Lula Lend Proprietary Limited
(Registration number 2014/156767/07)
Annual financial statements
for the year ended 29 February 2020

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Financial Services
Directors	Neil Christopher Welman Trevor Owen Gosling Johan Bosini
Registered office	12 Calais Road Sea Point Cape Town 8005
Business address	3rd Floor Pier Place Heerengracht Street Cape Town 8000
Postal address	3rd Floor Pier Place Heerengracht Street Cape Town 8000
Bankers	First National Bank Mercantile Bank
Auditors	Nexia SAB&T Chartered Accountants (SA) Registered Auditors
Company registration number	2014/156767/07
Tax reference number	9277134194
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were internally compiled by: Quentin Daniel Financial Manager

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 28 February 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 9 to 46, which have been prepared on the going concern basis, were approved by the board of directors and were signed on their behalf by:

Approval of financial statements

Neil Christopher Welman	**Trevor Owen Gosling**

Date: 28 May 2020

SAB&T
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lula Lend Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lula Lend Proprietary Limited set out on pages 9 to 45 which comprise the statement of financial position as at 29 February 2020, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lula Lend Proprietary Limited as at 29 February 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard and the requirements of the Companies Act of South Africa.

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 Financial Statements* section of our report. We are independent of the company in accordance with the 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 30 of the financial statements, which deals with events after the reporting period and specifically the effects of the Covid-19 pandemic on the allowance for expected credit losses. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Lula Lend Proprietary Limited Annual financial Statements for the year ended 29 February 2020", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing 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 intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Nexia SAB&T

Nexia SAB&T
S. Kleovoulou
Director
Registered Auditor
28 May 2020
First Floor
SAB&T House
Cnr Birmingham & Canterbury Road
N1 City, Goodwood
7460

Nexia SAB&T

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Lula Lend Proprietary Limited for the year ended 29 February 2020.

1. Nature of business

Lula Lend Proprietary Limited was incorporated in South Africa with interests in the financial services industry. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Company revenue increased by 154% from R22,726,227 in the prior year to R57,634,581 for the year ended 29 February 2020. Full details of the financial position, results of the operations and cash flows of the company are set out in these annual financial statements.

3. Stated capital

	2020	2019
Authorised	Number of shares	
1,200,000 Ordinary shares with no par value	1 200 000	1 200 000
649 Series seed shares with no par value	649	649
1112 Series A shares with no par value	1 112	-

	2020	2019	2020	2019
Issued	R	R	Number of shares	
Ordinary shares	4 207 125	4 646 625	2 486	2 459
Series seed shares	14 172 042	14 172 041	649	649
Series A preference shares	91 003 281	-	1 112	-
	109 382 448	**18 818 666**	**4 247**	**3 108**

Refer to note 10 of the annual financial statements for detail of the movement in authorised and issued share capital.

4. Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act of South Africa. As this general authority remains valid only until the next AGM, the shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, up to a maximum of 100% of the company's issued share capital, under the control of the directors until the next AGM.

5. Dividends

The board of directors authorised the company in terms of section 48(2)(a) of the Companies Act to repurchase 101 ordinary no par value shares from Alexander Schuetz. The excess of R6,397,871 over the cost price of the shares, was treated as a dividend as defined in the Income Tax Act.

6. Share incentive scheme

Refer to note 11 of the annual financial statements for details of the company share incentive scheme.

7. Directorate

The directors in office at the date of this report are as follows:

Directors' Report

Directors	Designation	Nationality
Neil Christopher Welman	Executive	South African
Trevor Owen Gosling	Executive	South African
Johan Bosini	Non - Executive	South African

The following changes took place during the financial year:

Amee Govind Parbhoo, Wayne Bryan Gosling and Lutz Seebacher resigned on 1 August 2019. Johan Bosini was appointed as a director on 1 August 2019.

8. Directors' interests in shares

As at 29 February 2020, the directors of the company held direct and indirect beneficial interests in 28% (2019: 43%) of its issued ordinary shares, as set out below.

Interests in shares

Directors	2020 Direct	2019 Direct
Neil Christopher Welman	600	600
Trevor Owen Gosling	600	600
	1 200	**1 200**

9. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

10. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

At 29 February 2020 the company's investment in property, plant and equipment amounted to R1,785,945 (2019: R 218,496). Additions in the current year amounted to R1,900,086 (2019: R 97,997).

11. Intangible assets

At 29 February 2020 the company's intangible assets amounted to R9,169,259 (2019: R5,976,412). Additions in the current year amounted to R4,550,639 (2019: R2,860,319).

12. Special resolutions

In the current year, the memorandum of incorporation was amended to include 1,112 Series A shares to the authorised stated capital. These shares were issued during the year.

Furthermore the shareholders adopted a special resolution in terms of section 48(8)(b) of the Companies Act, read with sections 114 and 115 of the Companies Act, approving the decision by the board of directors of the company to buy back 101 ordinary no par value shares from Alexander Schuetz.

13. Events after the reporting period

On 15 March 2020, the President of the Republic of South Africa declared a national disaster due to the COVID-19 outbreak. Due to the regulations imposed after the declaration was made, a number of small businesses were forced to cease operations until further notice.

The impact of the COVID-19 outbreak and regulations imposed by the President on Lula Lend's clients and recoverability of advances held as at year end has been assessed by management and impact thereof has been disclosed as part of the note on events after the reporting period (note 30).

Directors' Report

14. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors have also evaluated and satisfied themselves that the impact of the COVID-19 pandemic, does not cast a significant doubt on the ability of the entity to continue as a going concern. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

15. Litigation statement

The company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The company is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

16. Auditors

Nexia SAB&T continued in office as auditors for the company for the 2020 financial year, in terms of section 90 of the Companies Act of South Africa.

17. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

18. Liquidity and solvency

The directors have performed the required liquidity and solvency tests as required by the Companies Act of South Africa.

Statement of Financial Position as at 29 February 2020

	Note(s)	2020 R	2019 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	1 785 945	218 496
Right-of-use assets	5	2 817 400	-
Intangible assets	6	9 169 259	5 976 412
Deferred tax	7	850 003	419 494
		14 622 607	**6 614 402**
Current Assets			
Advances and other receivables	8	177 447 738	62 858 113
Current tax receivable		514 776	-
Cash and cash equivalents	9	87 514 755	7 387 186
		265 477 269	**70 245 299**
Total Assets		**280 099 876**	**76 859 701**
Equity and Liabilities			
Equity			
Stated capital	10	109 382 448	18 818 666
Share based payment reserve	11	1 361 898	472 810
Cash flow hedge reserve	12	(554 436)	(78 700)
Retained income		(3 713 364)	509 880
		106 476 546	**19 722 656**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	13	82 655 988	40 664 728
Lease liabilities	5	1 930 438	-
		84 586 426	**40 664 728**
Current Liabilities			
Trade and other payables	14	2 488 203	1 158 655
Loan from shareholder	15	-	4 547
Other financial liabilities	13	85 482 973	15 220 266
Lease liabilities	5	1 065 728	-
Current tax payable		-	88 849
		89 036 904	**16 472 317**
Total Liabilities		**173 623 330**	**57 137 045**
Total Equity and Liabilities		**280 099 876**	**76 859 701**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 R	2019 R
Revenue	16	57 634 581	22 726 227
Cost of services	17	(18 135 891)	(6 072 065)
Gross profit		**39 498 690**	**16 654 162**
Other operating income	18	3 334 630	36 717
Other operating losses	19	(3 209 042)	(1 806 277)
Other operating expenses		(36 252 352)	(12 759 717)
Operating profit	20	**3 371 926**	**2 124 885**
Finance costs	21	(164 439)	(8 065)
Profit before taxation		**3 207 487**	**2 116 820**
Taxation	22	(1 032 860)	(677 555)
Profit for the year		**2 174 627**	**1 439 265**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Loss on cash flow hedges not subject to basis adjustments		(648 844)	(109 306)
Income tax relating to items that may be reclassified		173 108	30 606
Total items that may be reclassified to profit or loss		**(475 736)**	**(78 700)**
Other comprehensive income for the year net of taxation		**(475 736)**	**(78 700)**
Total comprehensive income for the year		**1 698 891**	**1 360 565**

Statement of Changes in Equity

	Stated capital	Cash flow hedging reserve	Share based payment reserve	Retained earnings	Total equity
	R	R	R	R	R
Balance at 01 March 2018	**18 818 666**	**-**	**183 478**	**(929 385)**	**18 072 759**
Profit for the year	-	-	-	1 439 265	1 439 265
Other comprehensive income	-	(78 700)	-	-	(78 700)
Total comprehensive income for the year	**-**	**(78 700)**	**-**	**1 439 265**	**1 360 565**
Employee share option scheme: Value of employee services not vested	-	-	289 332	-	289 332
Total movement in share based payment reserve	**-**	**-**	**289 332**	**-**	**289 332**
Balance at 01 March 2019	**18 818 666**	**(78 700)**	**472 810**	**509 880**	**19 722 656**
Profit for the year	-	-	-	2 174 627	2 174 627
Other comprehensive income	-	(475 736)	-	-	(475 736)
Total comprehensive income for the year	**-**	**(475 736)**	**-**	**2 174 627**	**1 698 891**
Issue of shares	91 003 282	-	-	-	91 003 282
Share buy back	(439 500)	-	-	(6 397 871)	(6 837 371)
Employee share option scheme: Value of employee services not vested	-	-	889 088	-	889 088
Total contributions by and distributions to owners of company recognised directly in equity	**90 563 782**	**-**	**889 088**	**(6 397 871)**	**85 054 999**
Balance at 29 February 2020	**109 382 448**	**(554 436)**	**1 361 898**	**(3 713 364)**	**106 476 546**
Notes	10	12			

Lula Lend Proprietary Limited

(Registration number 2014/156767/07)
Annual Financial Statements for the year ended 29 February 2020

Statement of Cash Flows

	Note(s)	2020 R	2019 R
Cash flows from operating activities			
Cash used in operations	23	(98 810 337)	(36 700 676)
Interest income		3 453 900	271 680
Finance costs		-	(8 065)
Tax paid	24	(1 893 886)	(873 739)
Net cash from operating activities		**(97 250 323)**	**(37 310 800)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1 864 656)	(97 997)
Cost in relation to disposal of property, plant and equipment		(6 838)	-
Capitalisation of expenses to intangible assets		(4 550 639)	(2 860 319)
Net cash from investing activities		**(6 422 133)**	**(2 958 316)**
Cash flows from financing activities			
Proceeds on share issue	10	91 003 281	-
Share buy back	10	(6 837 371)	-
Proceeds from other financial liabilities		109 883 431	53 054 258
Repayment of other financial liabilities		(10 249 316)	(12 019 761)
Net cash from financing activities		**183 800 025**	**41 034 497**
Total cash movement for the year		**80 127 569**	**765 381**
Cash at the beginning of the year		7 387 186	6 621 805
Total cash at end of the year	9	**87 514 755**	**7 387 186**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards and the Companies Act of South Africa. The annual financial statements have been prepared on the historic cost convention, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Leases

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, management assesses whether the contract meets three key evaluations which are whether:
• the contract contains an identified asset, which is either explicitly identified in the contract or
implicitly specified by being identified at the time the asset is made available to the company
• the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
•the company has the right to direct the use of the identified asset throughout the period of use.The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Advances

The company assesses its advances to clients for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment and provision for advances to clients is calculated based on historical loss payments with clients with similar terms, breach of contract such as default or delinquency in advance fee or principal payments and data indicating adverse changes in the payment status and national or local economic conditions that correlate with defaults of clients.

Fair value estimation

The carrying value less impairment provision of advances to clients and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one year.

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leasehold improvements are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Office equipment	Straight line	10 years
IT equipment	Straight line	5 - 10 years
Leasehold improvements	Straight line	2 years

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Accounting Policies

1.4 Intangible assets (continued)

Item	Useful life
Trademark	10 years
Internally generated computer software	1 - 10 years

1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss

Financial assets which are debt instruments:
- Amortised cost

Financial liabilities:
- Amortised cost

Note 27 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Advances and other receivables

Classification

Advances and other receivables, excluding, when applicable, prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on advances and other receivables.

Recognition and measurement

Advances and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

Financial instruments (continued)

Impairment

The company recognises a loss allowance for expected credit losses on advances and other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for advances and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on advances and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is diverse with significantly different loss patterns for different customer segments. The company aggregates customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per grouping, is presented in note 8.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of advances and other receivables, through use of a loss allowance account. The impairment loss is included in cost of services in profit or loss as a movement in credit loss allowance (note 20).

Write off policy

The company writes off an advance at the earliest of the customer being handed over to the legal department, or no payment being received for 120 days from the customer. Advances written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit and loss.

Credit risk

Details of credit risk are included in the advances and other receivables note (note 8) and the financial instruments and risk management note (note 27).

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the entity transfers the financial asset.

Accounting Policies

Financial instruments (continued)

Borrowings and loans from related parties

Classification

Loans from shareholders and borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in cost of services (note 17).

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 27 for details of risk exposure and management thereof.

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating losses (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 27).

Accounting Policies

Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 14) and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 21).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 27 for details of risk exposure and management thereof.

Derecognition

A financial liability is derecognised when and only when it is extinguished, i.e when the obligation specified in the agreement is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.6 Hedge accounting

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Accounting Policies

1.6 Hedge accounting (continued)

The company excludes the time value of options and designates only the intrinsic value of options as the hedging instruments in hedges involving options as the hedging instruments. The change in fair value attributable to the time value of options is recognised in other comprehensive income and accumulated in equity as deferred hedging gains (losses). The company only hedges time period related hedged items using options. The change in the aligned time value is recognised in other comprehensive income and is amortised on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument at fair value through other comprehensive income). However, if hedge accounting is discontinued the net amount (i.e. including cumulative amortisation) that has been accumulated in the deferred hedging reserve is immediately reclassified into profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the company expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.7 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction. affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

Accounting Policies

1.8 Impairment of assets (continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.10 Share based payments

Services received or acquired in a share-based payment transaction are recognised when the services are received. A corresponding increase in equity is recognised if the services were received in an equity-settled share-based payment transaction or a liability if the services were acquired in a cash-settled share-based payment transaction.

When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the services received and the corresponding increase in equity are measured, directly, at the fair value of the services received provided that the fair value can be estimated reliably.

If the fair value of the services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

If the share based payments granted do not vest until the counterparty completes a specified period of service, company accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

1.12 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting Policies

1.12 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.13 Revenue from contracts with customers

The company recognises revenue from the following major sources:
- Rendering of services

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue over a systematic basis that represents how the benefit is received.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Accounting Policies

1.15 Cash flow

Cash flows are analysed between operating, investing and financing activities.

Operating activities are the main revenue-producing activities of the entity that are not investing or financing activities, so operating cash flows include cash received from customers and cash paid to suppliers and employees.

Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents.

Financing activities are activities that alter the equity capital and borrowing structure of the entity.

Interest and dividends received and paid are classified as operating cash flows.

Cash flows arising from taxes on income are classified as operating cash flows.

The direct method of presentation is applied for operating cash flows. The direct method shows each major class of gross cash receipts and gross cash payments.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 March 2019. IFRS 16 replaces 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.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's annual financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 March 2019.

Leases where company is lessee

Leases previously classified as operating leases

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:
- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the interest rate implicit in the lease at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the interest rate implicit in the lease at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:
- when a portfolio of leases contained reasonably similar characteristics, the company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 01 March 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

2. Changes in accounting policy (continued)

Impact on financial statements

On transition to IFRS 16, the company recognised an additional R3 497 462 of right-of-use assets and R3 497 462 of lease liabilities.

When measuring lease liabilities, the company discounted lease payments using the interest rate implicit in the lease at 01 March 2019. The rate applied is 8%.

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 16 Leases	01 January 2019	The impact of the standard is set out in note 2 Changes in accounting policy.
• Plan Amendment. Curtailment or Settlement - Amendments to IAS 19	01 January 2019	Unlikely there will be a material impact
• Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	Unlikely there will be a material impact
• Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	Unlikely there will be a material impact
• Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material.

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of liabilities as current or non-current: Narrow scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022	Unlikely there will be a material impact
• The conceptual framework for financial reporting (revised in 2018).	01 January 2020	Unlikely there will be a material impact
• IAS 8 Accounting policies, changes in accounting estimates and errors.	01 January 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	**2020**	**2019**

4. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office equipment	591 789	(58 035)	533 754	97 984	(29 566)	68 418
IT equipment	927 210	(224 460)	702 750	280 464	(130 386)	150 078
Leasehold improvements	659 329	(109 888)	549 441	44 170	(44 170)	-
Total	**2 178 328**	**(392 383)**	**1 785 945**	**422 618**	**(204 122)**	**218 496**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Office equipment	68 418	551 985	(45 221)	(41 428)	533 754
IT equipment	150 078	688 772	(1 751)	(134 349)	702 750
Leasehold improvements	-	659 329	-	(109 888)	549 441
	218 496	**1 900 086**	**(46 972)**	**(285 665)**	**1 785 945**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Office equipment	73 040	10 337	(14 959)	68 418
IT equipment	129 049	87 660	(66 631)	150 078
Leasehold improvements	36 808	-	(36 808)	-
	238 897	**97 997**	**(118 398)**	**218 496**

A register containing the information required by Regulation 25 (3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Notes to the Annual Financial Statements

5. Leases (company as lessee)

The company leases a building and parking bays. The average lease term is 3 years.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Right-of-use assets		
Building and parking bays	2 817 400	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 20).

Building and parking bays	680 062	-

Other disclosures

Interest expense on lease liabilities	164 439	-

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	1 065 728	-
Two to five years	1 930 438	-
	2 996 166	**-**
Non-current liabilities	1 930 438	-
Current liabilities	1 065 728	-
	2 996 166	**-**

Exposure to liquidity risk

Refer to note 27 Financial instruments and risk management for the details of liquidity risk exposure and management.

6. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademark	3 095	(345)	2 750	2 195	(73)	2 122
Computer software, internally generated	11 719 047	(2 552 538)	9 166 509	7 169 308	(1 195 018)	5 974 290
Total	**11 722 142**	**(2 552 883)**	**9 169 259**	**7 171 503**	**(1 195 091)**	**5 976 412**

6. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Trademark	2 122	900	(272)	2 750
Computer software, internally generated	5 974 290	4 549 739	(1 357 520)	9 166 509
	5 976 412	**4 550 639**	**(1 357 792)**	**9 169 259**

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Trademark	-	2 195	(73)	2 122
Computer software, internally generated	3 896 352	2 858 124	(780 186)	5 974 290
	3 896 352	**2 860 319**	**(780 259)**	**5 976 412**

7. Deferred tax

Deferred tax liability

Capital allowances - Property plant and equipment	(78 120)	-
Capital allowances - Intangible assets	(463 204)	(190 514)
Prepayments	(183 591)	(41 238)
Total deferred tax liability	**(724 915)**	**(231 752)**

Deferred tax asset

Deferred tax arising from the right of use asset and finance lease liability	174 638	-
Capital allowances - Provisions and accruals	1 196 568	618 975
Cashflow hedge	203 712	30 604
Capital allowances - Property plant and equipment	-	1 667
Deferred tax balance from temporary differences other than unused tax losses	1 574 918	651 246
Total deferred tax asset	**1 574 918**	**651 246**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(724 915)	(231 752)
Deferred tax asset	1 574 918	651 246
Total net deferred tax asset	**850 003**	**419 494**

7. Deferred tax (continued)

Reconciliation of deferred tax asset / (liability)

At beginning of year	419 494	297 405
Originating temporary difference on property and equipment	(79 787)	1 837
Originating temporary differences on intangible assets	(272 690)	(88 043)
Originating temporary differences on accruals	577 593	154 830
Originating differences on prepayments	(142 353)	22 860
Originating temporary difference on cashflow hedge	173 108	30 605
Originating temporary differences on right of use assets and finance lease liability	174 638	-
	850 003	**419 494**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

8. Advances and other receivables

Financial instruments:		
Advances to clients (Refer to note 8.1)	173 989 157	62 186 784
Forward exchange contracts	2 189 134	-
Non-financial instruments:		
Deposits	200 652	36 480
Prepayments	1 068 795	634 849
Total trade and other receivables	**177 447 738**	**62 858 113**

8.1 Advances to clients

Total outstanding advances	185 247 854	68 057 790
Loans written off since inception	(7 435 684)	(3 856 776)
Allowance for expected credit losses	(3 823 013)	(2 014 230)
	173 989 157	**62 186 784**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	173 989 157	62 186 784
At fair value through profit or loss	2 189 134	-
Non-financial instruments	1 269 447	671 329
	177 447 738	**62 858 113**

Advances and other receivables impaired

As at 29 February 2020, advances and other receivables of R3,823,013 (2019: R2,014,230) were impaired and provided for in terms of IFRS 9.

8. Advances and other receivables (continued)

Exposure to credit risk

Advances inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Surety is obtained from each customer. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all advances, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, advances and other receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The company measures the loss allowance for advances and other receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on advances is determined as the lifetime expected credit losses on advances. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Restructured refers to an amendment of the original terms of the loan contract, as formally agreed between us and the client. Rescheduling is used as a rehabilitation mechanism for clients in arrears who are contacted successfully by collections. It is also used as a proactive mechanism to assist up-to-date clients who contact us when requesting to reschedule their loans due to changes in their circumstances. No initiation fee is charged on a rescheduled loan as no new credit is granted.

The loss allowance provision is determined as follows:

	2020	2020	2019	2019
	Estimated carrying value	Loss allowance	Estimated carrying value	Loss allowance
Expected credit loss rate:				
Internal rating				
Band 2: 2020: 0.01% (2019: 0.52%)	13 476	13 476	334 859	80 771
Band 3: 2020: 0.49% (2019: 10.45%)	876 909	122 802	6 710 371	416 697
Band 4: 2020: 16.96% (2019: 41.27%)	30 282 120	616 767	26 497 218	731 080
Band 5: 2020: 57.88% (2019: 38.67%)	103 315 492	989 555	24 828 680	384 302
Band 6: 2020: 21.12% (2019: 6.26%)	37 758 877	106 000	4 018 889	56 264
Band 7: 2020: 1.33% (2019: 0.78%)	2 386 264	-	500 000	5 000
	174 633 138	**1 848 600**	**62 890 017**	**1 674 114**

Notes to the Annual Financial Statements

8. Advances and other receivables (continued)

Internal rating - restructured				
Restructured - Band 3: 2020: 0.00% (2019: 0.26%)	5 550	2 220	168 333	67 333
Restructured - Band 4: 2020: 0.40% (2019: 0.69%)	178 413	71 365	442 500	132 750
Restructured - Band 4 in arrears: 2020: 0.01% (2019: 0%)	550 465	550 465	-	-
Restructured - Band 5 in arrears: 2020: 0.01% (2019: 0%)	620 870	620 870	-	-
Restructured - Band 5: 2020: 1.26% (2019: 1.09%)	1 628 734	651 493	700 164	140 033
Restructured - Band 6: 2020: 0.13% (2019: 0%)	195 000	78 000	-	-
	3 179 032	**1 974 413**	**1 310 997**	**340 116**
Total	**177 812 170**	**3 823 013**	**64 201 014**	**2 014 230**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for advances and other receivables:

Opening balance	2 014 230	1 777 325
Opening balance in accordance with IFRS 9	**2 014 230**	**1 777 325**
Provision raised on new advances	5 387 690	2 017 695
Loans written off	(3 578 907)	(1 780 790)
Closing balance	**3 823 013**	**2 014 230**

Fair value of trade and other receivables

The fair value of advances and other receivables approximates its carrying value, due to the short term nature of the instruments.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	130	-
Bank balances	35 049 425	4 257 203
Investment accounts	52 465 200	3 129 983
	87 514 755	**7 387 186**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

10. Stated capital

Authorised		
1,200,000 Ordinary shares of no par value	1 200 000	1 200 000
649 Series Seed shares with no par value	649	649
1,112 Series A shares with no par value	1 112	-
	1 201 761	**1 200 649**

Notes to the Annual Financial Statements

	2020 R	2019 R

10. Stated capital (continued)

In the current financial period, the memorandum of incorporation was amended, to incorporate Series A preferred no par value shares, to the authorised share capital.

	2020	2019
Reconciliation of number of shares issued:		
Reported as at beginning of year	3 108	3 083
Issue of shares – Series A shares	1 112	-
Buy back of ordinary shares	(101)	-
Issue of shares - Ordinary shares	128	25
	4 247	**3 108**

1 197 515 unissued shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	2020	2019
Issued		
Ordinary	4 207 126	4 646 625
Series A	91 003 281	-
Series seed	14 172 041	14 172 041
	109 382 448	**18 818 666**

Furthermore the shareholders adopted a special resolution in terms of section 48(8)(b) of the Companies Act, read with sections 114 and 115 of the Companies Act, approving the decision by the board of directors of the company to buy back 101 ordinary no par value shares from Alexander Schuetz.

11. Share based payments

Share options not yet vested at year end at fair value	Number	Weighted exercise price	Total value
Outstanding at the beginning of the year	59	21 647	1 277 180
Granted during the year- pre-equity raise	103	28 776	2 963 918
Granted during the year- post-equity raise	25	62 535	1 563 375
Outstanding at the end of the year	187	31 040	5 804 473

Outstanding options	Exercise date within one year	Exercise date from two to five years	Total
Vested fair value of services rendered	1 451 118	2 991 457	4 442 575

Information on options granted during the year

	2020	2019
Weighted fair value of options issued during the year	4 527 293	541 250

Fair value of services received

The company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options on grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to retained income in the statement of changes in equity over the vesting period.

Total expenses of R 889,088 (2019: R 289,331) related to equity-settled share based payments transactions were recognised in 2020 and 2019 respectively.

Notes to the Annual Financial Statements

	2020 R	2019 R

11. Share based payments (continued)

Fair value of services rendered

The fair value of the services rendered is determined by the recent Series A preference share issued at an arm's length transaction with an unrelated party. The value of the shares is based on the valuation of the business.

12. Cashflow hedging reserve

	2020 R	2019 R
Opening balance	(78 700)	-
Amount recognised in other comprehensive income	(2 794 748)	(577 358)
Amount reclassified to profit and loss	2 145 904	468 053
Tax effect	173 108	30 605
Closing balance	**(554 436)**	**(78 700)**

Notes to the Annual Financial Statements

	2020 R	2019 R

13. Other financial liabilities

Split between non-current and current portions

Non-current liabilities	82 655 988	40 664 728
Current liabilities	85 482 973	15 220 266
	168 138 961	**55 884 994**

The directors consider the carrying value of the other financial liabilities to approximate their fair values.

Exposure to currency risk

The company is exposed to currency risk related to certain investments in debt instruments which are denominated in a foreign currency. Management has decided to make use of foreign exchange contracts to hedge the risk.

The net carrying amounts, in Rand, of borrowings, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Rand amount		
Rand	95 153 384	22 605 459
US Dollar	33 562 166	32 043 073
Euro	39 423 411	1 236 462
	168 138 961	**55 884 994**

Foreign currency amount		
US Dollar	2 142 263	2 270 742
Euro	2 294 487	77 130

Rand per unit of foreign currency:		
US Dollar	15.670	14.090
Euro	17.280	16.030

Forward exchange contracts

Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk related to borrowings. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date. After year end the company entered into additional FEC contracts to hedge the remaining unexposed foreign currency amounts to have more than 95% hedged to manage currency risk.

2020

	Contract rate	Contract foreign currency amount	Contract Rand amount
Buy US Dollars - expiry 30 March 2020	15.458	100 000	1 545 800
Buy EUR - expiry 2 March 2020	16.821	341 411	5 742 874
Buy EUR - expiry 7 April 2020	17.293	50 000	864 650
Buy EUR - expiry 8 May 2020	17.081	630 000	10 761 030
Buy EUR - expiry 10 June 2020	16.903	230 000	3 887 690
Buy EUR - expiry 22 June 2020	16.648	570 000	9 489 360
Buy USD - expiry 22 June 2020	14.765	1 600 000	23 624 000
			55 915 404

Notes to the Annual Financial Statements

	2020 R	2019 R

13. Other financial liabilities (continued)

2019

	Contract rate	Contract foreign currency amount	Contract Rand amount
Buy US Dollars - expiry 29 March 2019	14.655	100 000	1 465 500
Buy US Dollars - expiry 11 July 2019	14.300	500 000	7 150 000
Buy US Dollars - expiry 28 June 2019	14.738	500 000	7 369 000
			15 984 500

Exposure to interest rate risk

The company is exposed to interest rate risk on borrowings. Rising interest rates would result in the values of borrowings declining. Management monitors interest rate curves and disposes of borrowings when forecasts predict a potential significant decline in value of borrowings.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

14. Trade and other payables

	2020 R	2019 R
Financial instruments:		
Trade payables	1 288 690	264 746
Accrued leave pay	680 821	255 299
Foreign exchange contracts	-	434 300
Payroll accruals	518 692	186 008
Other payables	-	13 202
Non-financial instruments:		
Amounts received in advance	-	5 100
	2 488 203	**1 158 655**

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

15. Loan from shareholder

	2020 R	2019 R
Lutz Seebacher	-	4 547

The loan is unsecured. interest free with no fixed terms of repayment. This loan was settled during the current year.

Fair value of loan from shareholder

The fair value of loans from shareholders approximates their carrying amounts.

16. Revenue

	2020 R	2019 R
Revenue from contracts with customers		
Fee income	57 634 581	22 726 227

Notes to the Annual Financial Statements

		2020 R	2019 R
17. Cost of services			
Rendering of services		18 135 891	6 072 065
Rendering of services			
Credit assessments		779 873	267 885
Finance costs		11 257 259	3 557 684
Upfront fees		709 335	389 857
Loans written off		3 578 907	1 780 790
Movement in the allowance for expected credit losses		1 808 784	236 906
Banking fees		206 177	110 623
Interest income		(204 444)	(271 680)
		18 135 891	**6 072 065**
18. Other operating income			
Recoveries		85 175	36 717
Investment income		3 249 455	-
		3 334 630	**36 717**
19. Other operating losses			
Losses on disposals, scrappings and settlements			
Property, plant and equipment	4	(18 380)	-
Foreign exchange losses			
Unrealised and realised foreign exchange losses		(3 190 662)	(1 806 277)
Total other operating losses		**(3 209 042)**	**(1 806 277)**

20. Operating profit

Operating profit for the year is stated after charging (crediting) the following, amongst others:

	2020 R	2019 R
Auditor's remuneration - external		
Audit fees	90 000	62 000
Remuneration, other than to employees		
Consulting and professional services	258 821	265 649
Employee costs		
Salaries	13 076 463	5 544 962
Share based compensation expense	889 088	289 331
Total employee costs	**13 965 551**	**5 834 293**
Depreciation and amortisation		
Depreciation of property, plant and equipment	285 665	118 398
Depreciation of right-of-use assets	680 062	-
Amortisation of intangible assets	1 357 792	780 259
Total depreciation and amortisation	**2 323 519**	**898 657**

Notes to the Annual Financial Statements

	2020 R	2019 R

20. Operating profit (continued)

Other

	2020 R	2019 R
Unrealised and realised forex losses	3 190 662	1 806 277

Expenses by nature

The total cost of services, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	2020 R	2019 R
Employee costs	13 965 551	5 834 293
Depreciation and amortisation	2 323 519	898 657
Other expenses	3 921 159	1 709 589
Advertising	15 652 450	3 818 700
Building and bandwidth	389 673	498 478
	36 252 352	**12 759 717**

21. Finance costs

	2020 R	2019 R
Finance leases	164 439	-
Tax authorities	-	8 065
Total finance costs	**164 439**	**8 065**

22. Taxation

Major components of the tax expense

	2020 R	2019 R
Current		
Local income tax - current period	1 290 261	769 039
Deferred		
Originating and reversing temporary differences	(257 401)	(91 484)
	1 032 860	**677 555**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2020 R	2019 R
Accounting profit	3 207 487	2 116 820
Tax at the applicable tax rate of 28% (2019: 28%)	898 096	592 710
Tax effect of adjustments on taxable income		
Movement in share based payment reserve	248 945	81 012
Interest on finance lease	46 042	-
Lease payments	(186 405)	-
Permanent difference arising from the application of IFRS 16	15 779	-
Disallowable expenditure	10 403	3 833
	1 032 860	**677 555**

Notes to the Annual Financial Statements

	2020 R	2019 R

23. Cash used in operations

Profit before taxation	3 207 487	2 116 820
Adjustments for:		
Depreciation and amortisation	2 323 519	898 657
Profit on sale of assets	18 380	-
Finance costs	164 439	8 065
Fee income	(57 634 581)	(22 726 227)
Interest income	(3 453 899)	(271 680)
Movement in default provision	1 808 784	236 906
Interest expense and Upfront fees	11 966 594	3 947 541
Parking and rental taken to finance lease liability	(665 735)	-
Movement in share-based payment reserve	889 088	289 332
Changes in working capital:		
Advances and other receivables	(56 574 723)	(21 832 852)
Trade and other payables	(859 690)	632 762
	(98 810 337)	**(36 700 676)**

24. Tax paid

Balance at beginning of the year	(88 849)	(193 549)
Current tax for the year recognised in profit or loss	(1 290 261)	(769 039)
Balance at end of the year	(514 776)	88 849
	(1 893 886)	**(873 739)**

Notes to the Annual Financial Statements

	2020 R	2019 R

25. Related parties

Relationships	
Shareholders	International Finance Corporation
	Hallman Holding International Investment Gmbh
	Lutz Seebacher
	Team Africa Trust
	Trevor Owen Gosling
	Neil Christopher Welman
	Simreen Kaur Dhariwal
	Alexander Schuetz
	Accion Africa
	Newid Capital
	Accion Quona Inclusion Mauritius
	Accion Venture Lab
Members of key management	Neil Christopher Welman
	Trevor Owen Gosling

Related party balances

	2020 R	2019 R
Loan accounts - Owing (to) by related parties		
Hallman Holding International Investment Gmbh	(1 610 707)	(2 447 320)
Lutz Seebacher	-	(4 547)

Related party transactions

	2020 R	2019 R
Interest paid to related parties		
Hallman Holding International Investment Gmbh	180 452	196 727
Trevor Owen Gosling	-	89 267
Legal fees paid to related parties		
International Finance Corporation	1 079 847	-

26. Directors' emoluments

Executive

2020

	Emoluments	Total
Neil Christopher Welman	1 320 000	1 320 000
Trevor Owen Gosling	1 480 000	1 480 000
	2 800 000	**2 800 000**

2019

	Emoluments	Total
Neil Christopher Welman	1 080 000	1 080 000
Trevor Owen Gosling	1 080 000	1 080 000
	2 160 000	**2 160 000**

Notes to the Annual Financial Statements

	2020	2019
	R	R

27. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Note(s)	Fair value through profit or loss	Amortised cost	Total	Fair value
Advances to clients	8	-	173 989 157	173 989 157	173 989 157
Cash and cash equivalents	9	-	87 514 755	87 514 755	87 514 755
Forward exchange contracts	8	2 189 134	-	2 189 134	2 189 134
		2 189 134	**261 503 912**	**263 693 046**	**263 693 046**

2019

	Note(s)	Amortised cost	Total	Fair value
Advances to clients	8	62 186 784	62 186 784	62 186 784
Cash and cash equivalents	9	7 387 186	7 387 186	7 387 186
		69 573 970	**69 573 970**	**69 573 970**

Categories of financial liabilities

2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	14	2 488 202	2 488 202	2 488 202
Other financial liabilities	13	168 138 961	168 138 961	168 138 961
Finance lease obligations	5	2 996 166	2 996 166	2 996 166
		173 623 329	**173 623 329**	**173 623 329**

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	14	1 153 555	1 153 555	1 153 555
Loans from shareholders		4 547	4 547	4 547
Other financial liabilities	13	55 884 994	55 884 994	55 884 994
		57 043 096	**57 043 096**	**57 043 096**

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

		2020 R	2019 R

27. Financial instruments and risk management (continued)

The company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The capital structure of the company consists of debt and equity as presented on the statement of financial position.

The capital structure and gearing ratio of the company at the reporting date was as follows:

Loans from shareholders	15	-	4 547
Borrowings	13	168 138 961	55 884 994
Finance lease liability	5	2 996 166	-
Trade and other payables	14	2 488 202	1 158 656
Total borrowings		**173 623 329**	**57 048 197**
Cash and cash equivalents	9	(87 514 755)	(7 387 186)
Net borrowings		**86 108 574**	**49 661 011**
Equity		106 476 546	19 722 656
Gearing ratio		81 %	252 %

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by a risk committee under policies approved by the board of directors. Company's risk committee identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on advances and other receivables, and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

27. Financial instruments and risk management (continued)

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, excluding those measured at fair value through profit or loss.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Advances and other receivables	8	177 812 170	(3 823 013)	173 989 157	64 201 014	(2 014 230)	62 186 784
Cash and cash equivalents	9	87 514 755	-	87 514 755	7 387 186	-	7 387 186
		265 326 925	**(3 823 013)**	**261 503 912**	**71 588 200**	**(2 014 230)**	**69 573 970**

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

	2020	2019
	R	R

28. Hedging

Foreign currency exposure

The company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the company own credit risk on the fair value of the forward exchange contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships.

29. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management has evaluated that the national disaster noted under events after the reporting period. will not cast a significant doubt on the ability of the entity to continue as a going concern.

30. Events after the reporting period

On 15 March 2020, the President of the Republic of South Africa declared the COVID-19 outbreak a national disaster. Due to the regulations implemented after the declaration, it has resulted in a number of small businesses not allowed to trade during the national lockdown. Certain industries classified as essential services and low risk industries are allowed to trade during the lockdown. More industries will be allowed to trade as various lockdown levels are implemented in South Africa in the foreseeable future.

Due to the conditions not existing at year end this resulted in the COVID-19 being a non-adjusting event.

Based on the above, the expected credit losses pertaining to advances held as at year end has been re-calculated subsequent to year end by taking into account conditions and information available subsequent to year end. The new expected credit loss model has been updated to incorporate a provision for default per industry evaluation.

Based on the provision matrix used, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions, the expected credit loss as at year end would have been approximately R15,958,480, which would have resulted in an increase of R12,135,467 in the allowance for expected credit losses, an increase in the deferred tax asset of R3,397,931 as at year end, and a decrease in net profit of R8,737,536.

Management performed a sensitivity analysis to take into account the worst-case scenario relating to the probabilities of default of the various industry sectors. The maximum expected credit loss was calculated based on a strict lockdown that continues for a period of 8 months where the majority of South Africa SME's are unable to operate during that period. The maximum expected loss was calculated as R40,062,552, which would have resulted in an increase of R36,239,539 in the allowance for expected credit losses, an increase in the deferred tax asset of R10,147,071 and a decrease in net profit of R26,092,468.

Lula Lend Proprietary Limited
(Registration number 2014/156767/07)
Annual Financial Statements for the year ended 29 February 2020

Detailed Income Statement

	Note(s)	2020 R	2019 R
Revenue			
Fee income		57 634 581	22 726 227
Cost of services			
Finance and other related costs		(18 135 891)	(6 072 065)
Gross profit		**39 498 690**	**16 654 162**
Other operating income			
Other recoveries		85 175	36 717
Investment income		3 249 455	-
	18	**3 334 630**	**36 717**
Other operating losses			
Foreign exchange losses		(3 190 662)	(1 806 277)
Losses on disposal of assets		(18 380)	-
	19	**(3 209 042)**	**(1 806 277)**
Other operating expenses			
Advertising		15 652 450	3 818 700
Amortisation		1 357 792	780 259
Auditors remuneration - external auditors	20	90 000	62 000
Bank charges		50 119	23 684
Building and bandwidth		389 673	498 478
Consulting and professional fees		258 821	265 649
Depreciation		965 727	118 398
Employee costs		13 965 551	5 834 293
Forex charges		318 849	122 599
Insurance		53 080	20 070
Other expenses - General		216 291	69 153
Other payroll and recruitment costs		1 510 062	620 856
Telephone and fax		150 933	62 219
Travel - local		54 543	75 470
Travel - overseas		41 621	-
Webservice fees		1 176 840	387 889
		36 252 352	**12 759 717**
Operating profit	20	**3 371 926**	**2 124 885**
Finance costs	21	(164 439)	(8 065)
Profit before taxation		**3 207 487**	**2 116 820**
Taxation	22	(1 032 860)	(677 555)
Profit for the year		**2 174 627**	**1 439 265**

The supplementary information presented does not form part of the annual financial statements and is unaudited