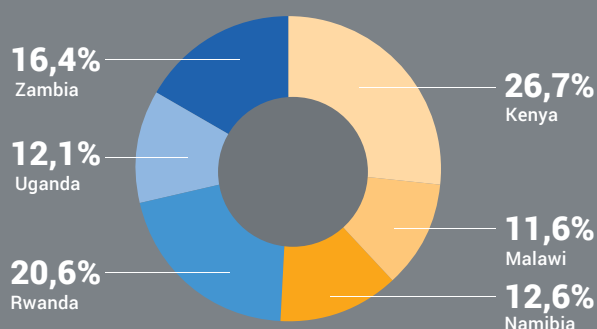
- Facilitating 8 039 jobs
- Approving US\$681 000 towards new TA assignments, which catalyse skills transfer for SMEs in fields that range from sector-specific specialist services to legal and accounting offerings
- Having 98,7 percent of approved investment transactions allocated to indigenous entrepreneurs
- Approving 44,3 percent of investment transactions for women-owned businesses

Activities and achievements during FY2018

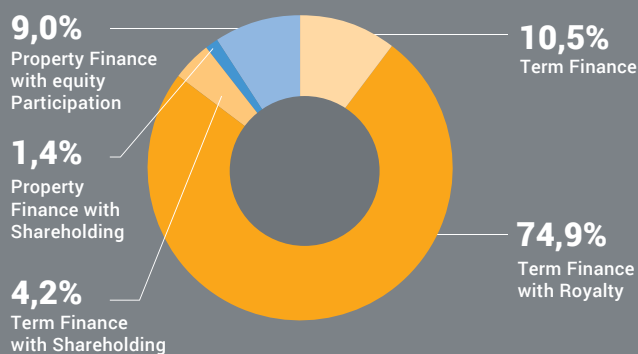
GENDER DISTRIBUTION OF INVESTMENTS APPROVED



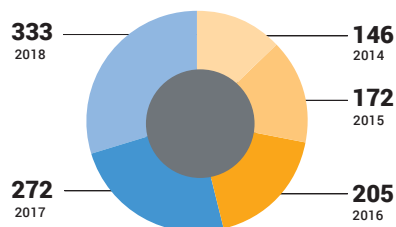
COUNTRY DISTRIBUTION OF INVESTMENTS APPROVED



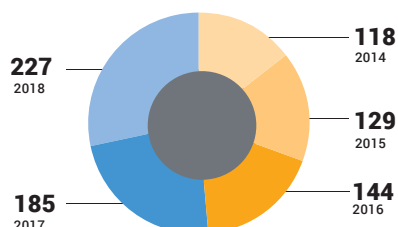
DISTRIBUTION OF INVESTMENTS APPROVED BY PRODUCT AND FINANCE TYPE



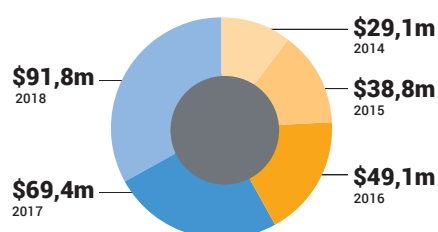
Investment activity



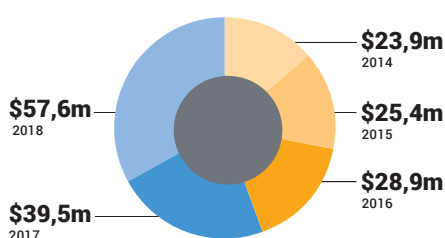
Number approved



Number disbursed



Amount approved US\$



Amount disbursed US\$

Business Partners International

Operating as Business Partners International, the company has two funds namely the Business Partners Southern Africa SME Fund, which incorporates Malawi, Namibia and Zambia, and the Business Partners East Africa SME Investment Company operating in Kenya, Rwanda and Uganda.



KRIS STAR LODGE
Joyce Msungama

Human resources

Our staff complement, with its longstanding and in-depth knowledge of the entrepreneurial environment, specialist sectors and industries, and of the factors that influence business viability, are an essential aspect of our competitive advantage.

The BUSINESS/PARTNERS People Philosophy strives to provide a world-class employee experience by attracting and retaining talent, partnering with and engaging that talent and building a rich, unique, enabling culture.

Enhancement of induction and orientation processes

During the year under review the human resources (HR) division initiated projects to enhance our orientation processes with the view to on-board incoming staff members quickly and appropriately for them to perform at an optimal level.

Blended learning approach

Due to BUSINESS/PARTNERS having offices at 26 locations across seven countries, a blended learning approach was introduced during the year under review. This entails using an online platform to provide staff with customised content to engage with on an individual basis. The learning is supported by face-to-face classroom sessions where the learnings are re-inforced.

Engagement survey

We had an 88 percent completion rate with the staff engagement survey that was undertaken during the year under review, a good achievement against comparable benchmarks. The survey provided excellent insights into a range of factors that affect the engagement and enablement of staff and a roadmap of improvement projects were created.

Development and training opportunities

The Entrepreneurship Investor Academy which offers a bouquet of leadership development programmes, team-specific facilitation sessions, and operational and soft skills training. In addition, employees can also enhance their skills through external courses or seminars.

During the year under review, all operational employees underwent tailored sales management training and we anticipate that we will start to see the outcomes of this in our FY2019 results.

Our Graduate Internship Programme, which has been running since 2013 is gaining momentum with 26 current participants. The programme is aimed at providing work-related experience and on-the-job training to recently graduated people to equip them for a career in finance or investment in the SME space.

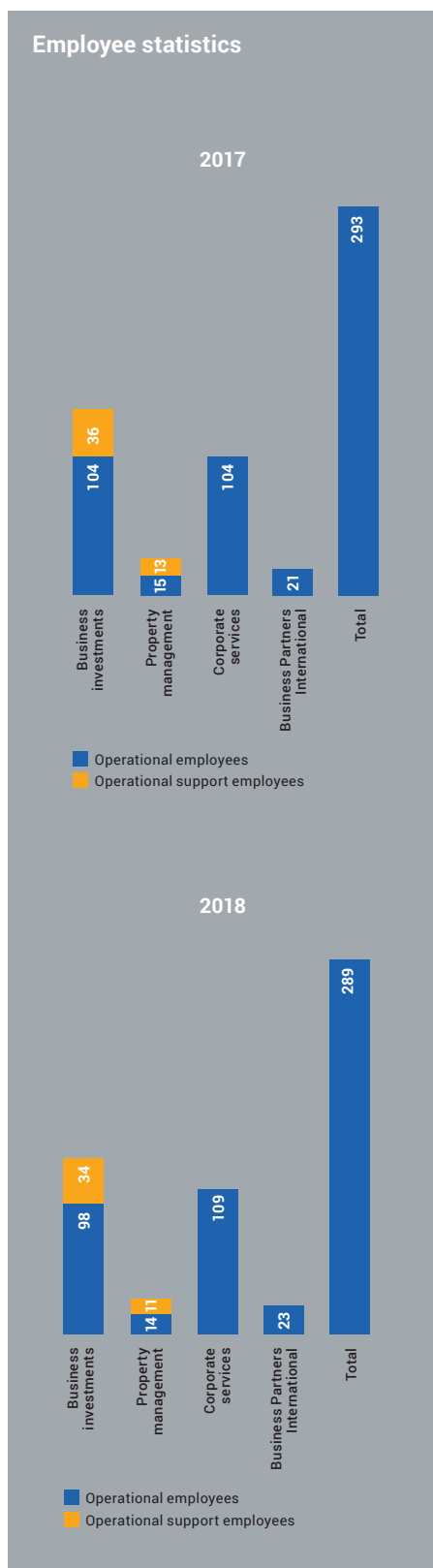
Employment equity

During the year under review, BUSINESS/PARTNERS complied with the provisions of the Employment Equity Act and details of this compliance are provided in full in the company's annual employment equity report submitted to the Department of Labour.

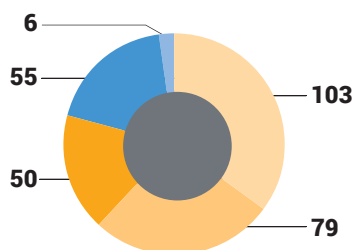
As at 30 September 2017, the company achieved the objectives set for year 1 of the company's Three-year Employment Equity Plan. Specifically, the targets for black employees' representation, female representation and employees living with disabilities were all achieved.

Workforce profile

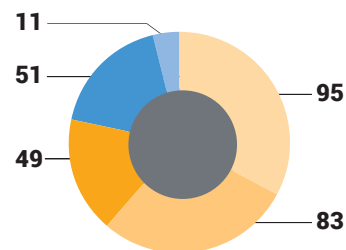
As at 31 March 2018, 289 (FY2017: 293) people were employed at BUSINESS/PARTNERS, with the numbers broken down as follows:



Age distribution of employees



2017 Total: 293



2018 Total: 289

18 – 30

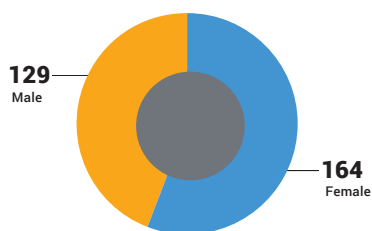
31 – 40

41 – 50

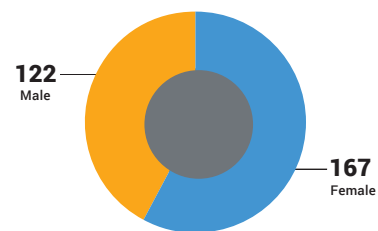
51 – 60

Over 60

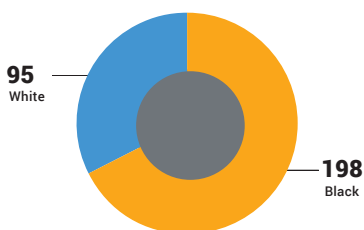
Two-year overview of employee statistics



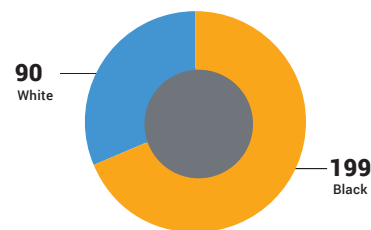
Gender Profile 2017



Gender Profile 2018



Community Profile 2017



Community Profile 2018

Outlook

The ambitious investment targets, coupled with a number of improvement projects will ensure that our objective of accelerated growth through operational and service excellence will be achieved in 2019.



We believe that there is a significant need for well-planned, well-executed and appropriate technical assistance support for SMEs. We endeavour to provide this support through the interest-free Technical Assistance programme introduced in October 2017 for our SME clients with the aim to provide meaningful value and skills transfer to business owners in an attempt to improve profitability, operational efficiency and competitiveness.

In the context of a recovering South African economy albeit at a moderate rate, we aim to expand our offering to the SME sector. Our new investment target of more than R1 billion in disbursements during the 2019 financial year will make a meaningful contribution to SME risk capital needs, impact SME formation and sustainability and indirectly contribute to economic recovery and job creation.

The 2019 financial year will also be an ambitious and challenging period for the

Business Partners International team targeting the approval of more than US\$25 million for SMEs based in Kenya, Malawi, Namibia, Rwanda, Uganda and Zambia.

The ambitious investment targets, coupled with a number of improvement projects will ensure that our objective of accelerated growth through operational and service excellence will be achieved in 2019. These projects include the initiatives below.

The successful initiatives from 2018 that focussed on redefining the profile of, and enhancing the returns from, our property investment portfolio will continue in 2019. The achievement of the past two years that resulted in improved returns, increased operational efficiencies and cost effectiveness across the portfolio will continue with a targeted drive to further improve and define our operating model. Our strategic objective of de-risking our balance sheet and revenues from the impact of SME investment volatility – as



SHENTON VALVES
Thara Singh

presented through interest rate volatility and credit risk – is pursued through the prudent and defined investment in industrial and commercial properties. In addition to the operating model developments targeted for 2019, we plan to further refine and evolve our portfolio management and investment methodologies in the 2019 year.

Our Human Resources team will continue with the work started in the year under review to enhance and refine our employer value proposition (EVP). Improving staff retention, engagement and enablement is a key aspect in unlocking the talents and potential of our colleagues. Growing our investment in Human capital is a significant and critical factor that will determine our long term success.

A key project for the 2019 period is the planned revision of our job roles and grades within the organisation, it is aimed at improving equity, fairness and career development and progression.

Once completed, the new framework will allow for better and more accurate benchmarking of the remuneration structures to improve the competitiveness and relevance of our EVP.

Early indications are that the environments in all the geographies where we operate are improving, particularly in South Africa. Our role in providing innovative risk based financial assistance, coupled with appropriate technical assistance and support, will continue to meaningfully impact growth, job creation and the sustainability and development of SME businesses in the year ahead.

Our ability to continue building on the foundations of our business is critical to our success and sustainability. We shall endeavour in 2019 to consistently improve our processes, enhance and deliver on excellent client service and passionately pursue our dual purpose of “doing good” and “doing well”.

Our corporate governance

Our leaders

Our Board of Directors



Theo van Wyk

Non-executive Chairman

Appointed: 1991
Served as Deputy Chairman:
2005 until 2011.
Appointed Chairman: 2011.
Qualifications: BCom, LLB (SU),
LLM (UNISA), HDip Tax (Wits).
Director of companies.

14
BOARD
MEMBERS



Ben Bierman

Managing Director (MD)

Appointed: 1 April 2016
Qualifications: BCom Hons
(SU), ACMA, HDip Tax (Wits),
Advanced Management
Programme (Harvard, USA).



Christo Botes

Executive Director

Appointed: 2002
Qualifications: BAcc (SU),
BCompt Hons (UNISA), CTA.



Faffa Knoetze

Non-executive Director

Appointed: 2014
Qualifications: BCom Hons (SU).
Fellow of the Actuarial Society of
South Africa.
Actuary: Remgro Limited.
Director of companies.



David Moshapalo

Non-executive Director

Served: 1996 until 2001
Reappointed: 2002
Qualifications: Industrial Relations, Human Resources
Development and Personnel Management (Tokyo, Japan),
National Leadership Program (Arthur D'Little Man. Ed.
Institute, Cambridge, USA), ILO Strategic Management of
Employer's Organisation.
Executive Deputy Chairman: Strategic Partners
Group – Black Partner in Bombela Consortium in
Gautrain Project.
Director of companies.



Olga Kotze

Non-executive Director

Appointed: 2017
Qualifications: BCom Hons
(UJ), Postgraduate Diploma
in Applied Ethics (SU),
JSE Registered Persons
Exams, Financial Advice
Intermediaries Regulatory
Exams.
Executive Director: etfSA
Investments (Pty) Ltd.



Huli Moliea

Non-executive Director

Appointed: 2015
Qualifications:
BCom Hons (UNISA), MBA
(UP), MA Clinical Psychology
(UJ), Global Chartered
Remuneration Professional.
Head of Human Resources:
RGA Reinsurance Company of
South Africa Limited.

As the company's highest governing and decision-making body, corporate governance is ultimately the responsibility of the board of directors.



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



Kholofelo Molewa

Non-executive Director

Appointed: 24 May 2017
Qualifications: LLB Hons (Wits), Masters in Development Finance (GSB, UCT).
CEO & Partner: Africa Infrastructure Securities (Pty) Ltd.



Raymond Ndlovu

Non-executive Director

Appointed: 2015
Qualifications: Business Studies Hons (UZ), Personal Leadership Plan (GIBS), Fellow of African Leadership Initiative and Aspen Global Leadership Network.
Investment Executive: Remgro Limited
Director of companies.



Themba Ngcobo

Non-executive Director

Served as Alternate Director: 2002 until 2010
Appointed: 2010
Qualifications: BCom Acc (UNIZULU), Diploma Management Consulting, New Leadership Program (Arthur D'Little Man. Ed. Institute, Cambridge, USA).
Chief Executive Officer: South African Cargo Services (Pty) Ltd.



Thakhani Makhuvha

Non-executive Director

Appointed: 24 May 2017
Qualifications: BCom Acc (UniVen), BCompt Hons (UNISA), Masters in Financial Management (UJ), Leadership Development Programme (GIBS).
CEO: Small Enterprise Finance Agency SOC Limited.



Neville Williams

Non-executive Director

Appointed: 2012
Qualifications: BCom Hons (UWC), CA(SA).
Chief Financial Officer: Remgro Limited.



Friedel Meisenholl

Non-executive Director

Appointed: 2000
Qualifications: BAcc Hons (SU), formerly a registered member of SAICA (CA(SA)).
Director of companies.

Served until 23 May 2017:
Mr Vusi Twala, Non-executive Director and
Dr Zavareh Rustomjee, Non-executive Director

Served until 31 July 2017:
Mr Gerrie van Biljon, Executive Director

- At least 50 percent of the board is elected by shareholders, as per the requirement of the Companies Act, 2008.
- Directors elected by majority of shareholders in terms of article 20.1.2 of the memorandum of incorporation (MOI), who served during the 2017/2018 financial year:
Ms Kotze (served from 16 August 2017), Mr Martin (served from 1 January 2017), Mr Meisenholl, Ms Moliea (retired and re-elected on 16 August 2017), Mr Moshapalo (retired and re-elected on 16 August 2017) and Mr Ngcobo.
- Directors appointed by shareholder(s) holding at least 10 percent of the issued share capital in terms of article 20.1.3 of the MOI who served during the 2017/2018 financial year:
Mr van Wyk (chairman), Mr Knoetze, Mr Makhuvha (served from 24 May 2017), Mr Molewa (served from 24 May 2017), Mr Ndlovu, Dr Rustomjee (replaced on 24 May 2017), Mr Twala (replaced on 24 May 2017) and Mr Williams.
- Executive directors appointed by the board in terms of article 20.2 of the MOI:
Mr Bierman (MD), Mr Botes and Mr van Biljon (served until 31 July 2017).

Our corporate governance

Our leaders

Continued

Our executive management



Ben Bierman

Managing Director
BCom, BCom Hons, ACMA,
HDip Tax,
Advanced Management
Programme.
28 years' service.



Kgomotso Ramoenyane

**Executive General Manager:
Human Resources**
BCom, Management
Advancement Programme
(MAP), MBA.
3 years' service.



Christo Botes

Executive Director
BAcc, BCompt Hons, CTA
32 years' service (retiring
from November 2018).



Marjan Gerbrands

**Company Secretary;
Corporate Legal Counsel**
BLC, LLB (cum laude), LLM
Certificate on Corporate
Governance.
17 years' service.



Siphethe Dumeko

Chief Financial Officer
BBusSc, BCompt Hons,
MSc Finance, CA(SA).
2 years' service.



Gugu Mjadu

**Executive General Manager:
Marketing**
BA, BA Hons, Global
Executive Development
Programme, CPRP.
5 years' service.



Jeremy Lang

**Regional General Manager:
Inland West**
BCom, AGA(SA).
11 years' service.



Anton Roelofse

**Regional General Manager:
West Coast**
BCom, Honours in Business
Administration.
32 years' service.



Pierre Mey

**Executive General
Manager: Operational
Support Service**
BCom.
31 years' service.



Byron Jeacocks

**Regional General Manager:
East Coast**
BCom, BProc.
31 years' service.



Mark Paper

**Chief Operating Officer:
Business Partners
International**
BCom.
26 years' service.



David Morobe

**Regional General Manager:
Inland East**
BA, SED, Executive
Development Programmes.
6 years' service.

Served until 31 July 2017:

Mr Gerrie van Biljon, Executive Director and Head of
Business and Property Investments

Our journey towards good corporate governance



BUSINESS/PARTNERS is committed to the principles of transparency, integrity, accountability, competence, responsibility, fairness and compliance with all the laws that govern our business activities in our dealings with stakeholders.

The company applies the principles of good corporate governance of the King IV Report on Corporate Governance for South Africa, 2016 (King IV), using it as a tool to measure performance and actions against best practice and standards.

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

Our corporate governance

Board of Directors

BUSINESS/PARTNERS has a unitary board structure which ensures that the roles of the chairman and managing director are separate and not vested in one individual.

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

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.

In addition to the Managing Director, the board may appoint in terms of article 20.2, until confirmed in an election by shareholders, up to two additional executive directors. Once the employment contract of any executive director terminates, the director will be deemed to have resigned from the position.

Board roles and responsibilities

As the company's highest governing and decision-making body, corporate governance is ultimately the responsibility of the board of directors. The board functions within its written charter, which is reviewed annually.

In its decision-making, the board reserves for itself the appointment of executive directors and approval of the business strategic direction, annual budget, interim results and financial statements. The board retains effective control through a well-developed governance structure that provides the framework for delegation and monitoring of decision-making bodies.

The Managing Director has been delegated the authority to achieve corporate objectives and manages the business affairs of the group, subject to statutory parameters and the limits imposed by the board and is accountable to the board.

Executive management's implementation of approved plans and strategies, and the measurement of financial performance against objectives are monitored on an ongoing basis.

Board meetings

The board and its committees are timeously provided with relevant, complete, accessible and accurate information to enable them to reach objective and well-informed decisions and effectively discharge their responsibilities.

Remuneration of non-executive board members

Non-executive directors receive fees for their services as directors on the board and as members of board committees approved by shareholders at the preceding annual general meeting.

Remuneration paid to non-executive directors, executive directors and prescribed officers during the year under review, is disclosed in note 29 of the annual financial statements.



Board meeting attendance

| Director | Meetings in FY2018 ^S | | | |
|---|---------------------------------|---|---|---|
| Mr van Wyk (Chairman) | 1 | 1 | 1 | 1 |
| Mr Bierman | 1 | 1 | 1 | 1 |
| Mr Botes | 1 | 1 | 1 | 1 |
| Ms Moliea | 1 | 1 | 1 | 1 |
| Mr Knoetze | A | 1 | A | 1 |
| Ms Kotze (appointed 16/08/2017) | – | 1 | 1 | 1 |
| Mr R Makhuvha (appointed 24/05/2017) | A | 1 | 1 | A |
| Mr Meisenholl | 1 | 1 | 1 | 1 |
| Mr Moshapalo | 1 | 1 | 1 | 1 |
| Mr Martin | 1 | 1 | 1 | 1 |
| Mr Molewa (appointed 24/05/2017) | A | 1 | 1 | 1 |
| Mr Ndlovu | A | 1 | A | 1 |
| Mr Ngcobo | 1 | 1 | 1 | 1 |
| Mr van Biljon (served until 31/06/2017) | A | – | – | – |
| Mr Williams | 1 | 1 | 1 | 1 |

1: Present A: Apology with leave of absence –: Not applicable

^S: Meets at least four times per annum

It is important to note that not all directors served on the board and/or committees for the full financial year. The date when members start to serve, if it was for part of the financial year, is stated where relevant.

Our corporate governance

Our board committees

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 2017/2018 financial year appears in the financial statements.

| Chairman | Members |
|--------------|---|
| Mr Williams* | Mr Meisenholl Mr Ndlovu** Dr Rustomjee*** Mr Twala**** 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.

** Served as alternate member to all members from 16 August 2017.

*** Served as an alternate to Mr Twala until 23 May 2017.

**** Served until 23 May 2017.

The committee chair conducted his annual assessment of the committee's performance against the duties and responsibilities set out 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, presents

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 annual general meeting (AGM), which nominations are specified in the notice of the AGM.

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

Audit and Risk Committee meeting attendance

| Non-executive member/*standing invitee | Meetings in FY2018 [§] | | | |
|--|---------------------------------|---|---|---|
| Mr Meisenholl | 1 | 1 | 1 | 1 |
| Mr Moshapalo ^o | 1 | – | – | – |
| Mr Ndlovu* (alternate member) (appointed 16/08/2017) | – | – | 1 | A |
| Mr Twala (replaced 24/05/2017) | 1 | – | – | – |
| Mr van Wyk | 1 | 1 | 1 | 1 |
| Mr Williams (Chairman) | 1 | 1 | 1 | 1 |

1: Present A: Apology with leave of absence –: Not applicable §: Meets at least four times per annum

^o: Mr Moshapalo is the Chairman of the Social and Ethics Committee and a standing invitee to the May meeting.

* Mr Ndlovu attended by invitation.



BR KHOZA CARRIERS
Bongani Robert Khoza

Nominations Committee

| Chairman | Members |
|------------|---|
| Mr van Wyk | Mr Bierman Mr Knoetze* Mr Martin** Ms Moliea** Mr Moshapalo Dr Rustonjee*** Mr Twala**** Mr Williams |

* Alternate to Mr Williams.

** Served from 16 August 2017.

*** Served as an alternate to Mr Twala until 23 May 2017.

**** Served until 23 May 2017.

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, continuity, the skills, knowledge and diversity of the incumbent board, and the continued independence of the board.

Eligible candidates, subject to nomination by a shareholder, are 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 AGM, which nominations are specified in the notice of the AGM.

Nominations Committee meeting attendance

| Non-executive member | Meetings in FY2018 [§] | | | | |
|----------------------------------|---------------------------------|---|---|---|---|
| Mr van Wyk (Chairman) | 1 | 1 | 1 | 1 | 1 |
| Mr Moshapalo | 1 | 1 | 1 | 1 | 1 |
| Mr Twala (replaced 24/05/2017) | 1 | 1 | 1 | – | – |
| Mr Williams | 1 | 1 | 1 | 1 | 1 |
| Mr Martin (appointed 16/08/2017) | – | – | – | – | 1 |
| Ms Moliea (appointed 16/08/2017) | – | – | – | – | 1 |

1: Present

A: Apology with leave of absence

–: Not applicable

§: Meets at least twice per annum

Our corporate governance

Our board committees

Continued

Personnel Committee

| Chairman | Members |
|------------|---|
| Mr van Wyk | Mr Bierman Mr Knoetze* Mr Martin** Ms Moliea Mr Moshapalo Dr Rustonjee*** Mr Twala**** Mr Williams |

* Alternate to Mr Williams.

** Served from 16 August 2017.

*** Served as alternate to Mr Twala until 23 May 2017.

**** Served until 23 May 2017.

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

Personnel Committee attendance

| Non-executive member | Meetings in FY2018 [§] | | | | |
|----------------------------------|---------------------------------|---|---|---|---|
| Mr van Wyk (Chairman) | 1 | 1 | 1 | 1 | 1 |
| Mr Moshapalo | 1 | 1 | 1 | 1 | 1 |
| Mr Twala (replaced 24/05/2017) | 1 | – | – | – | – |
| Mr Williams | 1 | 1 | 1 | 1 | 1 |
| Ms Moliea | 1 | A | 1 | 1 | 1 |
| Mr Martin (appointed 16/08/2017) | – | – | – | 1 | 1 |

1: Present

A: Apology with leave of absence

–: Not applicable

§: Meets at least three times per annum

National Investment Committee

| Chairman | Members |
|-------------------------|--|
| Elected at each meeting | Mr Bierman Mr Knoetze Ms Kotze* Mr Meisenholl Mr Molewa* Mr Moshapalo Mr Ndlovu Mr Ngcobo Dr Rustonjee** Mr van Wyk |
| Meetings in FY2018 | 19 [§] |

§ Two meetings scheduled per month; additional meetings are held if required.

* Served from 16 August 2017.

** Served until 23 May 2017.

The National Investment Committee met 19 times during the year under review to consider investments within its mandate. Members attended meetings on a rotating basis.



Social and Ethics Committee

| Chairman | Members |
|--------------|--|
| Mr Moshapalo | Mr Bierman Mr Dumeko Mr Ngcobo* Mr van Wyk. |

* Served from 16 August 2017.

Social and Ethics Committee meeting attendance

| Non-executive member | Meetings in FY2018§ | |
|----------------------------------|---------------------|---|
| Mr Moshapalo (Chairman) | 1 | 1 |
| Mr van Wyk | 1 | 1 |
| Mr Ngcobo (appointed 16/08/2017) | – | 1 |

1: Present

A: Apology with leave of absence

–: Not applicable

§ Meets at least twice per annum



The Social and Ethics Committee is constituted as a statutory committee of the board under the Companies Act, 2008 and Companies Regulations, 2011, and 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 2017/2018 financial year, the Social and Ethics Committee gave specific consideration to the company's performance in regard to its environmental impact and goals, health and safety standards at its offices and managed properties, client service and relationships, ethics maturity, anti-money laundering measures and prevention of corruption and commercial crimes, social and economic development activities, its employment equity progress report and the results of the employee engagement survey.

The committee also considered the company's performance in respect of Black Economic Empowerment (BEE) as measured against the Amended Financial Sector Code of Good Practice on Broad-Based Black Economic Empowerment (B-BBEE), which became active on 1 December 2017. In this respect the committee specifically considered initiatives pertaining to the skills and educational development of staff and the impact of this priority element on the company's B-BBEE scorecard.

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

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

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

Our corporate governance

Our board committees

Continued

B-BBEE Compliance *ad hoc* Committee

During February of the year under review the board constituted, on the recommendation of the Social and Ethics Committee, an *ad hoc* B-BBEE Compliance Committee to focus on BEE initiatives in improving the company's B-BBEE status. The committee's first meeting will be held during FY2019 and its appointed members are Mr Martin (chairman), Ms Kotze, Mr Makhuvha, Mr Moshapalo and Mr Ndlovu.

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 2017/2018 financial year there were no matters that 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, and during the year under review the directors who were newly appointed to the board participated in the company's induction programme for directors.

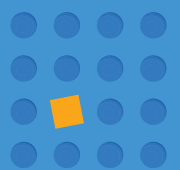
Because of the frequent amendments to South Africa's regulatory framework, the board views regulatory awareness as an important aspect of governance. The company secretary therefore monitors the legal and regulatory environment and keeps the board abreast of relevant changes to legislation, provides training and advice, and ensures compliance with applicable legislation and regulations within the company. During the financial year under review directors received training on King IV.

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



ANNUAL
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2018



BUSINESS/PARTNERS
[Investing In entrepreneurs](#)

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FENCING EAST LONDON

Statement of responsibility by the Board of Directors

The directors of Business Partners Limited are responsible for the preparation of the consolidated annual financial statements of the Group ('the Group') and the separate annual financial statements of the Company ('the 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 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.

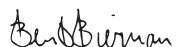
The directors have reviewed the Company's budget and flow of funds forecast and considered the Company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently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

It is the responsibility of the Company's independent external auditors, PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. Their unqualified report appears on page 41.

The separate annual financial statements of the Company, which appear on pages 46 to 95 were approved by the Board of Directors on 7 June 2018 and are signed on its behalf by two directors. No authority was given to anyone to amend the annual financial statements after the date of issue.



T Van Wyk
Chairman



BD Bierman
Managing Director

Certificate by the Company Secretary

I certify, in terms of section 88(2) of the Companies Act 71 of 2008 ('the Act'), that for the year ended 31 March 2018, the Company has filed all the required returns and notices in terms of this Act, and that all such returns and notices appear, to the best of my knowledge and belief, true, correct and up to date.



CM Gerbrands

Company Secretary


7 June 2018

Audit and Risk Committee report

This report is provided by the Audit and Risk Committee, in respect of the 2018 financial year of Business Partners Limited, in compliance with section 94 of the Companies Act 71 of 2008 ('the Act').

The Audit and Risk Committee confirms that it has functioned in accordance with its terms of reference and fulfilled all its duties as prescribed by the Act and reports as follows in terms of section 94(7) of the Act for the financial year ended 31 March 2018:

- 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 IFRS and recommended their approval to the board.
- The committee oversaw a process by which internal audit assessed the effectiveness of the system of internal control and risk management, including internal financial controls.
- The committee receives and deals with any concerns or complaints relating to accounting practices and internal audit of the Group, the content or auditing of the Group's financial statements, the internal financial controls of the Group or any related matter. No matters of significance were raised in the past financial year.
- The committee assessed and obtained assurance from the external auditors that their independence was not impaired.
- The committee confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005.
- The committee is satisfied that the Group is able to manage its Information Technology capabilities and the related controls are appropriate to support the integrity of financial reporting.
- In respect of the financial statements, the committee:
 - Reviewed management's process and progress with respect to new financial accounting and reporting developments.
 - Confirmed the going concern basis for the preparation of the annual financial statements.
 - Examined and reviewed the annual financial statements prior to submission and approval by the board.
 - Reviewed reports on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors concerning any changes that were made to the models applied by management in determining such impairments.
 - Ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year then ended.
 - Ensured that the interim and annual financial statements conform with IFRS, the Act and all other applicable accounting guides and pronouncements.
 - Considered accounting treatments, significant unusual transactions and accounting judgements.
 - Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
 - Reviewed and discussed the independent auditors' report.



NJ Williams

Chairman: Audit and Risk Committee

7 June 2018

Independent Auditor's Report to the shareholders of Business Partners Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Business Partners Limited ('the Company') and its subsidiaries (together 'the Group') as at 31 March 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Act.

What we have audited

Business Partners Limited's consolidated and separate financial statements set out on pages 46 to 95 comprising:

- The consolidated and separate statements of financial position as at 31 March 2018;
- The consolidated and separate statements of comprehensive income for the year then ended;
- The consolidated and separate statements of changes in equity for the year then ended;
- The consolidated and separate statements of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information obtained at the date of the auditor's report comprises the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Act. 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 IFRS and the requirements of the Act, 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.

Independent Auditor's Report to the shareholders of Business Partners Limited (continued)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Vincent Tshikhovhokhovho

Registered Auditor

4 Lisbon Lane

Waterfall City, Jukskei View

2090

7 June 2018

Directors' Report

for the year ended 31 March

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 invests in SMEs by providing funding, support and mentoring to entrepreneurs.

2. Review of operations

The operational results were produced in the context of a volatile operating environment which was exacerbated by continued macroeconomic uncertainty.

New business investments were lower than expected with 295 investment transactions amounting to R1 049,2 million being approved, a decrease of 9,8 percent and 8,5 percent respectively, compared to the 2017 year when 327 investments amounting to R1 146,9 million were approved.

An equity stake was obtained in 48 investments (2017: 56 investments) at an average investment of R6,0 million (2017: R5,4 million). During the period, 238 investments amounting to R889,3 million were disbursed, 3,7 percent lower than the corresponding prior period.

The risk in the investment portfolio, measured primarily by the repayment performance of the investments, increased over the period. Investments with repayment obligations in arrears increased from 20,0 percent of the investment portfolio at the end of the prior period to 21,4 percent of the portfolio at 31 March 2018, a reflection of the adverse economic and difficult trading conditions experienced by SMEs.

The Company manages a portfolio of 148 (2017: 150) industrial and commercial properties that are geographically dispersed and provide business premises with a lettable area of more than 454 000m² (2017: 437 000m²), to more than 1 630 (2017: 1 650) tenants.

At the end of the period the vacancy rate was at 3,8 percent (2017: 4,0 percent) of lettable area and the rental payments in arrears reduced to a rate of 15,2 percent (2017: 23,8 percent). The total yield on the portfolio amounted to 15,4 percent (2017: 14,7 percent).

The investment properties are carried at a fair value of R1 478,9 million (2017: R1 360,3 million) in the statement of financial position and owner occupied property amounted to R94,1 million (2017: R94,3 million) as disclosed under 'Property and equipment'.

3. Financial highlights

The Group's net profit attributable to equity holders of the Company for the year amounted to R218,4 million, an increase of R11,3 million (5,4 percent) from the R207,1 million profit reported in the prior year.

Interest income increased by 5,8 percent to R405,1 million (2017: R382,8 million) largely due to the growth in the investment portfolio from R2 748,9 million in the prior year to R2 956,0 million (7,5 percent) at year end.

Interest expense increased by 14,8 percent from the prior year, the result of the increase in total borrowings to R1 239,5 million (2017: R1 131,4 million).

The net interest income was negatively affected by the average prime rate for the period declining to 10,35 percent compared to the 10,48 percent average for the same period in the previous year.

Property revenue increased by 8,0 percent, largely driven by rental income increases. Property expenses increased by 0,4 percent year on year, the result of increases in maintenance cost and administered prices.

Total income increased marginally by 0,4 percent to R615,8 million (2017: R613,4 million). However, the Company demonstrated prudent cost management as total expenses (excluding net credit losses) increased by only 2,2 percent to R245,6 million (2017: R240,4 million).

Net credit losses decreased by 5,7 percent to R76,3 million (2017: R81,0 million). Realised credit losses in the form of bad debts increased by 42,9 percent or R27,4 million to R91,2 million. The impairment raised against the portfolio amounted to R218,8 million (6,9 percent of the portfolio), an increase of R3,4 million from the prior year impairment of R215,3 million (7,3 percent of the portfolio). The material increase in the credit losses reflect the continued adverse impact of slow growth, policy uncertainty and other adverse economic conditions prevalent over the period.

Directors' Report (continued)

for the year ended 31 March

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.

6. Dividend

A cash dividend of 22 cents per share in respect of the 2018 financial year (2017: 21 cents) was declared on 24 May 2018, payable on or about 23 August 2018 to all shareholders registered in the share register at the close of business on 17 August 2018.

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 (2017: 5,7 times). The dividend policy aims to ensure at least four times cover for the dividend, after evaluating the nature and quality of the profit for the year.

7. Earnings per share

Earnings per share amounted to 126,2 cents (2017: 119,7 cents) based on 173,0 million shares in issue. Headline earnings per share increased to 87,6 cents (2017: 73,1 cents). For more information on earnings per share, refer to notes 13 and 25 of the annual financial statements.

8. Directors' remuneration and interest

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

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 96 of the annual report.

10. Directors

10.1 The directors of the Company on 31 March 2018 were:

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

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

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

| | |
|----------------|-------------------------|
| Mr F Knoetze | Mr RSM Ndlovu |
| Mr TR Makhuvha | Mr T van Wyk (Chairman) |
| Mr K Molewa | 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 C Botes (Executive Director) |

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

| Director | Event | Terms | Effective date |
|------------------|-------------------------------|-----------------------------|----------------|
| | | Memorandum of Incorporation | |
| Mr TR Makhuvha | Appointed | Article 20.1.3 | 24 May 2017 |
| Mr K Molewa | Appointed | Article 20.1.3 | 24 May 2017 |
| Dr ZZR Rustonjee | Replaced | Article 20.1.3 | 24 May 2017 |
| Mr VO Twala | Replaced | Article 20.1.3 | 24 May 2017 |
| Mr G van Biljon | Retired as Executive Director | Article 20.2 | 31 July 2017 |
| Ms O Kotze | Elected | Article 20.1.2 | 16 August 2017 |
| Ms HE Moliea | Retired and re-elected | Article 20.1.2 | 16 August 2017 |
| Mr D Moshapalo | Retired and re-elected | Article 20.1.2 | 16 August 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.

12. Annual financial statements

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

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 2019 financial year. Mr V Tshikhovhokhovho will be the designated auditor.

14. Acknowledgements

We would like to extend a special word of gratitude to our retired executive director, Mr Gerrie van Biljon for his dedicated years of service and his valuable contributions during his 31-year tenure with the Company.

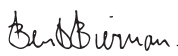
Sincere appreciation is extended to all our shareholders for their support, and to the members of the Board of Directors and its committees for their dedicated and positive participation throughout the year.

Last but not least, we express our gratitude to the entire staff of the Company for their hard work and commitment in pursuing the objectives of the Company.



T van Wyk
Chairman

7 June 2018



BD Bierman
Managing Director

Consolidated and separate statement of financial position

as at 31 March

| | Notes | Group | | Company | |
|--|-------|------------------|--------------|------------------|--------------|
| | | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| ASSETS | | | | | |
| Non-current assets | | 4 546 806 | 4 185 022 | 4 141 987 | 3 842 950 |
| Deferred tax asset | 16 | 108 691 | 112 194 | 103 573 | 105 045 |
| Property and equipment | 7 | 97 311 | 96 908 | 2 964 | 2 378 |
| Investment properties | 3 | 1 478 948 | 1 360 269 | 853 496 | 827 285 |
| Loans and receivables | 5 | 2 477 568 | 2 300 864 | 2 477 555 | 2 300 854 |
| Investments in associates | 6 | 123 267 | 112 671 | 919 | 908 |
| Investments in subsidiaries | 8 | | | 442 464 | 405 586 |
| Other investments | 4 | 56 968 | 34 424 | 56 963 | 33 202 |
| Assets held for resale | 10 | 29 708 | 4 508 | 29 708 | 4 508 |
| Defined benefit pension fund surplus | 9 | 174 345 | 163 184 | 174 345 | 163 184 |
| Current assets | | 569 931 | 573 592 | 537 548 | 544 956 |
| Loans and receivables | 5 | 478 457 | 448 011 | 478 458 | 447 978 |
| Accounts receivable | 11 | 43 349 | 36 806 | 27 574 | 23 641 |
| Cash and cash equivalents | 12 | 48 125 | 88 775 | 31 516 | 73 337 |
| Total assets | | 5 116 737 | 4 758 614 | 4 679 535 | 4 387 906 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves attributable to equity holders of the parent | | 3 360 822 | 3 177 613 | 2 985 751 | 2 862 464 |
| Share capital | 13 | 173 001 | 173 001 | 173 001 | 173 001 |
| Fair value and other reserves | 14 | 66 420 | 64 918 | 61 359 | 59 218 |
| Retained earnings | | 3 121 401 | 2 939 694 | 2 751 391 | 2 630 245 |
| Non-controlling shareholders' interest | | (141) | (141) | | |
| Total equity | | 3 360 681 | 3 177 472 | 2 985 751 | 2 862 464 |
| Non-current liabilities | | 1 466 125 | 1 357 646 | 1 449 646 | 1 339 912 |
| Deferred tax liability | 16 | 233 953 | 213 217 | 204 959 | 186 618 |
| Borrowings | 15 | 1 137 493 | 1 051 580 | 1 137 493 | 1 051 580 |
| Post-employment medical benefits | 9 | 94 679 | 92 849 | 94 679 | 92 849 |
| Loan from subsidiaries | 8 | | | 12 515 | 8 865 |
| Current liabilities | | 289 931 | 223 496 | 244 138 | 185 530 |
| Shareholders for dividend | | 1 449 | 939 | 1 449 | 939 |
| Borrowings | 15 | 101 965 | 79 862 | 101 965 | 79 862 |
| Accounts payable | 17 | 72 081 | 70 490 | 33 136 | 36 793 |
| Provisions | 18 | 47 316 | 52 413 | 44 887 | 50 242 |
| Current income tax liability | | 6 353 | 19 792 | 4 713 | 17 694 |
| Bank overdraft | 12 | 60 767 | — | 57 988 | — |
| Total liabilities | | 1 756 056 | 1 581 142 | 1 693 784 | 1 525 442 |
| Total equity and liabilities | | 5 116 737 | 4 758 614 | 4 679 535 | 4 387 906 |

Consolidated and separate statement of comprehensive income

for the year ended 31 March

| | Notes | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Net interest revenue | 19 | 299 452 | 290 776 | 301 575 | 293 031 |
| Interest income | | 405 123 | 382 807 | 407 213 | 385 062 |
| Interest expense | | (105 671) | (92 031) | (105 638) | (92 031) |
| Fee revenue | | 12 875 | 13 454 | 12 860 | 13 453 |
| Investment income and gains | 20 | 120 221 | 141 268 | 87 605 | 101 755 |
| Net property revenue | | 146 611 | 127 522 | 97 083 | 88 537 |
| Property revenue | | 263 953 | 244 449 | 169 471 | 161 060 |
| Property expenses | | (117 342) | (116 927) | (72 388) | (72 523) |
| Management and service fee income | | 30 385 | 36 047 | 14 164 | 14 160 |
| Other income | | 6 249 | 4 288 | 3 284 | 4 075 |
| Total income | | 615 793 | 613 355 | 516 571 | 515 011 |
| Net credit losses | 21 | (76 346) | (80 958) | (76 440) | (81 071) |
| Staff costs | 22 | (173 958) | (174 191) | (158 967) | (160 989) |
| Other operating expenses | | (71 643) | (66 223) | (76 149) | (76 329) |
| Profit before taxation | | 293 846 | 291 983 | 205 015 | 196 622 |
| Income tax expense | 24 | (75 459) | (84 852) | (47 539) | (58 710) |
| Profit for the year | | 218 387 | 207 131 | 157 476 | 137 912 |
| Other comprehensive income after tax: | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Remeasurement of defined benefit pension fund | 14 | (1 438) | (2 820) | (1 438) | (2 820) |
| Remeasurement of post-employment medical benefits | 14 | 2 273 | 5 370 | 2 273 | 5 370 |
| Remeasurement of post-employment benefits | | 835 | 2 550 | 835 | 2 550 |
| Items that may be subsequently reclassified to profit or loss | | | | | |
| Fair value adjustment of available-for-sale instruments | | 7 031 | (6 956) | 7 031 | (6 956) |
| Foreign currency translation reserve movement | | (5 062) | (2 429) | (5 725) | (2 514) |
| Share of associates' other comprehensive income | | (1 302) | (146) | – | – |
| | | 667 | (9 531) | 1 306 | (9 470) |
| Other comprehensive income for the year | | 1 502 | (6 981) | 2 141 | (6 920) |
| Total comprehensive income for the year | | 219 889 | 200 150 | 159 617 | 130 992 |
| Profit attributable to: | | | | | |
| Equity holders of Business Partners Limited | | 218 387 | 207 131 | 157 476 | 137 912 |
| Non-controlling interests | | – | – | – | – |
| | | 218 387 | 207 131 | 157 476 | 137 912 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of Business Partners Limited | | 219 889 | 200 150 | 159 617 | 130 992 |
| Non-controlling interests | | – | – | – | – |
| | | 219 889 | 200 150 | 159 617 | 130 992 |
| Earnings per share | | | | | |
| Basic earnings per share | 25 | 126,2 cents | 119,7 cents | | |
| Headline earnings per share | 25 | 87,6 cents | 73,1 cents | | |

Consolidated and separate statement of changes in equity

for the year ended 31 March

| | | Attributable to equity holders of the parent | | | | |
|---|-------|--|-------------------------------------|------------------------|-------------------------------|------------|
| | | Share capital R000 | Fair value and other reserves* R000 | Retained earnings R000 | Non-controlling interest R000 | Total R000 |
| | Notes | | | | | |
| Group | | | | | | |
| Balance at 1 April 2016 | | 173 001 | 71 899 | 2 767 163 | (141) | 3 011 922 |
| 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 | 26 | | | (34 600) | | (34 600) |
| Balance at 31 March 2017 | | 173 001 | 64 918 | 2 939 694 | (141) | 3 177 472 |
| Balance at 1 April 2017 | | 173 001 | 64 918 | 2 939 694 | (141) | 3 177 472 |
| Total comprehensive income for the year | | | 1 502 | 218 387 | – | 219 889 |
| Net profit | | | | 218 387 | – | 218 387 |
| Other comprehensive income | | | 1 502 | | | 1 502 |
| Dividend | 26 | | | (36 680) | | (36 680) |
| Balance at 31 March 2018 | | 173 001 | 66 420 | 3 121 401 | (141) | 3 360 681 |
| Company | | | | | | |
| 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 | 26 | | | (34 600) | | (34 600) |
| Balance at 31 March 2017 | | 173 001 | 59 218 | 2 630 245 | | 2 862 464 |
| Balance at 1 April 2017 | | 173 001 | 59 218 | 2 630 245 | | 2 862 464 |
| Total comprehensive income for the year | | | 2 141 | 157 476 | | 159 617 |
| Net profit | | | | 157 476 | | 157 476 |
| Other comprehensive income | | | 2 141 | | | 2 141 |
| Dividend | 26 | | | (36 330) | | (36 330) |
| Balance at 31 March 2018 | | 173 001 | 61 359 | 2 751 391 | | 2 985 751 |

* The composition of fair value and other reserves is disclosed in note 14.

Consolidated and separate cash flow statement

for the year ended 31 March

| | | Group | | Company | |
|--|-------|------------------|--------------|-----------------|--------------|
| | Notes | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Cash flow from operating activities | | | | | |
| Cash generated from/(utilised in) operating activities* | 28.1 | 4 859 | 78 071 | (57 820) | 11 315 |
| Taxation paid | 28.2 | (58 302) | (46 334) | (41 408) | (33 961) |
| Net cash flow (utilised in)/generated from operating activities | | (53 443) | 31 737 | (99 228) | (22 646) |
| Cash flow from investing activities | | | | | |
| Capital investment in | | | | | |
| • investment properties | | (83 520) | (59 314) | (6 900) | – |
| • property and equipment | | (3 439) | (3 643) | (2 234) | (1 182) |
| Proceeds from sale of | | | | | |
| • investment properties | | 33 876 | 15 755 | 33 876 | 15 755 |
| • property and equipment | | 57 | 46 | 57 | 46 |
| Interest received from other investments | | 7 927 | 6 859 | 7 353 | 6 301 |
| Loans from subsidiaries repaid | | – | – | (30 208) | (5 326) |
| Proceeds from sale of investments in associates | | 21 588 | 62 682 | 21 588 | 62 682 |
| Dividends received from investments in associates | | 11 707 | 1 770 | 11 707 | 1 770 |
| Net cash (utilised in)/generated from investing activities | | (11 804) | 24 155 | 35 239 | 80 046 |
| Cash flow from financing activities | | | | | |
| Dividends paid | 28.3 | (36 170) | (34 755) | (35 820) | (34 755) |
| Net cash flow utilised in financing activities | | (36 170) | (34 755) | (35 820) | (34 755) |
| Net movement in cash and cash equivalents | | (101 417) | 21 137 | (99 809) | 22 645 |
| Cash and cash equivalents at beginning of year | 12 | 88 775 | 67 638 | 73 337 | 50 692 |
| Cash and cash equivalents at end of year | 12 | (12 642) | 88 775 | (26 472) | 73 337 |

* Cash generated from operating activities was amended to incorporate the IAS7 requirements for an entity classified as a financial institution. Refer to note 31 for specific reclassifications that have been made.

Notes to the consolidated and separate financial statements

for the year ended 31 March

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 IFRS, as issued by the International Accounting Standards Board ('IASB'), and the Act. 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 2017:

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.

Amendment to IAS 7 – Cash flow statements. In January 2016, the 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.

Annual improvements 2014-2016

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 (para 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.

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 2017 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:

IFRS 15 – Revenue from contracts with customers. The Financial Accounting Standards Board ('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 a 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.

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.

Hedge accounting is not applicable to the Group and will the amendment is therefore expected to have no impact on the disclosures provided in the financial statements.

Effective date: 1 January 2018.

The changes to IFRS 9 is estimated to have the following impact:

Classification and measurement of financial assets

IFRS 9 establishes specific criteria to establish when the amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss ('FVTPL') classifications will apply to a financial asset. The amendment will have an impact on how specific products will be classified, measured and disclosed in the financial statements. Each product was assessed against the requirements of IFRS 9.

Reclassification from amortised cost to FVTPL

The following products were reclassified as the royalty component of the product did not meet the requirements of the Solely Payments of Principal and Interest ('SPPI') test. In terms of IFRS 9, these products could not be separated into their separate components.

- Term Finance with a Royalty;
- Property Finance with a Royalty.

The following products can be classified in terms of their separate components. The term finance and property finance components is to remain classified at amortised cost whilst the equity portion is to be reclassified to FVTPL as specifically stipulated in IFRS 9.

- Term Finance with Shareholding;
- Term Finance with a Royalty and Shareholding;
- Equity Investments;
- Property Finance with Shareholding;
- Property Finance with Equity Participation.

Term Finance remains classified at amortised cost.

Impairment of financial assets

IFRS 9 establishes a forward-looking expected credit loss model for the recognition and measurement of impairments in loans and receivables that are measured at amortised cost or FVTOCI.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

1. Accounting policies (continued)

1.2 New and amended statements (continued)

1.2.2 New and amended statements not yet adopted (continued)

Transition

The requirements of *IFRS 9 – Financial Instruments* will be adopted from 1 April 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group does not intend to restate comparatives. The impact of the amendment is in the process of being determined. The Group will be in a position to quantify and assess this impact once the new impairment model under IFRS 9 is audited and the adjustment to the opening balances can be calculated. The implementation of the model is expected to be finalised and reported on in the September 2018 Interim results.

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 accurate 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 2018.

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 to the Group are in the process of being determined.

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.

Amendments to *IAS 28 – Investments in associates and joint ventures* – long-term interests in associates and joint ventures. The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

The amendments are effective from 1 January 2019.

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

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. Effective date: 1 January 2018.

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.

Effective date: 1 January 2018.

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

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty.

Effective date: 1 January 2019.

The impact of the amendment is in the process of being determined.

Annual improvements 2014-2016

These amendments impact two 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.

- *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.

Annual improvements cycle 2015-2017

These amendments include minor changes to:

- *IFRS 3 – Business combination* – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- *IFRS 11 – Joint arrangements*, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- *IAS 12 – Income taxes* – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- *IAS 23 – Borrowing costs* – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

1. Accounting policies (continued)

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

1.3.2 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 6.

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 note 8 and 30 .

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

1. Accounting policies (continued)

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 the 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;
- Shareholders' 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 0 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'.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

1. Accounting policies (continued)

1.5 Financial Instruments (continued)

1.5.1 Financial assets (continued)

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 at 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 | 5 years |
| Computer hardware and computer software | 3 years |
| Vehicles | 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 of such bonds in South Africa, the market rates on government bonds are used.

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

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

1.9.2 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

1. Accounting policies (continued)

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 5.

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 9.2.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

1. Accounting policies (continued)

1.17 Critical accounting estimates and judgements (continued)

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 9.3.

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 24.

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 16.

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 at in the Group's results include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources occurring and the estimate of the amount and timing for the settlement of the obligation.

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

Additional information is disclosed in note 18.

1.17.8 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.

Additional information is disclosed in note 8.

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.

Additional information is disclosed in note 13.

1.19 Assets held for resale

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

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

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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

2. Financial risk management (continued)

2.1 Credit risk (continued)

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 1 509 (2017: 1 541) 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 1,1 percent (2017: 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 | | Company | |
|---|------------------|--------------|------------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 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 | 2 954 983 | 2 765 238 | 2 954 952 | 2 765 199 |
| Shareholders' loans | 142 488 | 129 953 | 142 488 | 129 953 |
| Royalty agreements | 77 309 | 69 010 | 77 309 | 69 005 |
| | 3 174 780 | 2 964 201 | 3 174 749 | 2 964 157 |
| Related to accounts receivable: | | | | |
| Rent debtors | 17 717 | 18 194 | 9 371 | 10 136 |
| Trade and other receivables | 25 632 | 18 612 | 18 203 | 13 505 |
| Cash held in bank accounts | (12 642) | 88 775 | (26 472) | 73 337 |
| Related to off-balance sheet items: | | | | |
| Loan commitments and other credit related liabilities | 288 271 | 329 082 | 288 271 | 329 082 |
| | 3 493 758 | 3 418 864 | 3 464 122 | 3 390 217 |

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Industry sector exposure | | | | |
| Construction | 170 034 | 196 827 | 170 034 | 196 827 |
| Financial intermediation | 723 617 | 718 826 | 723 617 | 718 826 |
| Fishing | 15 727 | 19 608 | 15 727 | 19 608 |
| Horticulture, animal farming and forestry | 39 308 | 36 627 | 39 308 | 36 627 |
| Leisure | 97 701 | 93 846 | 97 701 | 93 846 |
| Manufacturing | 729 438 | 682 813 | 729 438 | 682 813 |
| Motor trade | 192 885 | 179 955 | 192 885 | 179 955 |
| Personal services | 370 442 | 276 791 | 370 442 | 276 791 |
| Quarrying | 24 054 | 8 718 | 24 054 | 8 718 |
| Retail | 274 061 | 251 218 | 274 030 | 251 174 |
| Transport and communication | 165 493 | 139 736 | 165 493 | 139 736 |
| Travel and tourism | 267 194 | 257 001 | 267 194 | 257 001 |
| Wholesale | 104 826 | 102 236 | 104 826 | 102 236 |
| | 3 174 780 | 2 964 202 | 3 174 749 | 2 964 158 |
| Geographical exposure | | | | |
| Eastern Cape | 321 580 | 324 508 | 321 580 | 324 508 |
| Free State | 136 254 | 132 459 | 136 254 | 132 459 |
| Gauteng | 992 761 | 901 204 | 992 730 | 901 160 |
| KwaZulu-Natal | 691 589 | 601 656 | 691 589 | 601 656 |
| Limpopo | 47 469 | 54 833 | 47 469 | 54 833 |
| Mpumalanga | 70 438 | 88 861 | 70 438 | 88 861 |
| North West | 88 853 | 78 532 | 88 853 | 78 532 |
| Northern Cape | 84 917 | 80 183 | 84 917 | 80 183 |
| Western Cape | 740 919 | 701 966 | 740 919 | 701 966 |
| | 3 174 780 | 2 964 202 | 3 174 749 | 2 964 158 |
| Product type exposure | | | | |
| Term Finance | 339 885 | 348 604 | 339 885 | 348 604 |
| Term Finance with a Royalty | 1 078 277 | 1 015 967 | 1 078 249 | 1 015 923 |
| Term Finance with a Royalty and Shareholding | 746 | 5 656 | 743 | 5 656 |
| Term Finance with Shareholding | 40 468 | 43 199 | 40 468 | 43 199 |
| Equity Investments | 37 074 | 39 443 | 37 074 | 39 443 |
| Property Finance with Shareholding | 1 018 281 | 914 284 | 1 018 281 | 914 284 |
| Property Finance with a Royalty | 459 196 | 395 794 | 459 196 | 395 794 |
| Property Finance with Equity Participation | 200 853 | 201 255 | 200 853 | 201 255 |
| | 3 174 780 | 2 964 202 | 3 174 749 | 2 964 158 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 2. Financial risk management (continued) | | | | |
| 2.1 Credit risk (continued) | | | | |
| 2.1.4 Credit quality of loans and receivables | | | | |
| The credit quality of loans and receivables is as follows: | | | | |
| Neither past due nor individually impaired | 2 116 736 | 2 026 966 | 2 116 735 | 2 026 961 |
| Past due, but not individually impaired | 72 428 | 94 105 | 72 428 | 94 105 |
| Individually impaired | 985 616 | 843 132 | 985 586 | 843 092 |
| Gross | 3 174 780 | 2 964 203 | 3 174 749 | 2 964 158 |
| Less: allowance for impairment | (218 755) | (215 328) | (218 736) | (215 326) |
| | 2 956 025 | 2 748 875 | 2 956 013 | 2 748 832 |

The allowance for impairment of loans and receivables amounts to R218,8 million (2017: R215,3 million). R175,8 million (2017: R159,6 million) represents the individually impaired loans and the balance of R43,0 million (2017: R55,7 million) represents the portfolio impairment. For additional information regarding the allowance for impairment, refer note 5.

Refer to accounting policy 1.5.1.3 for criteria used for the impairment of loans and receivables.

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, Category A, as disclosed under specific impairments in accounting policy 1.5.13.

| | | | | |
|------------------------|------------------|------------------|------------------|------------------|
| Interest-bearing loans | 1 918 315 | 1 850 063 | 1 918 314 | 1 850 063 |
| Shareholders' loans | 121 112 | 107 892 | 121 112 | 107 892 |
| Royalty agreements | 77 309 | 69 010 | 77 309 | 69 005 |
| | 2 116 736 | 2 026 965 | 2 116 735 | 2 026 960 |

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, in terms of the internal risk rating system, Category B, as disclosed under specific impairments in accounting policy 1.5.13. The gross amount of loans and receivables that were past due, but not impaired, are as follows:

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Interest-bearing loans | 72 428 | 94 105 | 72 428 | 94 105 |
| | 72 428 | 94 105 | 72 428 | 94 105 |
| Fair value of collateral – interest-bearing loans | 70 568 | 76 097 | 70 568 | 76 097 |

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 which is primarily made up of mortgage bonds on property.

Loans and receivables individually impaired

Loans and receivables individually impaired can be assessed in terms of the internal risk rating system, Categories C-H, as disclosed under specific impairments in accounting policy 1.5.13.

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

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Interest-bearing loans | 964 240 | 821 071 | 964 210 | 821 031 |
| Shareholders' loans | 21 376 | 22 061 | 21 376 | 22 061 |
| | 985 616 | 843 132 | 985 586 | 843 092 |
| Fair value of collateral – interest-bearing loans | 634 372 | 490 750 | 634 367 | 490 750 |

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 R101,9 million (2017: R86,0 million).

Collateral taken

During the year, collateral of R33,0 million (2017: R1,6 million) was taken. The derecognised value of these loans amounted to R77,2 million (2017: R2,6 million). R26,1 million of this collateral was recognised under Assets held for resale while the remaining balance of R6,9 million was recognised under Investment Property.

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. Refer to accounting policy 1.5.1.4 for additional detail.

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

| | Group | | Company | |
|-------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | Continue to be impaired R000 | No longer impaired R000 | Continue to be impaired R000 | No longer impaired R000 |
| At 31 March 2018 | | | | |
| Interest-bearing loans | 9 097 | – | 9 097 | – |
| At 31 March 2017 | | | | |
| Interest-bearing loans | 11 522 | – | 11 522 | – |

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 R2,9 million (2017: R4,2 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.

The instruments are either short term in nature or have interest rates that reflect market interest rates due to the combination of various products.

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 R313,6 million (2017: R310,0 million). Alternatively, if the prime rate was one percent lower, the Group’s profit before tax would have been R274,1 million (2017: R274,4 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

2. Financial risk management (continued)

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. All financial liabilities, except borrowings, have not been discounted as the fair value approximates the carrying value:

| | Less than 1 year R000 | Between 1 and 2 years R000 | Between 2 and 5 years R000 | Over 5 years R000 | Total R000 |
|-------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|---------------|
| At 31 March 2018 | | | | | |
| Borrowings | 203 546 | 174 161 | 967 715 | 268 850 | 1 614 273 |
| Accounts payable | 72 081 | | | | 72 081 |
| Current tax liability | 6 353 | | | | 6 353 |
| At 31 March 2017 | | | | | |
| Borrowings | 180 276 | 180 276 | 718 433 | 310 431 | 1 389 416 |
| Accounts payable | 70 490 | | | | 70 490 |
| Current tax liability | 19 792 | | | | 19 792 |

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 2018 | | | | | | |
| Financial assets | | | | | | |
| Loans and receivables | 2 956 025 | 2 956 025 | – | – | 2 956 025 | 2 956 025 |
| Cash and cash equivalents | 48 125 | 48 125 | – | 48 125 | – | 48 125 |
| | 3 004 150 | 3 004 150 | – | 48 125 | 2 956 025 | 3 004 150 |
| Financial liabilities | | | | | | |
| Borrowings | 1 239 458 | 1 239 458 | – | 1 239 458 | – | 1 239 458 |
| Bank overdraft | 60 767 | 60 767 | – | 60 767 | – | 60 767 |
| | 1 300 225 | 1 300 225 | – | 1 300 225 | – | 1 300 225 |
| | 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 | 2 748 875 | 2 748 875 | – | – | 2 748 875 | 2 748 875 |
| Cash and cash equivalents | 88 775 | 88 775 | – | 88 775 | – | 88 775 |
| | 2 837 650 | 2 837 650 | – | 88 775 | 2 748 875 | 2 837 650 |
| Financial liabilities | | | | | | |
| Borrowings | 1 131 442 | 1 131 442 | – | 1 131 442 | – | 1 131 442 |
| | 1 131 442 | 1 131 442 | – | 1 131 442 | – | 1 131 442 |

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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

2. Financial risk management (continued)

2.4 Fair values of assets and liabilities (continued)

2.4.1 Financial assets and liabilities not held at fair value (continued)

Measurement of financial assets and liabilities at Level 2

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

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

Measurement of financial assets and liabilities at Level 3

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

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

2.4.2 Assets and liabilities held at fair value

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

| | Level 1 R000 | Level 2 R000 | Level 3 R000 | Total balance R000 |
|-------------------------------------|-----------------|-----------------|------------------|-----------------------|
| At 31 March 2018 | | | | |
| Available-for-sale financial assets | 312 | – | 56 655 | 56 967 |
| Investment properties | – | – | 1 478 948 | 1 478 948 |
| | 312 | – | 1 535 603 | 1 535 915 |
| 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 |

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 and is set out in note 8.1 for available-for-sale financial assets.

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

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

2.5 Financial instruments by category

| | Available- for-sale R000 | Amortised cost R000 | Total R000 |
|--|--------------------------------|---------------------------|------------------|
| At 31 March 2018 | | | |
| Assets per statement of financial position | | | |
| Available-for-sale financial assets | 56 967 | | 56 967 |
| Loans and receivables | | 2 956 025 | 2 956 025 |
| Accounts receivable | | 43 349 | 43 349 |
| Cash and cash equivalents | | 48 125 | 48 125 |
| | 56 967 | 3 047 499 | 3 104 466 |
| Liabilities per statement of financial position | | | |
| Cash and cash equivalents (bank overdraft) | | 60 767 | 60 767 |
| Borrowings | | 1 239 458 | 1 239 458 |
| Accounts payable | | 72 081 | 72 081 |
| | 1 372 306 | 1 372 306 | |
| At 31 March 2017 | | | |
| Assets per statement of financial position | | | |
| Available-for-sale financial assets | 33 206 | | 33 206 |
| Loans and receivables | | 2 748 875 | 2 748 875 |
| Accounts receivable | | 36 806 | 36 806 |
| Cash and cash equivalents | | 88 775 | 88 775 |
| | 33 206 | 2 874 456 | 2 907 662 |
| Liabilities per statement of financial position | | | |
| Borrowings | | 1 131 442 | 1 131 442 |
| Accounts payable | | 70 490 | 70 490 |
| | 1 201 932 | 1 201 932 | |

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 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 | 66 420 | 64 918 | 61 359 | 59 218 |
| Retained earnings | 3 121 401 | 2 939 694 | 2 751 391 | 2 630 245 |
| Total capital | 3 360 822 | 3 177 613 | 2 985 751 | 2 862 464 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | Group | | Company | |
|---------------------------------|------------------|--------------|-----------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 3. Investment properties | | | | |
| Fair value – beginning of year | 1 360 268 | 1 252 104 | 827 285 | 789 520 |
| Acquisitions | 83 520 | 59 314 | 6 900 | – |
| Improvements | 1 609 | 3 901 | 835 | 5 158 |
| Disposals | (28 860) | (11 145) | (28 860) | (11 145) |
| Fair value adjustment | 62 411 | 56 095 | 47 336 | 43 752 |
| Fair value – end of year | 1 478 948 | 1 360 269 | 853 496 | 827 285 |

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

- Capitalisation rates varied between 8,7 percent and 11,0 percent (2017: 9,0 percent and 13,0 percent);
- Vacancy factors varied between zero and 5,0 percent (2017: zero and 5,0 percent);
- Property expenses varied between 10,0 and 38,1 percent of total rent and recoveries (2017: 8,5 percent and 40,1 percent).

If the capitalisation rate was on average one percent higher for the portfolio, the Group's profit before tax would have been R175,9 million (2017: R185,5 million). Conversely, if the capitalisation rate was on average 1 percent lower for the portfolio, the Group's profit before tax would have been R424,3 million (2017: R420,0 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 | 193 645 | 185 137 | 116 573 | 114 347 |
| • Repairs and maintenance expenses | 16 322 | 18 371 | 11 036 | 12 469 |
| • Other operating expenses | 99 585 | 95 188 | 60 749 | 58 419 |

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

| | | | | |
|--|---------------|--------|---------------|--------|
| 4. Other Investments | | | | |
| Investment in En Commandite partnerships | 1 | 1 218 | – | – |
| Available-for-sale financial assets | 56 967 | 33 206 | 56 963 | 33 202 |
| Carrying value of other investments | 56 968 | 34 424 | 56 963 | 33 202 |

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 agreement) was 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.

Business Partners International Kenya has a nominal investment in Business Partners International Kenya SME Fund Partnership.

| | Group | | Company | |
|--|--------|----------|---------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | R000 | R000 | R000 | R000 |
| 4.2 Available-for-sale financial assets | | | | |
| Fair value – beginning of year | 33 206 | 29 328 | 33 202 | 29 324 |
| Disposals | – | – | – | – |
| Acquisitions | 22 079 | 16 089 | 22 079 | 16 089 |
| Fair value surplus/(deficit) transferred to equity | 1 682 | (12 211) | 1 682 | (12 211) |
| Fair value – end of year | 56 967 | 33 206 | 56 963 | 33 202 |
| Available-for-sale financial assets include the following: | | | | |
| Listed securities | 311 | 274 | 311 | 274 |
| Unlisted securities | 56 656 | 32 932 | 56 652 | 32 928 |
| | 56 967 | 33 206 | 56 963 | 33 202 |

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 suitably qualified personnel. The directors approve the valuation techniques.

Refer to note 6 and 2.4.2 for detail on the fair value movement and sensitivity analysis relating to unlisted shares.

5. Loans and receivables

| | | | | | |
|---|------------------|-----------|-----------|-----------|-----------|
| Gross loans and receivables | (refer note 5.1) | 3 174 780 | 2 964 202 | 3 174 749 | 2 964 158 |
| Less: Allowance for impairment | (refer note 5.1) | (218 755) | (215 327) | (218 736) | (215 326) |
| Specific impairment | | (175 740) | (159 607) | (175 721) | (159 607) |
| Collective impairment | | (43 015) | (55 719) | (43 015) | (55 719) |
| Carrying value of loans and receivables | | 2 956 025 | 2 748 875 | 2 956 013 | 2 748 832 |
| Long-term portion | | 2 477 568 | 2 300 864 | 2 477 555 | 2 300 854 |
| Short-term portion | | 478 457 | 448 011 | 478 458 | 447 978 |
| | | 2 956 025 | 2 748 875 | 2 956 013 | 2 748 832 |

5.1 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 7,2 percent and 20,8 percent (2017: 9,5 percent and 25,5 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 | 2 954 983 | 2 765 239 | 2 954 952 | 2 765 199 |
| Less: allowance for impairment | (204 667) | (201 114) | (204 648) | (201 113) |
| Specific impairment | (163 644) | (149 658) | (163 625) | (149 657) |
| Collective impairment | (41 023) | (51 456) | (41 023) | (51 456) |
| | 2 750 316 | 2 564 125 | 2 750 304 | 2 564 086 |

Shareholders' loans

These loans are unsecured, and are priced at interest rates between zero and 10,2 percent (2017: zero and 10,5 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 | 142 488 | 129 953 | 142 488 | 129 953 |
| Less: allowance for impairment | (14 088) | (14 213) | (14 088) | (14 213) |
| Specific impairment | (12 096) | (9 950) | (12 096) | (9 950) |
| Collective impairment | (1 992) | (4 263) | (1 992) | (4 263) |
| | 128 400 | 115 740 | 128 400 | 115 740 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 5. Loans and receivables (continued) | | | | |
| 5.1 Loans and receivables (continued) | | | | |
| 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 percent and 13,7 percent (2017: 1,2 percent and 14,1 percent). The amortised cost of royalty agreements approximates fair value. | | | | |
| Royalty agreements | 77 309 | 69 010 | 77 309 | 69 006 |
| Gross loans and receivables | 3 174 780 | 2 964 202 | 3 174 749 | 2 964 158 |
| Less: Allowance for impairment | (218 755) | (215 327) | (218 736) | (215 326) |
| Total for loans and receivables | 2 956 025 | 2 748 875 | 2 956 013 | 2 748 832 |

The Group accepted mortgage bonds, notarial bonds and other types of collateral, at a value of R2 430,9 million (2017: R2 181,1 million) as collateral for interest-bearing loans. The Group has the authority to cede or repledge this collateral.

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

5.2 Reconciliation of allowance for impairment on loans and receivables

| | Interest-bearing loans R000 | Share- holders' loans R000 | Total R000 |
|--|-----------------------------------|-------------------------------------|----------------|
| Group | | | |
| At 1 April 2016 | 171 070 | 12 374 | 183 444 |
| Impairment allowance raised on new investments | 37 590 | 761 | 38 351 |
| 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 |
| At 1 April 2017 | 201 114 | 14 213 | 215 327 |
| Impairment allowance raised on new investments | 29 052 | 232 | 29 284 |
| Impairment reversed on investments written off or repaid | (64 160) | (167) | (64 327) |
| Increase in impairment allowance on existing investments | 76 798 | 4 795 | 81 593 |
| Decrease in impairment allowance on existing investments | (38 137) | (4 985) | (43 122) |
| At 31 March 2018 | 204 667 | 14 088 | 218 755 |
| Company | | | |
| 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 |
| At 1 April 2017 | 201 113 | 14 213 | 215 326 |
| Impairment allowance raised on new investments | 29 041 | 232 | 29 273 |
| Impairment reversed on investments written off or repaid | (64 160) | (167) | (64 327) |
| Increase in impairment allowance on existing investments | 76 791 | 4 795 | 81 586 |
| Decrease in impairment allowance on existing investments | (38 137) | (4 985) | (43 122) |
| At 31 March 2018 | 204 648 | 14 088 | 218 736 |

| | Group | | Company | |
|--|-------|------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| | R000 | R000 | R000 | R000 |

6. Investments in associates

Audited financial statements are used to account for the share of associated companies' earnings. For those associates for which audited financial statements are not available, an estimation is made of the associated company's earnings. For the current year, the impact is estimated to amount to a profit of R1,4 million before tax (2017: profit of R1,1 million). A register containing details of all listed, unlisted and other investments is available at the registered office.

| | | | | |
|--|---------|---------|---------|---------|
| Unlisted shares at cost | 919 | 908 | 919 | 908 |
| Share of retained earnings | 122 348 | 111 763 | | |
| Total for unlisted associates | 123 267 | 112 671 | 919 | 908 |
| Fair value of investment in associates | 256 530 | 232 560 | 256 530 | 232 560 |

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 | 112 671 | 101 647 | 908 | 98 |
| Share of results before tax | 33 495 | 38 327 | | |
| Share of tax | (7 058) | (7 719) | | |
| Other movements (net of acquisitions and disposals) | (15 841) | (19 584) | 11 | 809 |
| Balance – end of year | 123 267 | 112 671 | 919 | 908 |

The Company has investments in 425 associates (2017: 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | Group | | Company | |
|---|----------|----------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | R000 | R000 | R000 | R000 |
| 7. Property and equipment | | | | |
| 7.1 Equipment | | | | |
| Cost – beginning of year | 28 816 | 27 999 | 27 871 | 27 066 |
| Acquisitions | 2 439 | 1 194 | 2 234 | 1 182 |
| Disposals | (357) | (377) | (357) | (377) |
| Cost – end of year | 30 898 | 28 816 | 29 748 | 27 871 |
| Accumulated depreciation – beginning of year | (26 158) | (24 687) | (25 493) | (24 160) |
| Depreciation charged | (1 755) | (1 866) | (1 632) | (1 688) |
| Exchange differences | (95) | 40 | | |
| Depreciation on disposals | 341 | 355 | 341 | 355 |
| Accumulated depreciation – end of year | (27 667) | (26 158) | (26 784) | (25 493) |
| Closing net carrying value | 3 231 | 2 658 | 2 964 | 2 378 |
| 7.2 Land and buildings | | | | |
| Cost – beginning of year | 104 934 | 103 632 | – | 1 147 |
| Additions | – | 2 449 | – | – |
| Improvements | 1 000 | – | – | – |
| Disposals | – | (1 147) | – | (1 147) |
| Cost – end of year | 105 934 | 104 934 | – | – |
| Accumulated depreciation – beginning of year | (10 684) | (9 599) | – | (59) |
| Depreciation charged | (1 170) | (1 147) | – | (3) |
| Depreciation on disposals | – | 62 | – | 62 |
| Accumulated depreciation – end of year | (11 854) | (10 684) | – | – |
| Closing net carrying value | 94 080 | 94 250 | – | – |
| Total net carrying value for property and equipment | 97 311 | 96 908 | 2 964 | 2 378 |

Included in land and buildings are owner occupied properties at a cost of R94,1 million (2017: R94,3 million).

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

| | | Group and Company | |
|---|--|-------------------|----------------|
| | | 2018 | 2017 |
| | | R000 | R000 |
| 8. Investments in subsidiaries | | | |
| Unlisted shares at cost | | 8 | 13 |
| Interest free loans | | 415 446 | 376 178 |
| Interest-bearing loans | | 27 010 | 29 395 |
| | | 442 464 | 405 586 |
| Loans from subsidiaries | | | |
| Interest free loans | | (12 515) | (8 865) |
| | | 429 949 | 396 721 |
| Interest bearing loans comprise a loan made available to Business Partners Properties 002 (Pty) Ltd to purchase a property. The loan has a tenure of 10 years and interest is charged at prime minus one percent. | | | |
| The Company's interest in the aggregate net profits and losses of subsidiaries are: | | | |
| Profits | | 79 919 | 50 072 |
| Losses | | (7 238) | (4 079) |

The details of the subsidiaries are disclosed in note 30.

8.1 Unconsolidated structured entities

The Group is involved in unconsolidated structured entities through a 6,67 percent (2017: 6,67 percent) interest held by Business Partners Ltd ('BPL') in Business Partners International Southern Africa Fund LLC ('SAF') and a 16,8 percent (2017: 16,8 percent) interest held by BPL in Business Partners International East Africa Fund LLC ('EAF').

SAF and EAF are USD30 million funds incorporated in Mauritius and have the objective of investing capital, knowledge and skills in viable SME's in (Malawi, Namibia and Zambia) and in (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 gain of R7,0 million (2017: R7,0 million loss) 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 USD2,0 million during the investment period of the SAF. The investment by the Group in the SAF during the year ended 31 March 2018 was USD327 886 or R4,3 million (2017: USD303 751 or R4,2 million). The total investment by the Group in the SAF as at the year ended 31 March 2018 is USD1,4 million or R17,9 million (2017: USD1,1 million or R13,6 million).

The Group has committed to invest USD6,0 million during the investment period of the EAF. The investment by the Group in the EAF during the year ended 31 March 2018 was USD1,3 million or R17,7 million (2017: USD0,9 million or R11,9 million). The total investment by the Group in the EAF as at the year ended 31 March 2018 is USD3,5 million or R50,9 million (2017: USD2,2 million or R33,1 million).

If the closing exchange rate between the dollar (USD) and rand (ZAR) was one rand higher, the fair value loss included in 'Gains or losses from Available-for-sale financial assets' would have increased by R4,8 million (2017: R2,5million). Conversely, if the closing exchange rate between the dollar and rand was one rand lower, the fair value loss included in 'Gains or losses from Available-for-sale financial assets' would have decreased by R4,8 million (2017: R2,5million).

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

9. Post-employment benefits

9.1 Defined contribution pension fund

The Group pays fixed contributions into a separate trustee-administered fund in terms of the defined contribution plan. The Group has no legal or constructive obligation to pay additional contributions to the fund apart from those contributions that are contractual between the employer and employee. Should the fund not hold sufficient assets to pay employee benefits, no liability to make any additional contribution can or will accrue to the Group. The amounts included in the statement of comprehensive income under staff costs for the defined contribution fund are R10,2 million (2017: R9,9 million).

9.2 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 86 (2017: 87) 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 2018 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 282,7 percent (2017: 275,3 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 R11,2 million (2017: increase of R9,1 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 R1,5 million (2017: R1,4 million) and R11,6 million (2017: R11,0 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.

| Group and Company | | |
|--|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| 9.2.1 Amount recognised in the statement of financial position | | |
| Market value of assets | 269 785 | 256 269 |
| Present value of defined benefit obligation | (95 440) | (93 085) |
| Defined benefit pension fund surplus | 174 345 | 163 184 |
| 9.2.2 Defined benefit plan reconciliations | | |
| Reconciliation of the net surplus | | |
| Defined benefit pension fund surplus – beginning of year | 163 184 | 154 110 |
| Movement in obligation | (10 617) | (5 378) |
| Growth in plan assets | 23 399 | 15 577 |
| Expenses and tax paid | (1 621) | (1 125) |
| Defined benefit pensions fund surplus – end of year | 174 345 | 163 184 |
| Reconciliation of the movement in the defined benefit obligation | | |
| Defined benefit obligation – beginning of year | 93 085 | 95 869 |
| Interest expense | 8 657 | 9 012 |
| Benefits paid | (8 262) | (8 162) |
| | 93 480 | 96 719 |
| Remeasurements | 1 960 | (3 634) |
| Defined benefit obligation – end of year | 95 440 | 93 085 |
| Reconciliation of the movement in the plan assets | | |
| Market value of assets – beginning of year | 256 269 | 249 979 |
| Interest income | 23 436 | 23 127 |
| Remeasurement | (37) | (7 550) |
| Benefits paid | (8 262) | (8 162) |
| Expenses and tax paid | (1 621) | (1 125) |
| Market value of assets – end of year | 269 785 | 256 269 |
| 9.2.3 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 | 145 476 | 137 579 |
| Capital market assets | 86 025 | 76 931 |
| Money market assets | 38 284 | 41 759 |
| Market value of assets – end of year | 269 785 | 256 269 |
| The value of assets disclosed above are based on quoted prices in active markets. | | |
| 9.2.4 Movements in defined benefit plan accounted for in the statement of comprehensive income | | |
| Interest income on net surplus | 14 779 | 14 115 |
| Expenses and tax paid | (1 621) | (1 125) |
| Total included in staff costs (refer note 22) | 13 158 | 12 990 |
| Remeasurements and movement recognised in other comprehensive income before tax | (1 997) | (3 916) |
| Actual return on assets | (37) | (7 550) |
| Change in financial assumptions – (loss)/gain | (1 587) | 3 285 |
| Experience adjustments – (loss)/gain | (373) | 349 |
| Total recognised in the statement of comprehensive income | 11 161 | 9 074 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | | Group and Company | |
|---|----------|--|---------------------------|
| | | 2018 R000 | 2017 R000 |
| 9. Post-employment benefits (continued) | | | |
| 9.2 Defined benefit pension fund (continued) | | | |
| 9.2.5 The principal actuarial assumptions | | | |
| Discount rate | 2,9% | 3,1% | |
| Expected rate of return on plan assets | 8,5% | 9,3% | |
| Inflation rate | 6,2% | 6,9% | |
| Target pension increase | 5,5% | 6,2% | |
| Average life expectancy | 12,2 yrs | 12,7 yrs | |
| Post-retirement mortality – PA(90) mortality tables with age reduction | 2 yrs | 2 yrs | |
| 9.2.6 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 | | (7 480) | 8 715 |
| 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 1 percent per annum, the impact would be as follows: | | Improvement of 2% per annum | No improvement |
| Change in liability – increase/(decrease) | | 5 605 | (4 904) |
| There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. | | | |
| 9.3 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 201 (2017: 206) members benefiting from the fund. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age. The plan is not funded, and monthly subsidy payments are made to all qualifying members. The post-retirement medical aid subsidy is increased annually by 89 percent of the Consumer Price Index ('CPI'). | | | |
| The main actuarial assumption used in calculating the liability at balance sheet date is the discount rate at which the present value of the future liability (payments) is determined. The real discount rate is the quotient of the market rates on high quality interest bearing bonds and the increase in the subsidy rate. | | | |
| The real discount rate was determined as follows: | | | |
| Nominal rate on high quality interest bearing bond | 8,92% | 9,85% | |
| Real rate on high quality interest bearing bond | 2,41% | 2,35% | |
| Implied price inflation | 6,36% | 7,33% | |
| Subsidy inflation rate (89 percent of implied price inflation) | 5,66% | 6,52% | |
| Nominal rate on high quality interest bearing bond | 8,92% | 9,85% | |
| Subsidy inflation rate | 5,66% | 6,52% | |
| Real discount rate | 3,09% | 3,12% | |
| 9.3.1 Amount recognised in the statement of financial position | | | |
| Liability – beginning of year | 92 849 | 94 217 | |
| Benefits paid | (4 860) | (4 488) | |
| Recognised in comprehensive income for the year | 9 847 | 10 579 | |
| Recognised in other comprehensive income before tax | (3 157) | (7 459) | |
| Liability – end of year | 94 679 | 92 849 | |

| Group and Company | | |
|---|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| 9.3.2 Movements in post-employment medical benefits accounted for in the statement of comprehensive income | | |
| Interest expense | 8 912 | 9 427 |
| Current service cost | 935 | 1 152 |
| Total included in staff costs (refer note 22) | 9 847 | 10 579 |
| Remeasurements and movement recognised in other comprehensive income before tax | (3 157) | (7 459) |
| Change in economic assumptions – loss/(gain) | 435 | (4 931) |
| Experience adjustments – gain | (1 766) | (1 602) |
| Change in demographic profile – gain | (1 826) | (926) |
| Total recognised in the statement of comprehensive income | 6 690 | 3 120 |

9.3.3 Sensitivity analysis

Should the discount rate change by one percent, the impact would be as follows:

| | Increase of 1% | Decrease of 1% |
|--|-------------------|-------------------|
| Change in interest expense – (decrease)/increase | (21) | 13 |
| Change in current service cost – (decrease)/increase | (126) | 163 |
| Change in liability – (decrease)/increase | (9 488) | 11 799 |
| Should the mortality improvement assumption change by one percent, the impact would be as follows: | Increase of 1% | Decrease of 1% |
| Change in interest expense – (decrease)/increase | (432) | 493 |
| Change in current service cost – (decrease)/increase | (46) | 52 |
| Change in liability – (decrease)/increase | (4 838) | 5 528 |

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

9.4 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

9. Post-employment benefits (continued)**9.5 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 R5,1 million and R10,3 million respectively.

The weighted average duration of the defined benefit obligation is 9.0 years and the medical aid benefit is 12.3 years.

The expected maturity analysis of undiscounted pension and post-employment medical benefits at 31 March 2018 are as follows:

| | Less than 1 year R000 | Between 1 and 2 years R000 | Between 2 and 5 years R000 | Over 5 years R000 | Total R000 |
|----------------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|---------------|
| Defined benefit pension fund | 8 926 | 9 089 | 27 843 | 191 493 | 237 351 |
| Post-employment medical benefits | 5 623 | 6 005 | 20 910 | 402 886 | 435 424 |
| | 14 549 | 15 094 | 48 753 | 594 379 | 672 775 |

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 10. Assets held for resale | | | | |
| Repossessed properties (at lower of cost or net realisable value) | 29 696 | 4 495 | 29 696 | 4 495 |
| Other (at cost) | 12 | 13 | 12 | 13 |
| | 29 708 | 4 508 | 29 708 | 4 508 |

Repossessed assets, comprising mainly of properties acquired on auction, were used to reduce the outstanding indebtedness of clients and are sold as soon as is practical.

| | | | | |
|---|----------|--------|----------|--------|
| 11. Accounts receivable | | | | |
| Rent debtors | 17 717 | 18 194 | 9 371 | 10 136 |
| Trade receivables | 9 356 | 5 673 | 3 002 | 1 241 |
| Insurance pre-paid and claims receivable | 970 | 868 | 704 | 645 |
| Sundry deposits | 3 801 | 3 049 | 2 807 | 2 360 |
| Pre-paid expenses | 8 872 | 8 183 | 8 783 | 8 138 |
| Other | 2 633 | 839 | 2 907 | 1 121 |
| | 43 349 | 36 806 | 27 574 | 23 641 |
| 12. Cash and cash equivalents | | | | |
| Bank current and call accounts | (60 767) | 18 897 | (57 988) | 18 737 |
| Funds held in trust on behalf of third parties (restricted) | 48 125 | 69 878 | 31 516 | 54 600 |
| | (12 642) | 88 775 | (26 472) | 73 337 |

Cash and cash equivalents are held by financial institutions with credit ratings of BB+.

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

| | | | | |
|--|---------|---------|---------|---------|
| 13. Share capital | | | | |
| 13.1 Authorised | | | | |
| 400 000 000 ordinary shares of R1 each | 400 000 | 400 000 | 400 000 | 400 000 |
| 13.2 Issued | | | | |
| 173 000 594 (2017: 173 000 594) ordinary shares of R1 each | 173 001 | 173 001 | 173 001 | 173 001 |

14. Fair value and other reserves

Group

| | Net actuarial (loss)/gain on post- retirement benefits R000 | Fair value adjustment to financial instruments R000 | Foreign currency translation reserve R000 | Share of other comprehensive income of associates R000 | Total R000 |
|--|--|---|---|--|---------------|
| At 1 April 2016 | 67 321 | (2 140) | 4 743 | 1 975 | 71 899 |
| Remeasurement of post-employment benefits: | | | | | |
| Defined benefit pension fund – gross | (3 916) | | | | (3 916) |
| – tax | 1 096 | | | | 1 096 |
| Post-employment medical benefits – gross | 7 459 | | | | 7 459 |
| – tax | (2 089) | | | | (2 089) |
| Revaluation of financial instruments – gross | | (8 964) | | | (8 964) |
| – tax | | 2 008 | | | 2 008 |
| Currency translation differences | | | (2 429) | | (2 429) |
| Share of associates other comprehensive income | | | | (146) | (146) |
| At 31 March 2017 | 69 871 | (9 096) | 2 314 | 1 829 | 64 918 |
| At 1 April 2017 | 69 871 | (9 096) | 2 314 | 1 829 | 64 918 |
| Remeasurement of post-employment benefits: | | | | | |
| Defined benefit pension fund – gross | (1 997) | | | | (1 997) |
| – tax | 559 | | | | 559 |
| Post-employment medical benefits – gross | 3 157 | | | | 3 157 |
| – tax | (884) | | | | (884) |
| Revaluation of financial instruments – gross | | 9 060 | | | 9 060 |
| – tax | | (2 029) | | | (2 029) |
| Currency translation differences | | | (5 062) | | (5 062) |
| Share of associates other comprehensive income | | | | (1 302) | (1 302) |
| At 31 March 2018 | 70 706 | (2 065) | (2 748) | 527 | 66 420 |
| Company | | | | | |
| At 1 April 2016 | 67 321 | (2 140) | 957 | – | 66 138 |
| Remeasurement of post-employment benefits: | | | | | |
| Defined benefit pension fund – gross | (3 916) | | | | (3 916) |
| – tax | 1 096 | | | | 1 096 |
| Post-employment medical benefits – gross | 7 459 | | | | 7 459 |
| – tax | (2 089) | | | | (2 089) |
| Revaluation of financial instruments – gross | | (8 964) | | | (8 964) |
| – tax | | 2 008 | | | 2 008 |
| Currency translation differences | | | (2 514) | | (2 514) |
| At 31 March 2017 | 69 871 | (9 096) | (1 557) | – | 59 218 |
| At 1 April 2017 | 69 871 | (9 096) | (1 557) | – | 59 218 |
| Remeasurement of post-employment benefits: | | | | | |
| Defined benefit pension fund – gross | (1 997) | | | | (1 997) |
| – tax | 559 | | | | 559 |
| Post-employment medical benefits – gross | 3 157 | | | | 3 157 |
| – tax | (884) | | | | (884) |
| Revaluation of financial instruments – gross | | 9 060 | | | 9 060 |
| – tax | | (2 029) | | | (2 029) |
| Currency translation differences | | | (5 725) | | (5 725) |
| At 31 March 2018 | 70 706 | (2 065) | (7 282) | – | 61 359 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | | Group | | Company | |
|---------------------------------------|--|------------------|--------------|------------------|--------------|
| | | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 15. Borrowings | | | | | |
| 15.1 Non-current | | | | | |
| Interest-free long-term loans | | – | 173 | – | 173 |
| Interest-free Jobs Fund loan | | 40 077 | 41 831 | 40 077 | 41 831 |
| Interest-bearing long-term loans | | 1 097 416 | 1 009 576 | 1 097 416 | 1 009 576 |
| | | 1 137 493 | 1 051 580 | 1 137 493 | 1 051 580 |
| Current | | | | | |
| Short-term portion of long-term loans | | 101 965 | 79 862 | 101 965 | 79 862 |
| | | 1 239 458 | 1 131 442 | 1 239 458 | 1 131 442 |

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 0,6 percent and prime minus one percent. The loans' repayment terms are five 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 to 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.

15.2 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

| | |
|------------------|-----------|
| 4 180 051 | 4 007 450 |
| 1 239 458 | 1 131 442 |

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 16. Deferred tax | | | | |
| Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28 percent (2017: 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 | 95 967 | 97 980 | 92 593 | 92 648 |
| • Deferred tax assets to be recovered within 12 months | 12 724 | 14 214 | 10 980 | 12 397 |
| | 108 691 | 112 194 | 103 573 | 105 045 |
| Deferred tax liability | | | | |
| • Deferred tax liabilities to be recovered after more than 12 months | (190 494) | (178 046) | (161 573) | (151 510) |
| • Deferred tax liabilities to be recovered within 12 months | (43 459) | (35 171) | (43 386) | (35 108) |
| | (233 953) | (213 217) | (204 959) | (186 618) |
| Net deferred tax liabilities | (125 262) | (101 023) | (101 386) | (81 573) |
| The movement on the deferred tax account is as follows: | | | | |
| Balance – beginning of the year | (101 023) | (90 954) | (81 573) | (76 373) |
| Charge to profit and loss component of the statement of comprehensive income | | | | |
| • Provisions | (7 468) | 8 591 | (7 698) | 6 965 |
| • Investment properties | (10 076) | (11 769) | (5 938) | (8 222) |
| • Fair value adjustments: financial instruments | (2 139) | (1 839) | (1 792) | (2 048) |
| • Defined benefit pension fund surplus | (3 684) | (3 637) | (3 684) | (3 637) |
| • Assessed losses | (171) | (3 157) | – | – |
| Charged directly to other comprehensive income | (701) | 1 742 | (701) | 1 742 |
| Balance – end of the year | (125 262) | (101 023) | (101 386) | (81 573) |
| Net deferred tax liabilities consist of temporary differences relating to: | | | | |
| Provisions | 65 380 | 73 730 | 60 227 | 68 809 |
| Investment properties | (121 553) | (111 476) | (92 492) | (86 554) |
| Fair value adjustments: financial instruments | (22 266) | (19 750) | (20 304) | (18 136) |
| Defined benefit pension fund surplus | (48 817) | (45 692) | (48 817) | (45 692) |
| Assessed losses | 1 994 | 2 165 | – | – |
| Net deferred tax liability | (125 262) | (101 023) | (101 386) | (81 573) |
| 17. Accounts payable | | | | |
| Tenant deposits held | 18 665 | 17 302 | 12 667 | 12 429 |
| Funds held in trust | 9 709 | 7 871 | – | – |
| Trade vendors | 17 176 | 15 701 | 7 760 | 10 856 |
| Statutory vendors | 8 088 | 8 426 | 4 726 | 5 230 |
| Prepaid and deferred income | 10 013 | 13 439 | 7 132 | 6 846 |
| Other | 8 430 | 7 751 | 851 | 1 432 |
| | 72 081 | 70 490 | 33 136 | 36 793 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

18. Provisions

| | Leave pay R000 | Bonus R000 | Total R000 |
|--------------------------|-------------------|---------------|---------------|
| Group | | | |
| At 1 April 2016 | 17 672 | 38 670 | 56 342 |
| Provided for the year | 1 693 | 34 880 | 36 573 |
| Utilised during the year | (2 993) | (37 509) | (40 502) |
| At 31 March 2017 | 16 372 | 36 041 | 52 413 |
| At 1 April 2017 | 16 372 | 36 041 | 52 413 |
| Provided for the year | 1 717 | 32 071 | 33 788 |
| Utilised during the year | (1 682) | (37 203) | (38 885) |
| At 31 March 2018 | 16 407 | 30 909 | 47 316 |
| Company | | | |
| At 1 April 2016 | 16 619 | 37 546 | 54 165 |
| Provided for the year | 2 066 | 33 613 | 35 679 |
| Utilised during the year | (2 949) | (36 653) | (39 602) |
| At 31 March 2017 | 15 736 | 34 506 | 50 242 |
| At 1 April 2017 | 15 736 | 34 506 | 50 242 |
| Provided for the year | 1 619 | 30 540 | 32 159 |
| Utilised during the year | (1 696) | (35 818) | (37 514) |
| At 31 March 2018 | 15 659 | 29 228 | 44 887 |

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 | |
|---|--------------|--------------|----------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 19. Net interest revenue | | | | |
| Interest income | 405 123 | 382 807 | 407 213 | 385 062 |
| Interest on loans and receivables | 314 333 | 295 628 | 314 329 | 295 610 |
| Royalty fees | 82 863 | 80 320 | 82 861 | 80 243 |
| Interest on surplus funds | 7 927 | 6 859 | 7 353 | 6 301 |
| Interest on loans to subsidiaries | | | 2 670 | 2 908 |
| Interest expense | (105 671) | (92 031) | (105 638) | (92 031) |
| | 299 452 | 290 776 | 301 575 | 293 031 |
| 20. Investment income and gains | | | | |
| Investment income | 24 105 | 47 829 | 39 866 | 57 972 |
| Surplus on realisation of unlisted investments | 18 736 | 44 251 | 22 794 | 52 676 |
| Surplus on realisation of investment properties | 5 016 | 3 526 | 5 016 | 3 526 |
| Dividends received | 353 | 52 | 12 056 | 1 770 |
| Investment gains | 96 116 | 93 439 | 47 739 | 43 783 |
| Income from associated companies | 33 495 | 38 327 | | |
| Fair value movement investment properties | 62 411 | 56 095 | 47 336 | 43 752 |
| Net foreign exchange rate differences | 210 | (983) | 403 | 31 |
| | 120 221 | 141 268 | 87 605 | 101 755 |

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | R000 | R000 | R000 | R000 |
| 21. Net credit losses | | | | |
| Loans and receivables written off | 91 235 | 63 850 | 91 235 | 63 850 |
| Legal and other expenses incurred on recovery | 4 778 | 5 422 | 4 774 | 5 395 |
| Impairments created | 3 430 | 30 813 | 3 411 | 30 846 |
| Portfolio impairments released | (12 704) | (710) | (12 704) | (677) |
| Specific impairments created | 16 134 | 31 523 | 16 115 | 31 523 |
| Recovery of loans and receivables written off | (23 097) | (19 127) | (22 980) | (19 020) |
| | 76 346 | 80 958 | 76 440 | 81 071 |
| 22. Staff costs | | | | |
| Remuneration at cost to company | 140 106 | 135 711 | 127 252 | 124 163 |
| Post retirement medical aid costs (refer note 9.3) | 9 847 | 10 579 | 9 847 | 10 579 |
| Bonuses and provisions | 33 955 | 36 896 | 32 159 | 35 724 |
| | 183 908 | 183 186 | 169 258 | 170 466 |
| Defined benefit pension fund gain (refer note 9.2) | (13 158) | (12 990) | (13 158) | (12 990) |
| Indirect staff costs | 3 208 | 3 995 | 2 867 | 3 513 |
| | 173 958 | 174 191 | 158 967 | 160 989 |
| 23. Profit from operations | | | | |
| The following items have been included in arriving at profit from operations: | | | | |
| Depreciation on property and equipment | 2 925 | 3 013 | 1 632 | 1 691 |
| Directors' emoluments: | | | | |
| • as directors (refer note 29.2) | 2 446 | 2 077 | 2 446 | 2 077 |
| • as management (refer note 29.2) | 15 768 | 19 362 | 15 768 | 19 362 |
| Auditor's remuneration: | | | | |
| • audit | 4 254 | 4 499 | 3 149 | 3 484 |
| • other services | 166 | 400 | 166 | 365 |
| Dividends received from subsidiaries (refer note 29.1) | | | (350) | – |
| Surplus on realisation of property and equipment | (40) | (30) | (41) | (25) |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | | Group | | Company | |
|--|----------------|---------------|---------|---------------|---------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | R000 | R000 | R000 | R000 |
| 24. Tax expense | | | | | |
| 24.1 Tax charge through profit and loss component of comprehensive income | | | | | |
| Income tax | – current year | 36 191 | 38 754 | 19 776 | 27 678 |
| | – prior year | (21) | 11 157 | – | 10 982 |
| Deferred tax | – current year | 23 537 | 11 811 | 19 112 | 6 942 |
| | – prior year | 43 | 2 303 | – | – |
| | | 59 750 | 64 025 | 38 888 | 45 602 |
| Tax of associated companies | | 7 058 | 7 719 | | |
| Capital gains tax | | 8 651 | 13 108 | 8 651 | 13 108 |
| | | 75 459 | 84 852 | 47 539 | 58 710 |
| 24.2 Reconciliation of rate of taxation | | | | | |
| South African normal tax rate | | 28,00% | 28,00% | 28,00% | 28,00% |
| Adjusted for | | (2,32%) | 1,06% | (4,81%) | 1,86% |
| Income not subject to tax | | (0,03%) | (1,63%) | (1,65%) | (1,77%) |
| Income subject to capital gains tax | | (2,15%) | (0,82%) | (3,23%) | (2,06%) |
| Prior year adjustments | | 0,90% | 4,59% | 0,00% | 5,59% |
| Other | | (1,04%) | (1,08%) | 0,07% | 0,11% |
| Effective tax rate on profit before taxation | | 25,68% | 29,06% | 23,19% | 29,86% |

| | | 2018 | | | 2017 | | |
|--|--|--------------|--------------|--------------|----------------|--------------|----------------|
| | | Before tax | Deferred tax | After tax | Before tax | Deferred tax | After tax |
| | | R000 | R000 | R000 | R000 | R000 | R000 |
| 24.3 Tax charge through other comprehensive income | | | | | | | |
| The tax effect of items accounted for in other comprehensive income is as follows: | | | | | | | |
| Group | | | | | | | |
| Actuarial remeasurement on defined benefit pension fund | | (1 997) | 559 | (1 438) | (3 916) | 1 096 | (2 820) |
| Actuarial remeasurement on post-retirement medical aid obligation | | 3 157 | (884) | 2 273 | 7 459 | (2 089) | 5 370 |
| Fair value adjustments of available-for-sale instruments | | 9 060 | (2 029) | 7 031 | (8 964) | 2 008 | (6 956) |
| Share of other comprehensive income of associates | | (1 302) | – | (1 302) | (146) | – | (146) |
| Foreign currency translation movements | | (6 715) | 1 653 | (5 062) | (3 155) | 726 | (2 429) |
| Other comprehensive income | | 2 203 | (701) | 1 502 | (8 722) | 1 741 | (6 981) |
| Company | | | | | | | |
| Actuarial remeasurement on defined benefit pension fund | | (1 997) | 559 | (1 438) | (3 916) | 1 096 | (2 820) |
| Actuarial remeasurement on post-retirement medical aid obligation | | 3 157 | (884) | 2 273 | 7 459 | (2 089) | 5 370 |
| Fair value adjustments of available-for-sale instruments | | 9 060 | (2 029) | 7 031 | (8 964) | 2 008 | (6 956) |
| Foreign currency translation movements | | (7 378) | 1 653 | (5 725) | (3 239) | 726 | (2 514) |
| Other comprehensive income | | 2 842 | (701) | 2 141 | (8 660) | 1 741 | (6 920) |

25. Earnings per share

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

25.1 Basic earnings per share

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Net profit | 218 387 | 207 131 | | |
| Weighted number of ordinary shares ('000) | 173 001 | 173 001 | | |
| Basic earnings per share | 126,2 cents | 119,7 cents | | |

25.2 Headline earnings per share

| | | | | |
|--|------------|------------|--|--|
| Net profit | 218 387 | 207 131 | | |
| Adjustments net of tax | | | | |
| • Capital profit on sale of equipment | (31) | (23) | | |
| • Profit on sale of property investments | (3 892) | (2 736) | | |
| • Profit on sale of associates | (14 539) | (34 339) | | |
| • Fair value adjustment of investment properties | (48 431) | (43 530) | | |
| Headline earnings | 151 494 | 126 503 | | |
| Headline earnings per share | 87,6 cents | 73,1 cents | | |

26. Dividend per share

Dividend in respect of 2017 of 21 cents per share paid on 23 August 2017 to shareholders registered on 16 August 2017

Dividend in respect of 2016 of 20 cents per share paid on 22 August 2016 to shareholders registered on 17 August 2016

| | | | | |
|--|--------|--------|--------|--------|
| | 36 680 | | 36 330 | |
| | | 34 600 | | 34 600 |
| | 36 680 | 34 600 | 36 330 | 34 600 |

A dividend in respect of 2018 of 22 cents per share was declared on 24 May 2018, due to shareholders registered on 16 August 2018, payable on or about 23 August 2018.

The dividend is subject to a dividend withholding tax at 20 percent (2017: 20 percent). Tax payable is 4,4 cents per share, which results in a net dividend of 17,6 cents per share payable to shareholders who are not exempt from dividends withholding tax, or subject to a reduced rate.

27. Commitments and lease agreements

27.1 Capital commitments

| | | | | |
|---|---------|---------|---------|---------|
| Loans and receivables approved but not advanced | 288 271 | 329 082 | 288 271 | 329 082 |
| Capital committed in respect of purchase of investment properties | 25 333 | 5 219 | 25 333 | 5 219 |
| | 313 604 | 334 301 | 313 604 | 334 301 |

27.2 Operating lease commitments – group company as lessee

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

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

| | | | | |
|-------------------------|-------|-------|-------|--------|
| • 1 year | 1 907 | 1 762 | 3 805 | 9 497 |
| • between 1 and 5 years | 3 933 | 3 315 | 3 933 | 5 212 |
| • after 5 years | 252 | 188 | 252 | 188 |
| | 6 092 | 5 265 | 7 990 | 14 897 |

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

27. Commitments and lease agreements (continued)**27.3 Operating lease receivables – group company as lessor**

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

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

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

28. Cash flow information**28.1 Cash generated from/(utilised in) operating activities**

| | Group | | Company | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Profit before taxation | 293 846 | 291 983 | 205 015 | 196 622 |
| Adjustments for interest | (42 864) | (60 999) | (44 956) | (63 278) |
| Deduct interest income (refer note 19) | (405 123) | (382 807) | (407 213) | (385 062) |
| Add back interest income received in cash | 337 760 | 321 808 | 337 758 | 321 784 |
| Add back interest expenses (refer note 19) | 105 671 | 92 031 | 105 638 | 92 031 |
| Deduct interest expense paid in cash | (81 172) | (92 031) | (81 139) | (92 031) |
| Adjustments for non-cash items | (49 907) | (63 415) | (19 387) | (26 419) |
| Income from associated companies (refer note 20) | (33 495) | (38 327) | – | – |
| Dividends received (refer note 20) | (353) | (52) | (12 056) | (1 770) |
| Surplus on sale of assets | (23 791) | (47 807) | (27 851) | (56 227) |
| Fair value adjustment of investment properties (refer note 20) | (62 411) | (56 095) | (47 336) | (43 752) |
| Fair value adjustment of financial instruments | (7 217) | (6 642) | (7 221) | (6 764) |
| Depreciation (refer note 7) | 2 925 | 3 013 | 1 632 | 1 691 |
| Net credit losses | 76 346 | 80 958 | 76 440 | 81 071 |
| • loans and receivables written off (refer note 21) | 91 235 | 63 850 | 91 235 | 63 850 |
| • legal and other expenses incurred on recovery (refer note 21) | 4 778 | 5 422 | 4 774 | 5 395 |
| • impairments created (refer note 21) | 3 430 | 30 813 | 3 411 | 30 846 |
| • recovery of loans and receivables written off (refer note 21) | (23 097) | (19 127) | (22 980) | (19 020) |
| Credit losses– rent debtors | 1 610 | 2 965 | 719 | 1 774 |
| Movement on post-retirement benefits | (3 311) | (2 411) | (3 311) | (2 411) |
| Foreign currency movements (refer note 20) | (210) | 983 | (403) | (31) |
| Movements in assets and liabilities | (196 216) | (89 498) | (198 492) | (95 610) |
| Net outflow on loans and receivables | (239 626) | (240 095) | (239 005) | (239 765) |
| • Loans and receivables advanced | (754 977) | (772 533) | (754 977) | (772 533) |
| • Loans and receivables repaid | 476 527 | 506 774 | 477 265 | 507 211 |
| • Cash recoveries on loans and receivables written off | 38 824 | 25 664 | 38 707 | 25 557 |
| Net proceeds from borrowed funds | 83 518 | 154 521 | 83 518 | 154 521 |
| • Utilisation of long term borrowings | 135 850 | 205 000 | 135 850 | 205 000 |
| • Repayment of long term borrowings | (52 332) | (50 479) | (52 332) | (50 479) |
| Provisions | (9 956) | (8 418) | (10 215) | (8 413) |
| Increase in assets held for resale | (25 200) | (2 361) | (25 200) | (2 361) |
| (Increase)/decrease in accounts receivable | (6 543) | 7 040 | (3 933) | (567) |
| Increase/(decrease) in accounts payable | 1 591 | (185) | (3 657) | 975 |
| Cash generated from/(utilised in) operating activities | 4 859 | 78 071 | (57 820) | 11 315 |

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 28.2 Taxation paid | | | | |
| Taxation (liability)/asset – beginning of year | (19 792) | (804) | (17 694) | 113 |
| Tax provision for the year | (75 459) | (84 852) | (47 539) | (58 710) |
| Deferred tax | 23 538 | 11 811 | 19 112 | 6 942 |
| Paid by associated companies | 7 058 | 7 719 | – | – |
| Taxation liability – end of year | 6 353 | 19 792 | 4 713 | 17 694 |
| Taxation paid during the year | (58 302) | (46 334) | (41 408) | (33 961) |
| 28.3 Dividends paid | | | | |
| Dividends payable – beginning of year | (939) | (1 094) | (939) | (1 094) |
| Dividends declared | (36 680) | (34 600) | (36 330) | (34 600) |
| Dividends payable – end of year | 1 449 | 939 | 1 449 | 939 |
| Dividends paid during the year | (36 170) | (34 755) | (35 820) | (34 755) |
| 28.4 Net debt reconciliation | | | | |
| Net Debt by repayment term | | | | |
| Cash and cash equivalents | 48 125 | 88 775 | 31 516 | 73 337 |
| Borrowings – repayable within one year (including overdraft) | (162 732) | (79 862) | (159 953) | (79 862) |
| Borrowings – repayable after one year | (1 137 493) | (1 051 580) | (1 137 493) | (1 051 580) |
| Net debt | (1 252 100) | (1 042 667) | (1 265 930) | (1 058 105) |
| Net Debt by interest structure | | | | |
| Cash and cash equivalents | 48 125 | 88 775 | 31 516 | 73 337 |
| Gross debt – fixed interest rates | (40 077) | (42 004) | (40 077) | (42 004) |
| Gross debt – variable interest rates (including overdraft) | (1 260 148) | (1 089 438) | (1 257 369) | (1 089 438) |
| Net debt | (1 252 100) | (1 042 667) | (1 265 930) | (1 058 105) |

Included in the net debt movement of the Group is a foreign exchange gain of R468 599 (2017: R40 750 loss).

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | | Company | |
|---|--|---------------|---------------|
| | | 2018 | 2017 |
| | | R000 | R000 |
| 29. Related parties | | | |
| All related party transactions took place at arm's length. | | | |
| 29.1 Loans to/from related parties | | | |
| Loans to subsidiaries | | | |
| Balance – beginning of the year | | 396 708 | 388 474 |
| Amount advanced during the year | | 33 233 | 8 234 |
| Balance – end of the year | | 429 941 | 396 708 |
| Dividends received from subsidiaries | | 350 | – |
| Refer Note 30 for the details of the Loans to subsidiaries | | | |
| 29.2 Directors' remuneration | | | |
| Payments made during the year to directors and prescribed officers are as follows: | | | |
| Non-executive directors | | | |
| F Knoetze | | 135 | 107 |
| O Kotze | | 86 | – |
| E Links (Dr) | | – | 50 |
| TR Makhuvha | | 89 | – |
| N Martin | | 135 | 24 |
| F Meisenholl | | 187 | 175 |
| K Molewa | | 99 | – |
| H Moliea | | 156 | 116 |
| D Moshapalo | | 312 | 204 |
| R Ndlovu | | 187 | 165 |
| SST Ngcobo | | 198 | 165 |
| ZZR Rustonjee (Dr) | | 15 | 146 |
| SEN Sebotsa | | – | 81 |
| VO Twala | | 67 | 194 |
| NJ Williams | | 291 | 233 |
| T van Wyk | | 489 | 417 |
| Total | | 2 446 | 2 077 |
| The Company paid R456.70 (2017: R456.70) on behalf of committee members as part of the Personal Accident Insurance cover for the insurance period 01 October 2017 to 30 September 2018. | | | |
| Executive directors | | | |
| BD Bierman | | 5 937 | 5 122 |
| • Salary | | 3 240 | 3 012 |
| • Bonuses and performance related payments | | 2 697 | 2 110 |
| N Martin (Retired 31 March 2016) | | – | 3 504 |
| • Salary | | – | – |
| • Bonuses and performance related payments * | | – | 3 504 |
| C Botes | | 4 806 | 4 715 |
| • Salary | | 2 674 | 2 511 |
| • Bonuses and performance related payments | | 2 132 | 2 204 |
| G van Biljon (Retired 31 July 2017) | | 5 025 | 6 021 |
| • Salary | | 1 061 | 2 990 |
| • Bonuses and performance related payments | | 3 964 | 3 031 |
| Total | | 15 768 | 19 362 |
| Prescribed officers | | | |
| S Dumeko | | 2 644 | 1 750 |
| • Salary | | 1 900 | 1 500 |
| • Bonuses and performance related payments | | 744 | 250 |
| | | 20 858 | 23 189 |

* The bonuses and performance related payments paid during 2017 resulted from bonuses and performance related payments earned and accrued for during 2016.

| | Group | | Company | |
|---|------------------|--------------|------------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 29.3 Loans to associates | | | | |
| Balance – beginning of the year | 1 201 084 | 1 121 990 | 1 201 084 | 1 121 990 |
| Loans advanced during the year | 285 312 | 279 974 | 285 312 | 279 974 |
| Loan repayments received | (162 663) | (180 678) | (162 663) | (180 678) |
| Loans written off | (28 697) | (20 202) | (28 697) | (20 202) |
| Balance – end of the year | 1 295 036 | 1 201 084 | 1 295 036 | 1 201 084 |
| Loans to associates consist of the following: | | | | |
| • Interest bearing loans | 1 152 548 | 1 071 131 | 1 152 548 | 1 071 131 |
| • Shareholders loans | 142 488 | 129 953 | 142 488 | 129 953 |
| Total loans to associates | 1 295 036 | 1 201 084 | 1 295 036 | 1 201 084 |
| The allowance for impairment as disclosed in note 5 as it relates to loans to associates is as follows: | | | | |
| Impairment provision – beginning of the year | 96 418 | 77 064 | 96 418 | 77 064 |
| Impairment allowance raised on new investments | 12 263 | 12 263 | 12 263 | 12 263 |
| Impairment reversed on investments written off/repaid | (22 499) | (22 499) | (22 499) | (22 499) |
| Increase in impairment allowance on existing investments | 37 609 | 37 609 | 37 609 | 37 609 |
| Decrease in impairment allowance on existing investments | (8 019) | (8 019) | (8 019) | (8 019) |
| Impairment provision– end of the year | 115 772 | 96 418 | 115 772 | 96 418 |

The loans provided to associates are part of the investment activities of the Company as set out in note 5.1 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.

Notes to the consolidated and separate financial statements (continued)

for the year ended 31 March

| | Share percentage held | | Shares at cost | | Loans | |
|---|-----------------------|-----------|----------------|-----------|----------------|--------------|
| | 2018 % | 2017 % | 2018 R | 2017 R | 2018 R000 | 2017 R000 |
| 30. Principal subsidiaries | | | | | | |
| Business Partners International (Pty) Ltd | 80 | 80 | 80 | 80 | 2 451 | 484 |
| Business Partners Mentors (Pty) Ltd ¹ | – | 100 | – | – | – | – |
| Business Partners Properties 002 (Pty) Ltd | 100 | 100 | 1 000 | 1 000 | 413 011 | 374 221 |
| Business Partners Property Brokers (Pty) Ltd | 100 | 100 | 100 | 100 | (2 449) | (550) |
| Business Partners Venture Managers (Pty) Ltd ¹ | – | 100 | – | – | – | – |
| Business Partners Ventures 1 (Pty) Ltd | 100 | 100 | 100 | 100 | (5 184) | (5 103) |
| Cussonia Trust (Pty) Ltd | 100 | 100 | 3 | 3 | 2 162 | 3 547 |
| Fifth Season Investments 114 (Pty) Ltd | 80 | 80 | 96 | 96 | 3 511 | 3 511 |
| Finance for the Third Millennium (Pty) Ltd ¹ | 100 | 100 | 100 | 100 | 693 | 693 |
| JRC Properties (Pty) Ltd | 100 | 100 | 100 | 100 | (4 882) | (2 793) |
| Labrihof Properties (Pty) Ltd ² | 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 ² | 60 | 60 | 600 | 600 | 5 671 | 5 671 |
| Satinsky 189 (Pty) Ltd ² | 100 | 100 | – | 120 | – | (419) |
| SF Coetzee Eiendomme (Pty) Ltd ² | 60 | 60 | 72 | 72 | 3 441 | 3 441 |
| Unitrade 106 (Pty) Ltd | 100 | 100 | 100 | 100 | 1 957 | 4 446 |
| Yeoman Properties 1016 (Pty) Ltd ² | 80 | 80 | 80 | 80 | – | – |
| Franchise Partners (Pty) Ltd – indirectly held ³ | | | | | | |
| Business Partners International Madagascar Société Anonyme – indirectly held ⁴ | | | | | | |
| Business Partners International Kenya Ltd – indirectly held ⁵ | | | | | | |
| Business Partners International Rwanda Ltd – indirectly held ⁴ | | | | | | |
| Business Partners International Adviser Ltd – indirectly held ⁵ | | | | | | |
| Business Partners International Namibia (Pty) Ltd – indirectly held ⁴ | | | | | | |
| Business Partners International Zambia Ltd – indirectly held ⁵ | | | | | | |
| | | | 6 961 | 7 081 | 429 941 | 396 708 |

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

¹ Dormant subsidiaries.² The financial year of these subsidiaries ends in February. Consolidation of the results are based on the latest audited financial statements received.³ Franchise Partners (Pty) Ltd is a wholly-owned subsidiaries of Business Partners Ventures 1 (Pty) Ltd.⁴ These subsidiaries are wholly-owned subsidiary 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).**31. Reclassifications**

Where necessary, certain other comparatives have been reclassified to conform to current year presentations. These changes did not affect total comprehensive income for the prior year. The following reclassifications of comparative information have been made:

Cashflow statement and Note 28.1, Cash generated from Operating activities was amended to incorporate the IAS 7 requirements for an entity classified as a financial institution. This amendment has also been applied to comparative figures. The following specific reclassifications have been made:

- Loans and receivables advanced and repaid have been reclassified from Investing activities to Operating activities;
- Utilisation and repayments of long-term borrowings have been reclassified from Financing activities to Operating activities.

Note 8, Investment in associates, the loans in credit balance have been reclassified to loans from subsidiaries under non-current liabilities.

Note 4, Other Investments, other investments is disclosed separately from loans and receivables (Note 5).

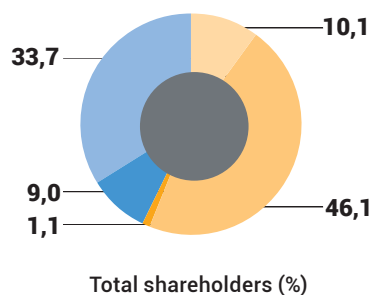
32. Contingent Liabilities

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 R6,2 million (2017: R6,8 million) of which approximately R2,7 million (2017: R3,0 million) has been accounted for in the Tax Provision. The movement from the prior year is as a result of exchange rate gains.

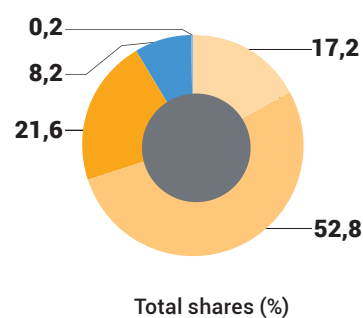
33. Events subsequent to the statement of financial position date

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 financial statements as presented.

Shareholder information



Total shareholders (%)



Total shares (%)

■ Banks
 ■ Corporate bodies
 ■ Government
 ■ Insurance companies
 ■ Individuals

| Distribution of shareholding | Number of holders | % of holders | Number of shares | % of shares |
|------------------------------|-------------------|--------------|------------------|-------------|
| 0 – 10 000 | 27 | 30,3% | 87 425 | 0,1% |
| 10 001 – 100 000 | 19 | 21,3% | 695 163 | 0,4% |
| 100 001 – 1 000 000 | 26,5 | 29,9% | 7 390 794 | 4,3% |
| 1 000 001 – 10 000 000 | 14,5 | 16,3% | 53 521 199 | 30,9% |
| 10 000 000 and above | 2 | 2,2% | 111 306 013 | 64,3% |
| | 89 | 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 | 11 131 941 | 6,4% |
| Absa Group Limited | 8 117 003 | 4,7% |
| Nedbank Limited | 6 717 405 | 3,9% |
| Firststrand Limited | 6 093 656 | 3,5% |
| Standard Bank Investment Corporation Limited | 5 602 422 | 3,2% |
| First National Nominees (Pty) Limited | 2 936 373 | 1,7% |
| Barloworld Limited | 2 209 594 | 1,3% |
| South African Distilleries & Wines (SA) Limited | 2 149 323 | 1,2% |
| Other shareholders' holding | 16 736 864 | 9,7% |
| | 173 000 594 | 100,0% |

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

BUSINESS/PARTNERS CORPORATE SERVICES

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SMETOOLKIT.BUSINESS PARTNERS.CO.ZA
EOY.CO.ZA

COMPANY REGISTRATION NUMBER: 1981/000918/06

INTERNATIONAL OFFICES CORPORATE SERVICES

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F (0)187 3768

NAMIBIA (+264)
WINDHOEK T (0)61 273 668
F (0)61 273 669

RWANDA (+250)
KIGALI T (0)252 585 065

UGANDA (+256)
KAMPALA T (0)206 763 346

ZAMBIA (+260)
LUSAKA T (0)211 843 277

NATIONAL OFFICES

| | | |
|-----------------------------|----------------------|-------------------------------------|
| SOUTH AFRICA | (+27) | |
| ENTREPRENEURS GROWTH CENTRE | T (0)861 763 346 | |
| BELLVILLE | T (0)21 919 3242 | F (0)21 919 3333 |
| BETHLEHEM | T (0)58 303 7842 | F (0)58 303 6801 |
| BLOEMFONTEIN | T (0)51 430 9846 | F (0)51 430 9847 |
| CAPE TOWN | T (0)21 464 3600 | F (0)21 461 8720 |
| DURBAN (WESTVILLE) | T (0)31 240 7700 | F (0)31 266 7286 |
| EAST LONDON | T (0)43 721 1525/6/7 | F (0)43 721 1528 |
| EAST LONDON (ARCADIA) | T (0)43 743 5485 | F (0)43 743 0596 |
| EAST RAND (BOKSBURG) | T (0)11 395 4150 | F (0)11 395 2565 |
| GEORGE | T (0)44 873 6112 | F (0)44 873 3397 |
| JOHANNESBURG | T (0)11 713 6600 | F (0)11 713 6650 |
| KIMBERLEY | T (0)76 879 9402 | F (0)86 655 0617 |
| PIETERMARITZBURG | T (0)33 342 1410 | F (0)86 764 3137/ (0)33 342 1405 |
| POLOKWANE | T (0)15 297 1571 | F (0)15 297 1461 |
| PORT ELIZABETH | T (0)41 367 1082 | F (0)41 367 3962/ 4277 |
| PRETORIA | T (0)12 347 3208 | F (0)12 347 2198 |
| RICHARDS BAY | T (0)35 789 7301 | F (0)35 789 6727 |
| STELLENBOSCH | T (0)21 809 2160 | F (0)21 887 2001 |
| UMHLANGA | T (0)31 566 5626 | F (0)86 647 9212 |
| UPINGTON | T (0)54 331 1172 | F (0)54 332 2334 |