



# 2020 ANNUAL INTEGRATED REPORT

SUPPORTING  
BUSINESS OWNERS  
TO REBUILD



### **We are Business Partners Limited**

There are many business financiers out there. But none like us. We're the company that's been supporting and financing business owners, with loans from five hundred thousand rand and up, for over thirty-eight years.

That's longer than some of Africa's largest banks have existed.

We've provided over nineteen point five billion rand in tailor-made finance to small and medium businesses. Helped facilitate over six hundred and fifty-one thousand jobs and counting. Approved over seventy-one thousand business finance transactions.

It's not surprising that over forty percent of our business each year is with existing clients.

So, who are we?


We're the company that works with business owners to unlock the potential of their businesses.

The company that can assist business owners rebuild their businesses post COVID-19.

### **We are Business Partners Limited.**

Leaders in Specialised Business Finance.

[www.businesspartners.co.za](http://www.businesspartners.co.za)  
[www.businesspartners.africa](http://www.businesspartners.africa)



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About our Annual Integrated Report

Reporting scope and boundary

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

The first section, the Annual Integrated Report, is primarily strategic. It outlines the purpose of the business and provides an overview of the strategy for the future.

In addition, it reports on the performance against operational and strategic targets for the financial year ended 31 March 2020.

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

Forward-looking statements

This Annual Integrated Report contains forward-looking statements that are based on management’s expectations of future economic conditions, both globally and domestically, and in particular the impact on the Company’s strategy, performance and operations.

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

Board of Director’s statement of responsibility

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

The board has reviewed this report and believes it is a fair representation of the performance of our Company. The board accordingly approved this Annual Integrated Report on 9 July 2020.



Unathi Nkomo  
Kabowd Manifeste (Pty) Ltd  
South Africa

“I started looking for an opportunity to formalise my business into a boutique, and it soon came in the form of a dilapidated building that housed a scrap-metal business in Kraaifontein. I developed a plan to refurbish the building, establish my clothing shop, rent out the other units to businesses and later build a second storey of flats.

Business Partners Limited shared her vision of the potential of the property, and also liked Unathi’s entrepreneurial track record.”

ANNUAL  
INTEGRATED  
REPORT  
2020

# About Business Partners Limited

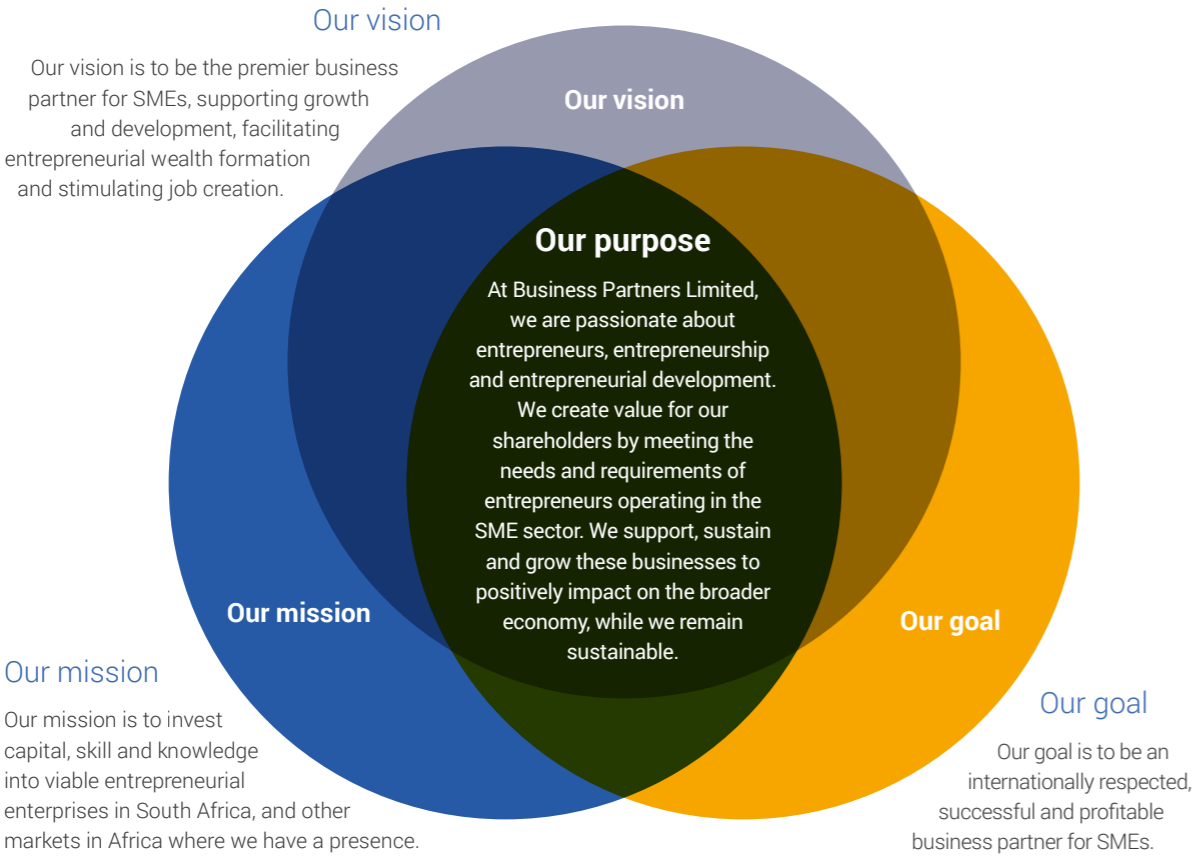
## Who is Business Partners Limited?

**B**usiness Partners Limited (BUSINESS/PARTNERS) was established in 1981 with the prime objective of fostering entrepreneurship in South Africa by assisting business owners with business finance, mentorship, technical assistance and affordable business premises. From the outset, the Company recognised that its sustainability is an essential requirement if it were to increasingly “partner” small and medium owner-managed businesses over the long term.

To this end, the Company has continuously developed and improved its business model and business processes to ensure that its product and service offerings assist small and medium owner-managed

businesses to achieve growth and job facilitation objectives. Simultaneously, the business model seeks to provide a sound and strong balance sheet, delivering growth and returns which enhances the Company's capacity to finance and serve viable small and medium businesses.

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



## Our values

### Entrepreneurial spirit

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

### Economic merit

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

### Integrity

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

### Service excellence

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



**Christine Geldart**  
Marven Equipment  
South Africa

“What is great about BUSINESS/PARTNERS is their mentorship. They don’t leave you alone, but they are not in your face all the time either.”

Christine is also making use of BUSINESS/PARTNERS’ Technical Assistance facility, in the form of an interest-free loan, to help her gain ISO accreditation for Marven, which she hopes to get before the end of the year.



**Siphso Radebe**  
Mbali Solutions  
South Africa

"I knocked on several doors and found Business Partners Limited's (BUSINESS/PARTNERS) co-financing offer the most suitable for Mbali Industrial Solutions' needs. I also found BUSINESS/PARTNERS' genuine interest and involvement in my business most compelling, including several visits by top officials to my business premises during the finance application."

## Our value creating business model

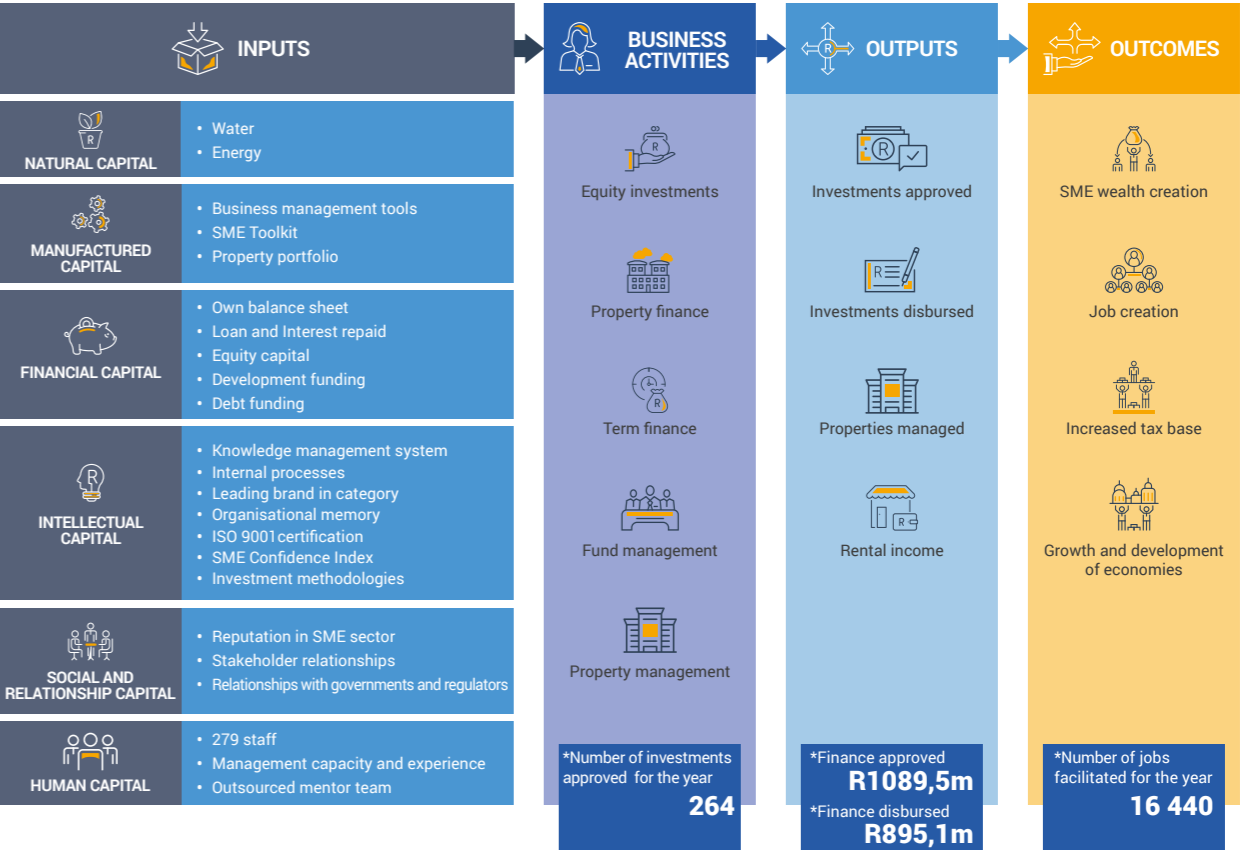
**T**he Business Partners Limited business model is internationally acknowledged as one of the more successful models for delivering risk finance to SMEs in the developing world.

An essential factor in the Company's success over the years has been its single-minded and unwavering focus on enabling the growth of SMEs. This focussed approach, together with a culture of continuous improvement, has been at the core of the ability to improve on what we do, every year. Central to our ability to sustainably assist business owners in attaining their growth objectives are the following: a business model supported by considerable intellectual

property (IP) embedded in best-of-breed business processes that have evolved over more than 39 years, experienced and passionate staff dedicated to serving the Company's cause and a healthy balance sheet.

Remaining true to the cause of making investments that positively impact society has underpinned the Business Partners Limited business model since inception. As market conditions and competitors change, our single-minded focus enables us to adapt and hone our ability to select, add value to, and profitably realise our investments in SMEs.

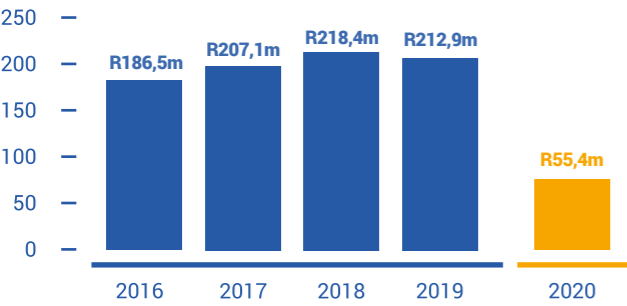
### OUR VALUE-CREATING BUSINESS MODEL



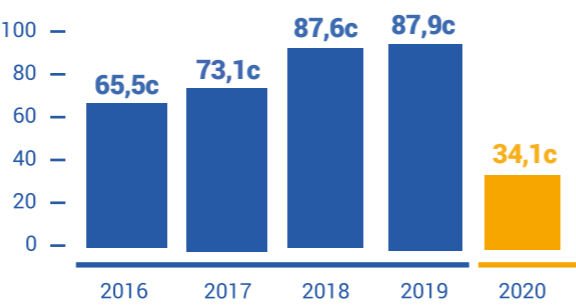
\* Numbers refer to Business Partners Limited (Company) only.

2020 Performance metrics

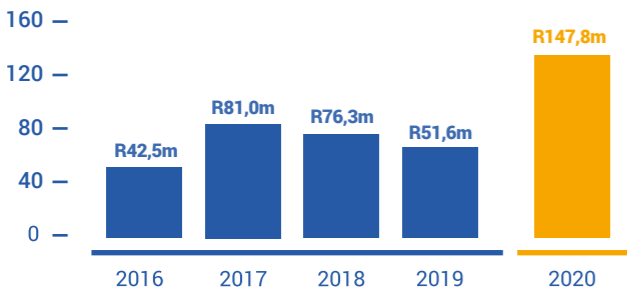
NET PROFIT



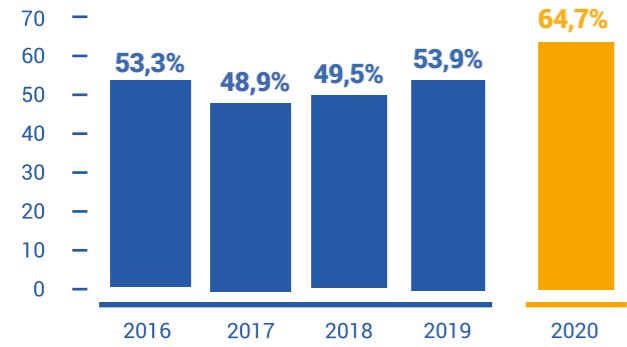
HEADLINE EARNINGS PER SHARE



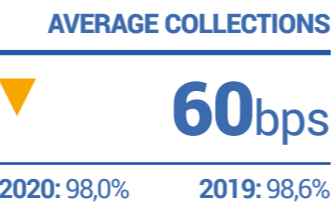
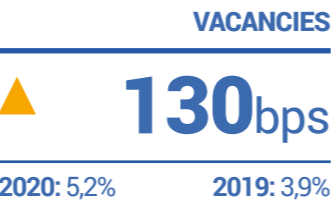
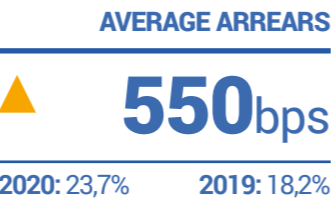
NET CREDIT LOSSES



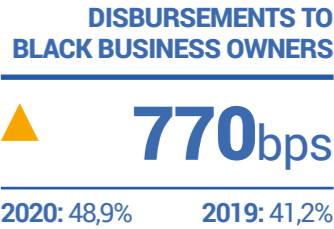
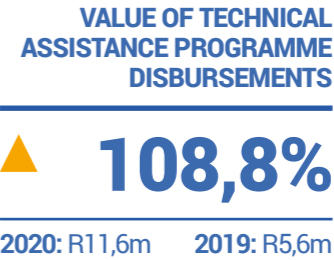
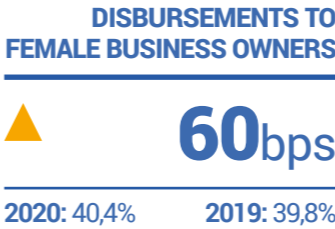
COST TO INCOME



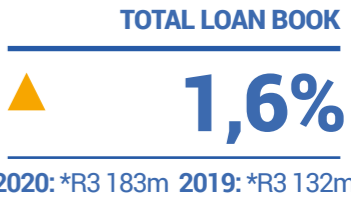
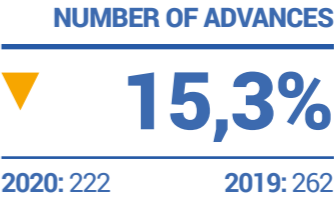
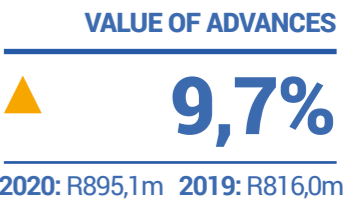
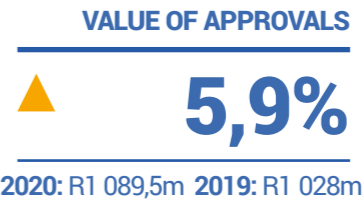
Property and Asset Management key metrics



Investment impact



Business Investments key metrics  
Business Partners Limited (Company)



\* The loan book number excludes accounting and other adjustments.



NAZEEM MARTIN

Chairperson

**Appointed Non-executive Director:** 1 January 2017.  
**Appointed Chairperson:** 15 August 2019.  
**Served as Executive Director:** 6 November 2002 until 31 March 2016.  
**Served as Managing Director:** 1 January 2009 until 31 March 2016.

**Qualifications:** BA, HDE (UCT), M Urban Planning (Hunter College, City University of New York), Advanced Management Programme (Harvard, USA).  
Consultant to SME financiers and investors.  
Director of companies.

**Committee membership/s:** ARC (from 22 October 2019), NC (chair from 15 August 2019), PC (chair from 15 August 2019), BIC (from 15 August 2019), SRC (chair).

- ARC – Audit and Risk Committee
- NC – Nominations Committee
- PC – Personnel Committee
- SEC – Social and Ethics Committee
- BIC – Board of Directors Investment Committee
- SRC – Strategy Review ad hoc Committee (constituted 26 February 2020)



BEN BIERMAN

Managing Director

**Appointed:** 1 April 2016.  
**Qualifications:** BCom Hons (SU), ACMA, HDip Tax (Wits), Advanced Management Programme (Harvard, USA).  
**Committee membership/s:** SEC, BIC, SRC.



DAVID MOSHAPALO

Non-executive Director

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

**Qualifications:** Industrial Relations, Human Resources Development and Personnel Management (Tokyo, Japan), New Leadership Program (Arthur D'Little Man. Ed. Institute, Cambridge, USA), ILO Strategic Management of Employers' Organisation in English Speaking Africa (Turin, Italy).  
Executive Deputy Chairman: Strategic Partners Group (Pty) Ltd – Black Partner in Bombela Consortium in Gautrain Project.  
Director of companies.  
**Committee membership/s:** NC, PC, SEC (chair), BIC, SRC.



CRAIG CEASAR

Non-executive Director

**Appointed:** 27 January 2020.  
**Qualifications:** BAcc Hons (SU), CA(SA).  
Investment Manager: Remgro Limited.  
Director of companies.  
**Committee membership/s:** SRC (alternate member).



FRIEDEL MEISENHOLL

Non-executive Director

**Appointed:** 23 February 2000.  
**Qualifications:** BAcc Hons (SU), formerly a registered member of SAICA (CA(SA)).  
Director of companies.  
**Committee membership/s:** ARC, BIC.

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



HULI MOLIEA TSHIVHASE

Non-executive Director

**Appointed:** 12 August 2015.  
**Qualifications:** BCom Hons (UNISA), MA Clinical Psychology (UJ), MBA (UP), Masters in Industrial and Organisational Psychology (UCT), Registered Clinical Psychologist (HPCSA), Global Chartered Remuneration Professional.  
Executive Director Organisational Development, EMEA: RGA Reinsurance.

**Committee membership/s:** NC (until 15 August 2019), PC.



MARIZA LUBBE

Non-executive Director

**Appointed:** 22 February 2019.  
**Qualifications:** BA (SU).  
Executive Director Compliance and Corporate Social Investments: Remgro Limited.

Director of companies.

**Committee membership/s:** NC (alternate from 15 August 2019), PC (alternate from 15 August 2019).



MARTIN MAHOSI

Non-executive Director

**Appointed:** 4 September 2019.  
**Qualifications:** B Admin Hons (UL), BA (UNIVEN).  
Chairperson: Sefa SOC Limited.  
Director of companies.  
**Committee membership/s:** SRC.



NEVILLE WILLIAMS

Non-executive Director

**Appointed:** 15 May 2012.  
**Qualifications:** BCom Hons (UWC), CA(SA).  
Chief Financial Officer: Remgro Limited.  
**Committee membership/s:** ARC (chair), NC, PC, SRC.



OLGA KOTZE

Non-executive Director

**Appointed:** 16 August 2017.  
**Qualifications:** BCom Hons (UJ), Postgraduate Diploma in Applied Ethics (SU), JSE Registered Person Exams, Financial Advice Intermediaries Regulatory Exams.  
Executive Director: etfSA Investments (Pty) Ltd.  
Director of companies.  
**Committee membership/s:** ARC (from 15 August 2019), BIC, SRC.



THEMBA NGCOBO

Non-executive Director

**Served as Alternate Director:** 20 February 2002 until 22 February 2010.  
**Appointed:** 23 February 2010.  
**Qualifications:** BCom Acc (UNIZULU), Diploma Management Consulting, New Leadership Program (Arthur D'Little Man. Ed. Institute, Cambridge, USA).  
Chief Executive Officer: Mashiya Capital (Pty) Ltd.  
**Committee membership/s:** SEC, BIC.

Directors who resigned/retired during the financial year under review.



**THEO VAN WYK**  
Non-executive Chairperson

**Served:** 27 August 1991 until 15 August 2019.

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

Director of companies.

**Committee membership/s:** ARC (until 15 August 2019), NC (chair) (until 15 August 2019), PC (chair) (until 15 August 2019), SEC (until 15 August 2019), BIC.



**HLONELA LUPUWANA-PEMBA**  
Non-executive Director

**Served:** 10 April 2019 until 3 September 2019.

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

Executive: Commercial, Enterprise and Supplier Development at Barloworld. Former Chairperson of Sefa SOC Limited.



**RAYMOND NDLOVU**  
Non-executive Director

**Served:** 12 August 2015 until 26 January 2020.

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

Group Chief Executive Officer: Community Investment Ventures Holdings (Pty) Ltd (CIVH). Formerly, Investment Executive at Remgro Limited.

**Committee membership/s:** ARC (alternate until 15 August 2019), BIC (until 26 January 2020).



**KHOLOFELO MOLEWA**  
Non-executive Director

**Served:** 24 May 2017 until 3 September 2019.

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

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

**Committee membership/s:** ARC (until 3 September 2019), NC (until 3 September 2019), BIC (until 3 September 2019).



**Paul Pretorius**  
Agricad  
South Africa

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

Our leadership: The executive management



**BEN BIERMAN**  
**Managing Director**  
BCom, BCom Hons, ACMA, HDip Tax, Advanced Management Programme.  
30 years' service.



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



**DAVID MOROBE**  
**Executive General Manager: Impact Investment**  
BA, SED, Executive Development Programmes.  
8 years' service.



**RAYNA DOLPHIN**  
**Chief Financial Officer**  
B Com, PGDA, CA(SA), MBA.  
Joined 1 June 2020.



**BYRON JEACOCKS**  
**Regional General Manager: East Coast**  
BCom, BProc.  
33 years' service.



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

Note: Siphethe Dumeko resigned as Chief Financial Officer effective 1 November 2019. Rayna Dolphin was appointed as Chief Financial Officer on 1 June 2020.



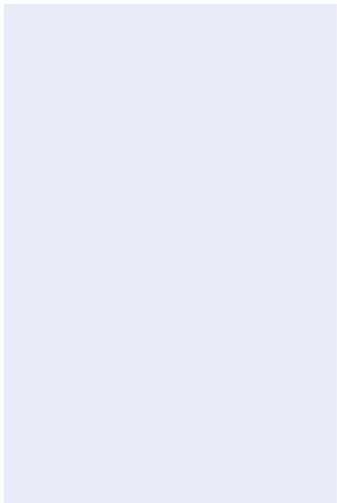
**JEREMY LANG**  
**Regional General Manager: Inland**  
BCom, AGA(SA), EDP.  
13 years' service.



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



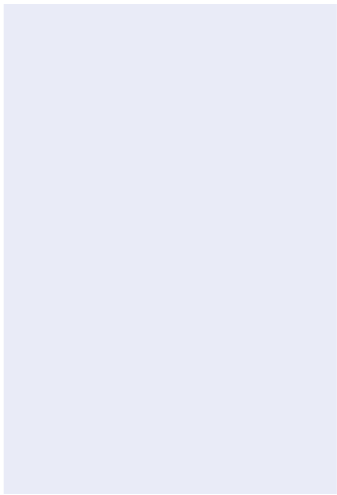
**PIERRE MEY**  
**Executive General Manager: Operational Support Service**  
BCom.  
33 years' service.



**KAREN LUMAKIS**  
**Chief Risk Officer**  
B Com, B Com Hons, CA(SA), CIA  
Joined October 2019.



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



**MARK PAPER**  
**Chief Operating Officer: Business Partners International**  
BCom.  
28 years' service.



**STANTON NAIDOO**  
**Executive General Manager: Property and Asset Management**  
N4 Electrical Engineering.  
6 years' service.

## Chairperson's statement

**T**he COVID-19 pandemic has plunged the world into an extraordinary crisis. The pandemic and efforts to combat its spread have had devastating results for most economies across the world. Small and medium enterprises (SMEs) have borne the brunt of the crisis, resulting in many of them closing shop.

For an SME financier such as Business Partners Limited (BUSINESS/PARTNERS), a huge responsibility lies ahead: to support SMEs navigate the challenging time ahead.

With its core market battered and bruised by the efforts to combat COVID-19, one might be forgiven for assuming that the Company would be gripped by trepidation in this time of crisis. Lending to small businesses is risky at the best of times, let alone at the cliff edge of possibly the worst economic prospects in a century. Yet there has been no sign of despair or panic at BUSINESS/PARTNERS. Urgency, yes, and in true BUSINESS/PARTNERS style, an eagerness to get on with the daunting task ahead, with a palpable sense of renewed purpose.

Although the COVID-19 pandemic and subsequent lockdown only struck right at the end of the 2020 financial year, the positive approach with which the Company has met the crisis head-on subsequent to year-end bodes well for the financial results of the ensuing years.

BUSINESS/PARTNERS' strength stems from deep within its nature, specifically from two characteristics.

First, the Company is more than just a niche financier seeking a good return on investment. Yes, it is that as well, as these financial results attest. But equal to its profit motive is its drive to support and develop its SME clients. For this Company, SMEs in need of support are as much motivation as the pursuit of good returns.

Second, like its clients, the Company is entrepreneurial to the core, and a fundamental part of its entrepreneurial spirit is a grounded optimism that will



**Nazeem Martin**  
Chairperson

never allow a good crisis to be wasted. Entrepreneurs know that every crisis creates opportunities, and the BUSINESS/PARTNERS entrepreneurial impulse is to focus on those opportunities while mitigating the negative with grit and proactive hard work.

There is much to be worried about in the coming years. South Africa's and indeed Africa's recovery from the crisis is likely to be slow. The pain of owner-managed businesses and the suffering of the many families that they support are likely to get worse before getting better.

But we need not be too worried about BUSINESS/PARTNERS. In fact, the latest set of results, which already incorporates accounting adjustments for the negative impact of COVID-19, shows that the Company is about to reach for new levels of success. It has produced fairly good results in a very difficult year. And in the even more difficult years to come, business owners will need every bit of support, guidance, and patient finance, offered by BUSINESS/PARTNERS, to

overcome the ravages of the COVID-19 pandemic and the lockdown.

The only question that remains is whether BUSINESS/PARTNERS' trusted formula can be scaled up to make an even bigger contribution to the economic rescue that must take place in the years ahead.

The answer is a resounding yes. BUSINESS/PARTNERS is without doubt one of the leading experts in SME finance on the African continent. It has a deep institutional knowledge base, a finely tuned system of due diligence and ongoing support, and a pool of very talented people with an appetite for risk that is ideally suited for funding and supporting the best SMEs around.

How the team took on the Sukuma Relief Programme, on behalf of Remgro Limited and the Rupert Family, and its own COVID-19 client relief programme post-year-end and disbursed the funds to hundreds of businesses in a matter of weeks, all while they were adapting to working remotely, is an achievement of which they can be truly proud. And it shows that they are ready to do so much more in a post-COVID-19 world.

Government leaders, development agencies, and anyone with an interest in seeing Africa thrive should look at this set of results, consider the extremely difficult year in which they were forged, and then imagine what could be done if such expertise were to be scaled up.

Thank you to the impact-seeking shareholders, investors and financiers of BUSINESS/PARTNERS; to the Board and Board Committees for their support, dedication, insistence on good governance and wise counsel; to the hard-working Company managers and employees across Africa for their passion and commitment; and to all the business owners of our continent. Collectively, on all our shoulders falls the burden of the economic recovery that lies ahead.

 **N Martin**  
Chairperson

“ There is much to be worried about in the coming years. South Africa's and indeed Africa's recovery from the crisis is likely to be slow. The pain of owner-managed businesses, and the suffering of the many families that they support are likely to get worse before getting better. ”

# MANAGING DIRECTOR'S REPORT



**Mbulelo Nkqayi**  
Man Buy and Braai  
South Africa

“With finance from BUSINESS/PARTNERS, Mbulelo has built his second Man Buy and Braai shisanyama from scratch.”

It is a peculiar experience having to reflect on Business Partners Limited's performance during a period that largely took place before the shock of COVID-19 and the lockdown. How distant and disembodied our concerns and preoccupations of the last financial year seem now in our suddenly changed world.

But it is arguably even more important to look back on the financial year, past the watershed that is COVID-19, and reflect on the continuity between pre- and post-COVID-19 Business Partners Ltd. Our very core - team, values and knowledge - remains the same. And much of the work done in the year under review and the early experiences of operating under COVID-19 conditions have contributed to our current strength.

Furthermore, the arrival of the pandemic did impact the financial year substantially, even if it was at the end with the lockdown imposed in the very last week. To some extent our greatest achievement of the year can be compared to a dramatic goal scored in the last minute of injury time.

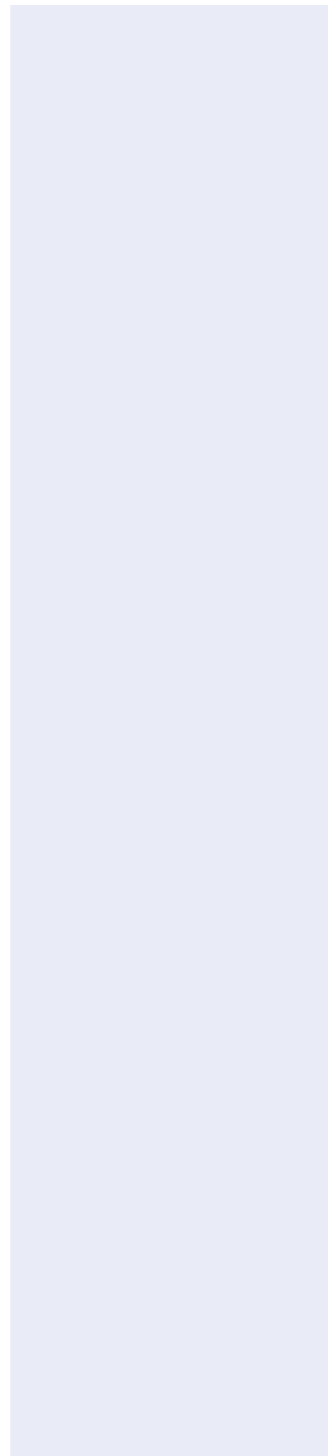
Let me, therefore, begin this report with the end of year. By the middle of March 2020 - usually Business Partners Ltd's busiest month as teams push to reach targets while rounding off their work for the year - it became clear that many businesses were struggling as fears of the coronavirus reached a fever pitch while key institutions such as the Deeds office started shutting down. In some sectors, such as tourism and hospitality, businesses were in severe distress. It was a disappointing end to a difficult year. The expectation that objectives would be achieved started fading, and we had to accept that at least the harvest was bigger than the previous




year for South African operations with 264 new investments (2019: 308) totalling R1 089,5 million approved (up from R1 028 million the year before) and disbursements of R895,1 million (2019: R816,0 million).

Then two transformative events took place in short succession. First, the lockdown pushed the last remaining office-bound staff members to work from home and Business Partners Ltd's entire operation was now working remotely at full speed. Second, Remgro Limited and the Rupert Family approached Business Partners Ltd to administer their R1 billion small and medium enterprise (SME) relief fund to help businesses bridge the lockdown period.

It is hard to understate the intensity of the challenge. The Sukuma Relief Programme, as the Remgro Limited/ Rupert initiative was named, was a third of the size of Business Partners Ltd's entire loan book. Business Partners Ltd's clients were not eligible for the fund, meaning Business Partners Ltd had to vet each applicant from scratch. The volume of applications exceeded our expectations, and speed was of the essence to save jobs and businesses. In the end, the number of fund beneficiaries has surpassed the number of Business Partners Ltd's regular clients.

The decision to take on this enormous task as a service to South African business owners - Business Partners Ltd's management of the fund is pro bono - was made only after careful consideration of whether we had the resources and capacity to do it. We did, but the extent to which our staff rose to the challenge has surpassed our most optimistic expectations.





**Joyce Msungama**  
Kris Star Lodge  
Kenya

"A friend introduced me to Business Partners International and I began considering a loan. I initially had reservations but began to build trust after several consultations. I received my loan and was able to finish construction and furnish the lodge."



**Dave Coleman**  
Dave Gym  
South Africa

“Even though I would have been able to raise money from the banks, BUSINESS/PARTNERS’ service is much better and faster.”

It is no exaggeration to say that the experience of taking on the Sukuma Relief Programme in combination with the lockdown, as difficult as it was, has propelled Business Partners Ltd to a new level of operational efficiency and productivity. It served as a catalyst to create, in a matter of weeks, streamlined online systems that would have taken any organisation much longer to operationalise under normal circumstances.

For example, a central part of Business Partners Ltd’s operating model was weekly credit-committee meetings where several investment officers and managers would grapple for a few hours to evaluate applications for finance. Now, with our new streamlined workflow and remote participation, the decision-making process is ongoing, eliminating the delays caused by a weekly meeting, as well as the need for the physical delivery of documentation.

The changes were always part of Business Partners Ltd’s plans to streamline its processes in order to scale up its operations, but it was scheduled to happen later in the new financial year through a carefully planned change management process. The extraordinary circumstances of the lockdown and the Sukuma Relief Programme, combined with the excellent can-do attitude of our staff, forged the improvements in one astounding effort.

Much refinement of the new systems still lies ahead as the pandemic passes and the new world of work becomes clearer, but the groundwork has been laid for a hugely improved operation. One aspect of Business Partners Ltd’s investment work that will not change, however, is its closeness to its clients. There is no substitute for meeting the clients at their workplace to gauge the energy of the business and the hum of the factory to corroborate the picture presented by each finance application. We have had to forego this crucial process in the weeks of the tightest lockdown, and mitigate this risk in other ways, but Business Partners Ltd will return to the shaking of hands as soon as the pandemic allows.

## Business Investments key metrics

*Business Partners Limited (Company)*

### VALUE OF APPROVALS

▲ **5,9%**  
2020: R1 089,5    2019: R1 028m

### NUMBER OF APPROVALS

▼ **14,3%**  
2020: 264    2019: 308

### VALUE OF ADVANCES

▲ **9,7%**  
2020: R895,1m    2019: R816,0m

### NUMBER OF ADVANCES

▼ **15,3%**  
2020: 222    2019: 262

### TOTAL LOAN BOOK

▲ **1,6%**  
2020: \*R3 183m    2019: \*R3 132m

*\* The loan book number excludes accounting and other adjustments.*

## Business investments during the year in review

Even without the COVID-19 pandemic, the 2019/2020 financial year would have entered the history books as a challenging period for SMEs, with the extent of South Africa's economic deterioration becoming increasingly tangible in several ways: Eskom's inability to provide reliable electricity to the economy, challenges at the South African Revenue Service (SARS) particularly around refunds for SMEs, deteriorating service delivery particularly at local government level and a weakening of social cohesion as hardship and tensions rose in the country.

It is not surprising that most of Business Partners Ltd's ambitious targets for the year, set at a slightly more optimistic time, were not met, but it is commendable that our investment teams improved on the previous year's performance despite the deteriorated trading environment.

The Business Partners Ltd loan book grew to \*R3 183 million (2019: \*R3 132 million), an increase of 1,6 percent against the backdrop of an economy that grew by only 0,6 percent. During the period we managed to keep the increase in operational costs to 2 percent. The harsh trading conditions, however, were reflected in the fact that loans in arrears increased slightly from 19,2 percent to 22,6 percent during the year in review.

There are a number of reasons for Business Partners Ltd's robust performance in such difficult circumstance. One is that a significant team-upskilling programme that started a few years ago has now borne fruit. The process, which was launched as part of an expansion drive for Business Partners Ltd, has seen a talented cohort of investment officers moving into management positions and newcomers trained up to take their place, all without losing the deep institutional knowledge and values embedded in the culture of Business Partners Ltd.

The restructuring of our Inland team incorporating Free State, Gauteng, Limpopo and North West, especially has produced excellent results with R494,13 million in loans approved and R430,16 million disbursed (accounting for 45 percent of overall approved transactions)

The standout sector for the year was again education, with many investments made in private schools and

student accommodation facilities. Manufacturing also made a strong showing in the year's investments, all of which fitted well with Business Partners Ltd's developmental drive to support labour intensive industries.

Some investments were made in tourism businesses, which were thriving right up until the sudden emergence of COVID-19 in South Africa in March 2020 and are now expected to be some of the hardest hit by the pandemic. About 10 percent of Business Partners Ltd's loan book is exposed to the tourism sector.

The Sukuma Relief Programme was not available to the clients of Business Partners Ltd in order to avoid the perception of a conflict of interest in administering the fund. Business Partners Ltd, therefore, had to provide a separate response to support its clients through the unprecedented crisis.

Post-yearend, the Company firstly offered repayment relief to clients in good standing to help them through the lockdown period and secondly, additional working-capital loans were made available to some clients so that they could cover their overheads for four months. This should enhance our Company's performance in the new financial year.

As of the publication of this report, 43 percent of Business Partners Ltd's clients had applied for repayment relief.

Distribution of business investments by sector



## Property and Asset management

Business Partners Limited's Property and Asset management division was able to adapt to difficult trading conditions during the year under review by significantly reducing expenses incurred over the R2,05 billion's worth of properties under management (owned and managed), and further increased overall recoveries on fixed operational costs such as security and cleaning.

The team added to Business Partners Ltd's growing property portfolio during the year through the acquisition of two high-quality properties for a total of R114 million. Another highlight for the year is the fact that the property team, in managing 33 third-party properties, has surpassed its targets by achieving R4,65 million in revenue.

While these measures show excellent management performance and improved operational efficiencies, another pointed to the storm clouds gathering around the property industry. The value of Business Partners Ltd's property portfolio reduced by R63,9 million to R1 648,5 million after a revaluation process that considered the prolonged impact of the expected contraction in economic activity on real estate yields.

The average vacancy rate for the year of 5,2 percent is in line with the rest of the market, and the fact that the vacancy rate rose to 5,7 percent in March 2020 as the lockdown kicked in indicates the start of a tough year ahead. The same pattern can be seen in the rate of rental arrears: an average of 23,65 percent for the year, and 29,8 percent in March. The start of the lockdown meant that the court system was inaccessible to pursue action against defaulters.

One effect of the economic slowdown is the significant drop in demand for large units. To mitigate this, a few units have been successfully subdivided into smaller ones. This strategy might become even more important going forward as downsizing businesses look for smaller spaces.

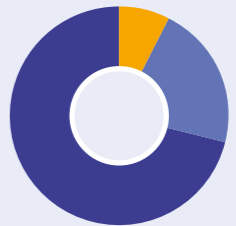
As landlord to hundreds of SMEs, Business Partners Ltd has post-yearend moved swiftly and generously to counteract the devastation of COVID-19 and the lockdown. Tenants classified as non-essential businesses and therefore prohibited from trading during Level 5 of the lockdown were offered a 50 percent reduction in rent. Those somewhat affected,

such as garages that were allowed to trade but suffered from a severe drop in sales, were offered a 25 percent reduction.

These reductions will not be recouped from tenants, but the goodwill it generates is expected to play an important role in retaining our tenants in the difficult year ahead.

Business Partners Ltd's property portfolio is overwhelmingly industrial, and as such has only limited exposure to sectors most affected by South Africa's lockdown regime such as restaurants and salons. With the writing of this report, up to 95 percent of Business Partners Ltd's tenants were trading again.

Sectoral breakdown of the property portfolio



Property and Asset Management key metrics

	2020	2019
Average collections	98,0%	98,6%
Percentage of black tenants	44,5%	44,5%
Vacancies	5,2%	3,9%
Percentage of female tenants	24,0%	24,3%
Average arrears	23,7%	18,2%

\* The loan book number excludes accounting and other adjustments.

# Business Partners International

In a significant milestone, Business Partners International's (BPI's) Southern African SME Fund in accordance with the fund management agreement, closed for new investments in March 2019 and started its wind-down phase. The year under review was, therefore, the first in which BPI has had to bifurcate its approach, on the one hand focusing on managing and exiting the investments of the Southern African Fund in Malawi, Zambia and Namibia, and on the other actively pursuing new investment through its East Africa operation in Kenya, Rwanda and Uganda.

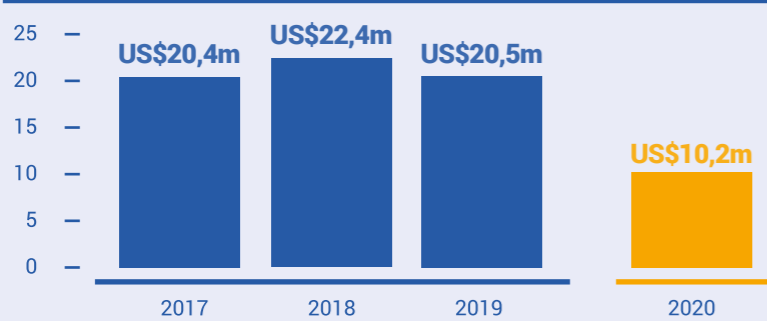
The winding down of the Southern African SME Fund will continue for the next two years according to the fund's mandate.

In contrast, BPI East Africa is a permanent venture with no closing date and was able to approve a

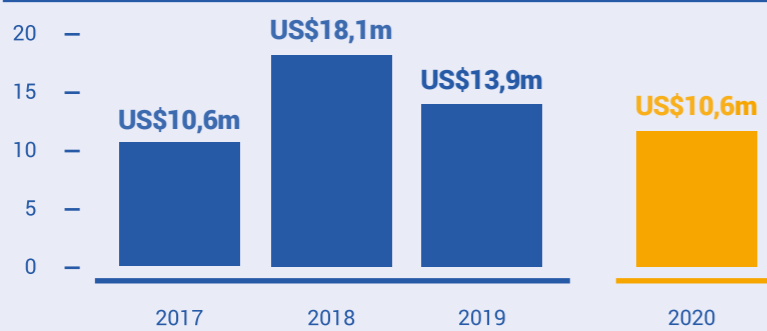
further R137 million's worth of investments and disburse R124 million in the year under review. BPI's Uganda and Rwanda teams managed a sterling 38 percent and 22 percent growth of their respective portfolios. The Kenya portfolio underperformed during the year, prompting a restructuring and a strengthening of the Nairobi-based team which is now ready for significant growth going forward. Despite the underperformance in Kenya, the East Africa portfolio grew overall by a robust 26 percent during the year.

Through its vigorous performance BPI's East Africa operation was able to generate 3 583 new jobs for the region's economy. All new investments during the year were in businesses owned by indigenous people. In a bid to boost rural economies, this year, 41 percent of investments were made in businesses outside of large economic hubs against the target of 30 percent.

VALUE OF INVESTMENTS APPROVED



VALUE OF DISBURSEMENTS



The Technical Assistance Programme has become an integral tool in the activities of BPI, and is proving its worth in strengthening businesses, empowering business owners and significantly reducing the risks to BPI's investments. The interest-free technical assistance finance is routinely offered to all BPI clients who need to fund business-system and operational improvements or training interventions.

Although the Southern African SME Fund has closed, its clients remain eligible for support from the Technical Assistance Fund. For the year under review R91 858's worth of technical assistance interventions were funded to improve and maintain Southern African Fund investments; an additional R2,6 million was approved for clients in East Africa.

The health, education and manufacturing sectors remain the primary focus of BPI. Africa's emerging middle class and aspirational young population drive a high demand for private health care and education, creating excellent investment opportunities. The sectors also fit BPI's mandate to maximise developmental impact.

A shining example of this is BPI's investment in a milk bottling plant in Uganda, which is the first to produce pasteurized milk for the region, improving the health of local communities and boosting the prospects of the many farmers who supply it.

Even though government responses to the COVID-19 pandemic, including various forms of lockdown in the BPI host countries, only came into effect right at the end of the financial year, the results for the year were restrained by the virus. The dampening effect of the pandemic could already be felt as early as January 2020, because the supply chains in many of the BPI host countries rely heavily on China where the virus hit early and hard. Delays in stock and equipment ordered from China, therefore, impacted on the performance of BPI clients. Towards the end of the financial year, a number of clients also decided to hold back on their expansion plans for which BPI loans were already approved.

A year of uncertainty lies ahead as Africa grapples with

the pandemic and the results of the various degrees of lockdown imposed by governments. The impact on different sectors also varies widely. BPI's exposure to tourism, the sector hardest hit by the pandemic, is limited. But education, a sector in which BPI is heavily invested, is set for a hard year as schools try to convince parents to keep paying fees throughout periods of lockdown.

Although there are certainly opportunities stemming from the crisis – some BPI clients have landed contracts to build emergency health facilities and to conduct COVID-19 testing - no business will be untouched by the downturn. In response, BPI has post-yearend designed a range of relief and support measures for its clients to tide them over the crisis. Payment relief options include a reduction in interest rate for those who continue to meet their payments in full, a moratorium on the payment of interest and royalties for those who can meet the capital portion of their instalments, and a 4-month payment holiday for businesses that cannot afford any repayment.

These payment-relief options are available for BPI clients in the East Africa countries as well as Southern Africa, while additional working capital loans, with no repayment obligations for twelve months, are also available to clients in East Africa.

NUMBER OF JOBS FACILITATED



# The impact of our investments

From its inception 39 years ago, Business Partners Ltd has had a dual mission - produce a healthy return by investing in SMEs and do it in such a way that it is good for society and supportive of SMEs beyond mere financing. The continuity in this objective is the reason why we can report that we have facilitated 659 874 jobs since our first investments in SMEs in 1981. It is not just an estimate, but a verified, recorded figure which shows that our societal impact is just as important to our mission as our investment performance.

Our impact investing focus also means that we strongly pursue empowerment targets of placing 40 percent of our investments with black- and women-owned businesses. We are pleased to report progress towards these targets in the year under review, with 46,81 percent (2019: 42,7 percent) of investments approved to black-owned businesses and 38,9 percent (2019: 33,3 percent) to women-owned businesses.

Business Partners Ltd will increasingly focus on the environmental impact of our investments as the issue gains urgency throughout the world. In a significant step towards this end, Business Partners Ltd has signed up as a pioneer participant to the Green Outcomes Fund, a joint project by the World Bank, the Bertha Centre for Social Innovation and Entrepreneurship and the Jobs Fund, among others.

The pilot project aims to incentivise financiers such as Business Partners Ltd through grant funding linked to the financing of SMEs whose processes, products and services are good for the environment. Business Partners Ltd has earmarked at least R112,5 million's worth of investment in businesses that reduce waste, increase recycling and create green jobs over the three years of the project.

The Business Partners Ltd's Technical Assistance Programme, which is implemented with support from the Swiss State Secretariat for Economic Affairs (SECO), approved R10,9 million in investments to 43 businesses during the financial year under review. These are interest-free loans aimed at financing technical interventions that improve the operations of Business Partners Ltd's clients. Technical assistance services financed ranges from training courses, the implementation of quality-control systems to the installation of productivity systems. We have

found that technical assistance significantly reduces the risks of our investments as it strengthens the growth and profitability of our clients' businesses. It is plausible that, although it is not a relief fund, the uptake of our Technical Assistance Programme will increase in the year ahead as Business Partners Ltd clients look towards improving their systems as a way of mitigating the effects of the lockdown.

## On-going maturing of our Risk and Opportunities Management

A key focus of Business Partners Ltd in the year in review was evolving its Risk and Opportunities Management (risk management) system. We have always had excellent risk management practices embedded in the organisation - no financier in the SME sector would survive long without them, let alone thrive - so why the overhaul?

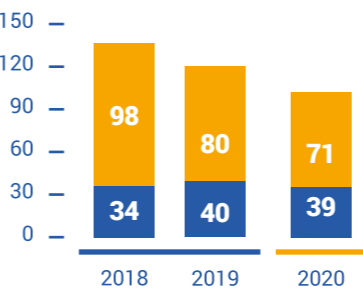
Previously each Business unit leader has been responsible for managing the risks in their portfolio based on experience and in-depth institutional knowledge within Business Partners Ltd with support from the Finance or Operational support units. Maintaining the required levels of risk awareness and an informed and well-established risk control culture requires dedicated capacity, as does the updating and monitoring of risk management processes. The increasing complexity of the financial services industry, increased reliance on information systems and the emergence of new risks, such as cyber security and environmental risks, further re-enforces this need.

Considering the above, as well as the necessity of developing appropriate responses to new and complex risks facing financial institutions such as data privacy and conduct risks, the role of the chief risk officer was an organisational imperative.

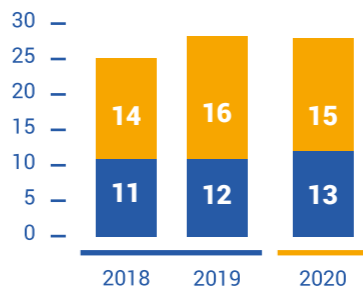
One of the first results of the new appointment was a revised risk management framework adopted by the Board during the year under review; the framework sets out the seven core risk categories (Enterprise-wide risk, Strategic risk, Financial risk, Operational risk, Legal and compliance risk, Reputational risk and Environmental and social risk) applicable to the organisation.

# Our workforce profile

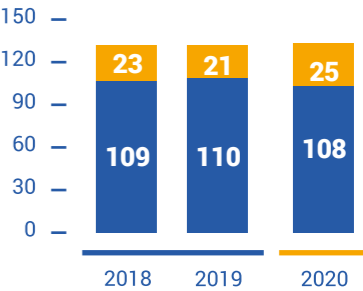
## BUSINESS INVESTMENTS



## PROPERTY MANAGEMENT



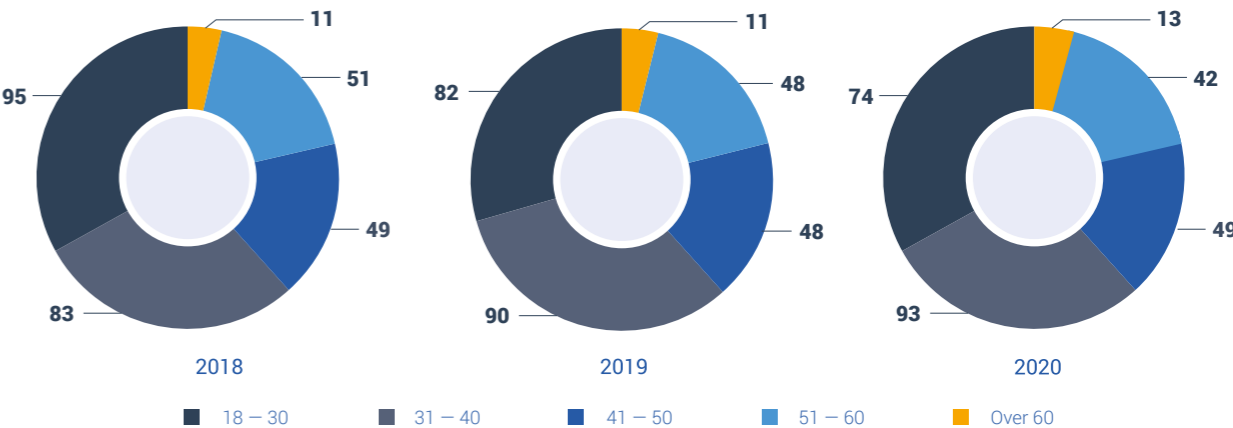
## OTHER DIVISIONS



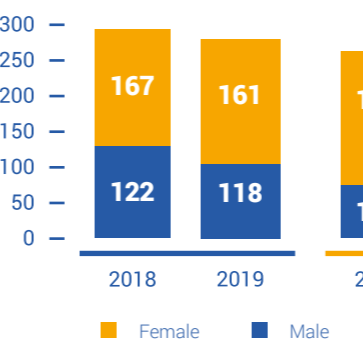
Operational Employees Operational Support Employees

Business Partners International Corporate Services

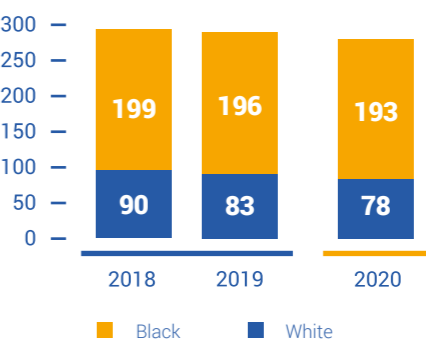
## AGE DISTRIBUTION OF EMPLOYEES



## GENDER PROFILE



## COMMUNITY PROFILE



## TOTAL EMPLOYEES

2020: **271**  
EMPLOYEES IN  
7 COUNTRIES  
2019: **279**  
2018: **289**

Business Partners Ltd applies best-practice standards from the Committee of Sponsoring Organisations (COSO) in addition to practice standards from institutions such as the Global Association of Risk Professionals (GARP) and the King IV Report on Corporate Governance for South Africa 2016 (King IV) in the implementation of its risk management system. COSO is an international initiative dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

An important function of the new risk management system for the year ahead is to enhance strategic decision-making by management and the Board. The new risk management system could not have come at a better time as Business Partners Ltd and the economy is faced with unprecedented uncertainty because of COVID-19 and its far-reaching consequences

### The journey towards a diverse and evolving workforce

The excellent progress made towards demographic representivity of the Business Partners Ltd workforce was apparent in the results of a three-year employment equity plan which started in January 2017. All our important employment equity targets were surpassed, including female representivity at 60 percent of our workforce (against a target of 58 percent), black representivity (African, Coloured and Indian) at 69 percent (against a target of 66 percent) and five people with disabilities employed at Business Partners Ltd (against a target of three).

Business Partners Ltd will continue on the path towards full representivity, while maintaining our strong emphasis on the development of staff through continuous

training, learning, skills and knowledge transfer. In the year under review a cohort of recently appointed operational leaders were intensively trained through a tailor-made Area Manager Development Programme. This programme was augmented with an online Leadership Programme facilitated through Stellenbosch University.

The Company has over the years put in place comprehensive learnership and internship programmes, which are aimed at providing work experience to recently graduated South Africans to equip them for a career in finance or investment in the SME space. In the year under review, this was realised through the enrolment of 6 trainee accountants through the South African Institute of Chartered Accountants (SAICA) TOPP (Training Outside Public Practice) Programme and two graduate interns enrolled in the Company's Graduate Internship Programme (GIP). Furthermore, a total of 13 individuals comprising of recent graduates and staff members obtained on-the-job training and formal qualifications through the Chartered Institute of Management Accountants (CIMA).

For the past three years, there has been concerted effort to evolve from traditional face-to-face and centralised classroom-based learning to blended learning. This shift will stand us in good stead into the future, particularly with restrictions imposed by the COVID-19 pandemic expected to last for 18 to 24 months. We will use the new financial year to consolidate the Company's working from home practices and processes and implement initiatives to support the Company to remain agile as we navigate towards a post-COVID-19 world.

A complex machine such as Business Partners Ltd can only run optimally through the close alignment of many cogs and critical inputs. In such times of great upheaval, it is heartening to know that all of the champions of Business Partners Ltd are exquisitely aligned around our mission and our passion to grow while supporting the business owners of Kenya, Malawi, Namibia, Rwanda, South Africa and Uganda to sustain their businesses in a post-COVID-19 world.

I would like to convey my sincere gratitude to:

- Our Company's shareholders, who now more than ever, recognise the value and ability of Business Partners Ltd to scale up assistance to Africa's SMEs. We are particularly grateful for the opportunity to administer the Sukuma Relief Programme at such a critical moment;

- Our new Chairman, Mr Nazeem Martin, who, with his deep history with and institutional knowledge of Business Partners Ltd, is able to provide invaluable guidance, and the Board of Directors, who ensure we adhere to the highest standards of good corporate governance;
- Our magnificent staff, who have shown their mettle by facing down the upheaval of the past few months with a determination that bodes well for the stormy year ahead; and
- Our clients — small and medium business owners — upon whose courageous shoulders rests so much hope for Africa's recovery. **Thank you**

 **BD Bierman**  
Managing Director

### Five year summary

	2020 / 2019 Change	2020	2019	2018	2017	2016
<b>Consolidated statement of financial position (R000)</b>						
Investment properties	8,5%	1 648 526	1 519 679	1 478 948	1 360 269	1 252 104
Loans and receivables	-3,1%	2 851 101	2 940 964	2 956 025	2 783 299	2 584 093
Cash and cash equivalents	654,0%	363 885	48 258	48 125	88 775	67 638
Total assets	8,1%	5 625 646	5 202 594	5 116 737	4 758 614	4 407 212
Net borrowings*	9,0%	1 289 908	1 183 305	1 252 100	1 042 667	909 283
Capital and reserves**	-0,1%	3 493 746	3 498 667	3 360 822	3 177 472	3 012 063
<b>Consolidated statement of comprehensive income (R000)</b>						
Net profit		55 428	212 881	218 387	207 131	186 521
Net profit attributable to equity holders		53 484	212 403	218 387	207 131	186 319
Adjustments		5 587	(60 344)	(66 893)	(80 628)	(73 080)
Headline earnings		59 072	152 059	151 494	126 503	113 239
Change in net profit		-74,0%	2,8%	5,4%	11,0%	2,1%
Change in net profit attributable to equity holders		-74,8%	2,5%	5,4%	11,2%	2,1%
Change in headline earnings		-61,2%	20,2%	19,8%	11,7%	2,3%
<b>Share statistics</b>						
Earnings per share (cents)	-75,0%	30,9	122,8	126,2	119,7	107,7
Headline earnings per share (cents)	-61,2%	34,1	87,9	87,6	73,1	65,5
Dividends per ordinary share (cents)	-100,0%	-	23	22	21	20
Dividend cover (times)	0,0%	0	5,3	5,7	5,7	5,4
Net asset value per share (cents)	-0,1%	2 019,8	1 942,7	1 942,7	1 836,7	1 741,1
<b>Ratios</b>						
Effective tax rate	190 bps	27,81%	25,9%	25,7%	29,1%	28,4%
Return on opening shareholders' interest	-520 bps	1,5%	6,7%	6,9%	6,5%	6,5%
Return on average assets	-330 bps	1,0%	4,3%	4,4%	4,5%	4,4%
Cost to income***	1080bps	64,7%	53,9%	49,5%	48,9%	53,3%
Net profit per employee (R000)	-73,8%	208,9	798,5	821,0	778,7	703,1
Debt to Equity	-310 bps	36,9%	33,8%	37,3%	32,8%	30,2%
Debt to Assets	-20 bps	22,9%	22,7%	24,5%	21,9%	20,6%
Number of shares		173 000 594	173 000 594	173 000 594	173 000 594	173 000 594

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

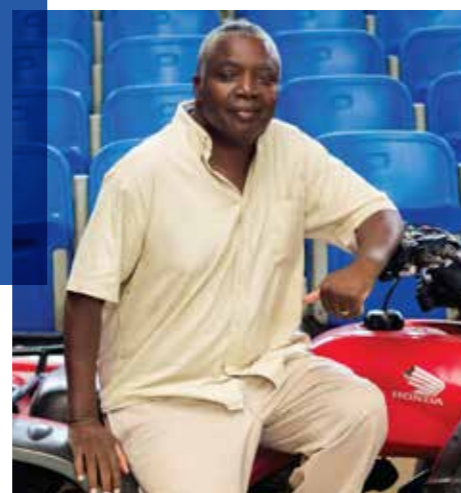
\*\* Excludes non-controlling interest.

\*\*\* Cost to income ratio:

Cost = Staff costs, Other operating expenses, and Property expenses (as included in Net property revenue)

Income = Total income adjusted by excluding Property expenses from Net property revenue

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



**Robin Alufandaki**  
Robin's Park  
Malawi

"I read about BPI in a local newspaper and contacted them. Fortunate enough I approached them and it worked. It was a process but I managed to adhere to all their conditions and requests at each stage. They are an organised financial institution."

# CORPORATE GOVERNANCE REPORT

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

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

Our board

Board of Directors composition and structure

Business Partners Limited has a unitary board which ensures that the roles of the chairperson of the board and managing director are not vested in one individual, and a clear division of responsibility exists between the two. The chairperson is a non-executive director who holds office for a maximum period of one year at a time.

In compliance with the principles of King IV, the chairperson of the board, Mr N Martin, is an independent non-executive director. The incumbent board has an appropriate balance of executive, non-executive and independent directors, which ensures the high degree of independence required to maintain objectivity as well as the effective functioning of the board and its committees.

At least 50 percent of the board is elected by shareholders, as per the requirement of the Companies Act, 2008. The following directors served on the board during the 2019/2020 financial year:

- Directors elected by a majority of shareholders at the annual general meeting in terms of article 20.1.2 of the memorandum of incorporation (MOI): Ms O Kotze, Mr N Martin (Chairperson), Mr F Meisenholl, Mr D Moshapalo, Mr SST Ngcobo and Ms HE Moliea Tshivhase.
- Directors appointed by shareholder/s holding at least 10 percent of the issued share capital in terms of article 20.1.3 of the MOI: Mr CW Ceasar, Ms M Lubbe, Ms HN Lupuwana-Pemba, Mr A M-R Mahosi, Mr K Molewa, Mr RSM Ndlovu, Mr T van Wyk (former Chairperson) and Mr NJ Williams.
- Executive directors appointed by the board and confirmed by an election of shareholders in terms of article 20.2 of the MOI: Mr BD Bierman (Managing Director).

Board roles and responsibilities

The Board of Directors conducts the affairs of the Company based on its diverse industry knowledge and experience. As the Company's highest governing and decision-making body, corporate governance is ultimately the responsibility of the board. The board functions within its written charter, which is reviewed annually. The board gives strategic direction to the Business Partners Limited Group, and retains effective control through a well-developed governance structure that provides the framework for delegation and monitoring of decision-making bodies in implementing plans and strategies, as well as the measurement of financial performance against objectives. In its decision-making, the board reserves for itself the appointment of executive directors and approval of the annual budget, interim results and financial statements.

The managing director is accountable to the board and has been delegated the authority to achieve corporate objectives and manage the business affairs of the Business Partners Limited Group, subject to statutory parameters and the limits imposed by the board.

Remuneration of non-executive board members

Non-executive directors receive fees for their services as directors on the board and as members of board committees as approved by shareholders at the preceding annual general meeting. Remuneration paid to non-executive directors, executive directors and prescribed officers during the year under review, is disclosed in note 30 of the annual financial statements.

Board of Directors meetings

During the year under review the board and its committees performed their responsibilities in terms

of approved charters and workplans for the financial year and met as per the schedules provided in the graphs on pages 39 to 41. Directors who were unable to attend meetings had tendered their apologies for non-attendance in advance.

The Company secretary and the managing director ensure that members and invitees timeously receive relevant, complete, accessible and accurate information to enable them to reach objective and well-informed decisions and effectively discharge their responsibilities.

DIRECTORS' BOARD MEETINGS ATTENDANCE FOR THE YEAR ENDED 31 MARCH 2020			
MEMBERS	ATTENDANCE	MEMBERS	ATTENDANCE
Mr BD Bierman (Managing Director)	5/5	Mr K Molewa	2/2
Mr CW Ceasar	1/1	Mr D Moshapalo	5/5
Ms O Kotze	5/5	Mr RSM Ndlovu	2/4
Ms M Lubbe	5/5	Mr SST Ngcobo	5/5
Ms HN Lupuwana-Pemba	2/2	Ms HE Moliea Tshivhase	4/5
Mr A M-R Mahosi	3/3	Mr T van Wyk (former Chairperson)	1/1
Mr N Martin (Chairperson)	5/5	Mr NJ Williams	5/5
Mr F Meisenholl	5/5		

Note:

- Mr CW Ceasar served from 27 January 2020.
- Ms HN Lupuwana-Pemba served from 10 April 2019 till 3 September 2019.
- Mr A M-R Mahosi served from 4 September 2019.
- Mr N Martin was appointed chairperson of the board on 15 August 2019.
- Mr K Molewa served till 3 September 2019.
- Mr RSM Ndlovu served till 26 January 2020.
- Mr T van Wyk (former Chairperson) retired on 15 August 2019.
- The Chief Financial Officer and Chief Risk Officer attended meetings as standing invitees, and two other executive members attended board meetings on a permanent basis to ensure that the board had adequate direct interaction with management.

Our board committees

Audit and Risk Committee

The Audit and Risk Committee ensures that the Business Partners Ltd Group's financial standing is sound. The board mandates the committee to raise any finance and risk-related concerns and the committee performs a vital role in the Company's integrated risk management process.

During the year under review, each committee member conducted an annual assessment of the committee's performance against the duties and responsibilities set out in its approved charter, and the committee was satisfied that it had fulfilled its responsibilities. The external and internal auditors attended meetings as standing invitees and were given a private audience with the committee at all its meetings.

The Audit and Risk Committee's detailed report for the 2019/2020 financial year appears in the financial statements.

MEMBER	ATTENDANCE
Ms O Kotze	2/2
Mr N Martin (Board Chairperson)	2/2
Mr F Meisenholl	4/4
Mr K Molewa	2/2
Mr RSM Ndlovu (alternate)	N/A
Mr T van Wyk (former Board Chairperson)	2/2
Mr NJ Williams (Chairperson)	4/4

Note:

- Ms O Kotze was elected on 15 August 2019.
- Mr N Martin attended meetings as a standing invitee upon being appointed chairperson of the board on 15 August 2019 and was appointed as a member by the board in filing a vacancy on 22 October 2019.
- Mr K Molewa served until 3 September 2019.
- Mr RSM Ndlovu (alternate) served until 15 August 2019.
- Mr T van Wyk (former Board Chairperson) retired on 15 August 2019.
- The Chairperson of the Social and Ethics Committee, Mr D Moshapalo, attended the financial year-end meeting as a standing invitee.
- The Managing Director, Chief Financial Officer, Chief Risk Officer and Executive General Manager for Property Management Services attended meetings as standing invitees.

Board of Directors Investment Committee

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

Nominations Committee

The Nominations Committee's role is to assist the board to ensure that the incumbent board and its committees have the appropriate compositions in order to execute their functions effectively. As part of its duty to oversee a succession plan for the board, the Nominations Committee from time to time identifies suitable potential candidates to serve as directors. This is done with due regard to the circumstances of the Company, continuity, the skills, knowledge and diversity of the incumbent board, and the continued independence of the board.

MEMBER	ATTENDANCE
Ms M Lubbe (alternate)	N/A
Mr N Martin (Chairperson) (Board Chairperson)	3/3
Mr K Molewa	1/1
Mr D Moshapalo	3/3
Ms HE Moliea Tshivhase	1/1
Mr NJ Williams	3/3
Mr T van Wyk (former Chairperson) (former Board Chairperson)	1/1

Note:

- Ms M Lubbe was appointed as alternate member on 15 August 2019.
- Mr N Martin was appointed as chairperson on 15 August 2019 upon being appointed chairperson of the board.
- Mr K Molewa served until 3 September 2019.
- Ms HE Moliea Tshivhase served until 15 August 2019.
- Mr T van Wyk (former Board Chairperson) served until 15 August 2019.
- The Managing Director attended meetings as a standing invitee.

Transactions Committee

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

During the 2019/2020 financial year there were no matters that required consideration by this committee.

Personnel Committee

The Personnel Committee provides an in-depth focus and makes decisions with respect to the Company's human capital, including short- and long-term incentive pay structures and reviews the positioning of pay levels relative to local industry benchmarks. In the year under review, each member completed an annual assessment of the committee's performance, measured against the duties and responsibilities set out in its charter and the committee was satisfied that it had fulfilled its obligations.

MEMBER	ATTENDANCE
Ms M Lubbe (alternate)	N/A
Mr N Martin (Chairperson) (Board Chairperson)	4/4
Mr D Moshapalo	4/4
Ms HE Moliea Tshivhase	4/4
Mr NJ Williams	3/4
Mr T van Wyk (former Chairperson) (former Board Chairperson)	2/2

Note:

- Ms M Lubbe was appointed as alternate member on 15 August 2019.
- Mr N Martin was appointed as chairperson on 15 August 2019 upon being appointed chairperson of the board.
- Mr T van Wyk (former Board Chairperson) served until 15 August 2019.
- The Managing Director and Executive General Manager: Human Resources attended meetings as standing invitees.

Company secretary and compliance governance

The board-appointed Company secretary's role is to guide the board on the duties of directors, matters of ethics and good governance and discharging of directors' responsibilities in the best interest of the Business Partners Ltd Group. The Company secretary assists the chairperson of the board and managing director with the orientation and induction of new directors. During the year under review, the directors who were newly appointed to the board participated in the Company's induction programme for directors.

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

The Company secretary acts as the primary point of contact between shareholders and the Business Partners Ltd Group and also monitors over-the-counter dealings in the Company's securities and ensures adherence to closed periods for share trading.

Social and Ethics Committee

The Social and Ethics Committee's role is to assist the board with reporting on social, ethical and transformational practices and monitoring the Company's performance as a good and responsible corporate citizen in terms of its approved charter. Any material matters and risks identified by the committee are reported to the Audit and Risk Committee, Personnel Committee or the Board of Directors.

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

The chairperson of the committee reports to shareholders on the committee's matters relating to its statutory obligations at the annual general meeting.

MEMBER	ATTENDANCE
Mr BD Bierman (Managing Director)	2/2
Mr S Dumeko (former Chief Financial Officer)	2/2
Mr D Moshapalo (Chairperson)	2/2
Mr SST Ngcobo	2/2
Mr T van Wyk (former Chairperson) (former Board Chairperson)	1/1

Note:

- Mr T van Wyk (former Board Chairperson) retired on 15 August 2019.
- Mr N Martin (Board Chairperson) attended one meeting as a standing invitee after 15 August 2019.
- Ms M Lubbe, given her expertise, was a permanent invitee and attended one meeting after 15 August 2019.

Strategy Review ad hoc Committee

During February 2020 the board constituted an ad hoc Strategy Review Committee with a mandate to review the Company's strategy.

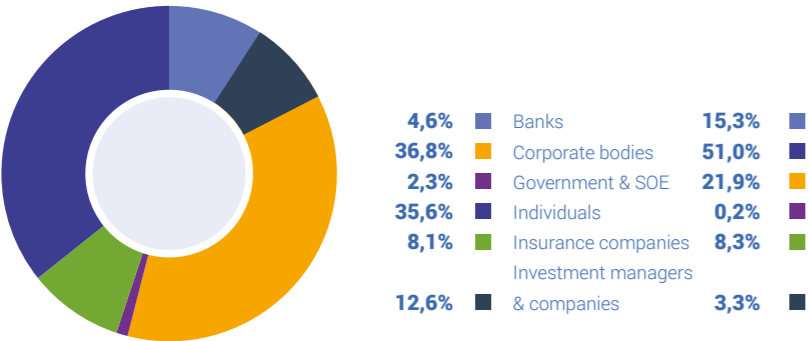
The members are Mr BD Bierman (Managing Director), Mr CW Ceasar (alternate), Ms O Kotze, Mr M A-R Mahosi, Mr N Martin (Chairperson), Mr D Moshapalo and Mr N Williams. In addition, the committee may call upon any board member for input on a specialist area pertaining to the review of the strategy.

The first meeting of the committee will be held during the second quarter of the new financial year, and the revised strategy will be presented to the board during the third quarter.

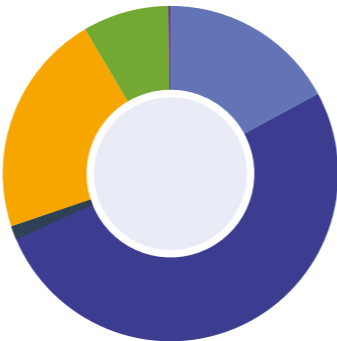
Shareholder information

as at 31 March 2020

Number of shareholders



Number of shares



Distribution of shareholding	Number of holders	Percent of holders	Number of shares	Percent of shares
0 – 10 000	28	32,2%	91 705	0,1%
10 001 – 100 000	19	21,8%	690 883	0,4%
100 001 – 1 000 000	24	27,6%	7 014 341	4,1%
1 000 001 – 10 000 000	13	14,9%	40 342 231	23,3%
10 000 000 and above	3	3,5%	124 861 434	72,1%
	<b>87</b>	<b>100%</b>	<b>173 000 594</b>	<b>100%</b>

Shareholders	Number of shares	Percent of shares
Eikenlust (Pty) Limited (Remgro Limited)	76 276 317	44,1%
Small Enterprise Finance Agency SOC Limited	37 294 299	21,6%
Old Mutual Life Assurance Company (South Africa) Limited	11 290 818	6,5%
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%
Other shareholders	16 462 707	9,5%
	<b>173 000 594</b>	<b>100%</b>

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

ANNUAL

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REPORT

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# Statement of responsibility by the Board of Directors

The directors of Business Partners Limited are responsible for the preparation of the consolidated annual financial statements of the Group ('Group') and the separate annual financial statements of the Company ('Company'). In discharging this responsibility, the directors rely on management to prepare the annual financial statements in accordance with International Financial Reporting Standards ('IFRS') and for keeping adequate accounting records in accordance with the Group and 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 except as disclosed elsewhere in the financial statements. The financial statements incorporate full and responsible disclosure in line with the Group's philosophy on corporate governance.

The directors are responsible for the Group and 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 Group and 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 Group and Company's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Group and Company during the year and up to the date of this report.

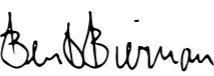
Based on the effective internal controls implemented by management, the directors are satisfied that the annual financial statements fairly present the state of affairs of the Group and the Company, at the end of the financial year, and the net income and cash flows for the year. Ms S Masumbe, Financial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

The directors have reviewed the Group and Company's budget and flow of funds forecast and considered the Group and 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. Based on this review, and in the light of the current financial position and profitable trading history, the directors are satisfied that the Group and Company have 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 Group and Company's independent external auditors, PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. Their unqualified report appears on pages 48 to 49.

The consolidated and separate annual financial statements of the Group and Company, which appear on pages 56 to 137 were approved by the Board of Directors on 17 June 2020 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.

 N Martin  
Chairperson

 BD Bierman  
Managing Director

# Certificate by the Company Secretary

certify, in terms of section 88(2) of the Companies Act 71 of 2008 ('the Act'), that for the year ended 31 March 2020, 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  
17 June 2020

# Audit and Risk Committee report

This report is provided by the Audit and Risk Committee, in respect of the 2020 financial year of Business Partners Limited, in compliance with section 94 of the Companies Act 71 of 2008.

The Audit and Risk Committee confirms that it has functioned in accordance with its terms of reference and fulfilled all its duties as prescribed by the Companies Act 71 of 2008 ('the Act') and reports as follows in terms of section 94(7) of the Act for the financial year ended 31 March 2020:

- 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 reviewed.
- The nature and extent of non-audit services that the external auditors may provide to the Group was defined and pre-approved.
- The committee reviewed the accounting policies and the financial statements of the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards and recommended their approval to the Board.
- The committee oversaw a process by which internal audit assessed the effectiveness of the system of internal control and risk management, including internal financial controls.
- The committee receives and deals with any concerns or complaints relating to accounting practices and internal audit of the Group, the content or auditing of the Group's financial statements, the internal financial controls of the Group or any related matter. No matters of significance were raised in the past financial year.

- The committee 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 can 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.
- Reviewed the results of the Group's internal estimations and judgements applied with respect to IFRS 16, IFRS 9 and COVID-19 management overlay, as well as the results and the external auditors' report on the Group's IFRS 16, IFRS 9 and COVID-19 management overlay audit process.
- Confirmed the going concern basis for the preparation of the annual financial statements.
- Examined and reviewed the annual financial statements prior to submission and approval by the Board.
- Reviewed reports on the adequacy of credit provisions for performing and non-performing loans and impairment tests with respect to assets and considered feedback from the external auditors concerning any changes that were made to the models applied by management in determining such impairments.
- Ensured that the annual financial statements fairly present the financial position of the Group and of the Company as at the end of the financial year and the results of operations and cash flows for the financial year then ended.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Reviewed and discussed the independent auditor's report.

NJ Williams  
Chairperson: Audit and Risk  
Committee  
17 June 2020



Abegail Nakedi  
Mini Minds  
South Africa

Abegail Nakedi had bought a property off-plan in a development where she saw an opportunity to start an early-learning centre. However, it turned out that an electricity substation, which was not part of the original plan, would be part of her property, rendering it unsuitable.

Fortunately, when she went to pick up her young nephew from the Mini Minds Preschool, the teacher, noticing that she was upset, told her that Mini Minds itself was up for sale.

Abegail jumped at the opportunity. She negotiated a price for the school with the founder of Mini Minds, cancelled the purchase of the off-plan property, approached Business Partners Limited for finance and got it.

# 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 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year that ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## What we have audited

Business Partners Limited’s consolidated and separate financial statements set out on pages 56 to 137 comprise:

- The consolidated and separate statements of financial position as at 31 March 2020;
- 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 sections 290 and 291 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (Revised November 2018) (together with the IRBA Codes) and other independence requirements applicable to performing

audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

## Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor’s report comprises the information included in the document titled Business Partners Limited Annual Integrated Report, which includes the Directors’ Report, the Audit and Risk Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial

statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on 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 suitability 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**  
**17 June 2020**

# Directors’ Report for the year ended 31 March 2020

## 1. Nature of the business

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

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

## 2 Market conditions

The World Health Organisation (“WHO”) declared the outbreak of the novel coronavirus (“COVID-19”) pandemic on 11 March 2020. The fight against COVID-19 has affected global growth through disruptions to supply chains as countries went into lockdown to halt the spread of the virus.

Prior to the onset of the Coronavirus, the South African economy was battling several headwinds such as intermittent electricity supply, fiscal deficits and pedestrian economic growth. These headwinds resulted in the South African economy going into recession at the end of March 2020, with more than 29 percent of the workforce unemployed.

SME’s are especially vulnerable to big shifts in the economic environment, and the constant increase in credit risk in the Business Partners SME portfolio became evident throughout the 2020 financial year as economic circumstances continued to deteriorate.

The lack of confidence in the economic environment has had a dampening effect on SMEs’ expansion and new business prospects. Opportunities for investing in SMEs and in real estate were negatively affected in most geographies.

## 3. Operational performance

The operational performance for the financial year was below budget as a result of a recessionary economy and the impact of COVID-19 on future expected losses that were recognised in the current financial year.

In South Africa, 264 (March 2019: 308) investments amounting to R1 089,5 million (March 2019: R1 027,5 million) were approved, a marginal improvement in investment activity.

In total, investments disbursed by the Group (which includes the activities of BPI) increased by 6,4 percent year on year to R1 049,8 million (2019: R986,8 million).

The credit risk, as measured by repayment obligations in arrears, deteriorated year on year from 19,2 percent in the prior year to 22,6 percent of the investment portfolio in March 2020.

The Group manages a geographically dispersed portfolio of 144 (2019:146) industrial and commercial properties, providing business premises with a lettable area of more than 450 000m² (2019: 454 000m²) to more than 1 586 (2019: 1 641) tenants.

The vacancy rate of 5,2 percent (2019: 3,9 percent) of lettable area, and the rental payments in arrears of 29,8 percent (2019: 18,3 percent) at the end of the period, reflects the challenges experienced in the commercial property environment as a result of the economic headwinds. The total yield on the investment property portfolio amounted to 7,1 percent (2019: 12,3 percent) and the portfolio is carried at a fair value of R1 648,5 million (2019: R1 519,7 million).

## 4. Financial Highlights

The Group’s net profit amounted to R55,4 million, a material decline from the R212,9 million profit reported in the prior year.

Investment income and gains declined from R113,3 million in the prior year to R11,1 million, the main contributor to a decrease in total income of 18,8 percent from R609,7 million in the prior year to R495,2 million.

Staff costs and operating expenses decreased marginally year on year from R270,9 million in the prior period to R 267,7 million.

The impact of COVID-19 on the results of the Group was substantial and affected the two primary assets classes materially through the expected credit losses raised on the investment portfolio and the revaluation of the investment property portfolio.

The expected credit losses required an additional impairment charge of R83,6 million to account for the economic devastation caused by the fight against the virus increasing the impairment percentage from 9,5 percent to 12,4 percent of the gross portfolio value.

Net credit losses for the Group increased by 186,4 percent to R147,8 million (2019: R51,6 million). Bad debts written off decreased by 10,2 percent from R105,0 million in the prior year to R94,3 million.

The impact of the virus on the economy, and specifically on asset prices, resulted in a devaluation of the investment property portfolio amounting to R63,9 million, the main contributor to the decrease in Investment Income and Gains.

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

### Relief Measures

The Group developed and implemented a range of relief measures for its SME clients to assist in overcoming the economic challenges presented by COVID-19, especially the effects of the lockdown instituted to reduce the spread of the virus.

The following two types of relief measures were offered to investment clients:

- i) Qualifying clients were offered a four-month payment holiday to minimise their repayment obligations. The repayment obligations during the relief period are aggregated and recorded in a separate debt facility with no repayment obligations for 6 months followed by a repayment period varying between 7 and 18 months. An interest rebate was offered to clients that meet their monthly instalments in full or in part.
- ii) Financial assistance was availed to clients with a need for additional capital to service essential operational obligations. The assistance was offered at no interest for the first 12 months followed by an interest rate of prime for the remaining period of the facility, typically 60 months.

The tenants in the various properties were classified in terms of their operations as non-essential operations, restricted operations and essential operations in line with the regulations of the lockdown. Relief measures were offered to tenants for a four-month period in terms of the classification as follows:

- i) A 50 percent rebate on the rent charged for non-essential service tenants
- ii) A 25 percent discount on the rent charged for restricted services tenants

No rebates were available to tenants who continued operating as essential services and tenants that were in default for more than 3 months prior to lockdown were excluded from relief offered.

	Management will continue monitoring the effectiveness of the relief measures provided, and assess the requirement for further relief measures should this become necessary.
6.	<p><b>Going concern</b></p> <p>The going concern status is evaluated based on the most relevant and up to date information which includes the expected implications of the COVID-19 pandemic. These factors were considered in the preparation of the annual financial statements for 31 March 2020 and incorporated in developing the forecast results for the year ending 31 March 2021.</p> <p>The forecast for 31 March 2021 incorporated the following primary assumptions:</p> <ul style="list-style-type: none"> <li>the impact of the relief initiatives on profitability and cash flows</li> <li>the decrease in interest rates by 2.5 percentage points during the 2021 financial year</li> <li>increases in credit risk due to COVID-19 and the impact of the increase in risk on credit losses and impairments</li> <li>depressed property values due to increases in vacancies and credit risk.</li> </ul> <p>Various factors were evaluated by the directors to assess the going concern status of the Group and Company. The solvency and liquidity of the Group and Company now and for the foreseeable future, were assessed in arriving at the conclusion that there are no known material uncertainties which will affect the Group and Company's operating ability to such an extent that a curtailment of operations will be required or that a need to liquidate will present itself.</p> <p>It is the directors' opinion that the Group and Company is and will continue to be a going concern for the foreseeable future and that the going concern basis is therefore appropriate for the preparation of these annual financial statements.</p>
7.	<p><b>Share capital and reserves</b></p> <p>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.</p>
8.	<p><b>Dividend</b></p> <p>No dividend has been declared for the current year (2019: 23 cents per share). In light of the current economic turmoil due to the COVID-19 pandemic, the Board has decided that it would be prudent not to declare a dividend for the 2020 financial year.</p>
9.	<p><b>Earnings per share</b></p> <p>Earnings per share amounted to 30,9 cents (2019: 122,8 cents) based on 173,0 million shares in issue. Headline earnings per share decreased to 34,1 cents (2019: 87,9 cents). For more information on earnings per share, refer to notes 14 and 26 of the annual financial statements.</p>
10.	<p><b>Directors' remuneration and interest</b></p> <p>The directors' remuneration is set out in note 30.2 to the annual financial statements. No material contracts in which the directors have any interest were entered into in the current year.</p>
11.	<p><b>Major shareholders</b></p> <p>Shareholders holding beneficially and non-beneficially in excess of one percent of the issued share capital of the Group are detailed on page 42 of the annual integrated report.</p>

## 12. Directors

### 12.1 The directors of the Company on 31 March 2020 were:

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

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

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

Ms M Lubbe	Mr CW Ceasar
Mr NJ Williams	Mr A M-R Mahosi

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

Mr BD Bierman (Managing Director)
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### 12.2 During the financial year the following changes occurred in the composition of the Board of Directors:

Director	Event	Terms Memorandum of incorporation	Effective date
Ms HN Lupuwana-Pemba	Appointed	Article 20.1.3	10 April 2019
Mr T van Wyk	Retired	Article 20.1.3	15 August 2019
Mr N Martin	Retired and re-elected	Article 20.1.2	15 August 2019
Mr D Moshapalo	Retired and re-elected	Article 20.1.2	15 August 2019
Mr K Molewa	Resigned	Article 20.1.3	03 September 2019
Ms HN Lupuwana-Pemba	Resigned	Article 20.1.3	03 September 2019
Mr A M-R Mahosi	Appointed	Article 20.1.3	04 September 2019
Mr RSM Ndlovu	Replaced	Article 20.1.3	26 January 2020
Mr CW Ceasar	Appointed	Article 20.1.3	27 January 2020

No changes occurred in the composition of the Board of Directors after 31 March 2020.

### 13. Company Secretary

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

### 14. 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 Mrs S Masumbe, Financial Manager.

### 15. 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 2021 financial year. Mr S Beyers will be the designated auditor.

### 16. Acknowledgements

We would like to extend a special word of gratitude to Mr Theo van Wyk who served on the Company's Board of Directors for 28 years. He was appointed as deputy chairperson in July 2003 and chairperson in August 2011. Mr van Wyk's passion for SMEs and dedication to Business Partners Limited are unequalled and we would like to express our sincere appreciation for his leadership and priceless insights over the years during the Board's and Committees' deliberations.

We wish to thank Mr Raymond Ndlovu, Ms Hlonela Lupuwana-Pemba and Mr Kholofelo Molewa for their service on the Board of Directors and invaluable contributions during their tenure.

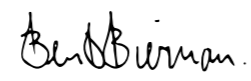
We would also like to extend a special word of gratitude to Mr Izak Pienaar for his commitment and service as Internal Audit and Governance Manager. He retired on 23rd of December 2019, after 33 years at Business Partners Limited.

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

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

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

  
**N Martin**  
Chairperson  
17 June 2020

  
**BD Bierman**  
Managing Director  
17 June 2020

# BUSINESS PARTNERS LIMITED

# FINANCIAL

# STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2020

Consolidated and separate statements of financial position

as at 31 March 2020

		GROUP		COMPANY	
	Notes	2020 R000	2019 R000	2020 R000	2019 R000
<b>Assets</b>					
<b>Non-current assets</b>					
		4 575 791	4 657 664	3 674 574	3 847 569
Deferred tax asset	16	173 818	133 306	178 399	125 154
Property and equipment	7	122 447	97 083	67 413	3 949
Investment properties	3	1 648 526	1 519 679	865 089	897 081
Loans and receivables	5	2 257 745	2 496 989	2 258 012	2 497 347
Investments in associates	6	90 449	112 363	1 462	1 466
Investments in subsidiaries	8			10	8
Loans to subsidiaries	8			21 393	24 324
Other Investments	4	83 017	75 686	83 013	75 682
Assets held for resale	10	35 888	34 978	35 882	34 978
Defined benefit pension fund surplus	9.1	163 901	187 580	163 901	187 580
<b>Current assets</b>					
		1 049 855	544 930	1 555 467	923 634
Loans to subsidiaries	8			547 407	411 341
Loans and receivables	5	593 356	443 975	593 086	443 617
Accounts receivable	11	44 884	52 697	28 072	37 109
Current income tax asset		47 730	-	46 709	-
Cash and cash equivalents	12	363 885	48 258	340 193	31 567
<b>Total assets</b>		<b>5 625 646</b>	<b>5 202 594</b>	<b>5 230 041</b>	<b>4 771 203</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves attributable to equity holders of the parent</b>					
		3 493 746	3 498 667	3 094 255	3 115 209
Share capital	14	173 001	173 001	173 001	173 001
Fair value and other reserves	13	65 184	83 362	58 902	77 311
Retained earnings		3 255 561	3 242 304	2 862 352	2 864 897
<b>Non-controlling shareholders' interest</b>					
		11 176	337		
<b>Total equity</b>		<b>3 504 922</b>	<b>3 499 004</b>	<b>3 094 255</b>	<b>3 115 209</b>
<b>Non-current liabilities</b>					
		1 758 551	1 490 480	1 789 976	1 465 776
Deferred tax liability	16	243 101	254 665	238 155	229 961
Borrowings	15	1 426 293	1 148 102	1 426 293	1 148 102
Lease liability	19	13 523	-	49 894	-
Post-employment medical benefits	9	75 634	87 713	75 634	87 713
<b>Current liabilities</b>					
		362 173	213 110	345 810	190 218
Shareholders for dividend		2 415	1 925	2 415	1 925
Borrowings	15	227 501	82 195	227 501	82 195
Accounts payable	17	80 054	77 060	38 698	42 751
Provisions	18	46 460	46 604	44 831	43 652
Current income tax liability		-	4 060	-	3 926
Loan from subsidiaries	8			19 122	15 769
Lease liability	19	5 743	-	13 243	-
Bank overdraft	12	-	1 266	-	-
<b>Total liabilities</b>		<b>2 120 724</b>	<b>1 703 590</b>	<b>2 135 786</b>	<b>1 655 993</b>
<b>Total equity and liabilities</b>		<b>5 625 646</b>	<b>5 202 594</b>	<b>5 230 041</b>	<b>4 771 203</b>

Consolidated and separate statements of comprehensive income

for the year ended 31 March 2020

	Notes	GROUP		COMPANY	
		2020 R000	2019 R000	2020 R000	2019 R000
Net interest income	20	298 899	298 247	303 845	299 986
Interest income		416 104	406 659	420 972	408 399
Interest expense		(117 205)	(108 412)	(117 127)	(108 412)
Fee revenue		1 142	2 018	1 140	2 016
Investment income and gains	21	11 070	113 330	45 808	159 561
Net property revenue		157 747	158 730	90 482	102 623
Property revenue		307 309	284 558	179 069	176 882
Property expenses		(149 562)	(125 828)	(88 587)	(74 259)
Management and service fee income		21 953	30 693	18 145	15 452
Other income		4 408	6 658	4 036	3 806
<b>Total income</b>		<b>495 219</b>	<b>609 676</b>	<b>463 456</b>	<b>583 445</b>
Net credit losses	22	(147 833)	(51 618)	(147 531)	(51 690)
Staff costs	23	(179 276)	(177 401)	(168 297)	(160 827)
Other operating expenses		(88 481)	(93 521)	(102 188)	(106 645)
<b>Profit before taxation</b>		<b>79 629</b>	<b>287 136</b>	<b>45 440</b>	<b>264 283</b>
Income tax expense	24	(24 201)	(74 255)	(8 195)	(59 272)
<b>Profit for the year</b>		<b>55 428</b>	<b>212 881</b>	<b>37 245</b>	<b>205 012</b>
<b>Other comprehensive income after tax:</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of defined benefit pension fund		(28 925)	(397)	(28 925)	(397)
Gross Amount	9.1.6	(40 173)	(551)	(40 173)	(551)
Tax effect	25.3	11 248	154	11 248	154
Remeasurement of post-employment medical benefits		11 326	7 836	11 326	7 836
Gross Amount	9.2.2	15 730	10 883	15 730	10 883
Tax effect	25.3	(4 404)	(3 047)	(4 404)	(3 047)
Fair value adjustment on financial assets held through other comprehensive income		2 456	(2 175)	2 456	(2 175)
Gross Amount	13	3 165	(2 803)	3 165	(2 803)
Tax effect	25.3	(709)	628	(709)	628
Foreign currency translation reserve movement		(3 035)	9 916	(3 266)	10 688
Gross Amount	13	(3 977)	13 001	(4 208)	13 773
Tax effect	25.3	942	(3 085)	942	(3 085)
Share of associates' other comprehensive income	13		1 762		
Sale of investments held at fair value through other comprehensive income			(53)		(53)
<b>Other comprehensive income for the year</b>		<b>(18 178)</b>	<b>16 889</b>	<b>(18 409)</b>	<b>15 899</b>
<b>Total comprehensive income for the year</b>		<b>37 250</b>	<b>229 770</b>	<b>18 836</b>	<b>220 910</b>
<b>Profit attributable to:</b>					
Equity holders of Business Partners Limited		53 484	212 403	37 245	205 011
Non-controlling interests		1 944	478	-	-
		<b>55 428</b>	<b>212 881</b>	<b>37 245</b>	<b>205 011</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of Business Partners Limited		35 306	229 292	18 836	220 910
Non-controlling interests		1 944	478	-	-
		<b>37 250</b>	<b>229 770</b>	<b>18 836</b>	<b>220 910</b>
<b>Earnings per share</b>					
Basic earnings per share (cents)	26.1	<b>30,9</b>	122,8		
Headline earnings per share (cents)	26.2	<b>34,1</b>	87,9		

Consolidated and separate statements of changes in equity

for the year ended 31 March 2020

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
	Notes	Share capital R000	Fair value & other reserves* R000	Retained earnings R000	Non-controlling interest R000	Total R000
Group						
Balance at 1 April 2018		173 001	66 420	3 068 014	(141)	3 307 294
Total comprehensive income for the year			16 942	212 350	478	229 770
Net profit				212 403	478	212 881
Other comprehensive income			16 942	(53)	-	16 889
Dividend	27			(38 060)		(38 060)
Balance at 31 March 2019		173 001	83 362	3 242 304	337	3 499 004
Balance at 1 April 2019						
Total comprehensive income for the year			(18 178)	53 484	1 944	37 250
Net profit				53 484	1 944	55 428
Other comprehensive income			(18 178)			(18 178)
Dividend	27			(39 790)		(39 790)
Retained earnings						
Adjustment from associates				(437)	-	(437)
Non-controlling interest recognised directly in equity					8 895	8 895
Balance at 31 March 2020		173 001	65 184	3 255 561	11 176	3 504 922
Company						
Balance at 1 April 2018		173 001	61 359	2 697 999		2 932 359
Total comprehensive income for the year			15 952	204 958		220 910
Net profit				205 011		205 011
Other comprehensive income			15 952	(53)		15 899
Dividend	27			(38 060)		(38 060)
Balance at 31 March 2019		173 001	77 311	2 864 897		3 115 209
Balance at 1 April 2019						
Total comprehensive income for the year			(18 409)	37 245		18 836
Net profit				37 245		37 245
Other comprehensive income			(18 409)			(18 409)
Dividend	27			(39 790)		(39 790)
Balance at 31 March 2020		173 001	58 902	2 862 352		3 094 255

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

Consolidated and separate statements of cash flows

for the year ended 31 March 2020

		GROUP		COMPANY	
	Notes	2020 R000	2019 R000	2020 R000	2019 R000
Cash flow from operating activities					
Profit before taxation		79 629	287 136	45 440	264 283
Non-cash adjustments	29.1	168 267	(25 709)	144 082	(72 208)
Dividends received		(6)	(6)	(5 701)	(2 197)
Payment of principal portion of lease liabilities		5 610	-	11 952	-
Net interest income per income statement	29.2	(298 899)	(298 247)	(303 845)	(299 986)
Net interest received in cash	29.3	240 446	233 251	240 524	233 250
Other movements in assets and liabilities	29.4	4 299	(15 533)	(201)	(11 608)
		199 346	180 893	132 251	111 534
Net inflow from borrowed funds		423 498	15 337	423 497	15 337
Utilisation of long term borrowings		506 097	100 000	506 097	100 000
Repayment of short term portion of long term borrowings		(82 599)	(84 663)	(82 600)	(84 663)
Net outflow on loans and receivables		(108 627)	(125 354)	(55 195)	(120 258)
Loans and receivables advanced		(753 411)	(722 924)	(753 411)	(722 924)
Loans and receivables repaid		611 332	579 136	664 829	584 312
Cash recoveries on loans and receivables written off		33 452	18 434	33 387	18 354
Cash generated from/(utilised in) operating activities before tax		514 217	70 876	500 553	6 613
Taxation paid	29.5	(117 704)	(60 245)	(96 802)	(41 226)
Net cash flow generated from/(utilised in) operating activities		396 513	10 631	403 751	(34 613)
Cash flow from investing activities					
Capital investment in					
Investment properties		(119 895)	(31 652)	(5 745)	-
Property and equipment		(6 950)	(2 926)	(1 888)	(2 713)
Proceeds from sale of					
Investment properties		12 400	28 463	12 400	28 463
Property and equipment		172	38	172	38
Interest received from other investments		9 771	4 934	9 115	4 346
Loans from/to subsidiaries		-	-	(127 719)	12 372
Proceeds from sale of investments in associates		64 091	85 534	64 091	85 534
Dividends received from investments in associates		5 701	2 197	5 701	2 197
Net cash generated from / (utilised in) investing activities		(34 710)	86 588	(43 873)	130 237
Cash flow from financing activities					
Dividends paid	29.6	(39 300)	(37 584)	(39 300)	(37 584)
Payment of principal portion of lease liabilities	19	(5 610)		(11 952)	
Net cash flow utilised in financing activities		(44 910)	(37 584)	(51 252)	(37 584)
Movement in cash and cash equivalents		316 893	59 635	308 626	58 040
Cash and cash equivalents at beginning of year	12	46 992	(12 642)	31 567	(26 472)
Cash and cash equivalents at end of year	12	363 885	46 992	340 193	31 567



# NOTES

TO THE CONSOLIDATED & SEPARATE  
FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 MARCH 2020

1. Accounting policies

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

1.1 Basis of preparation

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

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

1.2 New and amended statements

1.2.1 New and amended statements adopted

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, applicable to the financial year beginning on or after 1 January 2019:

Standard	Summary
IFRS 16 – Leases	<p>This standard replaces the current guidance in IAS 17, in particular the change in accounting by lessees.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, there is guidance on the definition of a lease (as well as guidance on the combination and separation of contracts). Lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>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'.</p>

Standard	Summary
Amendments to IAS 19 - Employee benefits on plan amendment, curtailment or settlement.	<p>These amendments require an entity to:</p> <ul style="list-style-type: none"><li>• Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and</li><li>• Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.</li></ul>
Amendments to IFRS 9 – Financial instruments on prepayment features with negative compensation and modification of financial liabilities	<p>The amendments cover two issues:</p> <ul style="list-style-type: none"><li>• Allowing companies to measure particular prepayable financial assets (with negative compensation) at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss.</li><li>• The accounting for the modifications for financial liabilities. This will result mostly in immediate recognition of a gain or loss.</li></ul>
Annual improvements cycle 2015-2017	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"><li>• IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business.</li><li>• 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.</li><li>• 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.</li><li>• IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing initially made to develop an asset when the asset is ready for its intended use or sale.</li></ul>
Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.	<p>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.</p>

Standard	Summary
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.

1.2.2 New and amended statements not yet adopted

The following standards are applicable to periods beginning on or after 1 January 2020. The Group has not early adopted these standards.

The amendments below may have an impact in the manner in which the below items are measured and disclosed in the financial statements. The impact of these Standards will be assessed during the financial year ending 31 March 2021.

Standard	Summary
Definition of a Business – Amendments to IFRS 3	The IASB issued amendments to the definition of a business in IFRS 3 'Business Combinations' to help entities determine whether an acquired set of activities and assets is a business or not. They clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs and introduced an optional fair value concentration test. New illustrative examples were provided along with the amendments.
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	<p>These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:</p> <ul style="list-style-type: none"><li>• use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;</li><li>• clarify the explanation of the definition of material; and</li><li>• incorporate some of the guidance in IAS 1 about immaterial information.</li></ul> <p>The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity."</p>

Standard	Summary
The Conceptual Framework for Financial Reporting	The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Summary of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.3 Adoption of new standards: IFRS 16 Leases

1.3.1 Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a right of use ("ROU") asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as lessor are not different from those under IAS 17.

1.3.2 Adoption and transition

The Group has adopted IFRS 16 from 1 April 2019, but has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in the Standard. The Group has elected the modified retrospective approach in applying IFRS 16.

Accordingly, the Group and Company's previously reported financial results up to 31 March 2019 are presented in accordance with the requirements of IAS 17 and for 2020, and future reporting periods, are presented in terms of IFRS 16.

On adoption of IFRS 16, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 April 2019.

Right of use assets was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019.

1.3.3 Practical expedients applied

The Group used the following practical expedients as permitted by the Standard, when applying IFRS 16 to existing leases:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounted for leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Relied on previous assessments on whether leases are onerous contracts as opposed to performing an impairment review on 1 April 2019

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. For contracts entered into before the transition date, the Group relied on its arrangement made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease (IFRIC 4).

1.3.4 The Group’s leasing activities

The Group leases various offices and leases contracts are typically entered into for fixed periods varying between 2 to 5 years but may have renewal periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach except for short-term leases (less than 12 months) and leases of low-value assets.

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of IT and office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

On adoption of IFRS 16, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities that represent its obligation to make lease payments.

1.3.5 Renewal and termination options

A number of leases entitle the Group to terminate the lease without a termination penalty; these are used to maximise operational flexibility in managing the assets used in the Group’s operations. In determining whether the Group has an economic incentive not to exercise the termination option, the Group considers the broader economics of the contract and not only contractual termination payments.

1.3.6 Impact on the financial statements

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 April 2019. The weighted average rate applied is 9,25 percent.

As a result of applying IFRS 16, in relation to leases that were previously classified as operating leases, the Group recognised R25,5 million of right-of-use assets and R25,5 million of lease liabilities as at 1 April 2019.

Impact on the Group’s statement of financial position from the adoption of IFRS 16 are as follows

	31 March 2019 (Audited)	IFRS 16 at transition adjustment	1 April 2019 (Opening Balance)
<b>Non-current assets</b>			
Property, equipment and right-of-use asset	97 083	25 512	122 595
Deferred tax asset	133 306	6 735	140 041
<b>Assets</b>	<b>230 389</b>	<b>32 247</b>	<b>262 636</b>
<b>Non-current liabilities</b>			
Lease liabilities		19 975	19 975
Deferred tax liability	254 665	6 735	261 400
<b>Current liabilities</b>			
Lease liabilities		5 537	5 537
<b>Equity and liabilities</b>	<b>254 665</b>	<b>32 247</b>	<b>286 912</b>
<b>Reconciliation of lease commitments</b>			
<b>Lease commitments disclosed as at 31 March 2019</b>			<b>6 046</b>
Discounted using the leases incremental borrowing rate at the date of initial application			5 178
Add: adjustments as a result of a different treatment of extension and termination options*			20 334
Discounted using the leases incremental borrowing rate at the date of initial application			6 046
<b>Lease liability recognised as at 1 April 2019</b>			<b>25 512</b>
<b>Of which are:</b>			
<b>Non-current liabilities</b>			19 975
<b>Current liabilities</b>			5 537

\* On transition the Group used the practical expedient of using hindsight when determining the lease term, this result in a longer lease term being used for leases than in prior years, refer to note 1.3.3 for details on practical expedient.

1.3.7 Accounting policy

(i) Recognition and measurement

Group as a lessee

The recognised right-of-use assets relate to rental properties.

The Group recognises right-of-use-assets at the commencement date of the lease (i.e.the date the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for reassessment or modification of lease liabilities. The cost of right-of-use assets includes the number of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date and excludes any lease incentives received.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (less any lease incentives receivable) and variable lease payments that depend on an index or rates.

The present value of the contractual payments due to the lessor over the lease term is discounted using the incremental borrowing rate.

The incremental borrowing rate is the rate that the lessee would have to borrow funds necessary to obtain an asset of similar value to the right-of-use-asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses the third party borrowings rate, adjusted to reflect changes in financing conditions since the third party financing was received.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in property revenue in the statement of comprehensive income.

(ii) Subsequent measurement

The lease liability is subsequently increased by the interest expense on the lease liability and decreased by lease payments made. Interest expense is charged to the statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in rate, or, changes in the assessment of whether an option will or will not be exercised.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets’ useful lives and the lease term on a straight-line basis.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period. Payments associated with short-term leases of property are recognised as an expense in profit and loss.

The right-to-use assets are presented within note 7 - Property, equipment and right-of-use asset and are subjected to impairment in line with the Group's policy.

1.4 Other significant accounting policies:

Consolidation

1.4.1 Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group, in exchange for control over the acquiree. 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the sum of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

1.4.2 Subsidiaries

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

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of the Company.

1.4.3 Transactions with non-controlling interests

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

1.4.4 Investments in associates

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

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

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

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

The Company carries its investment in associates at cost.

Additional information is disclosed in Note 6.

1.5 IFRS 9 Financial Instruments

1.5.1 Financial assets - initial recognition

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

Initial classification and measurement of financial assets

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

Measurement categories of financial assets

The Group classifies all of its financial assets based on the business model for managing the asset and the asset's contractual cash flows characteristics, measured at either:

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

(i) Amortised cost

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

Amortised cost and effective interest rate

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

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

Interest income

Interest income is calculated by applying the effective interest rate ('EIR') to the gross carrying amount of financial assets.

The Group calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the financial asset.

When the financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Contract fees

Contract fees which consist of raising fees, amendment fees, late drawdown fees, legal and valuation fees are generated from loan agreements and fall within the scope of IFRS 9.

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

(i)(a) Debt instruments

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

Classification of debt instruments depends on:

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

The business model informs how the Group manages the assets to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and the cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' and measured at FVPL.

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

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

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

(i)(b) **Equity instruments**

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

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

(i)(c) **Loan commitments**

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

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

(ii) **Fair value through other comprehensive income**

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

**Subsequent measurement**

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

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

The financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in the fair value are recorded in profit and loss. Interest earned on instruments designated at FVPL is accrued in interest income using the effective interest rate, taking into account any transaction costs being an integral part of the instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

**Impairment**

Impairments in terms of IFRS 9 are determined based on an ECL model. The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instrument assets carried at amortised cost and FVOCI, the exposure arising from loan commitments and lease receivables.

Under IFRS 9 loss allowances are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group is required to recognise an allowance for either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk ('SICR') since initial recognition. Indicators of SICR are when any of the following are met:

**Quantitative criteria:**

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

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

**Qualitative criteria and backstop:**

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

**Expected credit loss measurement**

The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, and
- The entities' best available forward-looking information.

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition. The assessment of the ECL of financial assets entails the estimation of the likelihood of defaults occurring and of default correlations between counterparties. The Group measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). Expected credit losses are the product of PD, EAD and LGD.

The assessment of SICR and the calculation of the ECL both incorporate forward-looking information. The Group obtains macroeconomic forecasts from external sources; these assumptions are reviewed on a quarterly basis.

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

Forward-looking information incorporated in the ECL model

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

	Base scenario	Bearish scenario	Bullish scenario
<b>Macroeconomic forecast</b>			
GDP – South Africa (next 12 months)	-9,0%	-9,3%	-8,7%
Weight (assumption)	60,0%	25,0%	15,0%

The Probability of Defaults (PD's) of the loans and receivables were adjusted to incorporate the above forward looking information (across scenarios and weights) in order to determine the impairment provision of R380,1 million. For critical judgements, assumptions and estimates made by management in calculating COVID-19 overlay adjustment, refer to note 1.16.1.

The sensitivity of the IFRS 9 provision against this forward-looking information, as at 31 March 2020 is as follows:

	IFRS9 ECL Provision	Change in IFRS9 ECL provision
	R000	%
ECL provision	380 082	
<b>ECL provision based on the different scenarios:</b>		
Bullish (GDP +1,0%)	378 388	-0,44%
Bearish (GDP -1,0%)	381 735	0,44%

Credit impaired financial assets

At each reporting date, the Group assess whether a financial asset carried at amortised cost and debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Quantitative criteria:

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

Qualitative criteria:

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

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

- legal judgements are issued against the client;
- the client has been placed under liquidation, judicial management, business rescue or has stopped trading;
- the ownership within the client's company changes;
- the client fails to comply with any of the terms and conditions, or acts in conflict with any of the provisions of the Loan, Shareholders or Royalty agreement; and
- the client has supplied false information or withheld material information from the Group.

The criteria above has been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

Modifications of loans

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

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

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

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

Modifications have been disclosed further in note 2.2.7.

**Derecognition other than on a modification**

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

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

**1.5.2 Financial liabilities - initial recognition**

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

**Initial classification and measurement of financial liabilities**

Financial liabilities in the Group relate to borrowings and accounts payables. Financial liabilities are classified and measured at amortised cost.

**(i) Borrowings**

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

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

**(ii) 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.

**Financial liabilities: recognition and measurement**

**Initial recognition and measurement**

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

**Subsequent measurement**

Borrowings are subsequently measured at amortised cost using the effective interest rate method.

**Derecognition**

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

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

**1.6 Revenue**

The Group has multiple revenue streams. The Group has concluded that it is the principal in its revenue arrangements as it controls the services before transferring to the client.

**Revenue from financing arrangements**

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

**(a) Interest income**

Interest income generated due to the long-term repayment terms afforded to borrowers on the loan facilities are fully outlined in IFRS 9 because the interest is an integral component of the effective interest rate of the loan. As a result, interest income falls outside the scope of IFRS 15. Interest income is recognised in profit and loss using the effective interest rate method, taking into account the expected timing and amount of cash flows.

**(b) Royalty fees**

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

**(c) Administration fees**

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a client.

If so, the revenue will be recognised only when the Group can:

- (1)

Identify the contract(s) with a client;
- (2)

Identify the performance obligation in the contract;
- (3)

Determine the transaction price;
- (4)

Allocate the transaction price to the performance obligations in the contract; and
- (5)

Recognise the revenue as and when the performance obligation is satisfied.

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

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

i) Fee revenue

Fee revenue is recognised as revenue from contracts with a client and charged to the client upon invoicing and once the efforts in fulfilling the service have been satisfied (at a point in time) and can be quantified. The service fee income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

ii) Property revenue

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

(a) Rental income

Rental income, although it is earned revenue from a contract with a client, falls under Lease accounting (under IFRS 16), and it is therefore specifically excluded from the scope of IFRS 15.

(b) Property expense recoveries

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

The Group engages service providers to provide these services in order to fulfil its duty towards the tenant in managing the operational activities. Subsequently, the Group will effect payments to the service providers and recover these costs from the tenant monthly. The Group has concluded that it is the principal in this revenue arrangement, refer to note 1.16 Critical accounting estimates and judgements.

These fees will be recognised as revenue when the performance obligation is satisfied.

iii) Property management and leasing services

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

Property management fees are earned on a monthly basis either as fixed fees or based on a proportion of the rental collections. The proportional income gives rise to variable consideration.

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

iv) Fund management

The nature of the service level agreements require the provision of fund management duties by the Group on behalf of external investors. The Group provides support services under the terms and conditions of the service level agreement per month. The duties include accounting, legal, information technology, administrative and oversight services (performance obligations) for an agreed fee.

The Group recognises and allocates the fund management fee at the end of each month on a straight-line basis as the related services can be measured and have been fulfilled.

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

Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income.

Other income

The surplus on the realisation of assets is recognised in profit and loss when the amount of revenue from the transaction can be measured reliably, it is probable that the economic benefits of the transaction will flow to the Group and costs associated with the transaction or service can be measured reliably.

1.7 Foreign currency activities

1.7.1 Functional and presentation currency

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

1.7.2 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 of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

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

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

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

1.7.3 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:

- assets, liabilities and equities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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
- 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 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 the 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.

1.8 Investment properties

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

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

The Group does not occupy investment properties. Owner-occupied offices are recognised as part of property and equipment.

1.9 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part of an asset is derecognised. All other repairs and maintenance are charged to profit and loss during the financial period in which it is incurred. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to the residual values over the estimated useful lives of the assets, as follows:

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

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

Land is not depreciated.

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

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

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

1.10 Employee benefits

1.10.1 Staff costs

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

1.10.2 Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is any pension plan that is not a defined contribution plan. It 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.

1.10.3 Post-retirement medical aid obligations

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

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

1.11 Assets held for resale

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as assets held

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

1.12 Accounts receivable

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

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

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

1.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and deposits held at call with banks. Money market assets form part of deposits and bank balances and are carried at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, current accounts, deposits held at call with banks and a bank overdraft.

1.14 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 based on 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 based on amounts expected to be paid to tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary differences can be utilised.

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 relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

1.15 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.

1.16 Critical accounting estimates and judgements

In March 2020, the World Health Organisation ('WHO') declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic. This pandemic, coupled with the ratings agencies' downgrades on the already recessionary economy, is expected to slow down the country's economic growth drastically. Negative growth of approximately 7 percent is forecasted for South Africa's gross domestic product and this is expected to have a significant overall negative impact on the Company's business in total. Management has assessed the effects of these events based on the latest available data and quantified the impact of the pandemic on business. In the process of applying the Group's accounting policies, COVID-19 significant judgement and estimates are disclosed below where applicable.

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

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

1.16.1 Impairment of loans and receivables

The Group applied the expected credit loss (ECL) model on all financial debt instruments that are classified at amortised cost as well as undrawn commitments. Impairments are measured as the difference between the cost (or amortised cost) of a particular asset and the current fair value or recoverable amount.

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

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

- determining criteria for significant increases in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios; and
- determination of appropriate parameters to adjust the calculation of the COVID-19 ECL management overlay.

The potential impact of COVID-19 was considered when determining the ECL provision as at 31 March 2020. The full impact that COVID-19 will have on the Group and Company, as well as the broader economy, is still unknown. To best estimate the impact of COVID-19 on the ECL provision the following considerations have been applied:

- (a) an increased probability of default of 15 percent on all exposures
- (b) an overall increase in the security values haircut percentage of 5 percent;
- (c) there is a correlation between the probability of default and the changes in gross domestic product
- (d) a significant portion of current stage 3 deals will be written off and the perfection of the related security will be severely impacted; and
- (e) identification of industries that will be negatively impacted and the appropriate relief measure for the industries.

1.       **Staging adjustment:**

A detailed analysis has been performed over each client to ascertain the potential impact of COVID-19 on the client's business. In performing this analysis, the industry in which the client operates as well as their potential to recover after the lockdown period was evaluated.

Where it was determined that COVID-19 will have a material impact on the client's business, the client was deemed to have an increase in credit risk and was moved to a higher credit risk stage.

2.       **PD adjustment**

To quantify the expected impact of COVID-19 on the PDs, a regression analysis was performed between historical default rates and GDP growth rates. The result of the regression analysis was then applied to the forecasted GDP growth rate at the time when the financial results were prepared to estimate the potential increase to PDs based on lower GDP forecasts.

3.       **LGD adjustment**

To quantify the expected impact of COVID-19 on the LGD, a formula for downturn LGD that has been prescribed by the Federal Reserve in the United States was used. Based on this prescribed formula the LGDs were adjusted accordingly for the downturn that COVID-19 will cause.

Management considered the information available as at 31 March 2020 and estimated a 3 percent increase in impairments inclusive of COVID-19 impact. The impairment amount increased by R83,6 million, increasing the total impairment percentage to 12,7 percent.

For additional disclosures on loans and receivables and related impairment amounts, refer to note 1.5.1 and note 5.

1.16.2   **Royalty agreements: future royalty fees**

Under IFRS 9 a financial asset can be classified as either under the amortised cost or fair value model. For a financial asset to be classified as amortised cost one of the criteria is that the cash flows should solely consist out of principal and interest.

IFRS 9 prescribes that if a cash flow is *de minimus*, it does not affect the overall classification of the instrument and therefore, it can be classified as amortised cost.

The royalty products that are part of the financing package that the Company provides to its clients have an additional royalty component that is linked to a certain variable. This variable causes uncertainty as to whether the product should be classified under the amortised cost or fair value model.

Management has therefore performed a detailed analysis of all historical royalties received and has determined that the additional royalty component is de minimus. Further, management has also estimated the fair value of the royalty product as a whole and determined that amortised cost equates to fair value.

As a result, the royalty product has been classified as a financial asset at amortised cost.

1.16.3   **Present value of defined benefit obligation**

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

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

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

1.16.4   **Present value of post-retirement medical aid obligation**

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

The Group determines the appropriate discount rate at the end of each year, which is based on the 11.9 year yield from the South African zero-coupon government bond yield curve. This is the interest rate used to determine the present value of estimated future cash outflows required to settle the post-retirement medical aid obligations. In the prior year, the rate of the R186 government bond was used.

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

1.16.5   **Valuation of investment properties**

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

In assessing the impact of COVID-19, the management overlay estimate applied when valuing investment properties considered the following sensitivities:

- income capitalisation rates applied to different investment property categories
- vacancy rates
- rental escalations
- control over non-regulated property expenses such as service fees
- appropriateness of COVID-19 relief measures afforded to tenants
- identification of essential and non-essential industries

1.16.6   **Principal versus agent considerations**

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

- the Group will engage service providers to provide these services to fulfil its duty towards the client. Subsequently, the Group will effect payments to the service providers and recover these costs from the client. In considering whether the Group is acting as a principal or agent, the following factors are relevant:
- the Group enters into a contract with a client before engaging the external service providers;
- the Group is primarily responsible for fulfilling the promise to provide the specified services to the client;
- the Group does not have a duty to obtain approval from the customer prior to engaging the external service provider;
- the Group is the counterparty to the service contract, rather than the client;
- the Group has the contractual right to direct how the external service provider provides the services and the Group also has the right to suspend the services; and
- as the Group delivers its services, the client simultaneously receives and consumes the benefits provided by the Group's performance. The Group performs its services over the life of the contract.

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

1.16.7 Income from associates

For those associates for which audited financial statements are not available, an estimation is made of the associated company's earnings. The Group determines the estimated value at the end of each year. The estimated value is based on historical data.

The estimation is based on the following key parameters:

- an investment should be older than 18 months;
- an investment should be classified as active (client is in good standing); and
- cumulative years not accounted for per investment is limited to three.

A number of significant judgements are also required in the calculation such as:

- the expected number of annual financial statements to be received in the subsequent year; and
- the average income attributable to the annual financial statements not yet available.

1.17 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 16 and note 25.

1.18 Provisions

The accounting policy for provisions is set out in accounting policy note 1.15. 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 a significant event occurring will be assessed by management and where applicable, in 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 time of the approval of the financial statements.

Additional information is disclosed in note 18.

1.19 Share capital and dividend distribution

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

Additional information is disclosed in note 14 and note 27.

1.20 Assets held for resale

Assets held for resale represents non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired. They are classified in the various asset categories based on their nature and the Group's intention in respect of recovery of these assets. The assets 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.

Additional information is disclosed in note 10.

2. Financial risk management

The Group's activities expose it to a variety of financial risks and the following section discusses the Group's risk management policies. The core activities require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The measurement of Expected Credit Losses ("ECL") under IFRS 9 uses the information and approaches that the Group applied in managing the credit risk. Certain adjustments are made in order to comply with the requirements of IFRS 9. The Group aims to is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The approach taken for IFRS 9 measurement purposes is discussed in 1.5.1.

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

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

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

2.1 Credit risk

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

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

2.1.1 Credit risk measurement

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

COVID-19's impact on the loan portfolio and sensitivities applied is disclosed 1.16.1 and 1.5.1.

2.1.2 Risk management process

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

Loans and receivables

The concentration of risk in the investment portfolio is decreased through industry diversification. There are more than 1 337 (2019: 1 455) investment projects in the portfolio which are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. No single investment represents more than 1,1 percent (2019: 1,1 percent) of the total investment portfolio, limiting the concentration of risk in single investments.

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

Collateral

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

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

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

The Group accepted mortgage bonds, notarial bonds and other types of collateral, at a value of R3 026,1 million (2019: R2 762, 3 million) as collateral for loans and receivables. The Group has the authority to cede or repledge this collateral.

COVID-19's impact on collateral is disclosed in note 1.16.1

Rental contracts

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

2.2 Credit risk exposure

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

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

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Interest-bearing loans	2 956 541	2 972 608	2 956 536	2 972 608
Shareholders' loans	165 528	154 011	165 528	154 011
Royalty agreements	109 114	110 835	109 114	110 835
Intercompany loans	-	-	568 800	435 665
Loan commitments	309 718	282 898	309 718	282 898
Cash and cash equivalents	106 525	48 258	82 832	30 871
	3 647 426	3 568 610	4 192 528	3 986 888
Trade and other receivables*	32 234	39 618	15 791	22 393
	3 679 660	3 608 228	4 208 319	4 009 281

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

2.2.2 Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

2020				
	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total
Loans and receivables				
• Interest-bearing loans	1 680 665	530 548	710 673	2 921 886
• Royalty agreements	64 945	20 558	58 482	143 985
• Shareholders' loans	132 767	13 771	18 774	165 312
Gross carrying amount	1 878 377	564 877	787 929	3 231 183
Provision for impairment*	(54 273)	(42 776)	(283 033)	(380 082)
Carrying amount	1 824 104	522 101	504 896	2 851 101
• Loan commitments	309 718	-	-	309 718
Total	2 133 822	522 101	504 896	3 160 819
2019				
	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total
Loans and receivables				
• Interest-bearing loans	1 890 938	527 029	573 313	2 991 280
• Royalty agreements	53 984	18 153	38 697	110 834
• Shareholders' loans	135 996	7 099	10 916	154 011
Gross carrying amount	2 080 918	552 281	622 926	3 256 125
Provision for impairment*	(54 759)	(15 915)	(225 824)	(296 498)
Carrying amount	2 026 159	536 366	397 102	2 959 627
Less: effective interest rate adjustment	(13 050)	(3 550)	(2 063)	(18 663)
	2 013 109	532 816	395 039	2 940 964
• Loan commitments	282 898	-	-	282 898
Total	2 296 007	532 816	395 039	3 223 862

\* Information on how the ECL is measured and how the three stages above are determined is included in note 1.5.1

2020				
	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total
Accounts receivables*			32 234	32 234
Provision for impairment			(4 726)	(4 726)
Carrying amount			27 508	27 508

2019				
	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total
Accounts receivables*			39 618	39 618
Provision for impairment			(570)	(570)
Carrying amount			39 048	39 048

\*These balances exclude prepaid insurance as it does not meet the definition of a financial asset.

2.2.3 Financial instruments not subject to ECL

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

Maximum credit risk exposure			
	2020 R000	2019 R000	
Investments at fair value through other comprehensive income	82 745	75 363	
Listed shares	272	323	
	83 017	75 686	

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

GROUP				COMPANY			
	2020 R000	2019 R000		2020 R000	2019 R000		
Industry sector exposure							
Construction	241 755	168 310		241 755	168 310		
Financial intermediation	819 829	731 228		819 829	731 228		
Fishing	1 206	23 968		1 206	23 968		
Horticulture, animal farming and forestry	36 158	41 867		36 158	41 867		
Leisure	90 480	95 153		90 480	95 153		
Manufacturing	763 036	815 320		763 035	815 321		
Motor trade	163 889	190 073		163 889	190 073		
Personal services	367 752	388 334		367 752	388 336		
Quarrying	24 898	24 575		24 898	24 575		
Retail	215 789	265 540		215 785	265 531		
Transport and communication	201 239	192 024		201 239	192 024		
Travel and tourism	209 573	229 288		209 573	229 288		
Wholesale	95 579	90 445		95 579	90 445		
	3 231 183	3 256 125		3 231 178	3 256 119		

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<strong>Geographical exposure</strong>				
Eastern Cape	253 165	294 139	253 165	294 139
Free State	100 828	110 147	100 827	110 147
Gauteng	1 018 963	1 008 636	1 018 958	1 008 630
KwaZulu-Natal	734 524	744 141	734 525	744 141
Limpopo	56 220	60 590	56 220	60 590
Mpumalanga	73 017	65 009	73 017	65 009
North West	78 624	72 219	78 624	72 219
Northern Cape	76 044	87 360	76 044	87 360
Western Cape	839 798	813 884	839 798	813 884
	<strong>3 231 183</strong>	<strong>3 256 125</strong>	<strong>3 231 178</strong>	<strong>3 256 119</strong>
<strong>Product type exposure</strong>				
Equity Investments	25 446	30 301	25 445	30 301
Term Finance with Shareholding	29 592	36 349	29 592	36 349
Property Finance with Shareholding	949 268	1 018 557	949 268	1 018 562
Property Finance with Equity Participation	260 325	213 228	260 325	213 228
Term Finance with a Royalty and Shareholding	1 129 782	305	1 129 778	305
Term Finance with a Royalty	396 124	1 096 474	396 124	1 096 463
Term Finance	61	365 491	61	365 491
Property Finance with a Royalty	440 585	495 420	440 585	495 420
	<strong>3 231 183</strong>	<strong>3 256 125</strong>	<strong>3 231 178</strong>	<strong>3 256 119</strong>

2.2.4 Collateral and other credit enhancements

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

The Group prepares a valuation of the collateral obtained as part of the loan origination process based on valuation methodologies appropriate for the specific type of collateral. When a client has been classified as within legal control, refer to note 1.5.1, the collateral in place over the deal will be revalued internally at the start of the legal control process and then subsequently every six months.

- The principal collateral types for loans and advances are:
- Mortgages over commercial and residential properties;
  - Other assets of the business (i.e. motor vehicles, office furniture, machinery, investments).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

2.2.5 Loss allowance

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

- transfers between Stage 1 and Stages 2 or 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL.
- additional allowances for new financial instruments recognised during the period.
- impact on the measurement of ECL due to changes in PD's, EAD's and LGD's in the period, arising from refreshing inputs to the model.
- discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- financial assets derecognised during the period and write-offs of allowance related to assets that were written off during the period (refer to note 2.2.6).

The following table further explains the transfers between the stages of the gross carrying amount:

GROUP	Stage 1	Stage 2	Stage 3	Total
	12- month ECL R000	Lifetime ECL R000	Lifetime ECL R000	R000
<strong>Gross carrying amount as at 01 April 2019</strong>	2 019 928	579 925	656 273	3 256 126
Existing loan transfers between stages	(305 752)	(58 069)	363 821	-
Transfer (to)/from stage 1	-	146 260	159 492	305 752
Transfer (to)/from stage 2	(146 260)	-	204 329	58 069
Transfer (to)/from stage 3	(159 492)	(204 329)	-	(363 821)
ECL raised on existing loans	(7 373)	(30 031)	(81 807)	(119 211)
New loan agreements originated	264 145	94 241	2 215	360 601
Write-offs	(92 569)	(21 191)	(152 573)	(266 333)
<strong>Gross carrying amount as at 31 March 2020</strong>	<strong>1 878 379</strong>	<strong>564 875</strong>	<strong>787 929</strong>	<strong>3 231 183</strong>
<strong>Gross carrying amount as at 01 April 2018</strong>	2 334 763	419 938	628 386	3 383 087
Existing loan transfers between stages	(394 728)	143 689	251 039	-
Transfer (to)/from stage 1	-	215 309	179 419	394 728
Transfer (to)/from stage 2	(215 309)	-	71 620	(143 689)
Transfer (to)/from stage 3	(179 419)	(71 620)	-	(251 039)
ECL raised on existing loans	(175 322)	(27 530)	(69 374)	(272 226)
New loan agreements originated	358 065	62 017	15 794	435 876
Write-offs	(102 850)	(18 189)	(169 572)	(290 611)
<strong>Gross carrying amount as at 31 March 2019</strong>	<strong>2 019 928</strong>	<strong>579 925</strong>	<strong>656 273</strong>	<strong>3 256 126</strong>

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for the year ended 31 March 2020

The following table explains the movement between the stages from the beginning to the end of the reporting period:

GROUP	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total R000
<b>Interest-bearing loans</b>				
<b>Loss allowance as at 01 April 2019</b>	50 974	14 786	185 532	251 292
Existing loan transfers between stages	(9 641)	1 080	8 561	-
Transfer (to)/from stage 1	-	4 148	5 493	9 641
Transfer (to)/from stage 2	(4 148)	-	3 068	(1 080)
Transfer (to)/from stage 3	(5 493)	(3 068)	-	(8 561)
ECL raised on existing loans	(4 531)	17 190	91 800	104 459
New loan agreements originated	16 869	8 213	890	25 976
Written off	(3 476)	(1 196)	(44 676)	(49 348)
<b>Loss allowance as at 31 March 2020</b>	<b>50 195</b>	<b>40 073</b>	<b>242 107</b>	<b>332 379</b>
<b>Loss allowance as at 01 April 2018</b>				
Existing loan transfers between stages	(8 634)	10 332	(1 698)	-
Transfer (to)/from stage 1	-	8 074	560	8 634
Transfer (to)/from stage 2	(8 074)	-	(2 258)	(10 332)
Transfer (to)/from stage 3	(560)	2 258	-	1 698
ECL raised on existing loans	(10 402)	(8 224)	51 137	32 511
New loan agreements originated	13 198	1 041	4 347	18 586
Written off	(3 226)	(1 546)	(60 282)	(65 054)
<b>Loss allowance as at 31 March 2019</b>	<b>50 974</b>	<b>14 786</b>	<b>185 532</b>	<b>251 292</b>
<b>Shareholders' loans</b>				
<b>Loss allowance as at 01 April 2019</b>	1 400	62	9 846	11 308
Existing loan transfers between stages	(315)	(7)	322	-
Transfer (to)/from stage 1	-	18	297	315
Transfer (to)/from stage 2	(18)	-	25	7
Transfer (to)/from stage 3	(297)	(25)	-	(322)
ECL raised on existing loans	382	226	5 054	5 662
New loan agreements originated	449	-	-	449
Written off	(63)	-	(2 308)	(2 371)
<b>Loss allowance as at 31 March 2020</b>	<b>1 853</b>	<b>281</b>	<b>12 914</b>	<b>15 048</b>
<b>Loss allowance as at 01 April 2018</b>				
Existing loan transfers between stages	(5)	(32)	37	-
Transfer (to)/from stage 1	-	(8)	13	5
Transfer (to)/from stage 2	8	-	24	32
Transfer (to)/from stage 3	(13)	(24)	-	(37)
ECL raised on existing loans	(874)	(73)	3 964	3 017
New loan agreements originated	116	-	-	116
Written off	(41)	-	(2 444)	(2 485)
<b>Loss allowance as at 31 March 2019</b>	<b>1 400</b>	<b>62</b>	<b>9 846</b>	<b>11 308</b>

GROUP	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total R000
<b>Royalty agreements</b>				
<b>Loss allowance as at 01 April 2019</b>	2 387	1 066	30 445	33 898
Existing loan transfers between stages	(423)	(206)	629	-
Transfer (to)/from stage 1	-	123	300	423
Transfer (to)/from stage 2	(123)	-	329	206
Transfer (to)/from stage 3	(300)	(329)	-	(629)
ECL raised on existing loans	240	1 480	14 811	16 531
New loan agreements originated	110	145	17	272
Written off	(89)	(63)	(17 890)	(18 042)
<b>Loss allowance as at 31 March 2020</b>	<b>2 225</b>	<b>2 422</b>	<b>28 012</b>	<b>32 659</b>
<b>Total loss allowance</b>	<b>54 273</b>	<b>42 776</b>	<b>283 033</b>	<b>380 082</b>
<b>Loss allowance as at 01 April 2018</b>				
Existing loan transfers between stages	(379)	1 228	(849)	-
Transfer (to)/from stage 1	-	196	183	379
Transfer (to)/from stage 2	(196)	-	(1 032)	(1 228)
Transfer (to)/from stage 3	(183)	1 032	-	849
ECL raised on existing loans	(593)	(984)	8 374	6 797
New loan agreements originated	97	21	51	169
Written off	(117)	(104)	(6 035)	43 891
<b>Loss allowance as at 31 March 2019</b>	<b>2 387</b>	<b>1 066</b>	<b>30 445</b>	<b>33 898</b>
<b>Total loss allowance</b>	<b>54 761</b>	<b>15 914</b>	<b>225 823</b>	<b>296 498</b>

## 2.2.6 Write-off policy

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

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

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

The Group may write-off financial assets which are still subject to enforcement activities. The outstanding contractual amounts of such assets written off during the year ended 31 March 2020 was R102,1 million.

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

2.2.7 Modification of financial assets

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

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

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

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

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

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

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

	GROUP		COMPANY	
	Continue to be impaired R000	No longer impaired R000	Continue to be impaired R000	No longer impaired R000
At 31 March 2020				
Interest bearing loans	6 864	-	6 864	-
At 31 March 2019				
Interest bearing loans	7 710	-	7 710	-

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000

2.3 Credit quality of loans and receivables

The credit quality of loans and receivables is as follows:

Stage 1	1 878 377	2 062 255	1 878 377	2 062 247
Stage 2	564 876	552 281	564 876	552 281
Stage 3	787 930	622 926	787 924	622 926
Gross	3 231 183	3 237 462	3 231 177	3 237 454
Less: allowance for impairment in stages	(380 082)	(296 498)	(380 079)	(296 490)
Stage 1	(54 275)	(54 759)	(54 275)	(54 759)
Stage 2	(42 772)	(15 915)	(42 772)	(15 915)
Stage 3	(283 035)	(225 824)	(283 032)	(225 816)
	2 851 101	2 940 964	2 851 098	2 940 964
Fair value of collateral – loans and receivables	3 026 105	2 672 345	3 026 105	2 672 345

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

During the year, interest on stage 3 loans has been derecognised against credit losses amounting to R16,3 million (2019: R 26,2 million).

Of all the inputs included in the ECL model, the most sensitive input is the haircut on the security value. If the haircut increases by 10 percent, the impairment value will increase from a base of R380,1 million to R446,5 million and if the haircut decreases by 10 percent, the impairment will decrease to R349,3 million.

For additional disclosures on loans and receivables and related impairment amounts, refer to note 1.5.1, note 1.16.1 and note 5.

Collateral taken

During the year, collateral of R3,2 million (2019: R5,3 million) was taken and recognised under assets held for resale. The derecognised value of these loans amounted to R nil (2019: R6,25 million).

2.3.1 Credit quality of other financial assets

Rent debtors are impaired using the IFRS 9 simplified approach where debtors are impaired based on historical credit losses patterns based on the relevant debtors aging category. The provision for doubtful rent debtors' amounts to R4,7 million (2019: R0,6 million).

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

2.3.2 Market risk

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

2.3.3 Interest rate risk

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

If the prime rate was 100 basis points higher during the year, the Group's profit before tax would have been R96,2 million (2019: R308,2 million). Alternatively, if the prime rate was 100 basis points lower, the Group's profit before tax would have been R63,3 million (2019: R266,1 million).

The table below presents all assets and liabilities that are subject to an interest rate risk.

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<strong>Assets</strong>				
Loans and receivables	2 851 101	2 940 964	2 851 098	2 940 964
Cash and cash equivalents	363 885	43 891	340 193	31 567
	<strong>3 214 986</strong>	<strong>2 984 855</strong>	<strong>3 191 291</strong>	<strong>2 972 531</strong>
<strong>Liabilities</strong>				
Borrowings	1 653 794	1 230 297	1 653 794	1 230 297

Risk management process

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

2.3.4 Liquidity risk

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

Risk management process

Monitoring and reporting 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 advances, capital expenditure projects, salaries, dividend payments, debt repayments and income tax payments.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	R000	R000	R000	R000	R000
<strong>31 March 2020</strong>					
Borrowings	338 457	456 215	678 825	112 954	1 586 451
Accounts payable	80 054				80 054
Provisions	46 460				46 460
Shareholders for dividend	2 415				2 415
Lease liabilities	7 220	13 099	1 954		22 273
Bank overdraft	-	-	-	-	-
	<strong>474 606</strong>	<strong>469 314</strong>	<strong>680 779</strong>	<strong>112 954</strong>	<strong>1 737 653</strong>
<strong>31 March 2019</strong>					
Borrowings	188 304	309 860	536 619	242 958	1 277 741
Accounts payable	77 060				77 060
Provisions	46 604				46 604
Shareholders for dividend	1 925				1 925
Bank overdraft	1 266				1 266
	<strong>315 158</strong>	<strong>309 860</strong>	<strong>536 619</strong>	<strong>242 958</strong>	<strong>1 404 595</strong>

2.4 Fair values of assets and liabilities

The carrying amount of financial assets and liabilities is fair and where required, adequate provision was made for any potential impairments to the carrying value. The fair values have been determined using available information and are indicative of the amounts the Group should realise in the normal course of business.

Fair values are determined as follows:

(a) Loans and receivables

The fair value of the investment is initially calculated with reference to market related interest rates. Risk-based investments in SMEs are priced relative to market rates and the rates of return on these investments are used to determine the fair value of the future cash flows resulting from the investment.

2.4.1 Financial assets and liabilities not held at fair value

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

	Carrying Value	Fair Value	Level 1	Level 2	Level 3	Total balance
	R000	R000	R000	R000	R000	R000
<b>31 March 2020</b>						
<b>Financial assets</b>						
Loans and receivables	2 851 101	2 851 101	-	-	2 851 101	2 851 101
Accounts receivable*	32 234	-	-	-	32 234	32 234
Cash and cash equivalents	302 750	302 750		302 750	-	302 750
	<b>3 186 085</b>	<b>3 153 851</b>	<b>-</b>	<b>302 750</b>	<b>2 883 335</b>	<b>3 186 085</b>
<b>Financial liabilities</b>						
Borrowings	1 653 794	1 653 794	-	1 653 794	-	1 653 794
Bank overdraft	-	-	-	-	-	-
Accounts payable**	63 656	63 656	-	-	63 656	63 656
	<b>1 717 450</b>	<b>1 717 450</b>	<b>-</b>	<b>1 653 794</b>	<b>63 656</b>	<b>1 717 450</b>
<b>31 March 2019</b>						
<b>Financial liabilities</b>						
Loans and receivables	2 940 964	2 940 964	-	-	2 959 627	2 959 627
Accounts receivable*	39 618	39 618	-	-	39 618	39 618
Cash and cash equivalents	18 913	18 913	-	18 913	-	18 913
	<b>2 999 495</b>	<b>2 999 495</b>	<b>-</b>	<b>18 913</b>	<b>2 999 245</b>	<b>3 018 158</b>
<b>Financial liabilities</b>						
Borrowings	1 230 297	1 230 297	-	1 230 297	-	1 230 297
Bank overdraft	1 266	1 266	-	1 266	-	1 266
Accounts payable**	66 940	66 940	-	-	66 940	66 940
	<b>1 298 502</b>	<b>1 298 502</b>	<b>-</b>	<b>1 231 563</b>	<b>66 940</b>	<b>1 298 502</b>

\*The accounts receivables balance excludes the prepaid expenses as these are not financial instruments as defined.  
\*\*Trade and other payables exclude VAT and prepaid income as they do not meet the definition of financial liabilities.

Valuation methodology – non-fair value items

The fair value is the price that would be received when an asset is sold 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 to determine the disclosed fair values for such financial assets and financial liabilities that are not carried at fair value.

Financial assets and liabilities

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

Measurement of financial assets and liabilities at Level 2

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

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

Measurement of financial assets and liabilities at Level 3

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

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

2.4.2 Assets and liabilities held at fair value

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

	Level 1	Level 2	Level 3	Total
GROUP	R000	R000	R000	R000
<b>31 March 2020</b>				
Investment properties	-	-	1 648 526	1 648 526
Listed securities	272	-	-	272
Unlisted shares	-	-	82 745	82 745
Call account	257 360	-	-	257 360
	<b>257 632</b>	<b>-</b>	<b>1 731 271</b>	<b>1 988 903</b>
<b>31 March 2019</b>				
Investment properties	-	-	1 519 679	1 519 679
Listed securities	323	-	-	323
Unlisted shares	-	-	75 363	75 363
Call account	29 345	-	-	29 345
	<b>29 668</b>	<b>-</b>	<b>1 595 042</b>	<b>1 624 710</b>

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## 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 possible alternative values could impact the fair value of the assets.

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

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

The sensitivity analysis applied to the unobservable inputs in the fair value model of unlisted shares is set out in note 8.

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

## 2.5 Financial instruments by category

	Fair value	Amortised cost	Total
	R000	R000	R000
<b>31 March 2020</b>			
<b>Assets per statement of financial position</b>			
Investments at fair value through other comprehensive income	83 017		83 017
Loans and receivables		2 851 101	2 851 101
Accounts receivable*		32 234	32 234
Bank balances at amortised cost		106 525	106 525
Bank balances at fair value through profit and loss	257 360		257 360
	<b>340 377</b>	<b>2 989 860</b>	<b>3 330 237</b>
<b>Liabilities per statement of financial position</b>			
Cash and cash equivalents (bank overdraft)			
Borrowings		1 653 794	1 653 794
Accounts payable**		63 656	63 656
		<b>1 717 450</b>	<b>1 717 450</b>
<b>31 March 2019</b>			
<b>Assets per statement of financial position</b>			
Unlisted shares	75 686		75 686
Loans and receivables		2 940 964	2 940 964
Accounts receivable*		39 618	39 618
Bank balances at amortised cost		18 913	18 913
Bank balances at fair value through profit and loss	29 345	-	29 345
	<b>105 031</b>	<b>2 999 495</b>	<b>3 104 526</b>
<b>Liabilities per statement of financial position</b>			
Cash and cash equivalents (bank overdraft)		1 266	1 266
Borrowings		1 230 297	1 230 297
Accounts payable**		66 940	66 940
		<b>1 298 502</b>	<b>1 298 502</b>

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

\*\*Trade and other payables excludes VAT and prepaid income as they do not meet the definition of financial liabilities.

## 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.

Capital adequacy and the use of capital are monitored by the Group's management.

The table below summarises the composition of capital:

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Share capital	173 001	173 001	173 001	173 001
Fair value and other reserves	65 184	83 362	58 902	77 311
Retained earnings	3 255 561	3 242 304	2 862 352	2 864 897
<b>Total capital</b>	<b>3 493 746</b>	<b>3 498 667</b>	<b>3 094 255</b>	<b>3 115 209</b>

## 3. Investment properties

Fair value — beginning of the year	1 519 679	1 478 948	897 081	853 496
Acquisitions	119 895	31 652	5 745	-
First time consolidated investment properties	73 951	-	-	-
Improvements	6 926	5 345	2 217	1 853
Disposals	(7 410)	(20 520)	(7 410)	(20 520)
Fair value adjustment	(63 073)	24 372	(31 101)	62 370
Depreciation on leasehold property	-	(118)	-	(118)
Transfer to property, plant and equipment	(1 442)	-	(1 443)	-
<b>Fair value — end of the year</b>	<b>1 648 526</b>	<b>1 519 679</b>	<b>865 089</b>	<b>897 081</b>

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

- capitalisation rates varied between 9,4 and 13,7 percent (2019: 8,7 and 13 percent);
- vacancy factors varied between 1,0 and 10,0 percent (2019: 1,0 and 10,0 percent);
- property expenses varied between 10.4 and 39.3 percent of total rent and recoveries (2019: 13,7 and 38,2 percent).

All investment properties generated rental income during the financial year.

The impact of COVID-19 resulted in a decrease in the fair value of investment properties of R50,3 million. In assessing the impact of COVID-19, management assumed a zero percent increase in rental income for the next 12 months, a 1 percent increase in vacancy rate to 4,3 percent and decreased the Group's cash flows by the

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COVID-19 rental relief discounts afforded to tenants. The capitalisation in fair valuing the investment properties adjusted upwards by 65 basis points, increased the discount rate to 10,65 percent on average.

If the capitalisation rate was on average one percent higher for the portfolio, the Group's profit before tax would have been a loss of R31,4 million (2019: R167,5 million). Conversely, if the capitalisation rate was on average one percent lower for the portfolio, the Group's profit before tax would have been R213,1 million (2019: R456,7 million).

The Group has not classified nor accounted for properties subject to an operating lease as an investment property. As at 31 March 2020, the Group was committed to investing in properties to the value of R20, 6 million.

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

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<ul style="list-style-type: none"> <li>Rental income</li> <li>Repairs and maintenance expenses</li> <li>Other operating expenses</li> </ul>	217 152	200 826	116 795	117 871
	13 673	16 582	8 646	9 960
	120 774	108 225	69 843	64 038

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

## 4 Other Investments

Fair value through other comprehensive income financial assets

83 017	75 686	83 013	75 682
<b>Carrying value of other investments</b>	<b>83 017</b>	<b>83 013</b>	<b>75 682</b>

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

Fair value — beginning of the year	75 686	56 967	75 682	56 963
Disposals	(52)	(8)	(51)	(7)
Acquisitions	4 167	21 582	4 166	21 581
Fair value surplus/(deficit) transferred to equity	3 216	(2 855)	3 216	(2 855)
<b>Fair value — end of the year</b>	<b>83 017</b>	<b>75 686</b>	<b>83 013</b>	<b>75 682</b>

Fair value through OCI financial assets includes:

Listed securities	272	323	272	322
Unlisted securities	82 745	75 363	82 741	75 358
	<b>83 017</b>	<b>75 686</b>	<b>83 013</b>	<b>75 682</b>

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

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Gross loans and receivables	3 248 198	3 256 125	3 248 192	3 256 117
Less: effective interest rate (EIR) adjustment	(17 015)	(18 663)	(17 015)	(18 663)
Loans and receivables net of EIR adjustment	3 231 183	3 237 462	3 231 177	3 237 454
Less: Allowance for impairment	(380 082)	(296 498)	(380 079)	(296 490)
Stage 1	(54 275)	(54 759)	(54 275)	(54 759)
Stage 2	(42 772)	(15 915)	(42 772)	(15 915)
Stage 3	(283 035)	(225 824)	(283 032)	(225 816)
<b>Carrying value of loans and receivables</b>	<b>2 851 101</b>	<b>2 940 964</b>	<b>2 851 098</b>	<b>2 940 964</b>
Long-term portion	2 257 745	2 496 989	2 258 012	2 497 347
Short-term portion	593 356	443 975	593 086	443 617
	<b>2 851 101</b>	<b>2 940 964</b>	<b>2 851 098</b>	<b>2 940 964</b>

## 5. Loans and receivables

### 5.1 Loans and receivables by loan type

#### 5.1.1 Interest-bearing loans

These loans are secured and are priced at market rates representative of the risk of the investment and the quality and extent of the collateral pledged. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity that vary between 5,75 and 19,15 percent (2019: 7,25 and 20,75 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	2 956 541	2 972 616	2 956 536	2 972 608
Less: allowance for impairment	(332 379)	(262 472)	(332 376)	(262 464)
Stage 1	(50 199)	(51 258)	(50 198)	(51 258)
Stage 2	(40 073)	(14 957)	(40 072)	(14 957)
Stage 3	(242 107)	(196 257)	(242 106)	(196 249)
	<b>2 624 162</b>	<b>2 710 144</b>	<b>2 624 160</b>	<b>2 710 144</b>

#### 5.1.2 Shareholders' loans

These loans are unsecured, and are priced at interest rates between zero and 8,75 percent (2019: zero and 10,25 percent) per annum. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity equal to the prime rate at the date of approval of the loan. Fair value at initial recognition is determined with reference to the prime rate. Should the repayment terms of the loan be indeterminable the loan is recognised at cost. The amortised cost of the shareholders' loans approximates fair value.

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Gross shareholders' loans	165 528	154 011	165 528	154 011
Less: allowance for impairment	(15 048)	(11 307)	(15 048)	(11 307)
Stage 1	(1 853)	(1 400)	(1 853)	(1 400)
Stage 2	(281)	(61)	(280)	(61)
Stage 3	(12 914)	(9 846)	(12 915)	(9 846)
	150 480	142 704	150 480	142 704

5.1.3 Royalty agreements

The cash flows expected from royalty agreements are determined by adjusting the contracted royalty payments with a risk factor. The expected future royalty payments are initially measured at fair value and then measured at amortised cost by applying a discount rate equal to the expected return from the investment linked to the royalty agreement. The rates vary between 2,55 and 26,15 percent (2019: 2,19 and 27,07 percent). The amortised cost of royalty agreements approximates fair value.

Royalty agreements	109 114	110 835	109 114	110 835
Less: allowance for impairment	(32 655)	(22 719)	(32 657)	(22 719)
Stage 1	(2 225)	(2 102)	(2 224)	(2 102)
Stage 2	(2 418)	(896)	(2 421)	(896)
Stage 3	(28 012)	(19 721)	(28 012)	(19 721)
	76 459	88 116	76 457	88 116
Gross loans and receivables	3 231 183	3 237 462	3 231 178	3 237 454
Less: Allowance for impairment	(380 082)	(296 498)	(380 080)	(296 490)
<b>Total for loans and receivables</b>	<b>2 851 101</b>	<b>2 940 964</b>	<b>2 851 098</b>	<b>2 940 964</b>

The Group accepted mortgage bonds, notarial bonds and other types of collateral, at a value of R3 026,1 million (2019: R2 672,3 million) as collateral for interest-bearing loans. The Group has the authority to cede or repledge this collateral.

For the impact of COVID-19 on the loans and receivables balance, refer to note 1.16.1.

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 R1 billion (refer note 15.1 for detail on Borrowings).

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 R1,7 million before tax (2019: profit of R2,6 million). A register containing details of all listed, unlisted and other investments is available at the registered office.

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Unlisted shares at cost	1 462	1 466	1 462	1 466
Share of retained earnings	88 987	110 897	-	-
<b>Total for unlisted associates</b>	<b>90 449</b>	<b>112 363</b>	<b>1 462</b>	<b>1 466</b>
Fair value of investment in associates	289 139	261 878	289 139	261 878

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

The impact of COVID-19 was not taken into consideration when calculating the current year fair value of investments in associates.

The movement in investments in associates is as follows:

Balance – beginning of the year	112 363	123 267	1 466	919
Share of results before tax (Refer note 21)	16 339	33 851		
Share of tax	(3 286)	(4 791)		
Other movements (net of acquisitions and disposals)	(34 967)	(39 965)	(4)	547
<b>Balance – end of the year</b>	<b>90 449</b>	<b>112 363</b>	<b>1 462</b>	<b>1 466</b>

The Group has investments in 375 associates (2019: 396), a list of which is available at the Company's registered office for inspection. The detail of the Groups' investment in associates, principally their assets, liabilities, revenues, profits or losses and the percentage held, is not disclosed as these investments are not individually material to the results of the Group.

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

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for the year ended 31 March 2020

## 7. Property, equipment and right-of-use asset

### 7.1 Equipment

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Cost – beginning of the year	33 349	30 898	32 032	29 747
Acquisitions	7 372	2 879	1 888	2 713
Transfers from investment property	5 691	-	5 691	-
Disposals	(1 239)	(428)	(818)	(428)
Cost – end of year	45 173	33 349	38 793	32 032
Accumulated depreciation – beginning of the year	(29 129)	(27 667)	(28 083)	(26 783)
Depreciation charged	(2 675)	(1 836)	(2 619)	(1 696)
Exchange differences	(115)	(22)	-	-
Depreciation on disposals	1 166	396	806	396
Transfers from investment property	(2 055)	-	(2 055)	-
Accumulated depreciation – end of year	(32 808)	(29 129)	(31 951)	(28 083)
<b>Closing net carrying value</b>	<b>12 365</b>	<b>4 220</b>	<b>6 842</b>	<b>3 949</b>

### 7.2 Land and buildings

Cost – beginning of the year	105 934	105 934	-	-
Additions	-	-	-	-
Improvements	-	-	-	-
Disposals	-	-	-	-
Cost – end of the year	105 934	105 934	-	-
Accumulated depreciation – beginning of the year	(13 071)	(11 854)	-	-
Depreciation charged	(1 218)	(1 217)	-	-
Accumulated depreciation – end of the year	(14 289)	(13 071)	-	-
<b>Closing net carrying value</b>	<b>91 645</b>	<b>92 863</b>	<b>-</b>	<b>-</b>

Included in land and buildings are owner occupied properties at a carrying amount of R91,6 million (2019: R92,9 million).

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

### 7.3 Right-of-use asset

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Cost – beginning of the year	-	-	-	-
Additions	25 512	-	76 113	-
Improvements	-	-	-	-
Exchange differences	433	-	-	-
Disposals	(806)	-	(806)	-
Cost – end of year	25 139	-	75 307	-
Accumulated depreciation – beginning of the year	-	-	-	-
Depreciation charged	(6 617)	-	(14 736)	-
Depreciation on disposals	(85)	-	-	-
Accumulated depreciation – end of year	(6 702)	-	(14 736)	-
Closing net carrying value	<b>18 437</b>	-	<b>60 571</b>	-
<b>Total net carrying value for property, equipment and right-of-use asset</b>	<b>122 447</b>	<b>97 083</b>	<b>67 413</b>	<b>3 949</b>

## 8. Investments in subsidiaries and loans

### 8.1 Investments in subsidiaries

Unlisted shares at cost	10	8
	<b>10</b>	<b>8</b>

### 8.2 Loans to/(from) subsidiaries

<b>Loans to subsidiaries</b>		
Interest free loans	547 407	411 341
Interest-bearing loans	21 393	24 324
	568 800	435 665
<b>Loans from subsidiaries</b>		
Interest free loans	(19 122)	(15 769)
	<b>549 678</b>	<b>419 896</b>

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 less one percent.

	COMPANY	
	2020 R000	2019 R000
The Company's interest in the aggregate net profits and losses of subsidiaries are:		
Profits	19 246	25 882
Losses	(7 648)	(2 812)

The details of the subsidiaries are disclosed in note 32.

8.3 Unconsolidated structured entities

The Group is involved in unconsolidated structured entities through a 6,67 percent (2019: 6,67 percent) interest held by Business Partners Ltd ('BPL') in Business Partners International Southern Africa Fund LLC ('SAF') and a 16,8 percent (2019: 16,8 percent) interest held by BPL in Business Partners International East Africa Fund LLC ('EAF').

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

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

A fair value loss of R3,2 million (2019: R2,9 million loss) is included as 'Fair value adjustment on financial assets held at fair value through other comprehensive income' in the statement of comprehensive income being the change in fair value of BPL's interest in SAF and EAF.

The Group has committed to invest USD 2,0 million during the investment period of the SAF. The disinvestment/ investment by the Group in the SAF during the year ended 31 March 2020 was USD259 025 or R3.8 million (2019: USD174 162 or R2.5 million). The total investment by the Group in the SAF as at the year ended is USD1.3 million or R16.47 million (2019: USD1.6 million or R20.4 million).

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

		EFFECT ON THE CARRYING AMOUNT (R'000)			
		Southern Africa Fund		East Africa Fund	
		2020	2019	2020	2019
Movement in foreign exchange rate by 1 USD/ZAR	Increase	746	1 241	4 296	3 965
	Decrease	(746)	(1 241)	(4 296)	(3 965)
Movement in net asset value by 10%	Increase	1 829	1 299	7 617	4 860
	Decrease	(1 829)	(1 299)	(7 617)	(4 860)

9. Post-employment benefits

9.1.1 Defined contribution pension fund

The Group pays fixed contributions into a separate trustee-administered fund in terms of the defined contribution plan. The Group has no legal or constructive obligation to pay additional contributions to the fund apart from those contributions that are contractual between the employer and employee. Should the fund not hold sufficient assets to pay employee benefits, no liability to make any additional contribution can or will accrue to the Group. The amounts included in the statement of comprehensive income under staff costs for the defined contribution fund are R10,5 million (2019: R10,1 million).

9.1.2 Defined benefit pension fund

The Group operates a defined benefit pension fund for the benefit of pensioners providing a guaranteed level of pension payable. The fund is closed to new members and has no active members. At year-end, there were 81 (2019: 84) members benefiting from the fund. The benefits provided are based on years of service and remuneration level at retirement. Responsibility for the governance of the fund is vested in the board of trustees and is regulated as described below.

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

The past service obligation as at 31 March 2020 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 2019 and confirmed that the fund was in a sound financial position. The funding level, in terms of the market value of the plan assets and this valuation basis and assumptions, was 318 percent (2019: 318 percent).

The Pension Funds Second Amendment Act of 2001 ("the PF Act") regulates 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 decrease in the value of the surplus of R23,7 million (2019: increase of R13,2 million) is accounted for in the statement of comprehensive income.

The PF Act requires that a fund establish contingency reserves to ensure the financial soundness of the fund. The contingency reserves consist of a Data Reserve and a Solvency Reserve amounting to R1,4 million (2019: R1,6 million) and R7,6 million (2019: R11,2 million) respectively.

	GROUP & COMPANY	
	2020 R000	2019 R000
<b>9.1.3 Amount recognised in the statement of financial position</b>		
Market value of assets	239 233	273 648
Present value of defined benefit obligation	(75 332)	(86 068)
<b>Defined benefit pension fund surplus</b>	<b>163 901</b>	<b>187 580</b>
<b>9.1.4 Defined benefit plan reconciliations</b>		
<b>Reconciliation of the net surplus</b>		
Defined benefit pension fund surplus — beginning of the year	187 580	174 345
Movement in obligation	2 160	730
Growth in plan assets	(25 115)	13 168
Expenses and tax paid	(724)	(663)
<b>Defined benefit pensions fund surplus — end of the year</b>	<b>163 901</b>	<b>187 580</b>
<b>Reconciliation of the movement in the defined benefit obligation</b>		
Defined benefit obligation — beginning of the year	86 068	95 440
Interest expense	8 090	8 112
Benefits paid	(8 576)	(8 642)
	85 582	94 910
Remeasurements	(10 250)	(8 842)
Change in actuarial assumptions — (gain) / loss	(9 150)	(7 866)
Experience adjustments — (gain) / loss	(1 100)	(976)
<b>Defined benefit obligation — end of the year</b>	<b>75 332</b>	<b>86 068</b>
<b>Reconciliation of the movement in the plan assets</b>		
Market value of assets — beginning of the year	273 648	269 785
Interest income	25 308	22 561
Remeasurement	(50 423)	(9 393)
Benefits paid	(8 576)	(8 642)
Expenses and tax paid	(724)	(663)
<b>Market value of assets — end of the year</b>	<b>239 233</b>	<b>273 648</b>

	GROUP & COMPANY	
	2020 R000	2019 R000
<b>9.1.5 Nature of the pension fund assets</b>		
Asset managers administer the pension fund assets in accordance with prudential guidelines, and consist of the following:		
Equity assets	121 643	159 341
Capital market assets	56 053	53 528
Money market assets	55 168	43 604
Property related assets	6 369	17 174
<b>Market value of assets — end of the year</b>	<b>239 233</b>	<b>273 647</b>
The value of assets disclosed above are based on quoted prices in active markets, with the exception of property related assets.		
<b>9.1.6 Movements in defined benefit plan accounted for in the statement of comprehensive income</b>		
Interest income on net surplus	17 218	14 449
Expenses and tax paid	(724)	(663)
Total included in staff costs (refer note 22)	16 494	13 786
Remeasurements and movement recognised in other comprehensive income before tax	(40 173)	(551)
Actual return on assets	(50 423)	(9 393)
Change in financial assumptions — (loss) / gain	9 150	7 866
Change in demographic assumptions - (loss) / gain	-	-
Experience adjustments — (loss) / gain	1 100	976
<b>Total recognised in the statement of comprehensive income</b>	<b>(23 679)</b>	<b>13 235</b>
<b>9.1.7 The principal actuarial assumptions</b>		
Discount rate	5,6%	4,0%
Expected rate of return on plan assets	11,5%	9,4%
Inflation rate	6,6%	6,1%
Target pension increase	5,9%	5,4%
Average life expectancy	12.3 yrs	11.9 yrs
Post-retirement mortality — PA(90) mortality tables with age reduction	2 yrs	2 yrs

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## 9.1.8 Sensitivity analysis

	Increase of 1%	Decrease of 1%
Should the discount rate change by one percent, the impact would be as follows:		
Change in liability — (decrease) / increase	(4 882)	5 486
The mortality assumption used in the calculation of the liability assumes a 1 percent improvement per annum in mortality rates. Should the mortality assumption change by one percent per annum, the impact would be as follows:	Improvement of 2% per annum	No improvement
Change in liability — increase / (decrease)	3 869	(3 529)

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

## 9.2 Post-employment medical benefits

The Group operates a post-retirement medical aid benefit scheme for employees and pensioners who were in the service of the Group on or before 30 April 1999. There are 195 (2019: 199) 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 assumptions used in calculating the liability at balance sheet date is the discount rate at which the present value of the future liability (payments) is determined. The real discount rate is the quotient of the market rates on high quality interest bearing bonds and the increase in the subsidy rate.

The real discount rate was determined as follows:

	GROUP & COMPANY	
	2020 R000	2019 R000
Nominal rate on high quality interest bearing bond	12,37%	9,90%
Real rate on high quality interest bearing bond	4,98%	3,35%
<b>Implied price inflation</b>	<b>7,04%</b>	<b>6,34%</b>
<b>Subsidy inflation rate (89 percent of implied price inflation)</b>	<b>6,27%</b>	<b>5,64%</b>
Nominal rate on high quality interest bearing bond	12,37%	9,90%
Subsidy inflation rate	6,27%	5,64%
<b>Real discount rate</b>	<b>5,74%</b>	<b>4,03%</b>

	GROUP & COMPANY	
	2020 R000	2019 R000

## 9.2.1 Amount recognised in the statement of financial position

Liability — beginning of the year	87 713	94 679
Benefits paid	(5 455)	(5 181)
Recognised in comprehensive income for the year	9 106	9 098
Recognised in other comprehensive income before tax	(15 730)	(10 883)
<b>Liability — end of the year</b>	<b>75 634</b>	<b>87 713</b>

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

Interest expense	8 395	8 219
Current service cost	711	879
Total included in staff costs (refer note 23)	9 106	9 098
Remeasurements and movement recognised in other comprehensive income before tax	(15 730)	(10 883)
Change in economic assumptions — loss / (gain)	(13 589)	(9 562)
Experience adjustments — (gain) / loss	(431)	(164)
Change in demographic profile — (gain) / loss	(1 710)	(1 157)
<b>Total recognised in the statement of comprehensive income</b>	<b>(6 624)</b>	<b>(1 785)</b>

## 9.2.3 Sensitivity analysis

	Increase of 1%	Decrease of 1%
Should the discount rate change by one percent, the impact would be as follows:		
Change in interest expense — (decrease) / increase	(75)	68
Change in current service cost — (decrease) / increase	(60)	73
Change in liability — (decrease) / increase	(5 995)	6 996
Should the mortality improvement assumption change by one percent, the impact would be as follows:		
Change in interest expense — (decrease) / increase	(391)	422
Change in current service cost — (decrease) / increase	(19)	20
Change in liability — (decrease) / increase	(3 613)	3 413

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

9.3 Exposure to actuarial risk

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

Investment risk

The actuarial valuation make assumptions about the returns that may be earned 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 fund's benefit obligations are governed by the rules of the respective plans which operate within the regulatory framework of the country. Should the regulatory framework change, the Group is exposed to a risk of an increase in the obligations.

9.4 Cash flow impact

No contributions will be made to the defined benefit pension fund in the coming financial year. Contributions to the post-employment medical plan and the defined contribution fund are expected to approximate R5,4 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 2020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	R000	R000	R000	R000	R000
Defined benefit pension fund	9 045	9 229	28 446	202 421	249 141
Post-employment medical benefits	6 317	6 826	23 098	442 442	478 683
	15 362	16 055	51 544	644 863	727 824

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000

10 Assets held for resale

Reposessed properties — at the beginning of the year	34 978	29 708	34 978	29 708
Additions	3 257	5 300	3 251	5 300
Disposals	(1 747)	-	(1 747)	-
Impairment	(600)	(29)	(600)	(29)
Other (at cost)	-	(1)	-	(1)
Balance — end of the year	35 888	34 978	35 882	34 978

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

11 Accounts receivable

Rent debtors	11 677	21 758	5 971	13 362
Trade receivables	15 610	11 006	4 809	3 002
Insurance pre-paid and claims receivable	946	1 025	660	740
Sundry deposits	4 912	4 687	3 188	3 067
Pre-paid expenses	11 704	14 103	11 621	13 977
Other	35	119	1 823	2 962
	44 884	52 697	28 072	37 109

12. Cash and cash equivalents

Bank current and call accounts	302 750	(1 266)	303 655	696
Funds held in trust on behalf of third parties	61 135	48 258	36 538	30 871
	363 885	46 992	340 193	31 567

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

The cash and cash equivalents disclosed above and in the statement of cash flows includes funds held in trust of R 61,1 million (2019: R48,3 million). These funds are held with Nedbank and Standard Bank. These funds are specifically available for their intended use.

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	Net actuarial (loss)/gain on post-retirement benefits	Fair value adjustment to financial instruments	Foreign currency translation reserve	Share of other comprehensive income of associates	Total
	R000	R000	R000	R000	R000
<b>13. Fair value and other reserves*</b>					
<b>Group</b>					
<b>At 1 April 2018</b>	70 706	(2 065)	(2 748)	527	66 420
Remeasurement of post-employment benefits:					
Defined benefit pension fund	- gross (551)				(551)
	- tax 154				154
Post-employment medical benefits	- gross 10 883				10 883
	- tax (3 047)				(3 047)
Revaluation of financial instruments	- gross	(2 803)			(2 803)
	- tax 628				628
Currency translation differences	- gross		13 001		13 001
	- tax		(3 085)		-
Share of associates other comprehensive income				1 762	1 762
<b>At 31 March 2019</b>	<b>78 145</b>	<b>(4 240)</b>	<b>7 168</b>	<b>2 289</b>	<b>83 362</b>
<b>At 1 April 2019</b>	78 145	(4 240)	7 168	2 289	83 362
Remeasurement of post-employment benefits:					
Defined benefit pension fund	- gross (40 173)				(40 173)
	- tax 11 248				11 248
Post-employment medical benefits	- gross 15 730				15 730
	- tax (4 404)				(4 404)
Revaluation of financial instruments	- gross	3 165			3 165
	- tax (709)				(709)
Currency translation differences	- gross		(3 977)		(3 977)
	- tax 942		942		942
Share of associates other comprehensive income				-	-
<b>At 31 March 2020</b>	<b>60 546</b>	<b>(1 784)</b>	<b>4 133</b>	<b>2 289</b>	<b>65 184</b>
<b>Company</b>					
<b>At 1 April 2018</b>	70 706	(2 065)	(7 282)	-	61 359
Remeasurement of post-employment benefits:					
Defined benefit pension fund	- gross (551)				(551)
	- tax 154				154
Post-employment medical benefits	- gross 10 883				10 883
	- tax (3 047)				(3 047)
Revaluation of financial instruments	- gross	(2 803)			(2 803)
	- tax 628				628
Currency translation differences	- gross		13 773		13 773
	- tax		(3 085)		(3 085)
Share of associates other comprehensive income				-	-
<b>At 31 March 2019</b>	<b>78 145</b>	<b>(4 240)</b>	<b>3 406</b>	<b>-</b>	<b>77 311</b>
<b>At 1 April 2019</b>	78 145	(4 240)	3 406	-	77 311
Remeasurement of post-employment benefits:					
Defined benefit pension fund	- gross (40 173)				(40 173)
	- tax 11 248				11 248
Post-employment medical benefits	- gross 15 730				15 730
	- tax (4 404)				(4 404)
Revaluation of financial instruments	- gross	3 165			3 165
	- tax (709)				(709)
Currency translation differences	- gross		(4 208)		(4 208)
	- tax 942		942		942
Share of associates other comprehensive income				-	-
<b>At 31 March 2020</b>	<b>60 546</b>	<b>(1 784)</b>	<b>140</b>	<b>-</b>	<b>58 902</b>

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

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<b>14. Share capital</b>				
<b>14.1 Authorised</b>				
400 000 000 ordinary shares of R1 each	400 000	400 000	400 000	400 000
<b>14.2 Issued</b>				
173 000 594 (2019: 173 000 594) ordinary shares of R1 each	173 001	173 001	173 001	173 001
	<b>173 001</b>	<b>173 001</b>	<b>173 001</b>	<b>173 001</b>
<b>15. Borrowings</b>				
<b>15.1 Non-current</b>				
Interest-free Jobs Fund loan	41 664	40 640	41 664	40 640
Interest-bearing long-term loans	1 384 629	1 107 462	1 384 629	1 107 462
	<b>1 426 293</b>	<b>1 148 102</b>	<b>1 426 293</b>	<b>1 148 102</b>
<b>Current</b>				
Short-term portion of long-term loans	227 501	82 195	227 501	82 195
	<b>1 653 794</b>	<b>1 230 297</b>	<b>1 653 794</b>	<b>1 230 297</b>

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

- Loans secured by bonds amounting R692 million over properties and incurring interest at rates between prime minus 0,6 percent and prime minus one percent.  
The loans' repayment terms are 5 and 10 years respectively. Refer note 2.3.4
- Two loans are secured by a cession amounting to R2,85 billion of loans and receivables and incurring interest at prime minus 1,5 percent. The loan's repayment term is 10 years. Refer to note 2.3.4

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

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

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

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<b>15.2 Net debt reconciliation</b>				
<b>Net debt by repayment term</b>				
Cash and cash equivalents	363 885	48 258	340 193	31 567
Borrowings — repayable within one year (including overdraft)	(227 501)	(83 461)	(227 501)	(82 195)
Borrowings — repayable after one year	(1 426 293)	(1 148 102)	(1 426 293)	(1 148 102)
<b>Net debt</b>	<b>(1 289 909)</b>	<b>(1 183 305)</b>	<b>(1 313 601)</b>	<b>(1 198 730)</b>
<b>Net debt by interest structure</b>				
Cash and cash equivalents	363 885	48 258	340 193	31 567
Gross debt — fixed interest rates	(41 664)	(40 640)	(41 664)	(40 640)
Gross debt — variable interest rates (including overdraft)	(1 612 130)	(1 190 923)	(1 612 130)	(1 189 657)
<b>Net debt</b>	<b>(1 289 909)</b>	<b>(1 183 305)</b>	<b>(1 313 601)</b>	<b>(1 198 730)</b>
<b>15.3 Total borrowings reconciliation</b>				
Opening balance	1 230 297	1 239 458	1 230 297	1 239 458
Interest	111 358	106 020	111 358	106 020
Repayments	(194 984)	(221 224)	(194 984)	(221 224)
Drawdowns	506 097	100 000	506 097	100 000
Other movements	1 026	6 043	1 026	6 043
<b>Total borrowings</b>	<b>1 653 794</b>	<b>1 230 297</b>	<b>1 653 794</b>	<b>1 230 297</b>

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<b>16. Deferred tax</b>				
Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28 percent (2019: 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	23 319	18 580	21 766	16 555
• Deferred tax assets to be recovered within 12 months	150 499	114 726	156 633	108 599
	173 818	133 306	178 399	125 154
Deferred tax liability				
• Deferred tax liabilities to be recovered after more than 12 months	(41 648)	(44 408)	(41 568)	(44 331)
• Deferred tax liabilities to be recovered within 12 months	(201 453)	(210 257)	(196 587)	(185 630)
	(243 101)	(254 665)	(238 155)	(229 961)
<b>Net deferred tax liabilities</b>	<b>(69 283)</b>	<b>(121 359)</b>	<b>(59 756)</b>	<b>(104 807)</b>
The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group is expected to continue generating taxable income into the foreseeable future.				
The movement on the deferred tax account is as follows:				
Balance — beginning of the year	(121 359)	(125 262)	(104 807)	(101 386)
Charge to profit and loss component of the statements of comprehensive income:				
• Provisions	34 530	(2 996)	33 631	(3 512)
• Investment properties	14 570	(3 650)	7 976	(11 451)
• Fair value adjustments: financial instruments	507	(434)	984	(10)
• Defined benefit pension fund surplus	(4 618)	(3 860)	(4 618)	(3 860)
• Assessed losses	9	(570)	-	-
Charged directly to other comprehensive income	7 078	(5 350)	7 078	(5 350)
Charged directly to retained earnings	-	20 763	-	20 762
<b>Balance — end of the year</b>	<b>(69 283)</b>	<b>(121 359)</b>	<b>(59 756)</b>	<b>(104 807)</b>

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
Net deferred tax liabilities consist of temporary differences relating to:				
Provisions	119 944	89 817	113 376	84 149
Investment properties	(110 633)	(125 203)	(95 968)	(103 943)
Fair value adjustments: financial instruments	(34 135)	(34 875)	(31 273)	(32 491)
Defined benefit pension fund surplus	(45 892)	(52 522)	(45 891)	(52 522)
Assessed losses	1 433	1 424	-	-
<b>Net deferred tax liability</b>	<b>(69 283)</b>	<b>(121 359)</b>	<b>(59 756)</b>	<b>(104 807)</b>

17. Accounts payable

Tenant deposits held	21 478	19 601	14 355	13 391
Funds held in trust	13 891	7 911	-	-
Trade vendors	12 828	21 372	545	10 613
Statutory vendors	8 526	7 722	7 359	7 162
Prepaid and deferred income	16 398	10 120	13 805	6 844
Other	6 933	10 334	2 634	4 741
	<b>80 054</b>	<b>77 060</b>	<b>38 698</b>	<b>42 751</b>

	Leave pay	Bonus	Total
	R000	R000	R000
Group			
<b>At 1 April 2018</b>	16 407	30 909	47 316
Provided for the year	1 785	30 319	32 104
Utilised during the year	(2 227)	(30 589)	(32 816)
<b>At 31 March 2019</b>	<b>15 965</b>	<b>30 639</b>	<b>46 604</b>
<b>At 1 April 2019</b>	15 965	30 639	46 604
Provided for the year	4 273	27 059	31 332
Utilised during the year	(2 476)	(29 000)	(31 476)
<b>At 31 March 2020</b>	<b>17 762</b>	<b>28 698</b>	<b>46 460</b>
Company			
<b>At 1 April 2018</b>	15 659	29 228	44 887
Provided for the year	1 748	28 471	30 219
Utilised during the year	(2 227)	(29 227)	(31 454)
<b>At 31 March 2019</b>	<b>15 180</b>	<b>28 472</b>	<b>43 652</b>
<b>At 1 April 2019</b>	15 180	28 472	43 652
Provided for the year	4 343	27 436	31 779
Utilised during the year	(2 499)	(28 101)	(30 600)
<b>At 31 March 2020</b>	<b>17 024</b>	<b>27 807</b>	<b>44 831</b>

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.

# Notes to the consolidated and separate financial statements

for the year ended 31 March 2020

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<b>19. Lease liability</b>				
Lease liability	19 266		63 137	
Non - current	13 523		49 894	
Current	5 743		13 243	
<b>Lease liabilities reconciliation</b>				
Opening balance	-		-	
Transition adjustment	25 512		76 113	
Terminations or cancellations	(1 025)		(1 024)	
Interest expense	2 078		6 145	
Payments	(7 688)		(18 097)	
Payment of principal portion	(5 610)		(11 952)	
Payment of interest portion	(2 078)		(6 145)	
Exchange and other movements	389		-	
<b>Closing balance</b>	<b>19 266</b>		<b>63 137</b>	
<b>20. Revenue</b>				
Interest income	416 104	406 659	420 972	408 399
Interest on loans and receivables	318 748	307 623	324 272	309 951
Interest on surplus funds	9 771	4 934	9 115	4 346
Royalty fees	87 585	94 101	87 585	94 101
Interest expense	(117 205)	(108 412)	(117 127)	(108 412)
Interest-bearing borrowings	(117 877)	(106 020)	(117 799)	(106 020)
Bank overdraft	672	(2 392)	672	(2 392)
	<b>298 899</b>	<b>298 247</b>	<b>303 845</b>	<b>299 986</b>
<b>21. Investment income and gains</b>				
Investment income	55 724	53 391	74 782	95 665
Surplus on realisation of unlisted investments	50 728	45 442	64 091	85 525
Surplus on realisation of investment properties	4 990	7 943	4 990	7 943
Dividends received	6	6	5 701	2 197
Investment gains	(44 654)	59 939	(28 974)	63 896
Income from associated companies	16 339	33 851		
Fair value movement on investment properties	(63 073)	24 371	(31 101)	62 369
Net foreign exchange rate differences	2 080	1 717	2 127	1 527
	<b>11 070</b>	<b>113 330</b>	<b>45 808</b>	<b>159 561</b>

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<b>22. Net credit losses</b>				
Loans and receivables written off	94 303	104 968	93 951	104 969
Legal and other expenses incurred on recovery	3 398	3 873	3 378	3 855
Impairments created/(released)	83 584	(38 789)	83 589	(38 779)
Stage 1	(484)	(10 863)	(484)	(10 863)
Stage 2	26 858	1 661	26 857	1 661
Stage 3 (includes suspended interest for loans in stage 3)	57 210	(29 587)	57 216	(29 577)
Recovery of loans and receivables written off	(33 452)	(18 434)	(33 387)	(18 354)
	<b>147 833</b>	<b>51 618</b>	<b>147 531</b>	<b>51 690</b>
<b>23. Staff costs</b>				
Remuneration at cost to company	148 598	145 337	137 827	130 797
Post-retirement medical aid costs (refer note 9.2.1)	9 106	9 098	9 106	9 098
Bonuses and provisions	31 701	32 076	31 579	30 170
	189 405	186 511	178 512	170 065
Defined benefit pension fund gain (refer note 9.1.6)	(16 494)	(13 786)	(16 494)	(13 786)
Indirect staff costs	6 365	4 676	6 279	4 548
	<b>179 276</b>	<b>177 401</b>	<b>168 297</b>	<b>160 827</b>
<b>24. Profit from operations</b>				
The following items have been included in arriving at profit from operations:				
Depreciation on property and equipment	3 893	3 173	2 619	1 814
Directors' emoluments:				
• As directors (refer note 30.2)	2 450	2 628	2 450	2 628
• As management (refer note 30.2)	5 940	9 963	5 940	9 963
Auditor's remuneration:				
• Audit	6 662	(5 494)	5 407	(4 152)
• Other services	1 279	(1 358)	1 279	(1 157)
Surplus on realisation of property and equipment	(155)	(7)	(158)	(7)

# Notes to the consolidated and separate financial statements

for the year ended 31 March 2020

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
<b>25. Tax expense</b>				
<b>25.1 Tax charge though profit and loss component of comprehensive income</b>				
Income tax — current year	50 617	41 114	30 343	23 834
— prior year	(575)	(21)	(66)	(0)
Deferred tax — current year	(44 999)	11 511	(37 972)	18 833
— prior year	(41)	255	-	-
	5 002	52 859	(7 695)	42 667
	23	-	-	-
Tax of associated companies	3 286	4 791	-	-
Capital gains tax	15 890	16 605	15 890	16 605
	<b>24 201</b>	<b>74 255</b>	<b>8 195</b>	<b>59 272</b>

## 25.2 Reconciliation of rate of taxation

South African normal tax rate	28,00%	28,00%	28,00%	28,00%
Adjusted for:	-0,19%	-2,14%	-10,10%	-5,57%
Income not subject to tax	-0,15%	-2,97%	-3,73%	-2,92%
Income subject to capital gains tax	-0,23%	0,00%	-0,12%	0,00%
Change in inclusion rate for capital gains tax	0,03%	0,00%	0,00%	0,00%
Associates	2,64%	1,66%	-5,97%	-3,25%
Dividends withholding tax	-1,34%	-0,02%	-0,14%	0,00%
Prior year adjustments	-1,14%	-0,81%	-0,14%	0,60%
Other	0,00%	0,00%	0,00%	0,00%
<b>Effective tax rate on profit before taxation</b>	<b>27,81%</b>	<b>25,86%</b>	<b>17,90%</b>	<b>22,43%</b>

## 25.3 Tax charge through other comprehensive income

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

Actuarial remeasurement on defined benefit pension fund	11 248	154	11 248	154
Actuarial remeasurement on post-retirement medical aid obligation	(4 404)	(3 047)	(4 404)	(3 047)
Fair value adjustments of financial assets held at fair value through other comprehensive income	(709)	628	(709)	628
Foreign currency translation movements	942	(3 085)	942	(3 085)
<b>Other comprehensive income</b>	<b>7 077</b>	<b>(5 350)</b>	<b>7 077</b>	<b>(5 350)</b>

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000

## 26. 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.

### 26.1 Basic earnings per share

Net profit	53 484	212 403
Weighted number of ordinary shares ('000)	173 001	173 001
Basic earnings per share (cents)	30,9	122,8

### 26.2 Headline earnings per share

Net profit	53 484	212 403
Adjustments net of tax		
• Capital profit on sale of equipment	(120)	(5)
• Profit on sale of property investments	(3 872)	(6 164)
• Profit on sale of associates	(39 365)	(35 263)
• Fair value adjustment on investment properties	48 945	(18 912)
<b>Headline earnings</b>	<b>59 071</b>	<b>152 059</b>
Headline earnings per share (cents)	34,1	87,9

## 27. Dividend per share

Dividend in respect of 2019 of 23 cents

per share paid on 23 August 2019 to shareholders registered on 16 August 2019	39 790	39 790
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Dividend in respect of 2018 of 22 cents

per share paid on 23 August 2018 to shareholders registered on 16 August 2018	38 060	38 060
	<b>39 790</b>	<b>38 060</b>

No dividend was declared in respect of the 2020 financial year.

# Notes to the consolidated and separate financial statements

for the year ended 31 March 2020

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000

## 28. Commitments and lease agreements

### 28.1 Capital commitments

Loans and receivables approved but not advanced	309 718	282 898	309 718	282 898
Capital committed in respect of purchase of investment properties	20 593	24 887	20 593	24 887
	<b>330 311</b>	<b>307 785</b>	<b>330 311</b>	<b>307 785</b>

### 28.2 Operating lease commitments – group company as lessee

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

The amount paid in respect of operating leases during the year amount to R7,7 million (2019: R4,6 million).

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

• 1 year	6 541	2 217	17 675	9 808
• Between 1 and 5 years	14 430	3 709	59 126	5 607
• After 5 years	-	120	-	120
	<b>20 971</b>	<b>6 046</b>	<b>76 801</b>	<b>15 535</b>

### 28.3 Operating lease receivables – group company as lessor

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	R000	R000	R000	R000
Group	163 575	138 821	8 987	311 383
Company	96 154	82 169	5 652	183 975

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000

## 29. Cash flow information

### 29.1 Non-cash adjustments

Income from associated companies (refer note 21)	(16 339)	(33 851)	-	-
Surplus on sale of assets	(55 873)	(53 392)	(69 239)	(93 474)
Fair value adjustment of investment properties (refer note 21)	63 073	(24 371)	31 101	(62 369)
Fair value adjustment of financial instruments	(13 339)	16 290	(13 339)	16 290
Depreciation (refer note 7)	10 510	3 173	17 355	1 814
Net credit losses	181 285	70 052	180 919	70 044
• Loans and receivables written off (refer note 22)	94 303	104 968	93 951	104 969
• Legal and other expenses incurred on recovery (refer note 22)	3 398	3 873	3 378	3 855
• Impairments (released) / created (refer note 22)	83 584	(38 790)	83 590	(38 780)
Credit losses – rent debtors	6 338	1 078	4 673	175
Movement on post-retirement benefits	(7 388)	(4 688)	(7 388)	(4 688)
	<b>168 267</b>	<b>(25 710)</b>	<b>144 082</b>	<b>(72 208)</b>

### 29.2 Adjustment for net interest income per income statement

Deduct interest income (refer note 20)	(416 104)	(406 659)	(420 972)	(408 399)
Add back interest expenses (refer note 20)	117 205	108 412	117 127	108 412
	<b>(298 899)</b>	<b>(298 247)</b>	<b>(303 845)</b>	<b>(299 986)</b>

### 29.3 Adjustment for net interest received in cash

Interest income received in cash	357 650	366 161	357 650	366 161
Interest expense paid in cash	(117 204)	(132 910)	(117 126)	(132 911)
	<b>240 446</b>	<b>233 251</b>	<b>240 524</b>	<b>233 250</b>

### 29.4 Other movements in assets and liabilities

Provisions	(5 598)	(5 893)	(4 275)	(6 417)
(Increase) / decrease in assets held for resale	(910)	(5 271)	(910)	(5 271)
(Increase) / decrease in accounts receivable	7 813	(9 348)	9 037	(9 535)
(Increase) / decrease in accounts payable	2 994	4 979	(4 053)	9 615
	<b>4 299</b>	<b>(15 533)</b>	<b>(201)</b>	<b>(11 608)</b>

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
29.5 Taxation paid				
Taxation (liability) / asset — beginning of the year	(4 060)	(6 352)	(3 926)	(4 713)
Tax provision for the year	(24 201)	(74 255)	(8 195)	(59 272)
Deferred tax	(44 999)	11 511	(37 972)	18 833
Paid by associated companies	3 286	4 791	-	-
Taxation liability — end of the year	(47 730)	4 060	(46 709)	3 926
<b>Taxation paid during the year</b>	<b>(117 704)</b>	<b>(60 245)</b>	<b>(96 802)</b>	<b>(41 226)</b>
29.6 Dividends paid				
Dividends payable — beginning of the year	(1 925)	(1 449)	(1 925)	(1 449)
Dividends declared	(39 790)	(38 060)	(39 790)	(38 060)
Dividends payable — end of the year	2 415	1 925	2 415	1 925
<b>Dividends paid during the year</b>	<b>(39 300)</b>	<b>(37 584)</b>	<b>(39 300)</b>	<b>(37 584)</b>
30. Related parties				
30.1 Loans to / from related parties				
Loans to subsidiaries				
Balance — beginning of the year			419 896	429 941
Amount advanced/(repaid) during the year			129 782	(10 045)
<b>Balance — end of the year</b>			<b>549 678</b>	<b>419 896</b>
Dividends received from subsidiaries			-	-
Refer to Note 32 for the details of the loans to subsidiaries.				

	COMPANY	
	2020 R000	2019 R000
30.2 Directors' remuneration		
Payments made during the year to directors and prescribed officers are as follows:		
<b>Non-executive directors</b>		
CW Ceasar	21	-
F Knoetze	-	135
O Kotze	190	168
M Lubbe	131	11
HN Lupuwana- Pemba	50	-
AM-R Mahosi	69	-
TR Makhuvha	-	108
N Martin	336	190
F Meisenholl	262	224
K Molewa	133	258
HE Moliea Tshivhase	179	179
D Moshapalo	286	269
RSM Ndlovu	109	168
SST Ngcobo	190	179
NJ Williams	286	291
T van Wyk	208	448
<b>Total</b>	<b>2 450</b>	<b>2 628</b>
<b>Executive directors</b>		
BD Bierman	5 940	5 820
• Salary	3 732	3 451
• Bonuses and performance related payments	2 208	2 369
C Botes (Retired on 30 November 2018)	-	4 143
• Salary	-	1 889
• Bonuses and performance related payments	-	2 254
<b>Total</b>	<b>5 940</b>	<b>9 963</b>
<b>Prescribed officer</b>		
S Dumeko (Resigned on 31 October 2019)	2 181	2 933
• Salary	1 400	2 220
• Bonuses and performance related payments	781	713
<b>Grand total</b>	<b>10 571</b>	<b>15 524</b>

\* The bonuses and performance related payments paid during 2020 resulted from bonuses and performance related payments earned and accrued for during 2019.

	GROUP		COMPANY	
	2020 R000	2019 R000	2020 R000	2019 R000
31. Loans to associates				
Balance — beginning of the year	1 292 724	1 308 648	1 292 724	1 308 648
Loans advanced during the year	185 266	214 676	185 266	214 676
Loan repayments received	(252 060)	(256 837)	(252 060)	(256 837)
Loans written off	(40 437)	(50 985)	(40 437)	(50 985)
<b>Balance — end of the year</b>	<b>1 185 493</b>	<b>1 215 502</b>	<b>1 185 493</b>	<b>1 215 502</b>
Loans to associates consist of the following:				
• Interest bearing loans	1 019 965	1 061 491	1 019 965	1 061 491
• Shareholders loans	165 528	154 011	165 528	154 011
<b>Total loans to associates</b>	<b>1 185 493</b>	<b>1 215 502</b>	<b>1 185 493</b>	<b>1 215 502</b>
The allowance for impairment, as it relates to loans to associates, is disclosed in note 5 as follows:				
Impairment provision — beginning of the year	103 706	95 112	103 706	95 112
IFRS9 transition	-	16 430	-	16 430
Impairment allowance raised on new investments	2 227	6 270	2 227	6 270
Impairment reversed on investments written off / repaid	(20 220)	(24 975)	(20 220)	(24 975)
Increase in impairment allowance on existing investments	41 827	34 183	41 827	34 183
Decrease in impairment allowance on existing investments	(14 252)	(23 314)	(14 252)	(23 314)
<b>Impairment provision — end of the year</b>	<b>113 288</b>	<b>103 706</b>	<b>113 288</b>	<b>103 706</b>

The loans provided to associates are part of the investment activities of the Group and are comprised of interest-bearing loans and Shareholders' loans. The interest-bearing loans have an average payment period of 7 years. The majority of shareholders' loans have no scheduled repayment date. Loans to associates are not required to be settled in the associate's shares.

	Share percentage held		Shares at cost		Loans	
	2020 %	2019 %	2020 R	2019 R	2020 R000	2019 R000
32. Principal subsidiaries						
Business Partners International (Pty) Ltd	80	80	80	80	7 866	1 346
Business Partners Properties 002 (Pty) Ltd	100	100	1 000	1 000	484 826	411 075
Business Partners Property Brokers (Pty) Ltd	100	100	100	100	(2 449)	(2 449)
Business Partners Ventures 1 (Pty) Ltd	100	100	100	100	(5 221)	(5 266)
Cussonia Trust (Pty) Ltd	100	100	3	3	(1 653)	(835)
Fifth Season Investments 114 (Pty) Ltd	80	80	96	96	4 970	3 511
Finance for the Third Millennium (Pty) Ltd <sup>1</sup>	100	100	100	100	682	682
JRC Properties (Pty) Ltd	100	100	100	100	(9 799)	(7 219)
Labrihof Properties (Pty) Ltd <sup>2</sup>	53	53	530	530	7 407	9 478
Lindros Investments (Pty) Ltd	100	100	4 000	4 000	-	-
Rainbow Place Properties 179 (Pty) Ltd <sup>2</sup>	60	60	600	600	5 671	5 671
SF Coetzee Eiendomme (Pty) Ltd <sup>2</sup>	60	60	72	72	3 441	3 441
Unitrade 106 (Pty) Ltd	100	100	100	100	(1 104)	461
Yeoman Properties 1016 (Pty) Ltd <sup>2</sup>	80	80	80	80	-	-
K2014214395 (South Africa) (Pty) Ltd <sup>2</sup>	73	-	730	-	11 173	-
Shock Proof Investments 232 (Pty) Ltd <sup>2</sup>	80	-	800	-	4 270	-
Vargalor (Pty) Ltd <sup>2</sup>	80	-	600	-	39 598	-
Franchise Partners (Pty) Ltd - indirectly held <sup>3</sup>						
Business Partners International Madagascar Société Anonyme — indirectly held <sup>4</sup>						
Business Partners International Kenya Ltd — indirectly held <sup>5</sup>						
Business Partners International Rwanda Ltd — indirectly held <sup>4</sup>						
Business Partners International Adviser Ltd — indirectly held <sup>5</sup>						
Business Partners International Namibia (Pty) Ltd — indirectly held <sup>4</sup>						
Business Partners International Zambia Ltd — indirectly held <sup>5</sup>						
			<b>9 091</b>	<b>6 961</b>	<b>549 678</b>	<b>419 896</b>

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

1. Dormant subsidiary.
2. The financial year of the subsidiary ends in February. Consolidation of the results are based on the latest audited financial statements received.
3. Franchise Partners (Pty) Ltd is a wholly-owned subsidiary of Business Partners Ventures 1 (Pty) Ltd.
4. This subsidiary is wholly-owned by Business Partners International (Pty) Ltd.
5. This subsidiary is owned by Business Partners Limited (1 percent shareholding) and Business Partners International (Pty) Ltd (99 percent shareholding).

33. Events subsequent to the statement of financial position date

Relief Measures

The Group developed and implemented a range of relief measures for its SME clients to assist them in overcoming the economic challenges presented by COVID -19, especially the effects of the lockdown instituted to reduce the spread of the virus.

The following two types of relief measures were offered to investment clients:

- i) Qualifying clients were offered a four-month payment holiday to minimise their repayment obligations. The repayment obligations during the relief period are aggregated and recorded in a separate debt facility with no repayment obligations for 6 months followed by a repayment period varying between 7 and 18 months. An interest rebate was offered to clients that meet their monthly instalments in full or in part.
- ii) Financial assistance was availed to clients with a need for additional capital to service essential operational obligations. The assistance was offered at no interest for the first 12 months followed by an interest rate of prime for the remaining period of the facility, typically 60 months.

The tenants in the various properties were classified in terms of their operations as non-essential operations, restricted operations and essential operations in line with the regulations of the lockdown. Relief measures were offered to tenants for a four-month period in terms of the classification as follows:

- i) A 50 percent rebate on the rent charged for non-essential service tenants
- ii) A 25 percent discount on the rent charged for restricted services tenants

No rebates were available to tenants who continued operating as essential services and tenants that were in default for more than 3 months prior to lockdown were excluded from relief offered.

Management will continue monitoring the effectiveness of the relief measures provided, and assess the requirement for further relief measures should this become necessary.

34. Going Concern

The going concern status is evaluated based on the most relevant and up to date information which includes the expected implications of the COVID-19 pandemic. These factors were considered in the preparation of the annual financial statements for 31 March 2020 and incorporated in developing the forecast results for the year ending 31 March 2021.

The forecast for 31 March 2021 incorporated the following primary assumptions:

- The impact of the relief initiatives on profitability and cash flows
- The decrease in interest rates by 2.5 percentage points during the 2021 financial year
- Increases in credit risk due to COVID-19 and the impact of the increase in risk on credit losses and impairments
- Depressed property values due to increases in vacancies and credit risk.

Various factors were evaluated by the directors to assess the going concern status of the Group and Company. The solvency and liquidity of the Group and Company now and for the foreseeable future, were assessed in concluding that there are no known material uncertainties which will affect the Group and Company's operating ability to such an extent that a curtailment of operations will be required or that a need to liquidate will present itself.

It is the directors' opinion that the Group and Company is and will continue to be a going concern for the foreseeable future and that the going concern basis is therefore appropriate for the preparation of these annual financial statements.

35. Contingent Liabilities

There is an ongoing matter with the South African Revenue Services whereby the Company has lodged a notice of objection. Management has assessed the likely outcome of this matter and is of the view that no provision is required at this point.

## Business Partners Limited

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