# Investing in entrepreneurs
builds business that builds people

annual report

2008


Business PARTNERS
Investing in Entrepreneurs

# CONTENTS



~ Corporate sustainability is very important to Business Partners and the issue is covered throughout the Annual Report. This symbol indicates the sections that deal with the various aspects of this important subject.

**Business Partners Limited** is a specialist investment company, providing customised and integrated investment, mentorship and property management services for small and medium enterprises in South Africa, as well as Kenya and Madagascar.

ISO 9001:2000 certified

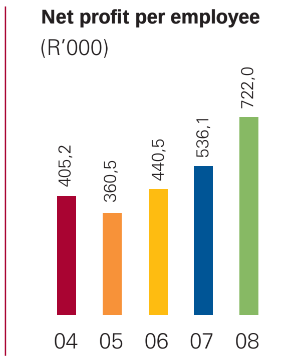
# 2007/2008 HIGHLIGHTS

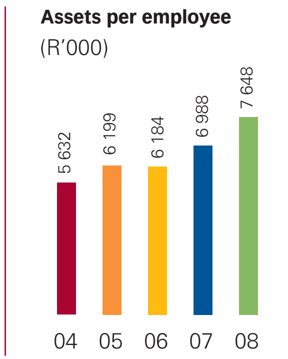
## OPERATIONS

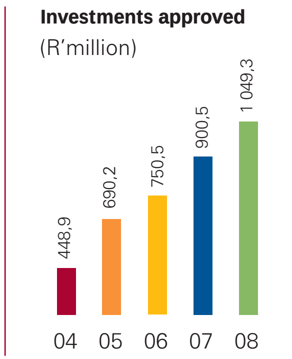
- The investment portfolio under management increased by R174,4 million to R1 672,1 million – an increase of 11,6 percent (2007: R1 497,7 million)
- The investment property portfolio increased by R89,7 million to R357,5 million – an increase of 33,5 percent (2007: R267,8 million)
- During the year, 682 investments (including investment properties) to the value of R1 049,3 million were approved – an improvement of 16,5 percent (2007: 673 investments to the value of R900,5 million). Of these,
  - 304 investments to the value of R389,4 million were approved for black entrepreneurs (2007: 296 investments to the value of R345,1 million)
  - 254 investments to the value of R306,3 million were approved for businesses owned and run by women (2007: 247 investments to the value of R281,3 million)
  - 32 investments to the value of R30,6 million were approved on behalf of the Umsobomvu Youth Fund Business Partners Franchise Fund, launched in 2003 as a R125 million fund for investment in historically-disadvantaged youth in the franchising sector
  - 46 investments to the value of R26,9 million were approved on behalf of the Business Partners-Khula Start-up Fund, launched in 2006 as a R150 million fund for investment in start-up businesses by historically-disadvantaged individuals
- Properties under management at the end of the financial year comprised more than 657 000m$^2$ of lettable space and are occupied by more than 3 390 tenants
- More than 7 100 employment opportunities were facilitated through our investment activities
- 388 active mentors are available to provide technical assistance, mentorship and consulting services to clients

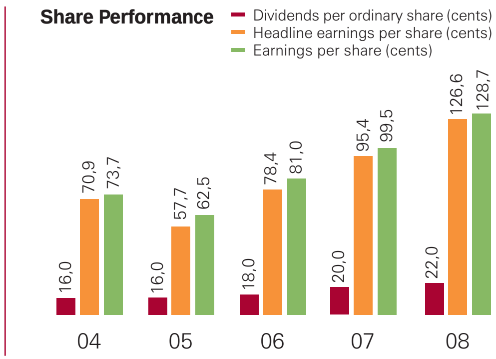
## FINANCIAL AND CORPORATE

- Net profit for the year is R216,6 million, an increase of 34,7 percent from R160,8 million reported in March 2007
- Headline earnings per share increased by 32,7 percent from 95,4 cents per share to 126,6 cents per share
- Dividend per share increased by 10 percent to 22 cents per share
- Profit per employee improved by 34,7 percent to R722 000 per employee



# VISION, MISSION, GOALS AND VALUES

## VISION
Our vision is to be a world-class, added-value investor in small and medium enterprises, thereby facilitating wealth generation, job creation and economic development in South Africa.

## MISSION
Our mission is to fulfil our vision by investing capital, skill and knowledge into viable entrepreneurial enterprises.

## GOAL
Our goal is to be one of the most internationally respected, successful and profitable investors in small and medium enterprises.

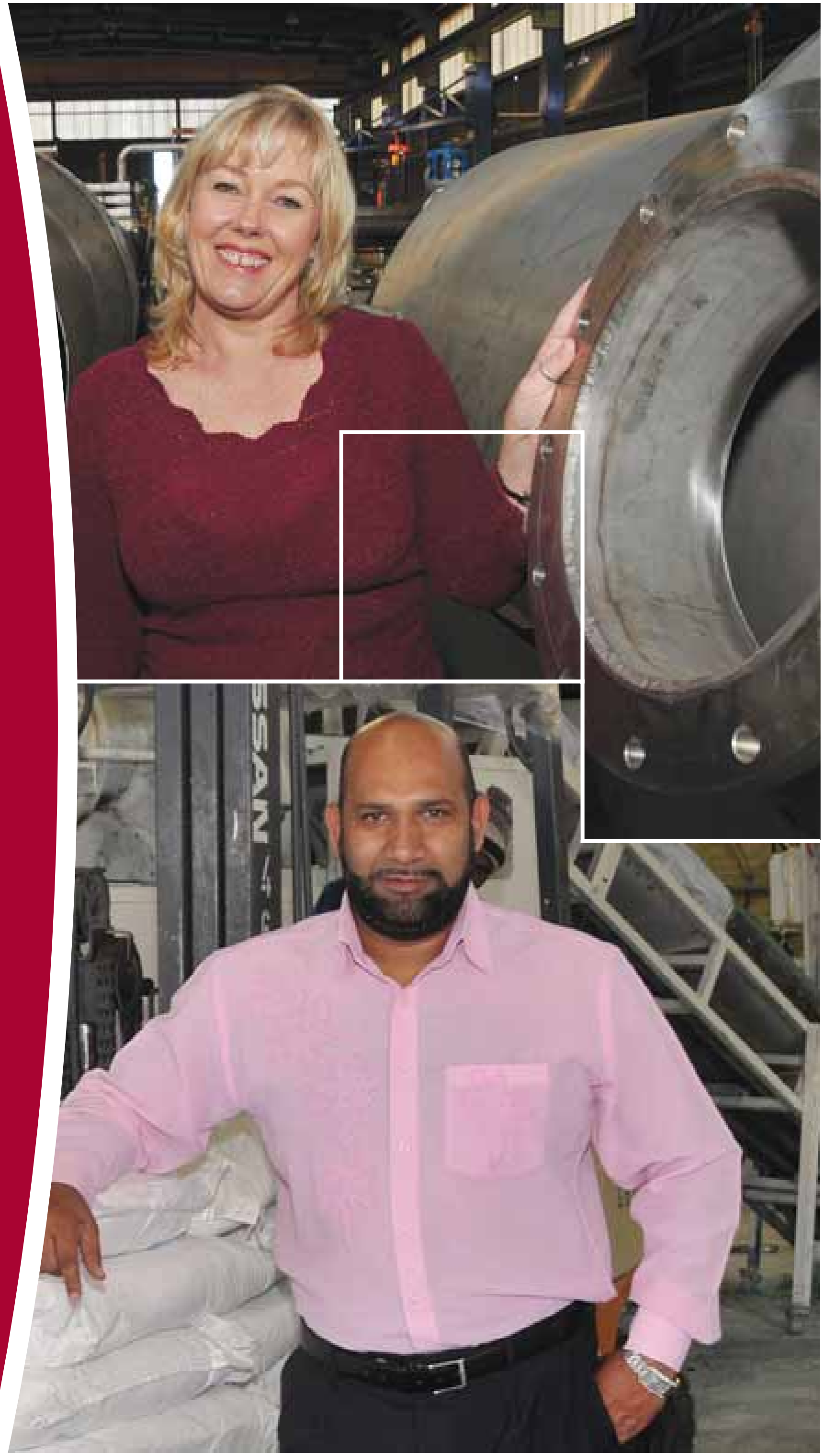
## VALUES
Our values are:

**Business and Personal Integrity**
Everything we do, in both the running of our business and in our personal conduct, is guided first and foremost by honesty, integrity and respect for human dignity.

**Superior Client Service**
We exist for our clients; we enjoy serving them and aim to delight them with our products and the quality of our service.

**Economic Merit**
All of our investments are founded on economic merit, ensuring broad access to investment finance and added-value services for all communities and optimal effectiveness for our clients and our shareholders. It is our aim to be frugal in all aspects of expenditure in our business so that we ensure long-term sustainability and deliver optimal value for our clients and shareholders.

**Entrepreneurship**
We seek to live the name of our organisation by becoming true partners with our clients in the success of their businesses and by ourselves being entrepreneurial in our approach to doing business.



# 2008/2009 STRATEGIC FOCUS

A strategic review was conducted by the Board of Directors of Business Partners Ltd during February 2008. Some of the main features of that review are the following:

**The vision, mission and goals were changed to the following:**

- ***Our vision*** is to live our name, being the premier business partner for SMEs*, facilitating wealth creation, job creation and shared economic development
- ***Our mission*** is to invest capital, skill and knowledge into viable entrepreneurial enterprises in South Africa, Africa and all markets where we have a presence
- ***Our goal*** is to be an internationally respected, successful and profitable business partner for SMEs

**Small and Medium Enterprises*

**Our values too, were refined to read as follows:**

***Business and Personal Integrity***

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

***Superior Client Service***

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

***Economic Merit***

Underpins all our investment decisions, ensuring access to business finance and added value service for all communities we serve. Economic merit also underpins all our operational decisions, ensuring our long-term sustainability to deliver optimum value for clients and shareholders alike.

***Entrepreneurship***

Our entrepreneurial approach to doing business enables us to partner with our clients in the success of their businesses.

**The expanding the footprint growth strategy**

The strategy was reaffirmed and management committed themselves to gearing up for the required recruitment and training facilities to ensure we have the necessary trained professionals available to fulfill our plan.

**Profit and Development**

Profit is needed to ensure sustainability. However, we will simultaneously pursue profits and development, as articulated in our vision. The present balance in respect of profitability and development will remain.

**The "Business Partners difference"**

Business Partners provides capital, skill and knowledge. We do not only supply money, but also strategic advice, systems advice and, if necessary, turnaround assistance. We are in fact, a partner to the entrepreneur. The emphasis in coming years is to do more investments where Business Partners takes up a minority shareholding in the investee company.

**Our people**

It is essential that we are a transformed South African company, where every colleague has been properly and fully trained and prepared for the task at hand. In order to achieve the necessary diversity changes in the management structures of the company, individuals are continuously being identified and fast-tracked in terms of their management development. All efforts will be made to be the employer of choice for people who have an interest in pursuing development with profit.

**Expansion into further African countries**

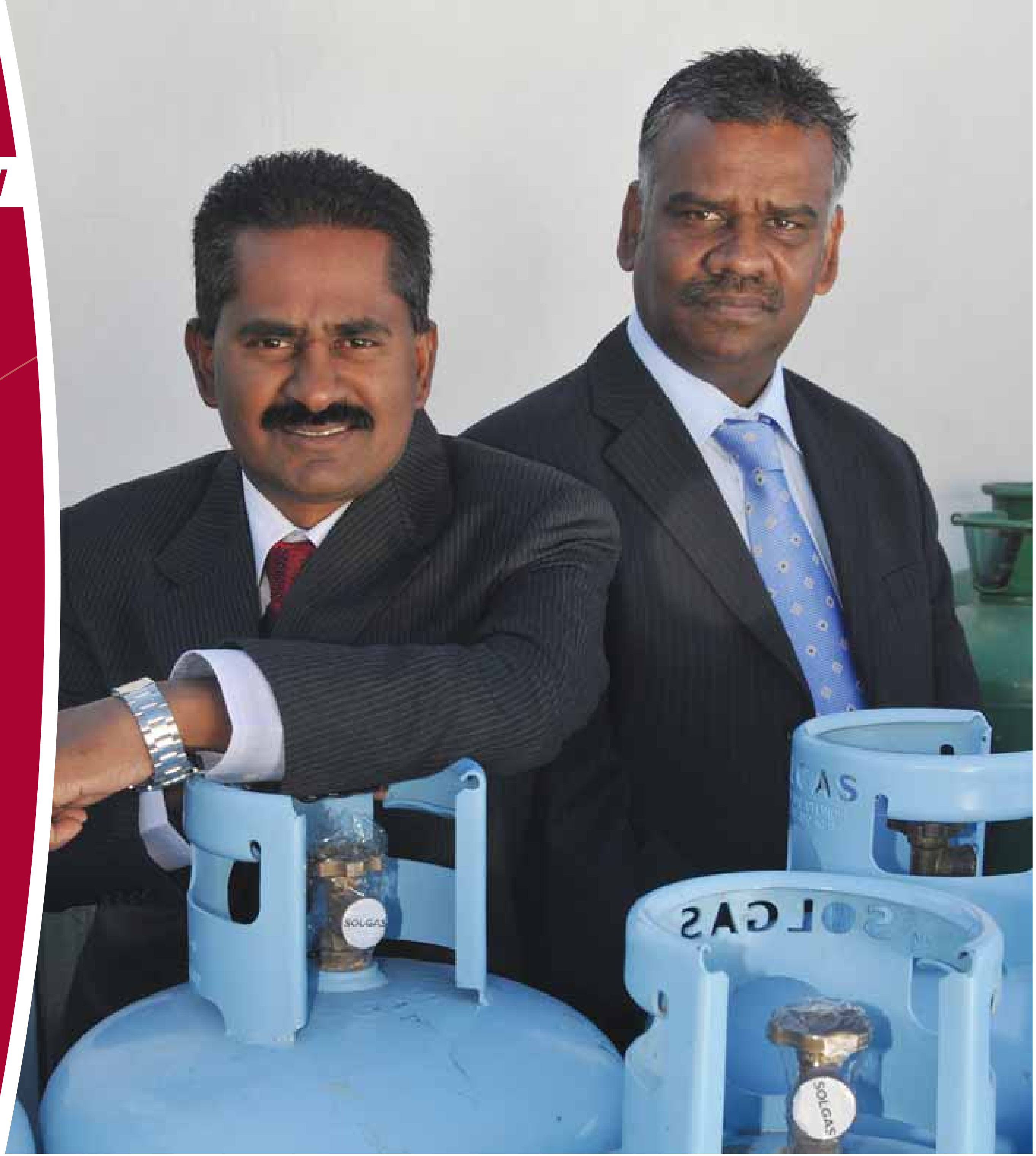
Business Partners presently manages funds in Madagascar and Kenya. It is envisaged that at least one additional fund will be raised in 2008 and, from 2009 onwards, we are planning to launch two funds per annum for the next five years.

Expert business management, financial advice and **equity participation**

# OPERATIONAL REVIEW

'Business Partners helped us to grow our business beyond all expectations'

Steve Naidoo and Sagee Maistry
Owners of Solgas (Pty) Ltd



# FIVE YEAR SUMMARY

| | 2008/2007 Increase/(decrease) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| **Consolidated Balance Sheet (R000)** | | | | | | |
| Business investment approvals | 16,5% | **1 049 310** | 900 472 | 750 511 | 690 164 | 448 868 |
| Capital and reserves | 9,7% | **2 132 264** | 1 942 977 | 1 714 395 | 1 605 711 | 1 528 933 |
| Total assets | 9,5% | **2 294 483** | 2 096 253 | 1 830 339 | 1 729 567 | 1 650 193 |
| Deposits and bank balances | -15,6% | **236 751** | 280 615 | 386 847 | 469 655 | 490 484 |
| **Consolidated Income Statement (R000)** | | | | | | |
| Net profit | | **216 599** | 160 821 | 130 398 | 100 588 | 118 715 |
| Adjustments | | **(3 537)** | (6 614) | (4 086) | (7 729) | (4 508) |
| Headline earnings | | **213 062** | 154 207 | 126 312 | 92 859 | 114 207 |
| Change in net profit | | **34,7%** | 23,3% | 29,6% | -15,3% | 0,7% |
| Change in headline earnings | | **38,2%** | 22,1% | 36,0% | -18,7% | -2,2% |
| **Share Statistics** | | | | | | |
| Earnings per share (cents) | 29,3% | **128,7** | 99,5 | 81,0 | 62,5 | 73,7 |
| Headline earnings per share (cents) | 32,7% | **126,6** | 95,4 | 78,4 | 57,7 | 70,9 |
| Dividends per ordinary share (cents) | 10,0% | **22** | 20 | 18 | 16 | 16 |
| Dividend cover (times) | 18,0% | **5,9** | 5,0 | 4,5 | 3,9 | 4,6 |
| Net asset value per share (cents) | 9,7% | **1 324,1** | 1 206,6 | 1 064,6 | 997,1 | 949,5 |
| **Ratios** | | | | | | |
| Effective tax rate | -12,4% | **22,0%** | 25,1% | 24,0% | 26,6% | 31,1% |
| Return on opening shareholders' interest | 18,1% | **11,1%** | 9,4% | 8,1% | 6,6% | 8,2% |
| Return on average assets | 20,7% | **9,9%** | 8,2% | 7,3% | 6,0% | 7,4% |
| Operating expenditure/total income | -0,4% | **48,6%** | 48,8% | 50,4% | 55,6% | 52,0% |
| Net profit per employee (R000) | 34,7% | **722,0** | 536,1 | 440,5 | 360,5 | 405,2 |
| Net profit/employee cost | 21,1% | **2,3** | 1,9 | 1,8 | 1,4 | 1,8 |

# BUSINESS PARTNERS DIRECTORS

**Mr Johann Rupert**
**Chairman**

Appointed: 31 August 1993
Chairman: Compagnie Financière Richemont SA, Remgro Limited and VenFin Limited

**Mr Theo van Wyk** [1,2,3,4,5]
**Deputy Chairman**

Chairman: Personnel Committee
Chairman: Nominations Committee
Appointed: 18 August 1998
Executive Director: Remgro Limited

**Mr Jo' Schwenke** [2,3,4,5]
**Managing Director**

Appointed: 1 January 1996

**Mr Nazeem Martin** [5]
**Deputy Managing Director: iKapa Business Unit**

Appointed: 6 November 2002

**Mr Philip Baum**
**Non-executive Director**

Served: 3 March 1994 until 30 August 2001
Re-appointed: 15 January 2002
Chief Executive Officer: Anglo Ferrous Metals and Industries
Acting Chief Executive Officer: Anglo American South Africa Limited

**Mr Christo Botes**
**Executive Director: Egoli Business Unit**

Appointed: 6 November 2002

**Mr Div Geeringh** [1,2,3,4]
**Non-executive Director**

Chairman: Audit and Risk Committee
Appointed: 29 August 1989
Director of Companies
*Alternate: Mr Themba Ngcobo*

**Dr Paula Huysamer** [2,5]
**Non-executive Director**

Appointed: 14 February 2002
Executive Director: VUYA! Investments (Pty) Limited

**Dr Eltie Links** [1,5]
**Non-executive Director**

Appointed: 14 February 2002
Professor at the University of Stellenbosch Business School
President: AHI
Chairman: AfriSam Consortium (Pty) Ltd

**Ms Joyce Matlala** [1]
**Non-executive Director**

Appointed: 4 March 2008
Group Financial Director: Kagiso Trust Investments (Pty) Limited

# BUSINESS PARTNERS DIRECTORS

**Mr Friedel Meisenholl** [1,4]
**Non-executive Director**

Deputy Chairman: Audit and Risk Committee
Appointed: 23 February 2000
Chief Internal Auditor: ABSA Bank Limited

**Mr David Moshapalo** [3,4]
**Non-executive Director**

Served: 23 January 1996 until 30 August 2001
Re-appointed: 14 February 2002
Executive Deputy Chairman: Strategic Partners Group
Black Partner in the Bombela Consortium in the Gautrain Project
Director of Companies

**Mr Themba Ngcobo** [4,5]
**Non-executive Director***

**Alternate to Mr Div Geeringh*
Appointed: 20 February 2002
Director: Three Cities Investments Limited and Vukani Property Developments (Pty) Limited

**Dr Mamphela Ramphele** [2,3,5]
**Non-executive Director**

Chairperson: B-BBEE Strategy Committee
Appointed: 26 July 2005
Chairperson: Circle Capital Ventures (Pty) Limited

**Dr Zavareh Rustomjee** [1,2,3,5]
**Non-executive Director**

Appointed: 23 January 1996
Independent Consultant

**Mr Xola Sithole** [1,2,3]
**Non-executive Director**

Appointed: 18 February 2004
Managing Director: Khula Enterprise Finance Limited

**Dr Jurgen Smith** [2]
**Non-executive Director**

Served: 1 August 1987 until 30 August 2001 and 14 February 2002 until 24 July 2007
Business Consultant and Director of Companies

**Mr Gerrie van Biljon**
**Executive Director: e'Thekwini Business Unit**

Appointed: 6 November 2002

## Regional Committees

**Egoli Business Unit (Johannesburg)**
Mr David Moshapalo (Chairman) [3,4], Ms Buhle Mthethwa, Mr Lemmy Mule, Dr Jurgen Smith (resigned 24 July 2007) [2], Mr Andrew Siebrits, Mr Phillip Thobela, Mr Jo' Schwenke (Ex-Officio) [2,3,4,5], Mr Christo Botes (Ex-Officio)

**e'Thekwini Business Unit (Durban)**
Mr Themba Ngcobo (Chairman) [4,5], Mr Johan de Jager
Prof Dilip Garach, Ms Londiwe Mthembu,
Mr Jo' Schwenke (Ex-Officio) [2,3,4,5], Mr Gerrie van Biljon (Ex-Officio)

**iKapa Business Unit (Cape Town)**
Dr Carel Stander (Chairman) [4], Mr Richard Ball,
Ms Debbie Bruce, Dr Pat Gorvalla, Mr Peter Matshitse,
Mr Yusuf Pahad, Mr Themba Pasiwe, Mr Jack Patel,
Mr Jo' Schwenke (Ex-Officio) [2,3,4,5], Mr Nazeem Martin (Ex-Officio) [5]

1 Audit and Risk Committee 2 Personnel Committee 3 Nominations Committee 4 National Investment Committee 5 B-BBEE Strategy Committee

# BUSINESS PARTNERS EXECUTIVE MANAGEMENT

**Mr Jo' Schwenke** (56)
**Managing Director**
B Com, CA (SA), B Iuris
18 years' service

**Mr Nazeem Martin** (46)
**Deputy Managing Director: iKapa Business Unit**
BA, HDE, M Urban Planning
AMP
10 years' service

**Mr Ben Bierman** (42)
**Chief Financial Officer**
B Com, B Com (Hons), ACMA, H Dip Tax
18 years' service

**Mr Christo Botes** (47)
**Executive Director: Egoli Business Unit**
B Acc, B Compt Hons, CTA
22 years' service

**Mr Pierre Mey** (47)
**Executive General Manager: Operational Support Services**
B Com
21 years' service

**Ms Lorraine Nakene** (32)
**Executive General Manager: Systems Quality**
B Com (cum laude), CA (SA)
2 years' service

**Mr JM Smith** (44)
**Executive General Manager: Human Resources**
B Soc Sc (cum laude), B Com (Hons) (cum laude), M Com
16 years' service

**Mr Gerrie van Biljon** (50)
**Executive Director: e'Thekwini Business Unit**
B Com, MBA
22 years' service

# BUSINESS PARTNERS EXECUTIVE MANAGEMENT

**Mr Willem Bosch** (53)
**Chief Operating Officer: Property Management Services**

B Com Acct, CPA
16 years' service

**Ms Petro Bothma** (49)
**Assistant General Manager: Marketing Coordination**

22 years' service

**Ms Marjan Gerbrands** (34)
**Company Secretary**
**Corporate Legal Adviser**

BLC, LLB (cum laude), LLM
7 years' service

**Mr Paul Malherbe** (37)
**Chief Operating Officer: Technical Assistance, Mentorship and Consulting Services**

B Compt, MBL
13 years' service

**Mr Mark Paper** (42)
**Chief Operating Officer: Business Partners International**

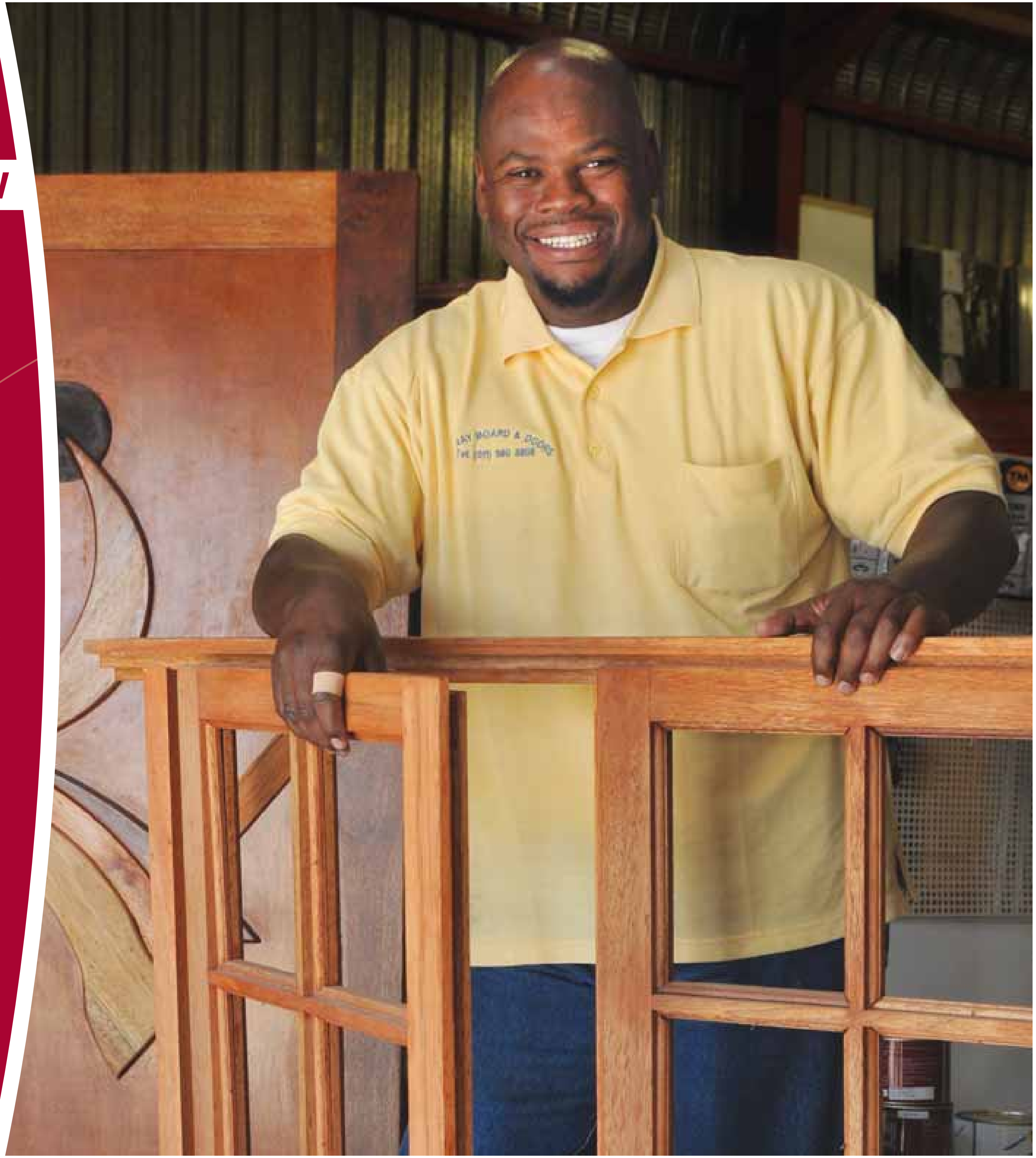
B Com
16 years' service

On-going business support
from a committed management team
for the challenges of today's
**Business environment**

# MANAGEMENT REVIEW

'Business Partners cares about me and my business – they are involved'

Harvey Nkosi
Owner of Midway Board and Doors, Soweto



## BUSINESS INVESTMENTS

Business Partners Limited is South Africa's leading risk financier for small and medium enterprises. It provides a full-service offering for entrepreneurs, which includes customised risk finance solutions, property broking, property management, technical assistance, mentorship, consulting and ongoing business support through industry-specific units. Integrated business solutions are individually structured to meet the specific needs of a wide range of entrepreneurs, from single-owner private practices to multi-owner management buy-outs or buy-ins.

The company invests in independent enterprises in the commercial, manufacturing and services sectors of the economy, with the exception of on-lending activities, farming operations and non-profit organisations. Added-value services are offered on an independent basis, both pre- and post-investment.

Business Partners has unique competencies for assessing the viability of entrepreneurial enterprises, and for minimising financial and business risk to both entrepreneurs and the company. It is on these competencies that the products and services portfolio is based, as are the Business Partners' unique risk management, quality control and management information systems.

During the past financial year, Business Partners has successfully continued to grow its business in South Africa and, through wholly-owned subsidiary, Business Partners International (Pty) Limited, also in Kenya and Madagascar.

At Business Partners, we believe that people are our real business. We aim to deliver exactly what each client needs, every time. We do this by using our innovative range of products and services to develop complete business solutions, using debt, royalty and equity financing, as well as our range of added-value services. Solutions are tailored for each client company, and are delivered by experienced, committed people through a well-structured organisation that prides itself on ISO certification for its systems and procedures.

## BUSINESS PARTNERS LIMITED (SOUTH AFRICA)

Business Partners Limited has been investing in entrepreneurs for over 27 years.

The company's principal business activity is conducted through Business Partners Investments, the largest of its divisions and the one that houses its business units and investment funds. The division encompasses three geographically-defined business units, Egoli, e'Thekwini and iKapa, and five specialist investment funds, the Business Partners-Khula Start-Up Fund, the Business Partners Tourism Fund, the Business Partners Empowerment Fund, the Business Partners Women's Fund and the Business Partners Property Investment Fund.

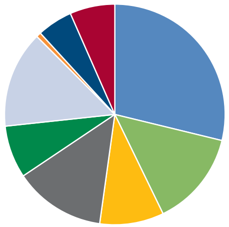
For five years beginning in April 2003, Business Partners Investments has also managed the Umsobomvu Youth Fund Business Partners Franchise Fund.

Property management, technical advice, mentorship, consulting and operational support services are provided through other dedicated divisions.

Entrepreneurship continues to be a key focus in South Africa, ensuring that Business Partners is well positioned for sustainable success. This is especially so as government has identified small and medium enterprise as essential to socio-economic growth, national development, political stability and sustainability.

Business Partners actively supports entrepreneurial growth by providing investment financing, specialist sectoral knowledge and added-value services for viable small and medium enterprises.

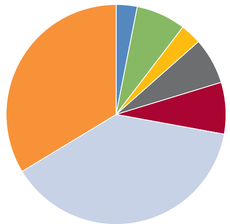
**Distribution of investments by sector**
*Investments advanced*
*for the year ending 31 March 2008*



| | |
|---|---|
| 28,8% | Professional and personal services |
| 14,0% | Manufacturing |
| 9,4% | Motor trade |
| 13,4% | Retailing |
| 7,7% | Leisure |
| 14,2% | Travel and tourism |
| 0,7% | Coastal fishing |
| 5,2% | Building, plumbing and shopfitting |
| 6,6% | Other |

# MANAGEMENT REVIEW


**Distribution of investments by product**
*Investments advanced for the year ending 31 March 2008*



| | |
|---|---|
| 3,1% | Equity Partner |
| 7,3% | Property Equity Partner |
| 3,1% | Risk Partner |
| 6,8% | Royalty Risk Partner |
| 7,6% | Property Risk Partner |
| 38,5% | Royalty Partner |
| 33,6% | Loan Partner |

Despite intensive competitive activity, especially by the commercial banks, strategic developments at Business Partners during the past year have enabled the company to maintain its specialised niche positioning in the financial services market.

This has been done by:

- maintaining a constant flow of high-quality deals
- pre-qualifying potential clients as soon as possible
- maintaining and expanding robust networks with intermediaries such as accountants, lawyers, architects and engineers
- maintaining a strong marketing and communications presence in the media and amongst target markets
- developing and strengthening management systems in line with growth
- employing and training appropriately qualified staff in line with the company's overall niche positioning
- maintaining and strengthening added-value services such as mentorship, consulting services, property management and broking services

"We can always count on Business Partners to help us get through difficult times."

**Tau Mpofu**
*Co-owner Allfresh Meat Chicken and Vegetables, Roodepoort*


Benji Premrajh
Unique Kitchen Design (UKD)

## PRODUCT PORTFOLIO

The Business Partners' product portfolio has been conceptualised to provide for entrepreneurs with widely differing needs, and is used as the basis for developing customised solutions for each client or client company. The portfolio comprises:

**Equity Partner**
Equity Partner is designed for the entrepreneur who has an exceedingly profitable venture, has own capital to contribute to the venture and requires additional capital for expansion.

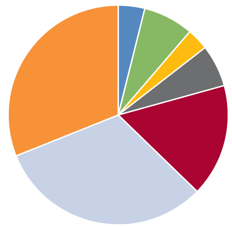
**Risk Partner**
Risk Partner caters for the needs of the entrepreneur with a viable lifestyle business, who has limited capital and limited security to contribute, but whose business is able to generate sufficient cash flow to afford regular loan repayments.

**Royalty Partner**
Royalty Partner is designed to meet the needs of smaller, high-risk ventures, where the cost of converting to equity participation is not practical or justified. It provides for the investment to be structured as a loan with a risk portion, and for this portion to be covered by a royalty fee.

**Property Risk Partner**
Property Risk Partner is designed for the entrepreneur who wishes to purchase business premises, but who either wishes to protect cash resources or has a limited own contribution to make, and is therefore unable to raise the normal deposit required by other financial institutions.

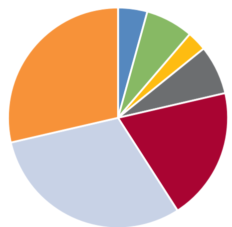
**Property Equity Partner**
Property Equity Partner is designed for the entrepreneur with an exceptionally viable multi-tenant property investment opportunity, providing an above-average return on investment.

**Distribution of investments by product**
*Investment portfolio composition*
*as at 31 March 2008*



- 3,9% Equity Partner
- 7,4% Property Equity Partner
- 3,2% Risk Partner
- 6,2% Royalty Risk Partner
- 16,6% Property Risk Partner
- 31,7% Royalty Partner
- 31,0% Loan Partner

**Distribution of investments by product**
*Investment portfolio composition*
*as at 31 March 2007*



- 4,3% Equity Partner
- 7,0% Property Equity Partner
- 2,9% Risk Partner
- 7,2% Royalty Risk Partner
- 19,5% Property Risk Partner
- 30,5% Royalty Partner
- 28,6% Loan Partner

# MANAGEMENT REVIEW

## BUSINESS UNIT ACTIVITIES

Business Partners' three geographically-defined business units cater for social and economic variations that have an influence on entrepreneurial requirements in the country's different regions.

The challenges facing the entrepreneurs served by each unit vary widely, as do the solutions provided for them by the experienced staff situated in Business Partners' offices across the country.

**Egoli Business Unit**

The Egoli Business Unit serves Gauteng, the Free State, Limpopo, North West and the eastern part of the Northern Cape, and also administers two of Business Partners' specialist investment funds. It has offices in Industria, Clearwater and Jet Park in Johannesburg, as well as in Centurion, Polokwane, Bloemfontein, Kimberley and Bethlehem.

Situated as it is in South Africa's business and manufacturing hub, which accounts for more than 40 percent of the country's GDP, it therefore operates in an intensely-traded and highly competitive business environment.

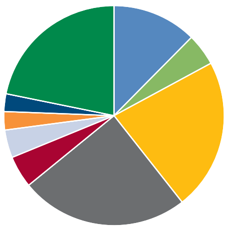
Despite this, the unit's business activity throughout the year was solid, with it approving 194 investments to the value of R318,9 million over the course of the year.

In addition to its normal investment business, the unit administers two of Business Partners' specialist funds, the Women's Fund and the Business Partners Empowerment Fund. Both funds were slow to become established after being launched, but the substantial networks that have since been created to support them have ensured that the number and quality of applications have improved steadily over the past 12 months. During the 2008 financial year, four investments to the value of R12,4 million were made through the Women's Fund, while 13 investments to the value of R13,76 million were made through the Empowerment Fund.

**Distribution of investments by province**

*Investment portfolio composition*

*as at 31 March 2008*



| | |
|---|---|
| 12,4% | Eastern Cape |
| 4,7% | Free State |
| 22,3% | Gauteng |
| 24,7% | Kwazulu-Natal |
| 4,7% | Limpopo Province |
| 4,1% | Mpumalanga |
| 2,7% | North West |
| 2,6% | Northern Cape |
| 21,8% | Western Cape |


These specialist funds are designed to serve niche markets and do not compromise the general focus of the business unit, which also does empowerment deals and deals with female entrepreneurs.

**e'Thekwini Business Unit**

The e'Thekwini Business Unit serves the provinces of KwaZulu-Natal and Mpumalanga, as well as administering three of Business Partners' specialist funds. The Durban and Pinetown areas remain important contributors to the number of investments made in KwaZulu-Natal, but there was a noticeable increase in enquiries received and deals concluded in the lower South Coast and Richards Bay areas over the course of the 2008 financial year.

The unit experienced a high level of activity during the year, managing an increase in approval rates despite the impact of fuel price increases, interest rate hikes and the general cooling off of the economy. This was achieved primarily as a result of successful marketing to clients, intermediaries, target markets and business people at large. Investments made covered a wide range of industries and sectors, with tourism and tourism-related businesses being most prominent.

Major projects currently underway in the province, such as the FIFA 2010 World Cup soccer stadium and the expansion programmes of various large industries, had a positive spin-off effect on small and medium enterprise development, and investment in many of these development-related businesses was therefore possible.

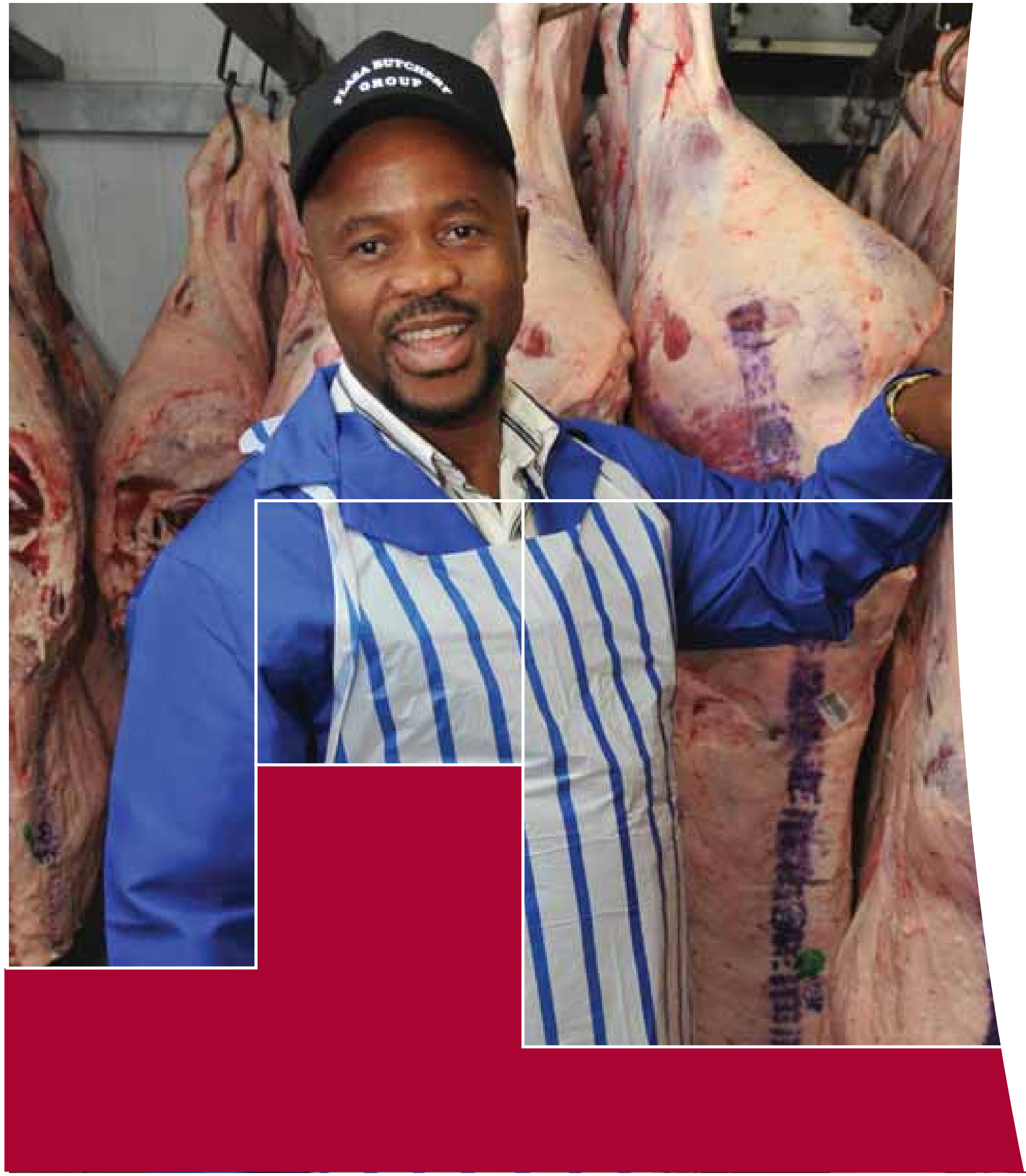
A total of 122 investments were approved in KwaZulu-Natal during the financial year, representing a value of R197 million, while 30 investments to the value of R25 million were approved for businesses in Mpumalanga.

The unit also reported good results for the three specialist funds it manages, the Business Partners-Khula Start-Up Fund, the Business Partners Property Investment Fund and the Umsobomvu Youth Fund Business Partners Franchise Fund.

"Business Partners financed the purchase of our property which allowed our engineering business to expand"

**Marianne Bilsland**
*Owner of Fixtrade (Pty) Ltd*
*Krugersdorp*

# MANAGEMENT REVIEW




A total of 52 investments to a value of R41 million were approved through the Franchise Fund over the course of the 2008 financial year. The full value of the fund has now been advanced and all committed capital allocated. Business Partners will nevertheless continue to serve the youth market through the newly-launched Youth Fund, as the financing of businesses owned and managed by young entrepreneurs remains a high priority for the company.

The Business Partners-Khula Start-up Fund, which was launched in February 2006, is a joint venture between Khula Enterprise Finance Limited and Business Partners, which committed R120 million and R30 million respectively to the establishment of the fund.

Since then, a total of 76 investments to the value of R38,6 million have been approved through it. During the 2008 financial year alone, 37 investments to the value of R20,1 million were approved, and the focus of the fund remains firmly on promoting and investing in black-owned start-up businesses.

e'Thekwini also administers the Business Partners Property Investment Fund, which invests in multi-tenanted commercial and industrial properties. A total of nine investments to the value of R26 million were made through this fund during the year. The fund is supported by Business Partners Property Management Services, which offers property owners the added value of full-service property management. It is also the vehicle used by Business Partners to invest directly in commercial and industrial properties in order to offer appropriate and affordable premises for various small and medium enterprises. Twelve investments of this nature were made throughout the country during the course of the year.

"Business Partners is like a ship with a good captain, helping me sail through the turbulent and volatile business world to reach the port with greener pastures."

**Alex Shazi**

*Owner of a group of butcheries in the greater Durban area*

### iKapa Business Unit

The iKapa Business Unit serves the Western Cape, the Eastern Cape, the western half of the Northern Cape and the country's marine fishing industry. The unit also administers the Business Partners Tourism Fund, which serves small and medium enterprises operating in the tourism industry throughout the country. iKapa's investment activity is concentrated in the Cape Town, Port Elizabeth and East London metropolitan areas, and along the country's coastline.

During the 2008 financial year, iKapa processed 1 516 applications requesting R3,1 billion. Of these, 226 applications to the value of R326,7 million were approved, and R248,3 million was paid out. In terms of empowerment, 31 percent of investments approved were for businesses owned and run by black entrepreneurs, while 43,4 percent were for businesses owned and run by women. The unit's total investment book grew by 17,9 percent to R573 million during the year and, despite the challenges of this rapid growth, it managed to maintain arrears at acceptable levels.

These results were achieved in a more difficult economic climate than that prevailing during the previous financial year. This came about as a result of interest rate increases, a slow-down in the Western Cape economy, growing competitive activity in the region and severe weather conditions that affected the rural areas served by the unit. There was also a slow-down in the fishing industry, which normally contributes significantly to the unit's business, as a result of the moratorium on the transfer of fishing rights. Despite this, and the fact that residential property development also eased off, iKapa produced good results.

## SECTORAL REVIEW

Small and medium enterprise is one of the most important drivers of economic growth in South Africa, and employs approximately 54 percent of people in full-time employment in the private sector. Business Partners invests in entrepreneurs across all of the major economic sectors, with six accounting for the greatest portion of investment exposure. These are:

### Manufacturing

Investments in this sector cover the full spectrum of products manufactured by small and medium enterprises including automotive products, food and related products, wood and paper products, publishing and recording products, and general hardware, machinery and equipment.

92 new investments to the value of R157,8 million were approved for this sector during the 2007/2008 financial year.

### Travel and Tourism

Travel and tourism is a growth industry across the world and, as such, is a key focus area for Business Partners. As a destination, South Africa offers both local and international tourists the rare opportunity of visiting vibrant cosmopolitan cities, many different kinds of unspoilt natural areas and unusual eco-tourism destinations.

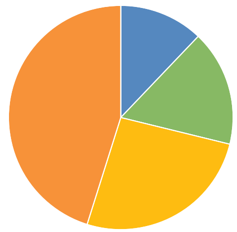
43 new investments to the value of R88,1 million were approved for this sector during the 2007/2008 financial year.

### Franchising and Retailing

Franchising is also a world-wide growth sector. Business format franchising, in particular, is attracting more and more interest. This offers entrepreneurs not only the right to use the product, service and trademark of a franchise organisation, but also the right to use the entire business concept – a model that is changing the way the world does business.

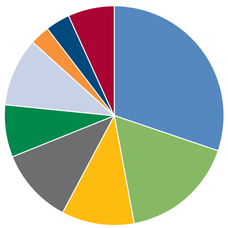
126 new investments to the value of R115,6 million were approved for the retailing sector during the 2007/2008 financial year.

**Stratification of investments**
*Investment portfolio composition*
*balances as at 31 March 2008*



# MANAGEMENT REVIEW

**Distribution of investments by sector**
*Investment portfolio composition*
*as at 31 March 2008*



- 30,2% Professional and personal services
- 16,9% Manufacturing
- 10,7% Motor trade
- 11,0% Retailing
- 7,7% Leisure
- 10,1% Travel and tourism
- 2,9% Coastal fishing
- 3,6% Building, plumbing and shopfitting
- 6,9% Other

For franchising, which spans across a number of sectors, 138 new investments were approved to the value of R157,8 million.

**Leisure**
In the leisure industry, Business Partners invests in restaurants, fast food outlets and pubs, some of which are franchises. It also has some investments in leisure venues such as caravan parks, home video outlets, games arcades, permanent markets, fairs and even pleasure resorts.

81 new investments to the value of R78,1 million were approved for this sector during the 2007/2008 financial year.

**Personal and Professional Services**
Personal and professional services are an important niche sector in the economy, especially as more and more professionals move into private practice. Entrepreneurs in this sector include auditors, tax consultants, business advisors, legal and consulting firms, property brokers and the provision of premises, as well as health care professionals such as doctors, dentists and psychologists.

167 new investments to the value of R254,6 million were approved for this sector during the 2007/2008 financial year.

**Marine Fishing**
The Fishing Industry, which is normally a significant contributor to our business, was very quiet as a result of a moratorium on the transfer of fishing rights

5 new investments to the value of R7,3 million were approved for this sector during the 2007/2008 financial year.

## DEMOGRAPHIC REVIEW
Entrepreneurs are found in all the country's demographic groups and the Business Partners' investment portfolio reflects this diversity.

In 2007/2008, 304 investments, representing 45,5 percent of the total investments made and amounting to R389,4 million in value, were approved for individuals from historically-disadvantaged communities. In addition, 254 investments to the value of R306,3 million were approved for businesses owned and run by women, while young entrepreneurs in the franchise industry benefited from 32 investments approved amounting to R30,6 million.

## FINANCIAL REVIEW
The returns yielded by the equity and quasi-equity investments made by Business Partners continued to increase in the year under review. Revenue in the form of income from associated companies and royalty fee income, increased to R62,9 million (2007: R57,6 million). Furthermore, dividends and surpluses on the realisation of investments amounted to R74,0 million (2007: R31,8 million) an increase of 132,7 percent.

The Director's valuation of the unlisted investments is performed by applying the valuation methodologies endorsed by the South African Venture Capital Association. The increase in value of the investment portfolio is accounted for to the extent of the associated company income.

The diversification of the Business Partners revenue stream has continued to gather momentum. Revenue generated by the property investments, consisting mainly of rental income, revaluation of properties and the fees earned from managing third party properties, contributed 26,0 percent to total revenue and increased by 34,8 percent from R97,9 million in 2007 to R132,0 million in 2008.

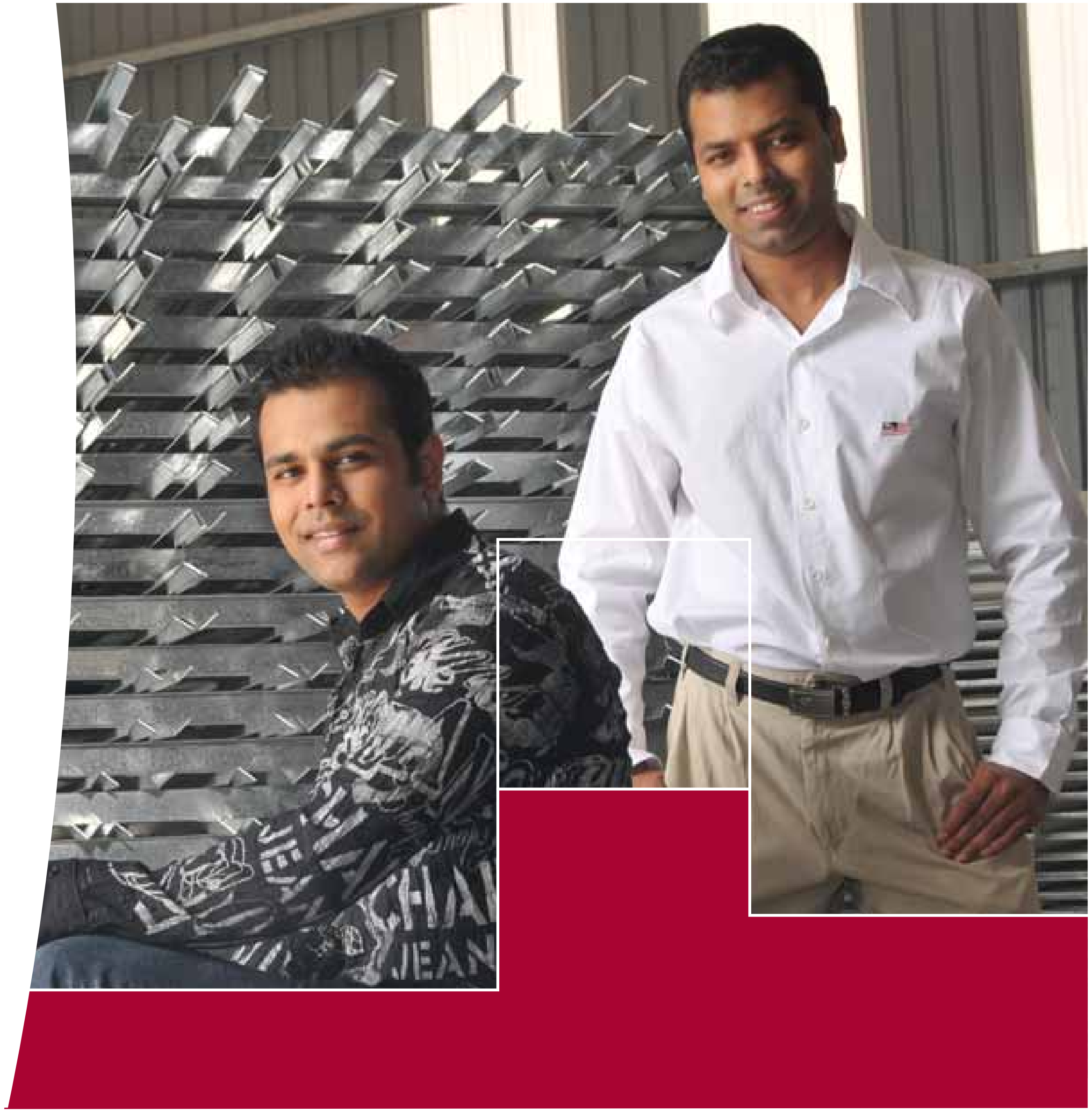
Additional revenue streams, consisting primarily of fees earned from the management of third party investment funds as well as due diligence fees, increased by 27,9 percent to R32,1 million (2007: R25,1 million).

The total cost incurred in managing the Business Partners operations increased by 32,1 percent from R186,4 million in 2007 to R246,3 million in 2008. This increase in operational costs reflects primarily the increase in capacity required to pursue the Company's growth strategy.

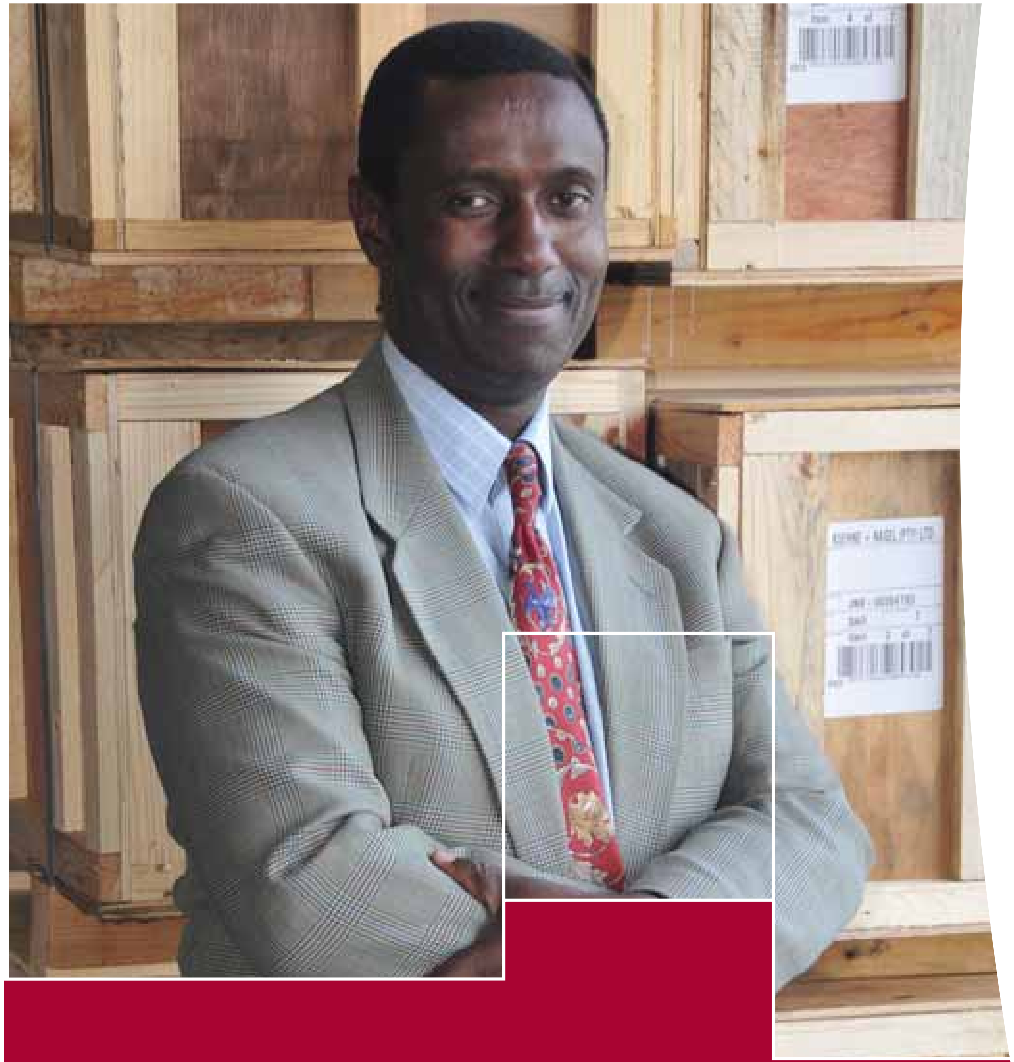
Net profit consequently increased by 34,7 percent from R160,8 million in 2007 to R216,6 million in the year under review, exceeding expectations for the year and resulting in a return on equity of 10,6 percent. Headline earnings per share increased by 32,7 percent to 126,6 cents per share.

"The hardest challenge for us was not only realising our own dream, but making someone else realise it too. Business Partners did."

**Shainil and Ashnil Doorjan**
*of Pinetown Galvanising*



# MANAGEMENT REVIEW



## Risk Review

The optimism and confidence levels prevalent in the South African economy has decreased somewhat over the past 12 months, the result of external shocks (such as the sub-prime crisis, increased price of food and oil) and internal adjustments such as the electricity shortages and higher levels of interest rates.

Small and medium enterprises are particularly vulnerable to economic variables and the liquidity squeeze that resulted from the higher interest rates is particularly severe in highly geared companies.

The risk profile of the Business Partners investment portfolio, as measured by the exposure to non-performing and doubtful investments, are reflecting this impact on liquidity and the lower growth rates and confidence levels. Investments at risk amount to 13,9 percent of the total portfolio at 31 March 2008 compared to 9,7 percent at 31 March 2007.

The concentration of risk in the investment portfolio is diversified by an exposure to all thirteen major industry sectors, with the largest exposure (20,6 percent of the portfolio) to the manufacturing sector.

"WOW! What a partner!"

**Tommy Molewa**
*Empowered Couriers*

682 new investments (including investments in properties) were approved in the year under review, of which only 133 investments were approved for amounts exceeding R2 million. These investments represent 57,2 percent of the total value of investments approved for the year.

At the end of the reporting period, 201 of the 1 975 investments in the portfolio had an exposure of more than R2 million, representing 45,1 percent of the value of the investment portfolio, effectively spreading the credit risk across a large number of investments.

## BUSINESS PARTNERS INTERNATIONAL (PTY) LIMITED

Business Partners International, a small and medium enterprise investment fund management company, was established in 2004 with the support of the International Finance Corporation (IFC). Its objective is to take the internationally-recognised Business Partners investment model into other countries in Africa.

The new business unit has since successfully established investment funds in Madagascar (€8,5 million investment fund supported by a US$2 million technical assistance fund) and Kenya (a US$14,1 million investment fund supported by a US$2,5 million technical assistance fund). It is currently working on establishing a third fund of a similar nature.

**Business Partners International Madagascar**

Business Partners International Madagascar Limited is a wholly-owned subsidiary of Business Partners International (Pty) Limited. Based in Antananarivo, it acts on behalf of its shareholders as the in-country fund manager for the Business Partners International Madagascar SME Fund.

During the 2007 financial year ending 31 December 2007, the fund's first year of operations, 14 investments were approved to the value of R22,2 million.

Of these:

- 13 investments to the value of R21,4 million were approved for indigenous Malagasy entrepreneurs
- 6 investments to the value of R10,7 million were approved for female entrepreneurs
- an estimated 107 new jobs were created as a direct result of these investments

**Business Partners International Kenya**

Business Partners International Kenya Limited is a wholly-owned subsidiary of Business Partners International (Pty) Limited. Based in Nairobi, like its counterpart in Madagascar, it acts on behalf of its shareholders as the in-country fund manager for the Business Partners International Kenya SME Fund.

During the 2008 financial year, 21 investments to the value of R36 million were approved through this fund.

Of these:

- all 21 investments were approved for indigenous Kenyan entrepreneurs
- 11 investments to the value of R16 million were approved for female entrepreneurs
- an estimated 274 new jobs were created as a direct result of these investments

A footprint in **Africa**

# PROPERTY MANAGEMENT SERVICES

'I found them extremely professional and honourable in our dealings, and have learnt a tremendous amount from their experience and knowledge of property'

Salim Ayob,
Polokwane Home Centre

Business Partners Property Management Services provides property broking and management services tailored for small and medium enterprises. The division sources and secures appropriate business premises for entrepreneurial enterprises at market-related rentals or purchase prices. It also provides integrated property management for enterprises that have invested in property, either for own use or rental.

The division manages properties owned by the company itself as well as premises owned by third parties such as Khula Enterprise Finance Limited. Premises owned by either Business Partners or Khula may be sold to individual entrepreneurs from time to time, should they become available for sale. Current tenants are normally invited to submit offers to purchase before the properties are finally sold.

## 2008 REVIEW

Business Partners Property Management Services experienced a satisfactory year, with vacancies remaining at acceptable levels. In terms of tenant arrears, however, a number of tenants are now experiencing cash flow problems due to adverse business conditions towards the latter part of the year. This is being carefully monitored and managed.

During the year, the division was actively involved, especially in terms of project management, in a number of new projects related to both wholly-owned properties and co-investments with entrepreneurs.

## GEOGRAPHIC DISTRIBUTION AND PENETRATION

The portfolios under management represent the full spectrum of commercial and specialised properties, and are situated in all of the major commercial centres across the country.

There are currently 3 393 businesses from all sectors of the economy accommodated in premises either owned or managed by Business Partners Property Management Services, with the industrial sector being best represented.

## PORTFOLIO MANAGEMENT

The overall property management portfolio is broad-based, providing for the needs of a wide range of entrepreneurs, particularly in the retail and industrial sectors. Premises under management include individual retail sites, shopping centres, offices and industrial parks.

Property portfolio management is one of the division's core competencies and, in line with company strategy, is an important source of sustainable non-interest income. As at 31 March 2008, the property portfolios under management were made up of 235 individual properties, comprising 657 541m$^2$ of lettable space occupied by 3 393 tenants.

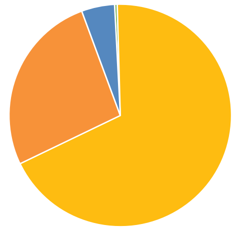
## PROPERTY OWNERSHIP, INVESTMENT AND SALES

The demand for commercial and industrial premises during the year was very good. In order to take advantage of this positive trend, three new industrial developments were completed during this time. A further two new developments are currently under construction in Silverton and Montana. Vacant land is also available for development in Randfontein, Burgersfort, Polokwane and Retreat, and another parcel of vacant land was purchased in Rustenburg.

The upgrading of the Business Partners' office blocks in Westville, Durban and Cape Town's CBD, which are being done under the auspices of the division, is almost complete.

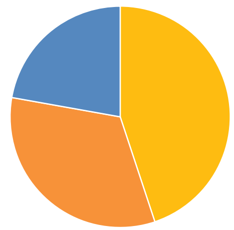
From a property rationalisation perspective, nine properties that did not fit the overall strategic profile were sold and transferred during the year. A further 60 properties, including sectional title units, were sold and transferred on behalf of Khula.

**Sectoral breakdown of overall portfolio**
*for the year ended 31 March 2008*



- 68,30% Industrial
- 26,50% Retail
- 4,80% Office
- 0,40% Other

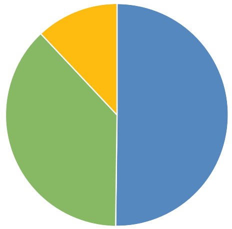
**Sectoral classification of tenant businesses**



- 44,9% Industrial
- 32,9% Retail
- 22,2% Service

# PROPERTY MANAGEMENT SERVICES


**Management fees received**



- 50,2% Business Partners R10,85m
- 37,8% Khula R8,17m
- 12,0% Other R2,59m

## CONSULTING SERVICES

Property-related consulting services are provided by both Business Partners Property Management Services and third parties contracted on its behalf. The aim of these services is primarily to determine the value and business viability of properties for both investment and disinvestment purposes. This added-value service is strategically aligned to the Business Partners' business and marketing strategy.

## PROCUREMENT POLICY

Business Partners Limited and its divisions adhere to an empowerment procurement policy in all discretionary spending. The company ensures that, wherever possible, the small and medium enterprise sector and, in particular, historically-disadvantaged individuals, are contracted for the supply of goods and services. In this regard, Business Partners supports its own clients as far as possible, adhering to sound business practice at all times.

While recognising the need to support the small and medium enterprise sector and historically-disadvantaged individuals, the company is nevertheless aware of the fact that independent enterprises need to compete in the open market and, for this reason, suppliers are required to provide quality goods and services to deadline and at competitive prices.

Each region and each division is set individual targets for empowerment procurement and at the end of the 2008 financial year, Business Partners Property Management Services have exceeded its target. The empowerment procurement target for the division was 70 percent, and the actual achieved was 70,1 percent.

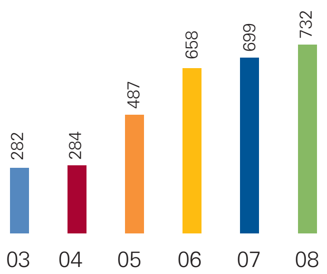

## TECHNICAL ASSISTANCE, MENTORSHIP & CONSULTING SERVICES

'Business Partners is an example to all other financial institutions out there who are servicing the SME Market'

Jessica July, owner of Juicy Lucy, Kenilworth Centre, Cape Town

# TECHNICAL ASSISTANCE, MENTORSHIP & CONSULTING SERVICES

Number of assignments completed




Business Partners Technical Assistance, Mentorship and Consulting Services is a service unit that offers professional business support to entrepreneurs throughout Southern Africa. These are a practical manifestation of the company's mission, which is to invest skill and knowledge, as well as capital, into the small and medium enterprise sector. The division also embodies the company's core value in that it aims, in a real way, to partner with its clients in their successes.

## OBJECTIVES AND FOCUS

The goal of this unit is to provide professional technical assistance, mentorship and consulting services in order to ensure skills transfer, and to facilitate on-going business success. This is achieved through a national network of professionals who are able to offer diverse added-value services to clients.

The unit's focus is on attracting experienced mentors who are able to support entrepreneurs in optimising the profitability of their businesses. It therefore seeks out and contracts professionals that have the necessary skills and experience to assist entrepreneurial enterprises with their own unique needs.

## THE ROLE OF TECHNICAL ASSISTANCE, MENTORSHIP AND CONSULTING

Business statistics world-wide reveal that the majority of business failures occur as a direct result of inadequate management skills. This is where technical assistance, mentorship and consulting have such an important role to play in entrepreneurial enterprise. Appropriate interventions and skills transfer can enable small and medium enterprises to be stable and successful in the long term.

## 2008 REVIEW

The same steady growth was experienced by this unit in 2008 as in previous years, with the number of completed assignments increasing by five percent to a total of 732 during the year. Revenue from assignments also increased by almost six percent, while the cost per assignment increased by less than one percent from the previous year. The unit was therefore able to deliver mentoring and consulting services at a lower cost to the client than in the past.

In addition, external assignments, namely assignments for clients not financed by Business Partners, increased from 32 percent of the total number of assignments four years ago to 43 percent in 2008. This is a strong indication of the increasing need for this type of service in the small and medium enterprise environment.

Quality management also received on-going attention, with each assignment being measured against a set of well-defined measurement criteria. As part of this process, mentors are being re-evaluated to ensure consistent quality in service delivery.

In line with the Business Partners name, vision and mission, the unit continues to focus particularly on being pro-active in determining the needs and knowledge gaps of the company's clients. With this in mind, it recently developed and piloted a business diagnostic analysis, which will improve its ability to effectively identify the need for improvement in client companies.

## STAKEHOLDERS AND JOINT VENTURES

The service unit undertook a number of client relationship, stakeholder relationship and *pro bono* mentorship programmes during the past financial year. These included:

- the 2007 Succeed Campaign, which was conducted in association with the Deloitte Women's Leadership Initiative (WLI) and the Businesswomen's Association (BWA). This provided for 24 female entrepreneurs to receive mentorship for the period of a year.

- a free *ad hoc* mentorship programme for more than 50 entrepreneurs who participated in the Soweto Festival.
- a year-long mentorship programme in association with the Gauteng Enterprise Propeller, whereby mentorship is being provided to 31 entrepreneurs. Further projects of this nature are being investigated.

In addition, there was a strong emphasis on the continuing client relationship programmes that the unit has with organisations such as Nedbank, Standard Bank, the National Empowerment Fund and Sanlam, and which are aimed at delivering mentoring services to their small and medium enterprise clients. The client relationship programme with CEDA in Botswana also continues to deliver good results, with assignments and training programmes for 2009 financial year currently being finalised.

Finally, the on-going stakeholder relationship programme with the IFC has now also resulted in the organisation presenting Business Partners with the opportunity to run and manage the South African version of the global IFC online SME Toolkit.

"Business Partners believed in me, although I am still young. They see potential."

**Nonhlanhla Ntuli**
*NWJ Jewellers, The Workshop, Durban*

# OPERATIONAL SUPPORT SERVICES

The activities of the Operational Support Service team, on the other hand, are focused on streamlining internal deal implementation and on improving collection risk management procedures.

Deal implementation involves the advancement of investment finance as per the approved terms and conditions of the investment contract, while collection risk management involves the collection of non-performing, legal and bad debts, and the handling of the relevant legal procedure involved if and as required.

The services of this team are delivered through the four Business Partners service centres in Cape Town, Port Elizabeth, Durban and Johannesburg. Service delivery is decentralised to facilitate greater effectiveness and flexibility, while management of the unit is centralised to ensure consistent quality and adherence to best-practice procedures. The teams in the service centres are supported at local level with legal managers who specialise in either deal implementation or in collection risk management.

The centralisation of operational support services has freed up the business units to focus on deal making rather than administrative issues. It has also built additional checks and balances into the risk evaluation process, as separate teams are responsible for deal making and implementation. This adds value to the Business Partners process, not only from an administrative point of view, but from a governance perspective as well.

"From an entrepreneur's point of view, Business Partners has proven to be the perfect 'partners' to have: they shared our vision at the start when conventional financial institutions were unwilling to take a risk on us."

**Valmé Stewart**
*Managing Director, Swift Micro Laboratories (Pty) Ltd, Cape Town*

# MARKETING

The Business Partners marketing strategy is designed to give form to and communicate the company's vision, to deliver on the company's mission, and to achieve the company's goal. Every activity and message related to these objectives is tested against the company's values before being implemented.

During the 2008 financial year, the focus of corporate services marketing remained on delivering clear, consistent marketing and media messages, and on strengthening client relationship management (CRM) through the use of such tools as the Client Service Charter and the introduction of a monthly satisfaction index.

The primary strategic objective of all corporate marketing and media activities is to ensure that the brand is nationally recognised and that there is a solid platform to support the sales function. In order to achieve these objectives, the corporate marketing programme is focused on the following during the 2009 financial year:

- marketing and managing the Business Partners brand
- educating target audiences about the nature and benefits of risk financing and customised investment financing solutions
- communicating corporate messages to the media
- producing and managing business information for various audiences, including the internal audience
- monitoring overall levels of client satisfaction
- producing and distributing statutory company communications, such as the annual report and the results releases
- managing the company's corporate interface with external parties and organisations
- managing the national phase of the Entrepreneur of the Year Awards

Regional marketing and media activities concentrate on the following:

- maintaining and improving regional brand awareness
- regional services marketing, advertising and media publicity
- promotional activities such as exhibitions and event sponsorships
- support for area managers and investment officers in terms of such activities as client functions, educational workshops and relationship building programmes
- managing the regional phases of the Entrepreneur of the Year Awards
- identify sponsorship opportunities
- liaison with external parties and organisations, such as chambers of commerce, at national and regional level

Customer relationship management, in turn, focuses on clients, intermediaries and other stakeholders through the use of such communication channels as newsletters, networking functions and relationship-building initiatives.

Implementation of marketing strategy and plans is done on a matrix management basis through professionals based at the Business Partners corporate offices in Parktown and at each of the business unit offices in Johannesburg, Cape Town and Durban. This enables the company's marketing team to remain close to clients in each region, as well as to maintain a real understanding of the business and marketing issues in the local environment.

Communications with existing and potential clients continues on an on-going basis through the Business Partners web site, from which visitors can download important documents such as the annual report, interim results and information brochures. A free, comprehensive business plan template is also available, and specific industry-related information is provided as an added value for Business Partners' clients.

# MARKETING

During the year, much attention was also given to improving client focus and to extending the customer relationship management programme. The aim of this initiative is to identify CRM problems as early as possible, so that appropriate remedial action can be taken without delay. It also aims to give the company constant insight into the changing needs of its client base.

The client satisfaction survey and the programme of follow-up calls focus on service delivery, client satisfaction, overall perceptions of the company and specific problem areas.

## ENTREPRENEUR OF THE YEAR

The Entrepreneur of the Year Awards programme, a well-established component of client relationship management, continues with annual refinements. The programme focuses on recognising entrepreneurial ability, and aims to ensure that individual entrepreneurs are celebrated in their own communities. The national award winner receives a cash prize, free business-related mentorship, and media coverage through Business Partners.

## STAKEHOLDER ENGAGEMENT

Business Partners is an active member of the business community, and is a member of such professional and industry bodies as the Franchise Association of South Africa (FASA), the Businesswomen's Association (BWA) and the Black Management Forum. It also participates in a number of joint ventures, most notably with Khula Enterprise Finance and the Umsobomvu Youth Fund.

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"It's about building a relationship – our success is your success!"

**Navin Nagar**

*Owner of Cenci Boutique, Gateway Mall, Durban*

The quality, added-value products and services that Business Partners is known for can only be delivered by people who are motivated, dedicated, specialised, professional and well-trained. The company's staff complement, with its longstanding and in-depth knowledge of the entrepreneurial environment, of specialist sectors and industries, and of the factors that influence business viability, are an essential aspect of its competitive advantage. As such, careful attention is given firstly to recruiting the right person for each job and then to ensuring their long-term development and effectiveness.

## PEOPLE MANAGEMENT PHILOSOPHY

At Business Partners, people are our real business and this philosophy extends as much to our employees as to our clients.

With this in mind, our human resources practices are designed to be flexible and to accommodate the needs of each individual employee. As importantly, they are designed to encourage an entrepreneurial approach to business, a sense of ownership in the company's various business units, superior client service, honesty, integrity and sound financial discipline.

Our people management objective is to have the best people that are able to experience job satisfaction at individual level, the pride of working for a respected organisation and ongoing growth and development in the working environment.

## TRAINING AND DEVELOPMENT

Skills development at all levels is a core objective for Business Partners, as is creating an enabling business culture. The company has a multi-level, multi-functional approach to training, and uses both packaged and custom-developed programmes for this purpose.

Electronic communiqués and tasks are also sent out regularly to all employees by a dedicated training unit in order to raise awareness levels and improve competency levels, while training initiatives of all types are encouraged throughout the organisation.

This approach will continue to play a deciding role in helping the company to become even more professional in the challenging years to come.

Business Partners is registered with the appropriate sectoral training authority, namely the SETA for Finance, Accounting, Management Consulting and other Financial Services (FASSET).

During the 2007/2008 financial year 424 training sessions were provided within the company, amounting to 2 605 student sessions and 11 253 hours of training exposure, an average of 38 hours of training per employee.

## EMPLOYMENT EQUITY

Since its inception, Business Partners has aspired to make equal employment opportunities available to all suitable candidates, regardless of race or gender. Similarly, it recognises the need for preferential programmes aimed at redressing historical inequalities.

It also fosters a business environment in which diversity is viewed as a strength in competing for business.

During the past financial year, Business Partners has complied with the provisions of the Employment Equity Act and will continue to do so. Details of this compliance are submitted in full in the Company's annual employment equity report to the Department of Labour. The employee profile was summarised in the report on 26 September 2007 to the department, as following on the next page:

# HUMAN RESOURCES

## WORKFORCE PROFILE

As at 26 September 2007

| Permanent Employees by Occupational Category | MALE | | | | FEMALE | | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 0 | 1 | 0 | 3 | 0 | 0 | 0 | 0 | 4 |
| Senior Management | 2 | 2 | 0 | 15 | 1 | 0 | 0 | 0 | 20 |
| Professionals | 15 | 7 | 13 | 53 | 3 | 5 | 3 | 20 | 120[1] |
| Skilled Technical | 13 | 8 | 6 | 10 | 3 | 20 | 18 | 34 | 113[2] |
| Semi-skilled | 7 | 4 | 0 | 2 | 2 | 3 | 3 | 7 | 28 |
| Unskilled | 2 | 1 | 0 | 0 | 6 | 1 | 0 | 0 | 10 |
| **Sub-Total** | **39** | **23** | **19** | **83** | **15** | **29** | **24** | **61** | **295** |
| **Non-Permanent Employees** | 5 | 1 | 1 | 2 | 1 | 0 | 2 | 2 | 14 |
| **Total** | **44** | **24** | **20** | **85** | **16** | **29** | **26** | **63** | **309** |

[1] One female foreign national included under total for professionals [2] One female foreign national included under total for skilled technical

## AGE DISTRIBUTION OF EMPLOYEES AT YEAR-END

| | 2008 | 2007 |
|---|---|---|
| 21–31 | 71 | 58 |
| 32–40 | 70 | 68 |
| 41–50 | 77 | 92 |
| 51–60 | 69 | 71 |
| Over 60 | 13 | 11 |
| **Total** | **300** | **300** |

The company's transformation and evolutionary process is guided by policies and principles that:

- benefit existing employees, the company and employment candidates from previously-disadvantaged communities
- include a comprehensive advancement programme
- accept the company's responsibility for addressing any imbalances that may occur in the workplace
- ensure fairness in work practices, policies and facilities
- encourage the sharing of information
- improve competency levels as measured against competitive norms
- maintain merit as a guideline when considering promotion opportunities, salary and benefits structuring
- ensure the implementation of a human resources strategy in line with our core values of integrity, client service and economic merit

## STAFFING

As at 31 March 2008, 300 people were employed at Business Partners. The statistical breakdown is as follows:

### EMPLOYEE STATISTICS

| | 2008 | 2007 |
|---|---|---|
| **Business Investments** | **220** | **211** |
| Operational Employees | 110 | 106 |
| Operational Support Employees | 110 | 105 |
| **Property** | **38** | **46** |
| Operational Employees | 23 | 27 |
| Operational Support Employees | 15 | 19 |
| **Group/Divisional** | **42** | **43** |

### TWO YEAR OVERVIEW OF EMPLOYEE STATISTICS

| | 2008 | 2007 |
|---|---|---|
| **Total Number of Employees** | **300** | **300** |
| **Staff Turnover** | | |
| Total Employees at | | |
| Beginning of Year | 300 | 296 |
| Add: Recruitments | 58 | 43 |
| **Sub Total** | **358** | **339** |
| Less: Resignations | (58) | (39) |
| **Total at Year-end** | **300** | **300** |
| **Gender Profile** | | |
| Female | 135 | 129 |
| Male | 165 | 171 |
| **Total** | **300** | **300** |
| **Community Profile** | | |
| Black | 149 | 156 |
| White | 151 | 144 |
| **Total** | **300** | **300** |

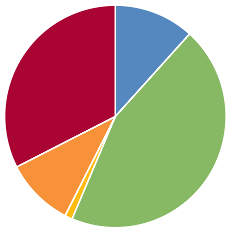
# CORPORATE & SHAREHOLDER INFORMATION

*'We thank Business Partners for their vision, support and involvement in our business'*

*Shainil and Ashnil Doorjan,*
*Pinetown Galvanising*

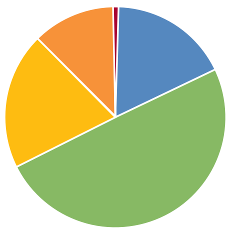
# SHAREHOLDER INFORMATION

### Number of shareholders



- 10,1% Banks
- 44,5% Corporate bodies (other)
- 0,8% Government
- 10,1% Insurance companies
- 34,5% Individuals

### Number of shares



- 17,6% Banks
- 48,2% Corporate bodies (other)
- 20,2% Government
- 13,6% Insurance companies
- 0,4% Individuals

### Distribution of Shareholding

| | Number of holders | % of holders | Number of shares | % of shares |
|---|---|---|---|---|
| 0 – 10 000 | 30 | 25,2% | 86 325 | 0,0% |
| 10 001 – 100 000 | 26 | 21,8% | 694 857 | 0,4% |
| 100 001 – 1 000 000 | 40 | 33,6% | 10 193 088 | 5,7% |
| 1 000 001 – 10 000 000 | 19 | 16,0% | 70 932 053 | 39,7% |
| 10 000 000 and above | 4 | 3,4% | 96 928 271 | 54,2% |
| | 119 | 100,0% | 178 834 594 | 100,0% |

### Major Shareholders

| | Number of shares | % of shares |
|---|---|---|
| Khula Enterprise Finance Limited | 36 204 249 | 20,2% |
| Remgro Limited (Eikenlust (Pty) Limited) | 36 204 249 | 20,2% |
| Sanlam Limited (CMB Nominees (Pty) Limited) | 13 799 152 | 7,7% |
| Billiton SA Limited | 10 720 621 | 6,0% |
| ABSA Group Limited | 8 117 003 | 4,5% |
| Business Partners Employee Share Trust | 7 627 200 | 4,3% |
| Nedcor Limited | 6 918 205 | 3,9% |
| Firstrand Limited | 6 093 656 | 3,4% |
| Old Mutual Life Assurance Co of SA Limited | 5 822 304 | 3,3% |
| Standard Bank Investment Corporation Limited | 5 602 422 | 3,1% |
| Anglo Corporate Enterprises (Pty) Limited | 5 523 801 | 3,1% |
| De Beers Group Services (Pty) Limited | 5 523 801 | 3,1% |
| Standard Bank Nominees Tvl (Pty) Limited | 3 204 652 | 1,8% |
| Momentum Group Limited (Futuregrowth Asset Management (Pty) Limited) | 2 900 000 | 1,6% |
| | 154 261 315 | 86,2% |

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

Business Partners is committed to being one of the most internationally respected, successful and profitable investors in small and medium enterprises. In order to achieve this, we are also committed to the highest level of corporate governance, and have a culture that values business and personal integrity, superior client service, transparency and accountability in all our business activities. We believe that there is a link between high-quality governance and the creation of shareholder value.

## COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

We use the following seven categories of good governance identified by the King Report II to measure whether we are operating in a sound corporate governed environment:

**Discipline**
Commitment by the organisation's senior management, management and staff to widely-accepted standards of correct and proper behaviour.

**Transparency**
The ease with which an outsider can meaningfully analyse the organisation's actions and performance.

**Independence**
The extent to which conflicts of interest are avoided, such that the organisation's best interests prevail at all times.

**Accountability**
Addressing the shareholders' rights to receive and, if necessary, query information relating to the stewardship of the organisation's assets and its performance.

**Responsibility**
Acceptance of all consequences of the organisation's behaviour and actions, including commitment to improvement where required.

**Fairness**
Acknowledgement of, respect for and balance between the rights and interests of the organisation's various stakeholders.

**Social Responsibility**
The organisation's demonstrable commitment to ethical standards and its appreciation of the social, environmental and economic impact of its activities on the communities in which it operates.

## BOARD OF DIRECTORS

**Role and Responsibilities**
The role of the Board of Directors is to represent the shareholders and to promote and protect the interests of the company. The board has delegated all authority to achieve the corporate objectives to the Managing Director, who is free to take all decisions and actions which, in his judgement, are reasonable within the limits imposed by the board.

The Managing Director remains accountable to the board for the authority that is delegated to him and for the performance of the company. The board monitors the progress of the company towards set goals through the decisions made by the Managing Director and through the performance of the committees of the board.

The board specifically reserves the following matters for its decision:

- appointment of the four executive directors
- approval of strategy and annual budgets
- determination of matters in accordance with the approvals framework

# CORPORATE GOVERNANCE

### Members

The board comprises a non-executive chairman, a non-executive deputy chairman, a managing director, a deputy managing director, two executive directors, 10 non-executive directors and one alternate non-executive director.

In terms of the company's articles of association, shareholders or groups of shareholders may appoint one non-executive director for every 10 percent of issued share capital held in the company.

Up to six independent non-executive directors may be appointed by shareholders.

In addition to the Managing Director, no more than three directors may hold executive offices, provided shareholders confirm their appointment as directors every three years. The Managing Director's service contract does not exceed two years, and all executive directors remain directors for as long as they hold an executive office in the company.

### Skills, Knowledge and Experience

The non-executive directors are from different business backgrounds, and their experience enables them to exercise independent judgement on the board. They contribute to the company's strategy formulation in addition to monitoring the company's performance and its executive management.

### Meetings

The board meets five times a year. The roles of the Chairman and the Managing Director do not vest in the same person. The Chairman, Deputy Chairman and the Managing Director provide leadership and guidance to the company's board, encourage proper deliberation of all matters requiring the board's attention and obtain optimum input from the other directors.

The board and its committees are supplied with timely information to enable them to discharge their responsibilities effectively. All directors have access to the Company Secretary, as well as to independent professional advice at the company's expense in appropriate circumstances.

## COMMITTEES OF THE BOARD OF DIRECTORS

In line with best practice, sub-committees of the Board exist within written terms of reference, respectively defining their frequency of meetings, powers, duties and reporting obligations. The board considers the composition of all sub-committees annually.

### Audit and Risk Committee

The Audit and Risk Committee members are identified in the Operational Review section of this report. The Audit and Risk Committee operates in accordance with an Audit and Risk Committee Charter, approved annually by the Board of Directors.

The Audit and Risk Committee reviews whether:

- relevant, reliable and timely information is available to the board to monitor the performance of the company
- the annual report and accounts presented to the board and to the external auditors have been prepared with the required care, diligence and skill
- the internal audit function is adequately staffed to reassure the board and management that internal controls are suitable to the needs of the business, and that they are functioning satisfactorily
- all relevant information is made available to the external auditors to ensure that they are able to discharge their statutory responsibilities
- the Code of Corporate Practices and Conduct is complied with
- external audit plans, findings, problems, reports and fees are reviewed and approved

- matters relating to financial and internal control, accounting policies, reporting and disclosure are fully discussed and implemented
- internal and external audit policies are properly formulated and implemented
- applicable legislation and the requirements of regulatory authorities are complied with

The committee assesses its performance annually.

**National Investment Committee**
The National Investment Committee members are identified in the Operational Review section of this report. The committee considers investments for approval, the sale of assets and property development projects beyond the delegated powers of executive management. Its mandate also includes the monitoring of performance on projects in which the company has invested.

**Nominations Committee**
The Nominations Committee members are identified in the Operational Review section of this report. The committee is authorised to consider and submit proposals regarding the optimum size of the board, as well as its structure and composition. This is done with due regard to the skills and knowledge of the incumbent board and the requirements of the company. In addition, the requirements for and the functioning of the sub-committees of the board are considered by this committee. The committee makes recommendations to the board on the appointment of trustees of the company pension and retirement funds as well as the Company Employee Share Trust. The committee is further authorised to review and submit recommendations to the board on directors' fees.

**Personnel Committee**
The Personnel Committee members are identified in the Operational Review section of this report. The committee is authorised to consider and submit recommendations to the board on general staff policy, remuneration, directors' remuneration, service contracts, the employee share incentive scheme and the company pension and retirement funds.

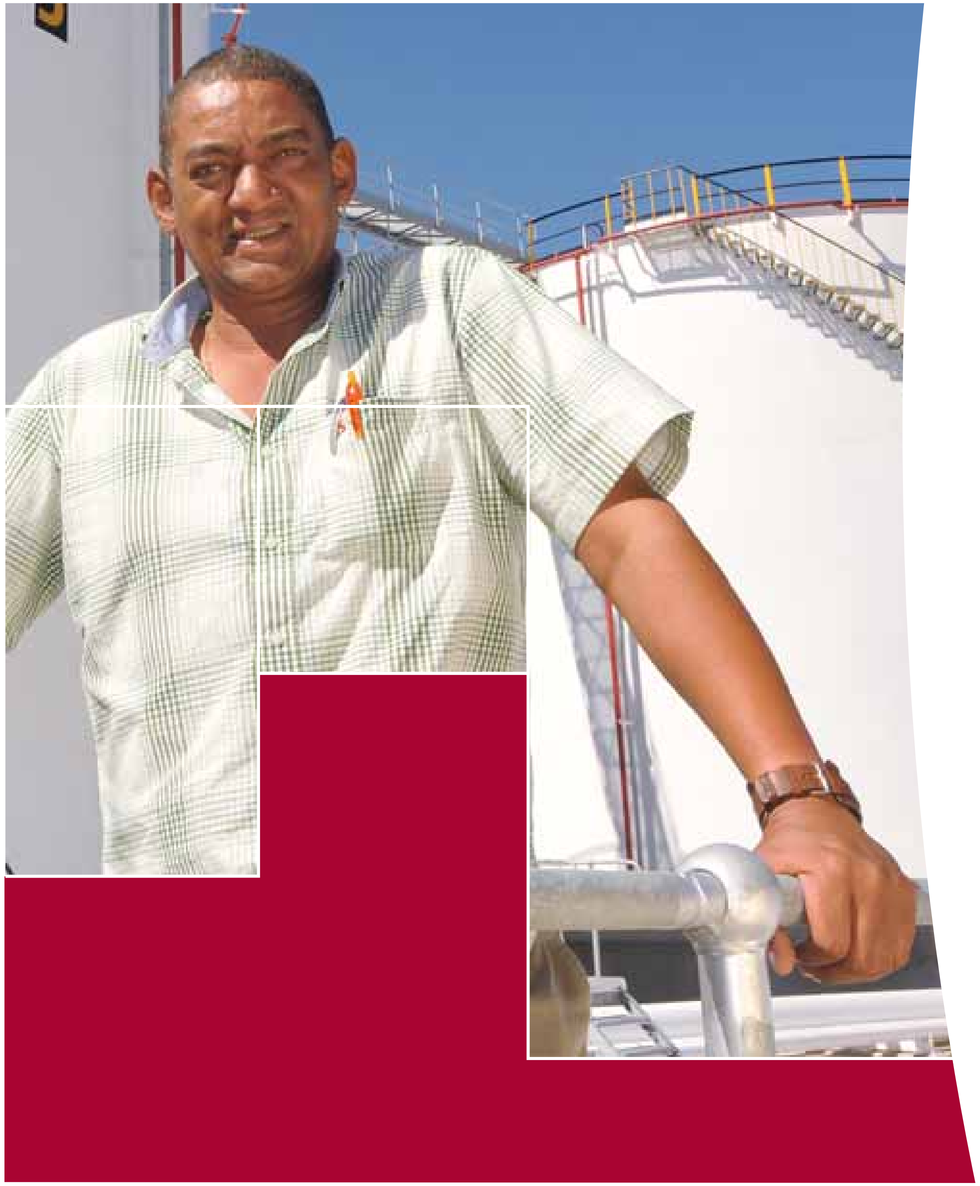
**Regional Committees**
The Regional Committee members are identified in the Operational Review section of this report. Regional committees assist the board in monitoring corporate governance and compliance with the company's strategy and policies in each business unit. Each committee takes an active interest in matters affecting Business Partners in the relevant region, contributes expertise in due diligence investigations when required, and assists in promoting the company in the small and medium sector.

**Transactions Committee**
The Transactions Committee considers all the company's transactions in which directors, regional committee members or employees have any interests. In addition, executive directors' directorships in other companies are considered by this committee, prior to acceptance by such directors. Full transparency to the board on any transaction considered will ensure the required corporate governance. The committee members will always be disinterested parties and therefore the committee has no permanent members.

**B-BBEE Strategy Committee**
The members of the B-BBEE Strategy Committee are identified in the Operational Review section of this report. The committee is authorised to develop a comprehensive broad-based black economic empowerment strategy for the company, including for every element of the scorecard in terms of the B-BBEE Codes of Good Practice.

Ferose Oaten
AVTS vehicle testing stations

# CORPORATE GOVERNANCE



## INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Business Partners has a well-established internal audit division, the purpose of which is formally defined in the Internal Audit Charter. This is consistent with the Institute of Internal Auditors' Standards for Professional Practice of Internal Auditing, and is approved annually by the Business Partners Audit and Risk Committee. The operating activities of the division are governed by a risk-based annual audit plan, which is also reviewed and approved annually by the Audit and Risk Committee.

## CODE OF ETHICS

Business Partners has adopted a code of ethics in order to:

- formalise a culture of utmost integrity and uncompromising honesty
- ensure that management complies with the code and demonstrably exhibits ethical behaviour in all business activities
- ensure that a robust, written code is in place to address all appropriate parties and cover all mandated issues
- ensure effective communication of the company's ethics to all employees, allowing for continual compliance and related training
- provide mechanisms for monitoring adherence to the code

New employees receive a copy of the Code of Ethics together with their conditions of employment. The code also forms an integral part of the induction programme.

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"We thank Business Partners for the support in the growth of our business"

**Vincent Bazier**

*Owner of Mab One, Cape Town*

Business PARTNERS
Investing in Entrepreneurs

**SHAREHOLDERS**

**BOARD OF DIRECTORS**

MEETING FREQUENCY: 5 times per annum

| SUB-COMMITTEE | AUDIT AND RISK COMMITTEE | PERSONNEL COMMITTEE | NOMINATIONS COMMITTEE | TRANSACTIONS COMMITTEE | REGIONAL COMMITTEES<br>Egoli, e'Thekwini, iKapa business units | B-BBEE STRATEGY COMMITTEE | INVESTMENT SUB-COMMITTEE | NATIONAL INVESTMENT COMMITTEE |
|---|---|---|---|---|---|---|---|---|
| MEETING FREQUENCY | 4 times per annum | At least twice per annum | At least once per annum | When required | 4 times per annum | When required | MEETING FREQUENCY | 2 meetings per month |
| COMPOSITION | • 4 Non-executive Directors who act independently | • 4 Non-executive Directors<br>• Managing Director | • 4 Non-executive Directors<br>• Managing Director | • Any 3 disinterested non-executive Directors<br>• Managing Director | • 4 Non-executive members<br>• Executive Director of the Business Unit<br>• Managing Director | • 5 Non-executive Directors<br>• 1 Chairman of Regional Commitee<br>• Managing Director<br>• 1 Other Executive Director | COMPOSITION AND DELEGATED AUTHORITY | • 2 Non-executive members<br>• Managing Director<br>*Equity and Loan financing above R4 million to R15 million*<br>• 3 Non-executive members<br>• Managing Director<br>*Wholly-owned property investments with "deemed" equity portion above R15 million (equity portion is deemed to be 35% of total value of property)* |

# ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is a process effected by an entity's board of directors, management and other personnel, applied in a strategic manner across the enterprise, and designed to identify and manage potential risks and events that may affect the entity. This process is aimed at providing reasonable assurance that the entity will be able to achieve its objectives.

The Board of Directors, through the Audit and Risk Committee is tasked with ensuring that there is effective risk management process at Business Partners. The Audit and Risk Committee operates within written guidelines to assist the Board in fulfilling its oversight responsibilities. The board oversees Business Partners' risk strategy formulation, risk methodologies and risk assessments, as well as reinforcing Business Partner's commitment to sound risk management.

A procedure has been developed and approved by the Audit and Risk Committee to assist in ensuring the successful implementation and embedding of ERM.

The ERM methodology of Business Partners consists of the following interrelated components, which are derived from global ERM best practices:

- risk governance
- risk identification
- risk control and response
- risk monitoring and reporting
- performance measurement.

## MAJOR RISKS

Business Partners' business activities involve acceptance and management of a range of risks. Risks may be defined as uncertain future events that may influence the achievement if the company's strategic, operational and financial objectives.

The management of these risks requires that they be identified and that appropriate procedures be put in place to mitigate against them.

The risk identification process is undertaken by each business unit on an annual basis in order to assess the risks that may impact on the business. Some major risks currently being faced by Business Partners include:

- market risks
- reputational risks
- opportunity risks
- credit risks
- operational risks
- human resources risks
- legal risks
- financial risks
- property risks
- treasury risks
- IT risks

Regular risk monitoring provides management and the board with assurance that established controls are functioning properly.

## QUALITY MANAGEMENT SYSTEM

Business Partners has adopted a policy of total quality management (TQM), conforming to the ISO 9001:2000 standard for quality management systems.

This means that Business Partners adheres to the following eight principles of ISO 9001:2000:

- customer focus
- leadership
- people involvement
- continual improvement
- a process approach to operations
- a systems approach to management
- a factual approach to decision-making
- mutually-beneficial supplier relationships

Continuous evaluation and improvement of quality management practices and the wide-ranging communication of control procedures is an integral part of the company's overall risk management philosophy.

"Business Partners are involved, really involved. They have seen my shop, they have met my staff and I can pick up the phone at any time – they listen."

**James Alika**
*Jamsta, Rosettenville, Johannesburg*

Sustained socio-economic prosperity depends on human welfare and a healthy environment. Business Partners is committed to sustainable wealth creation through investment in viable entrepreneurial enterprises that operate in an environmentally and socially sound way.

Its goals in this regard are partly achieved through its association with the South African Private Equity and Venture Capital Association (SAVCA), which aims to make private equity and venture capital more accessible to the country's historically-disadvantaged individuals and communities. During the 2008 financial year, for instance, Business Partners and SAVCA launched a pilot learnership programme through which Business Partners employed five unemployed post-graduate black candidates and availed them of the company's full in-house training programme.

The project was being funded by the Department of Trade and Industry (dti) and the Council for Scientific and Industrial Research (CSIR), and was such a success that a further eight learnerships are being offered during the current financial year.

### Environmental Legislation

Business Partners is compliant with all of the country's environmental legislation, and also subscribes to an internal environmental policy. This commits Business Partners to practices that do not pollute the natural and social environment, a commitment which is constantly monitored and evaluated.

As part of the due diligence procedure, all potential clients are evaluated in terms of their compliance with internationally-accepted environmental management standards as well. Business Partners will not invest in companies that do not respect the local and global environment, no matter how lucrative the potential investment may be. The company also reserves the right, in terms of its investment agreements, to call in the investment facility should a client company be found to be in breach of environmentally-sound practices.

As far as possible, clients are encouraged to comply with the environmental practices and procedures as outlined in the ISO 14001 certification procedure.

In addition, Business Partners will not let out premises to any tenant or business whose practices and/or procedures are harmful to the environment. Existing tenants whose practices are found to be harmful to the environment are given a written warning, and are evicted if they do not respond to this.

Finally, Business Partners will under no circumstances consider investing in any businesses involved in covert, environmentally harmful or illegal activities, or any activities suspected of being associated with money laundering.

## ENTERPRISE DEVELOPMENT

Business Partners is cognisant of the fact that a company is not an island, and that every successful business is part of a broader socio-economic community. The company's corporate social investment programme acknowledges this and focuses on empowering small and medium enterprises and the communities in which it operates.

### SME Toolkit

One of the company's flagship corporate social investment programmes is the free online SME Toolkit, which is a cooperative initiative with the International Finance Corporation (IFC) and IBM to offer easily-accessible business information, resources and online training for the country's growing independent business sector.

The aim of the SME Toolkit is to get vital information and business resources to as many entrepreneurs as possible via the internet, since access to these is cited as one of the greatest challenges they face. The Toolkit offers how-to articles, business forms, financial tools, online training, and information resources developed by leading experts, as well as free software tailor-made for small and medium enterprises.

All aspects of business set-up and management are covered, from business planning to accounting, financial management, human resources, international business (import/export), legal matters, insurance, marketing, sales, operations and information technology. As importantly, the site offers a range of self-assessment exercises and tools aimed at enabling entrepreneurs to take control of problem-solving in their own businesses.

Everything entrepreneurs need to run a successful business is there – and it is all free.

It is internationally recognised that long-term socio-economic stability in developing economies depends on an active and empowered small and medium enterprise sector, and Business Partners is proud to be part of creating that here in South Africa.

**Succeed Campaign**

In order for South Africa to grow its economy, reduce unemployment and create a stable social environment, it needs to ensure the female entrepreneurs can flourish.

With this in mind, Business Partners, the Deloitte Women's Leadership Initiative (WLI) and the Businesswomen's Association (BWA) are now working together on the annual Succeed Campaign.

This advisory project aims to help female entrepreneurs that own and manage businesses with a turnover of less than R5 million a year and that employ less than ten people with free mentorship and consulting services. In 2007, the campaign assisted 20 businesses with services to the value of several hundred thousand rand in total.

An advisory team consisting of mentors from Business Partners, Deloitte managers and BWA advisors offers these services as part of the Succeed Campaign:

- an initial health check of the business
- access to advice for the business from skilled advisors on a quarterly basis
- operational decision-making support for addressing business problems and challenges

**Schools and Universities**

At educational level, Business Partners holds a number of practical workshops at high schools, university campuses and business schools throughout the country every year. These are aimed at promoting entrepreneurship and at helping participants to assess the possibility of starting a small or medium enterprise.

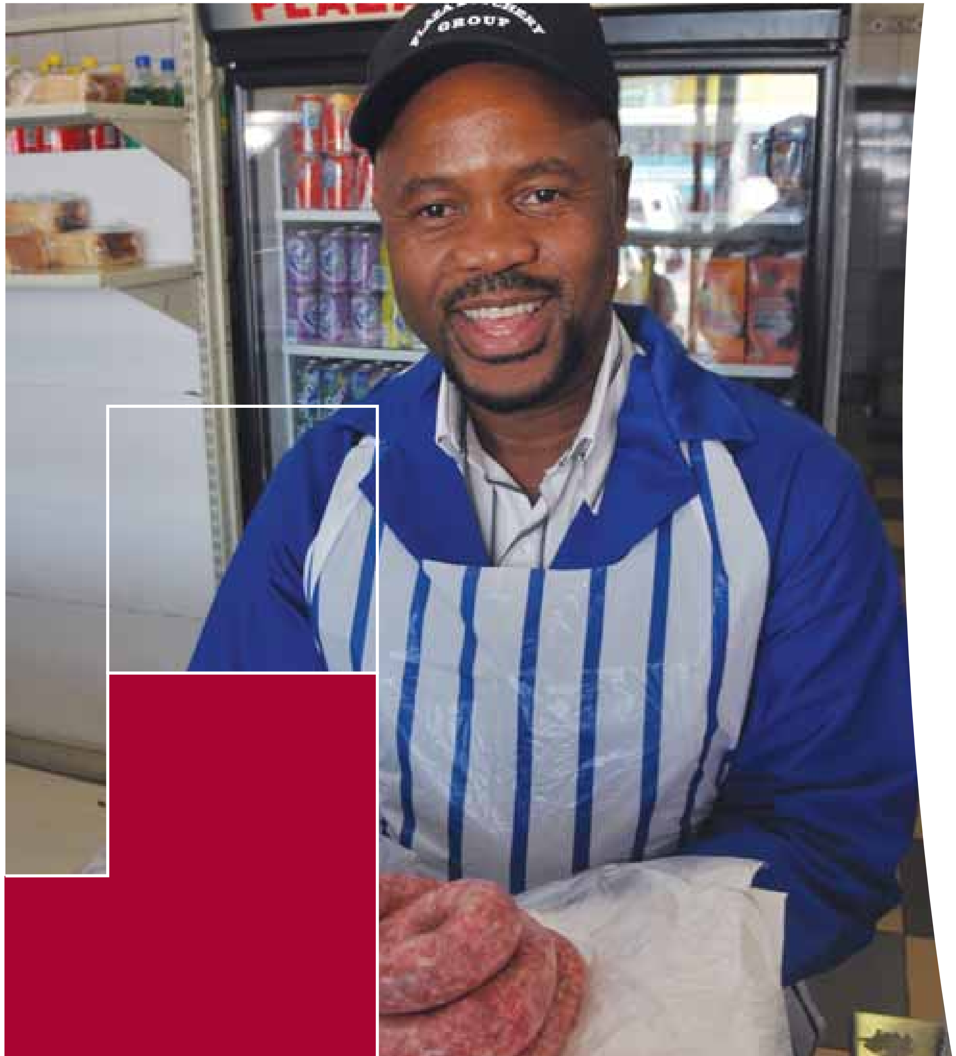
**Competitions Promoting Entrepreneurship**

The company is also involved in judging and sponsoring a number of competitions that promote entrepreneurship.

These include the Enterprise of the Year competition, which is run in association with Rapport, Old Mutual and AHI.

Yunis Ayob
National Soaps

# BROAD-BASED BLACK ECONOMIC EMPOWERMENT



Business Partners has, for a number of years, been recording, monitoring and measuring its broad-based black economic empowerment (B-BBEE) performance as an integral part of its mission to investment in and develop small and medium enterprises in South Africa.

This commitment was further entrenched when, at a meeting in September 2006, the Board of Directors appointed a new sub-committee, the B-BBEE Strategy Committee.

This committee was formed to ensure that Business Partners complies with the letter and spirit of the country's B-BBEE legislation and the Broad-Based Black Economic Empowerment Codes of Good Practice (B-BBEE Codes), which were developed by the Department of Trade and Industry (dti).

Various initiatives were undertaken during the past year to provide additional impetus to the role Business Partners plays in broad-based empowerment. The results of the efforts were verified by PricewaterhouseCoopers Incorporated with significant progress being recorded in Procurement and Enterprise Development results.

The verification of the performance in terms of the B-BBEE Scorecard resulted in a score that confers a Level 5 contributor status on Business Partners. As a result of Business Partners' status as a Value Adding Supplier, a B-BBEE procurement recognition level of 100 percent is achieved.

A range of projects embracing both the spirit and letter of the Codes is planned for the 2009 financial year.

"Business Partners is like a ship with a good captain, helping me sail through the turbulent and volatile business world to reach the port with greener pastures."

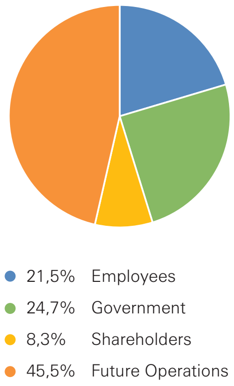
**Alex Shazi**

*Owner of a group of butcheries in the greater Durban area*

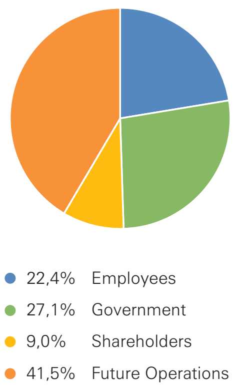
# VALUE ADDED STATEMENT

| | 2008 R000 | % | 2007 R000 | % |
|---|---|---|---|---|
| **VALUE ADDED** | | | | |
| Interest received, rent charged and other income | **547 993** | | 423 603 | |
| Less: paid to suppliers | **(142 190)** | | (101 913) | |
| **Total wealth created** | **405 804** | **100,0%** | 321 690 | 100,0% |
| Distributed as follows: | | | | |
| **EMPLOYEES** | **87 051** | **21,5%** | 72 000 | 22,4% |
| Salaries, wages and contributions | **87 051** | **21,5%** | 72 000 | 22,4% |
| **GOVERNMENT** | **100 068** | **24,7%** | 87 377 | 27,1% |
| Normal taxation | **58 736** | **14,5%** | 47 083 | 14,6% |
| Employee taxes | **30 076** | **7,4%** | 29 099 | 9,0% |
| Skills development levies | **1 060** | **0,3%** | 982 | 0,3% |
| Regional services levies | **-** | **0,0%** | 260 | 0,1% |
| Value added tax | **10 196** | **2,5%** | 9 953 | 3,1% |
| **SHAREHOLDERS** | **33 563** | **8,3%** | 28 987 | 9,0% |
| Shareholders for dividend | **33 563** | **8,3%** | 28 987 | 9,0% |
| **RETENTIONS TO SUPPORT FUTURE OPERATIONS** | **185 122** | **45,5%** | 133 326 | 41,5% |
| Depreciation | **2 086** | **0,5%** | 1 492 | 0,5% |
| Income retained | **183 036** | **45,0%** | 131 834 | 41,0% |
| | **405 804** | **100,0%** | 321 690 | 100,0% |

**2008**



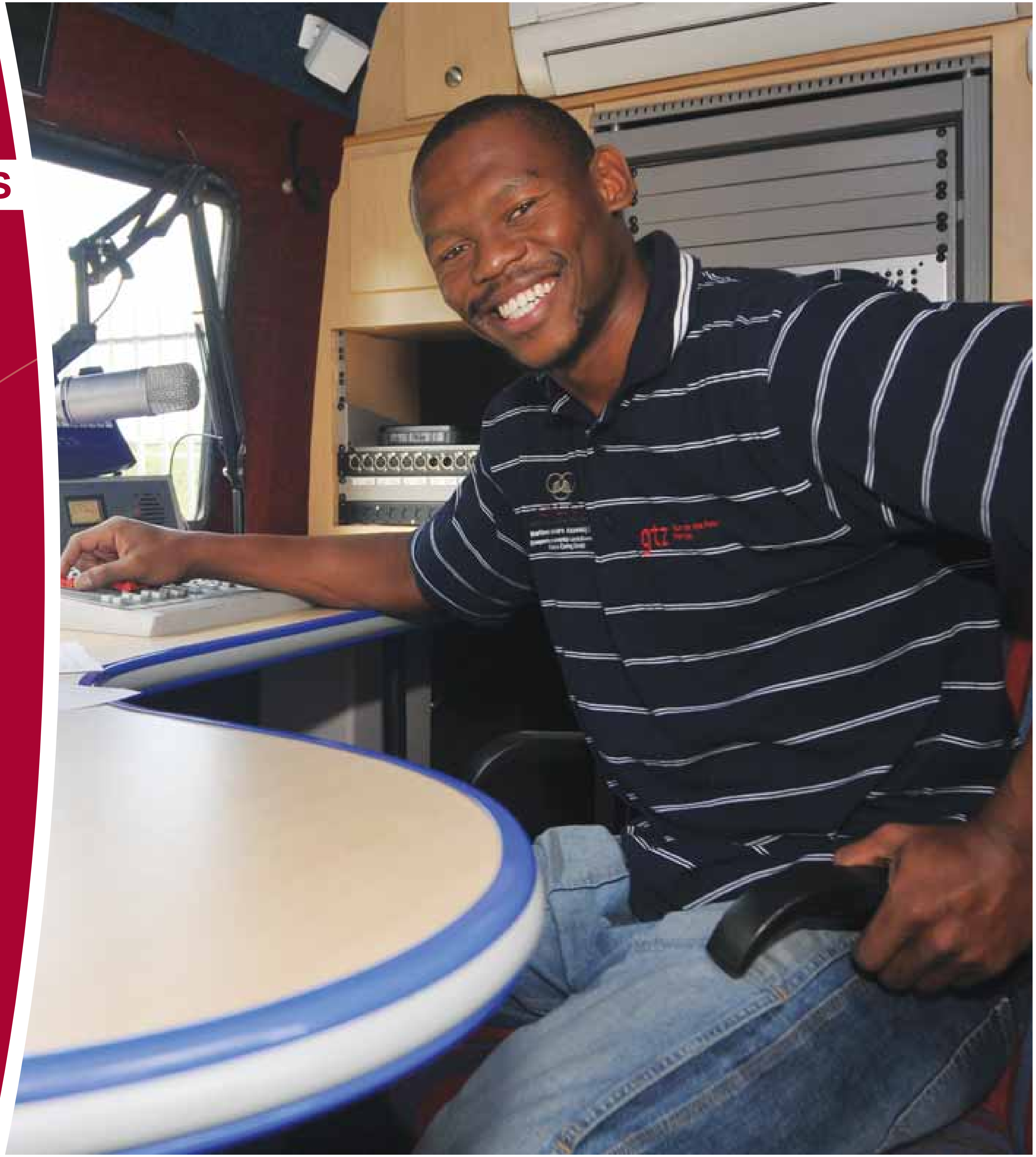

**2007**



# FINANCIAL STATEMENTS

*'Business Partners was willing to explore our application. They stand up for what they say and live up to their undertaking'*

*Nkokheli Mbatha, partner of Broadicon Tech, Durban*



# STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Business Partners Limited and its subsidiaries. The financial statements, presented on pages 49 to 86, have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and include amounts based on judgements and estimates made by management. The Directors reviewed the information included in the Annual Report and are responsible for both the accuracy and consistency of the financial statements.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company or the group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. The viability of the company and of the group is supported by the financial statements.

The financial statements have been audited by the independent accounting and auditing firm, PricewaterhouseCoopers Incorporated, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors, committees of the board and management.

The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The audit report of PricewaterhouseCoopers Incorporated is presented on the following page.

The financial statements were approved by the Board of Directors on 15 May 2008 and are signed on its behalf.

**T. van Wyk**
Deputy Chairman

**J. Schwenke**
Managing Director

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUSINESS PARTNERS LIMITED

We have audited the annual financial statements and group annual financial statements of Business Partners Limited and its subsidiaries, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 March 2008, the income statement and the consolidated income statement, the statement of recognised income and expense and the consolidated statement of recognised income and expense, the statement of changes in equity and the consolidated statement of changes in equity, the cashflow statement and the consolidated cashflow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 86.

**Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2008, and of their financial performance and their cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

**PricewaterhouseCoopers Inc.**
*Director: JH Cloete*
Registered Auditor
Johannesburg
1 June 2008

# DIRECTORS' REPORT

for the year ended 31 March 2008

## 1. Nature of the business

The Company is principally engaged in investing capital, knowledge and skill in viable small and medium sized businesses.

## 2. Business activities

During the period under review 670 (2007: 664) investment projects (excluding investment properties) amounting to R954,8 million (2007: R876,6 million) were approved for investment at an average investment amount of R1 425 000 (2007: R1 320 000). Business Partners follows a risk based investment approach by structuring the majority (64,5 percent (2007: 70,3 percent)) of its investments with equity and royalty based instruments. An equity stake was obtained in 116 projects (2007: 156 projects) at an average investment amount of R2,2 million (2007: R2,1 million).

Business Partners manages a portfolio of industrial and commercial properties with a lettable area totalling more than 657 000 $m^2$ (2007: 682 000 $m^2$), providing business premises to more than 3 390 (2007: 3 475) tenants.

Additional information on the business activities of the Company is available in the Management Review section of the Annual Report.

## 3. Operational and financial review

The Company's net profit amounted to R216,6 million, (2007: R160,8 million), an increase of R55,8 million compared to the previous year. The increase in net profit of 34,7 percent is primarily the result of exceptional proceeds resulting from the disposal of investments, the fair value adjustment to the investment properties and higher interest revenue resulting mainly from the higher interest rates.

The financial position and the results of the various operations are fully disclosed in the financial statements on pages 49 to 86 .

The business investment portfolio is continually analysed in terms of a range of risk management and control measures, ensuring that risks are identified and adequately provided for. During the period under review, bad debts amounting to R35,4 million (2007: R32,6 million) were written off. The recovery of bad debts written off in previous periods amounted to R22,2 million (2007: R22,4 million).

## 4. Events subsequent to the balance sheet date

No material changes in circumstances occurred between the end of the financial year and the date of this report.

## 5. Share capital and reserves

The authorised share capital remained unchanged at 400 million ordinary shares of R1 each. The issued share capital remained unchanged at 178,8 million shares of R1 each.

## 6. Dividend

Dividend cover for the year equals 5,8 times. The dividend policy considers the nature of the profit for the year and seeks to ensure at least a four times cover for the dividend. A cash dividend of 22 cents per share in respect of the 2008 financial year (2007: 20 cents) was declared on 15 May 2008, payable on or about 15 August 2008 to all shareholders registered in the share register at the close of business on 29 July 2008.

## 7. Earnings per share

Earnings per share increased to 128,7 cents (2007: 99,5 cents) based on 168,3 million weighted number of shares in issue. Diluted earnings per share increased to 121,9 cents (2007: 91,0 cents). Headline earnings per share increased to 126,6 cents (2007: 95,4 cents). Diluted headline earnings per share increased to 120,0 cents (2007: 87,3 cents). For more information refer to notes 11 and 23 in the financial statements.

## 8. Directors' remuneration and interest

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

## 9. Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 5 percent of the issued share capital of the Company are detailed on page 34 of the annual report.

# DIRECTORS' REPORT

for the year ended 31 March 2008

## 10. Directors

10.1 The Directors of the Company on the 31st of March 2008 were:

**Directors appointed in terms of Article 13.4 of the Articles of Association:**

| | |
|---|---|
| Mr JP Rupert | Dr ZZR Rustomjee |
| Mr PM Baum | Mr XGS Sithole |
| Mr F Meisenholl | Mr T van Wyk |

**Directors appointed in terms of Article 13.2 of the Articles of Association:**

| | |
|---|---|
| Mr DR Geeringh | Mr D Moshapalo |
| Dr P Huysamer | Dr MA Ramphele |
| Dr E Links | Ms ZJ Matlala |

**Directors appointed in terms of Article 17.1 of the Articles of Association:**

Mr SST Ngcobo – Alternate to Mr DR Geeringh

**Directors appointed in terms of Article 15 of the Articles of Association:**

Mr J Schwenke (Managing Director)
Mr N Martin (Deputy Managing Director)
Mr C Botes (Executive Director)
Mr G van Biljon (Executive Director)

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

| Director | Event | Terms | Date |
|---|---|---|---|
| Dr JG Smith | Resigned | Article 13.2 | 24 July 2007 |
| Ms ZJ Matlala | Appointed | Article 13.2 | 04 March 2008 |

## 11. Auditors

The Audit and Risk Committee nominated PricewaterhouseCoopers Incorporated and Mr JH Cloete as the individual designated auditor in accordance with Section 270A(1) for appointment in terms of Section 270(1) and 274(3) of the Companies Act 61 of 1973, as amended by the Corporate Laws Amendment Act 24 of 2006.

## 12. Acknowledgements

Sincere appreciation is extended to all our shareholders, members of the Board and its committees for their dedicated and positive participation throughout the year. We would like to extend a special word of appreciation to Dr Jurg Smith, who served Business Partners as an employee, a Regional Committee member and chairman, and as a Board member for a period of more than 20 years. To the entire staff of Business Partners, we express our gratitude for their loyalty, commitment and hard work in achieving the objectives of the Company.

**T van Wyk**
Deputy Chairman
15 May 2008

**J Schwenke**
Managing Director

# CERTIFICATE BY THE COMPANY SECRTETARY

In terms of Section 268G(d) of the Companies Act 61 of 1973, as amended, I hereby certify that the Company has, in respect of the financial year under review, lodged with the Registrar of Companies all returns required of the Company in terms of the Act, and that all such returns are true, correct and up to date.

**Ms C M Gerbrands**
Company Secretary
15 May 2008

# BALANCE SHEET

as at 31 March 2008

| | Notes | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **1 785 230** | 1 557 633 | **1 715 081** | 1 511 857 |
| Investment properties | 2 | **357 469** | 267 760 | **307 371** | 235 080 |
| Business investments | 3 | **1 246 701** | 1 122 658 | **1 249 344** | 1 124 674 |
| Investments in associates | 4 | **44 231** | 37 978 | **1 868** | 1 877 |
| Property and equipment | 5 | **28 163** | 16 369 | **5 000** | 2 535 |
| Investments in subsidiaries | 6 | **-** | - | **42 832** | 34 823 |
| Defined benefit pension fund surplus | 14 | **108 666** | 112 868 | **108 666** | 112 868 |
| **Current assets** | | **509 253** | 538 620 | **490 995** | 525 951 |
| Inventories and assets held for resale | 8 | **759** | 3 518 | **759** | 3 518 |
| Short-term portion of business investments | 3 | **259 576** | 242 439 | **259 447** | 241 780 |
| Accounts receivable | | **12 167** | 12 048 | **10 412** | 6 940 |
| Deposits and bank balances | 9 | **236 751** | 280 615 | **220 377** | 273 713 |
| **Total assets** | | **2 294 483** | 2 096 253 | **2 206 076** | 2 037 808 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves attributable to equity holders of the parent** | | **2 132 264** | 1 942 977 | **2 056 666** | 1 891 532 |
| Share capital | 11 | **178 835** | 178 835 | **178 835** | 178 835 |
| Treasury shares | 11 | **(19 973)** | (29 033) | | |
| Fair value and other reserves | 12 | **77 961** | 80 770 | **76 695** | 80 856 |
| Retained earnings | | **1 895 441** | 1 712 405 | **1 801 136** | 1 631 841 |
| **Minority interest** | | **872** | - | | |
| **Non-current liabilities** | | **57 912** | 56 885 | **59 660** | 60 044 |
| Borrowings | 13 | **640** | 289 | **289** | 289 |
| Post-retirement medical aid obligation | 14 | **49 520** | 43 983 | **49 520** | 43 983 |
| Deferred tax liability | 7 | **7 752** | 12 613 | **9 851** | 15 772 |
| **Current liabilities** | | **103 435** | 96 391 | **89 750** | 86 232 |
| Accounts payable | | **35 563** | 31 213 | **25 187** | 23 344 |
| Provisions | 15 | **44 044** | 37 260 | **43 139** | 36 605 |
| Current tax liability | | **23 815** | 27 893 | **21 411** | 26 258 |
| Shareholders for dividend | | **13** | 25 | **13** | 25 |
| **Total liabilities** | | **161 347** | 153 276 | **149 410** | 146 276 |
| **Total equity and liabilities** | | **2 294 483** | 2 096 253 | **2 206 076** | 2 037 808 |

# INCOME STATEMENT

for the year ended 31 March 2008

| | Notes | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|---|
| Revenue | 17 | **365 612** | 300 239 | **354 883** | 293 020 |
| Other operating income | 18 | **141 561** | 81 754 | **137 563** | 83 441 |
| Operating expenses | 19 | **(246 314)** | (186 360) | **(233 625)** | (178 576) |
| Profit from operations | 20 | **260 859** | 195 633 | **258 821** | 197 885 |
| Finance cost | | **(677)** | (276) | **(2)** | (76) |
| Income from associated companies | | **18 653** | 19 255 | | |
| Profit before taxation | | **278 835** | 214 612 | **258 819** | 197 809 |
| Tax expense | 22 | **(61 364)** | (53 791) | **(53 757)** | (50 781) |
| Net profit | | **217 471** | 160 821 | **205 062** | 147 028 |
| Attributable to: | | | | | |
| Equity holders of the parent | | **216 599** | 160 821 | **205 062** | 147 028 |
| Minority interest | | **872** | - | | |
| | | **217 471** | 160 821 | **205 062** | 147 028 |

# STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 March 2008

| | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|
| Actuarial gain/(loss) on post-retirement benefits | **(7 118)** | (1 050) | **(7 118)** | (1 050) |
| Initial recognition of pension fund surplus | | 112 868 | | 112 868 |
| Fair value adjustments of available for sale instruments | **(243)** | (210) | **(243)** | (210) |
| Foreign currency translation gains/(losses) | **1 352** | (86) | | |
| Deferred taxation on items above | **3 200** | (32 367) | **3 200** | (32 367) |
| Net income/(expense) recognised directly in equity | **(2 809)** | 79 155 | **(4 161)** | 79 241 |
| Profit for the year | **217 471** | 160 821 | **205 062** | 147 028 |
| Total recognised income for the year | **214 662** | 239 976 | **200 901** | 226 269 |

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

| | Notes | SHARE CAPITAL R000 | FAIR VALUE & OTHER RESERVES R000 | RETAINED EARNINGS R000 | MINORITY INTEREST R000 | TOTAL R000 |
|---|---|---|---|---|---|---|
| **CHANGES IN EQUITY – GROUP** | | | | | | |
| **Balance at 1 April 2006** | | 132 209 | 1 615 | 1 580 571 | - | 1 714 395 |
| Share options taken up | | 17 593 | | | | 17 593 |
| Fair value adjustments of available for sale instruments | | | (149) | | | (149) |
| Actuarial gains/(losses) on employee benefits | | | (746) | | | (746) |
| Initial recognition of pension fund surplus | 12 | | 80 136 | | | 80 136 |
| Foreign currency translation gains/(losses) | | | (86) | | | (86) |
| Net profit | | | | 160 821 | | 160 821 |
| Dividend | 24 | | | (28 987) | | (28 987) |
| **Balance at 31 March 2007** | | **149 802** | **80 770** | **1 712 405** | **-** | **1 942 977** |
| **Balance at 1 April 2007** | | **149 802** | **80 770** | **1 712 405** | **-** | **1 942 977** |
| Share options taken up | | **9 060** | | | | **9 060** |
| Fair value adjustments of available for sale instruments | 12 | | **(170)** | | | **(170)** |
| Actuarial gains/(losses) on employee benefits | | | **(2 094)** | | | **(2 094)** |
| Movement in pension fund surplus | | | **(1 897)** | | | **(1 897)** |
| Foreign currency translation gains/(losses) | | | **1 352** | | | **1 352** |
| Net profit | | | | **216 599** | **872** | **217 471** |
| Dividend | 24 | | | **(33 563)** | | **(33 563)** |
| **Balance at 31 March 2008** | | **158 862** | **77 961** | **1 895 441** | **872** | **2 133 136** |
| **CHANGES IN EQUITY – COMPANY** | | | | | | |
| **Balance at 1 April 2006** | | 178 835 | 1 615 | 1 517 003 | - | 1 697 453 |
| Fair value adjustments of available for sale instruments | | | (149) | | | (149) |
| Actuarial gains/(losses) on employee benefits | 12 | | (746) | | | (746) |
| Initial recognition of pension fund surplus | | | 80 136 | | | 80 136 |
| Net profit | | | | 147 028 | | 147 028 |
| Dividend | 24 | | | (32 190) | | (32 190) |
| **Balance at 31 March 2007** | | **178 835** | **80 856** | **1 631 841** | **-** | **1 891 532** |
| **Balance at 1 April 2007** | | **178 835** | **80 856** | **1 631 841** | **-** | **1 891 532** |
| Fair value adjustments of available for sale instruments | 12 | | **(170)** | | | **(170)** |
| Actuarial gains/(losses) on employee benefits | | | **(2 094)** | | | **(2 094)** |
| Movement in pension fund surplus | | | **(1 897)** | | | **(1 897)** |
| Net profit | | | | **205 062** | | **205 062** |
| Dividend | 24 | | | **(35 767)** | | **(35 767)** |
| **Balance at 31 March 2008** | | **178 835** | **76 695** | **1 801 136** | **-** | **2 056 666** |

# CASH FLOW STATEMENT
for the year ended 31 March 2008

| | Notes | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Cash received from clients | | **407 619** | 343 000 | **388 638** | 330 694 |
| Cash paid to suppliers and employees | | **(189 471)** | (165 044) | **(182 075)** | (157 061) |
| Cash generated from operating activities | 27.1 | **218 148** | 177 956 | **206 563** | 173 633 |
| Finance cost | | **(677)** | (276) | **(2)** | (76) |
| Taxation paid | 27.2 | **(62 814)** | (35 903) | **(61 325)** | (35 486) |
| Dividends paid | 27.3 | **(33 575)** | (29 078) | **(35 779)** | (32 281) |
| **Net cash generated from operating activities** | | **121 082** | 112 699 | **109 457** | 105 790 |
| **Cash flow from investing activities** | | | | | |
| Capital expenditure on | | | | | |
| – investment properties | | **(45 066)** | (24 387) | **(33 802)** | (13 397) |
| – property and equipment | | **(4 246)** | (1 568) | **(4 219)** | (1 495) |
| Proceeds from sale of | | | | | |
| – investment properties | | **12 255** | 10 928 | **12 255** | 8 028 |
| – property and equipment | | **47** | 216 | **47** | 216 |
| Business investments advanced | | **(637 266)** | (629 185) | **(637 266)** | (628 849) |
| Business investments repaid | | **424 140** | 395 449 | **418 557** | 380 394 |
| Investment in subsidiaries | | | | **(8 008)** | 10 966 |
| Proceeds from sale of other investments | | **84 034** | 25 123 | **83 329** | 25 123 |
| Dividends received from other investments | | **1 156** | 4 493 | **6 314** | 2 867 |
| **Net cash utilised in investing activities** | | **(164 946)** | (218 931) | **(162 793)** | (216 147) |
| **Cash flow from financing activities** | | | | | |
| Long-term borrowings | | **-** | - | **-** | - |
| **Net cash generated from financing activities** | | **-** | - | **-** | - |
| **Net decrease in cash and cash equivalents** | | **(43 864)** | (106 232) | **(53 336)** | (110 357) |
| **Cash and cash equivalents at beginning of year** | | **280 615** | 386 847 | **273 713** | 384 070 |
| **Cash and cash equivalents at end of year** | | **236 751** | 280 615 | **220 377** | 273 713 |

# 1. Summary of accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and are consistent with those of the previous year.

## 1.1 Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice. The consolidated financial statements are prepared under the historical cost convention, as amended by the fair value of investment properties and financial instruments.

The preparation of financial statements in conformity with South African Statements of Generally Accepted Accounting Practice, requires the use of estimates and assumptions based on management's best knowledge of current events and actions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from these estimates.

## 1.2 Group accounting

### 1.2.1 Subsidiaries

Subsidiary undertakings, which are those companies and other entities in which the Company, directly or indirectly, has an interest of more than one half of the voting rights, or otherwise has power to govern the operations, are consolidated.

Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired, is recorded as goodwill. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

Where necessary, accounting policies in subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### 1.2.2 Investments in associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquistion reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Company generally has between 20 percent and 50 percent of the voting rights, or over which the Company has significant influence, but which it does not control. Impairments are recorded for long-term diminutions in value. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not further recognise losses, unless the Company has incurred obligations or made payments on behalf of the associates. Audited financial statements are utilised to determine the share of the associated company earnings. Where these are not available, management estimates are not included in the equity accounted earnings.

### 1.2.3 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Company's interest in a jointly-controlled entity is accounted for by proportionate consolidation. The Company combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements.

As with subsidiaries, joint ventures are excluded from consolidation if the interest is intended to be temporary or if the joint venture operates under severe long-term restrictions.

Where required, accounting policies in joint ventures have been changed to ensure consistency with the policies adopted by the Group.

## 1.3 Foreign currencies

### 1.3.1 Functional and presentation currency

The consolidated financial statements are presented in South African Rands, which is the Company's functional currency and the Group's presentation currency.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional" currency).

### 1.3.2 Foreign currency translations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

The assets and liabilities of foreign subsidiary companies are translated at the closing exchange rates ruling at year-end. Income statement items in respect of foreign entities are translated at the appropriate weighted average exchange rate for the year. Gains and losses arising on translation are transferred to fair value and other reserves (foreign currency translation reserve).

On consolidation, exchange differences arising on the translation of the net investment in foreign entities and of borrowings, are taken to shareholders' equity.

## 1.4 Financial instruments

Financial instruments carried on the balance sheet include loans and receivables, listed shares, bonds, cash and bank balances, money market assets and accounts payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Company classifies its financial instruments primarily into the following categories: loans and receivables and available for sale instruments. The classification of investments are done in consultation with the Audit and Risk Committee.

Investments intended to be held for an indefinite period of time, which may be sold in response to market opportunities, are classified as available for sale. The fair value of these investments is based on quoted bid prices. Unrealised gains and losses, arising from changes in fair value of investments classified as available for sale, are recognised in equity. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses.

Loans and receivables include interest bearing loans, shareholders' loans, royalty agreements and staff loans. The financial instruments are initially recorded at fair value. Thereafter, the instruments are measured at amortised cost.

Impairment of loans and receivables:
*Specific impairments*
The Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired, based on the identification of one or more events that occurred after the initial recognition of the assets. It is then established whether it can be reliably determined whether the loss event will impact the estimated future cash flows of the financial asset or group of financial assets.

The criteria the Company uses as objective evidence that an impairment loss exist are applied to detemine classes of risk. These criteria, which largely assesses the repayment performance of the investments, include the following:
A. No arrears
B. Amount 30 days in arrears less than the repayment required or value of instalment
C. Amount 60 days in arrears less than the repayment required or value of instalment
D. Amount 30 days in arrears greater than value of instalment
E. Amount 30 days in arrears with no instalments on account
F. Dishonored payments occurring in the preceding 6 months
G. Informal sector loans
H. Investments under legal control

In quantifying the impairment (which amounts to the difference between the carrying amount of the investment and the recoverable amount) for investments in the different risk classes, estimates are applied to the following key variables as follows:
- the probability of a loss giving default occurring for the risk classification applicable to each investment, which ranges from 0% to 100%
- the time period that is anticipated to be required from the date of assessment to the point in the future when cash flows are expected to result from the collateral linked to a specific investment. The period is estimated to be 18 months on average. The security to be realised is discounted to the current date over the period at a rate equal to the rate of return of the actual underlying investments

In addition to the repayment performance assessment, a further qualitative assessment is performed to identify specific indicators of impairment that may have occurred in the investment. The following indicators of impairment are considered:
- the loss of big contracts
- labour unrest, litigation or unresolved issues
- legal actions being undertaken by other parties against the client
- entrance of a new competitor
- conflict between partners in the business

- shareholders meetings that are cancelled and which haven't been held for a long time
- the sensitivity of revenue to fluctuations in the exchange rate
- input costs materially affected by high commodity prices or high resource prices

An impairment loss is recognised for the amount by which the carrying value of the investment exceeds its recoverable amount. The impairment losses are adjusted to the income statement.

*Collective assessment of an investment class*
Impairment losses are collectively recognised for asset classes with similar industry and financial instrument profiles where losses are known to have been incurred but for which the objective evidence is not yet established but is expected to emerge in the near future. The impairment losses collectively assessed are adjusted to the income statement.

Renegotiated loans:
Loans whose terms have been renegotiated are no longer considered to be past due. Disclosure about financial instruments to which the Company is a party is provided in note 10 to the annual financial statements.

**1.5 Investment properties**
Investment properties are held for long-term rental yields and are not occupied by the Company. Investment properties are treated as long-term investments and are carried at fair value. Valuations are done internally at the end of each accounting period on the capitalised income basis, taking into account the profile and locality of the property, market conditions and core vacancy factors.

Changes in fair values are recorded in the income statement and are included in other operating income. Properties to be disposed of are valued based on the above criteria, influenced by market offers received. Leased properties are reflected at original capital cost less depreciation.

**1.6 Property and equipment**
All owner-occupied property is initially recorded at cost. Depreciation is calculated on a straight-line basis to the revised residual value over the estimated useful life of the property which varies between 25 and 30 years. Land is not depreciated.

Equipment acquired is initially recorded at cost and depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, currently assessed as being between three and ten years. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in the income statement.

**1.7 Inventories and assets held for resale**
Inventories consist mainly of repossessed assets and are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

**1.8 Trade receivables**
Trade receivables are carried at anticipated realisable value and consist mainly of rent receivable and interest accrued.

**1.9 Trade and other payables**
Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**1.10 Cash and cash equivalents**
Money market assets form part of deposits and bank balances and are carried at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments.

**1.11 Provisions**
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

**1.12 Employee benefits**

**1.12.1 Pension obligations**
The Company operates a defined benefit pension plan and a defined contribution pension plan. All employees are members of one of these funds.

The assets of the defined benefit pension plan are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the Company, taking into account the recommendations of independent actuaries.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement to spread the regular cost over the service lives of employees, in accordance with the advice of actuaries who carry out a full statutory valuation of the plan every three years. In addition, an interim, non-statutory valuation is performed between statutory valuation dates.

The pension obligation is measured as the present value of the estimated future cash outflow, using interest rates of government securities that have terms to maturity approximating the terms of the related liability. The Group's net obligation to the pension fund can either be a liability or a benefit to the Group. Assets and liabilities resulting from the calculation are recognised in full on the balance sheet. Actuarial gains or losses that arise from the determination of the liability or asset, are recognised in the statement of recognised income and expense and reflected in equity.

The Company pays fixed contributions into a separate trustee-administered fund in terms of the defined contribution plan. The Company will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### 1.12.2 Post-retirement medical aid obligations

The Group provides post-retirement medical aid benefits to employees and pensioners in service of the Group on or before 30 April 1999. The entitlement to post-retirement medical aid benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Valuations of these obligations are carried out by independent actuaries. Actuarial gains or losses are recognised in full in the year in which the gain or loss is determined by the actuary in the statement of recognised income and expense, and are accounted for under fair value and other reserves.

### 1.13 Deferred tax

Deferred tax is determined by using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Under this method, the Company is required to make provision for deferred tax on the fair value adjustments arising from investment properties and, in relation to an acquisition, on the difference between the fair values of net assets acquired and their tax base. The principal temporary differences arise from provisions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax asset can be utilised.

### 1.14 Operating leases

Leases of assets, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### 1.15 Revenue recognition

Revenue comprises the invoiced value, net of value added tax, rebates and discounts. Interest income is recognised on a time apportionment basis, taking account of the principal amount outstanding and the effective rate over the period to maturity to determine when such income will accrue to the Company. Rental income is recognised equally over the period of the lease taking into consideration the clauses affecting the rental charge. Dividend income is recognised when the right to receive payment is established.

### 1.16 Critical accounting estimates and judgements

Critical accounting estimates are those that involve complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the determination of fair value for financial assets, financial liabilities and investment properties, the impairment charges on financial instruments and deferred taxes.

The fair values of financial assets and liabilities are classified and accounted for in accordance with the policies set out on section 1.4 above. Listed market prices for equities, bonds and other instruments are used as far as possible in the determination of the fair value. If prices are not available, pricing models are used that consider a range of probable factors. The estimates and variables used in determining the fair value adjustments on investment properties are disclosed in note 2.

Assets are subject to regular impairment reviews as required. Impairments are measured as the difference between the cost (or amortised cost) of a particular asset and the current fair value or recoverable amount. In determining the recoverable amount on portfolios of investments, historical loss experience is adjusted to reflect current economic conditions, as well as changes in the emergence period for objective evidence of impairment to present itself.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **2. INVESTMENT PROPERTIES** | | | | | |
| Fair value – beginning of year | | **267 760** | 224 474 | **235 080** | 202 287 |
| Acquisitions | | **45 066** | 24 387 | **33 802** | 13 397 |
| Reclassification from inventory | | **3 700** | - | **3 700** | - |
| Disposals | | **(8 740)** | (4 174) | **(8 740)** | (3 373) |
| Depreciation on leasehold property | | **(99)** | (99) | **(99)** | (99) |
| Fair value adjustment | | **49 782** | 23 172 | **43 628** | 22 868 |
| **Fair value – end of year** | | **357 469** | 267 760 | **307 371** | 235 080 |

The valuation of property investments was performed internally by suitably qualified personnel and was based on the capitalised income method. The key assumptions used in the valuation of the investment properties were:
- Capitalisation rates used varied between 10% and 15%
- Vacancy factors varied between 0% and 10%
- Property maintenance and expenses varied between 11% and 34% of total rent

The following items regarding the investment properties are included in the income statement:

| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
|---|---|---|---|---|
| - Rental income | **58 589** | 51 540 | **47 926** | 42 550 |
| - Repairs and maintenance expenses | **7 742** | 7 674 | **4 947** | 5 941 |
| - Other operating expenses | **24 486** | 25 128 | **18 389** | 19 236 |

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

| | | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|---|
| **3. BUSINESS INVESTMENTS** | | | | | |
| Investment in *En Commandite* partnerships | ***(Refer note 3.1)*** | **37 642** | 26 153 | **36 692** | 26 025 |
| Financial instruments – fair value adjusted to equity | ***(Refer note 3.2)*** | **1 085** | 1 689 | **1 085** | 1 689 |
| Loans and receivables | ***(Refer note 3.3)*** | **1 467 550** | 1 337 255 | **1 471 014** | 1 338 740 |
| Less: Short-term portion | | **(259 576)** | (242 439) | **(259 447)** | ( 241 780) |
| **Carrying value of business investments** | | **1 246 701** | 1 122 658 | **1 249 344** | 1 124 674 |

### 3.1 Investment in *En Commandite* partnerships

The Company entered into an *En Commandite* partnership with the Umsobomvu Youth Fund to establish a R125 million investment fund aimed at expanding the ownership of franchises amongst the previously-disadvantaged youth. The Company contributed 20 percent of the capital for the fund and the Umsobomvu Youth Fund the balance of 80 percent. The Company entered into an *En Commandite* partnership with Khula Enterprise Finance Limited to establish a R150 million investment fund aimed at promoting start-up ventures amongst previously disadvantaged individuals. The Company will contribute 20 percent of the capital for the fund and Khula the balance of 80 percent.

The investments are stated at cost and profits are equity accounted in line with specifications of the partnership agreements. Future investments by the Company in the partnerships are disclosed in note 25.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **3.2 Financial instruments - fair value adjusted to equity** | | | | |
| Fair value – beginning of year | **1 689** | 1 899 | **1 689** | 1 899 |
| Disposals | **(447)** | - | **(447)** | - |
| Acquisitions | **-** | - | **-** | - |
| Fair value (loss)/surplus transferred to equity | **(157)** | (210) | **(157)** | (210) |
| Fair value – end of year | **1 085** | 1 689 | **1 085** | 1 689 |
| The above available for sale investments, comprising bond market investments and listed shares, are measured at fair value. Fair value is determined by reference to quoted prices on the relevant bond market and securities exchange. | | | | |
| **3.3 Loans and receivables** | | | | |
| **Interest bearing loans** | | | | |
| These loans are secured and are priced at market related rates relative to the quality and coverage of the underlying collateral. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity that vary between 10,5 percent and 22 percent. | | | | |
| *Gross interest bearing loans* | **1 502 561** | 1 351 307 | **1 502 291** | 1 348 745 |
| *Less: allowance for impairment* | **(99 468)** | (72 775) | **(99 467)** | (71 681) |
| | **1 403 093** | 1 278 532 | **1 402 824** | 1 277 064 |
| **Shareholder's loans** | | | | |
| These loans are unsecured, and are priced at interest rates between 0 percent and 13,5 percent. The loans are initially recorded at fair value and thereafter measured at amortised cost based on rates applicable to instruments with a similar expected lifespan or duration which vary between 7,3 percent and 8,2 percent. | | | | |
| *Gross shareholder's loans* | **49 292** | 46 898 | **52 683** | 49 235 |
| *Less: allowance for impairment* | **(5 712)** | (10 067) | **(5 360)** | (9 437) |
| | **43 580** | 36 831 | **47 323** | 39 798 |
| **Royalty agreements** | | | | |
| The future cash flows resulting from the royalty agreements are adjusted to expected royalty payments by applying a risk premium to the contracted royalty payments. These expected future royalty payments are then discounted at a rate intrinsic to the investment to which the royalty agreement relates and measured at amortised cost. The rates vary between 1,25 percent and 17,5 percent. | **19 280** | 19 953 | **19 280** | 19 951 |
| **Staff loans** | | | | |
| These loans consisting mainly of mortgage loans over residential property and bearing interest at rates linked to the prime overdraft rate are initially recorded at fair value and thereafter measured at amortised cost using rates that vary between 6 percent and 12,5 percent. | | | | |
| *Gross staff loans* | **1 938** | 2 317 | **1 928** | 2 305 |
| *Less: allowance for impairment* | **(341)** | (378) | **(341)** | (378) |
| | **1 597** | 1 939 | **1 587** | 1 927 |
| **Total for loans and receivables** | **1 467 550** | 1 337 255 | **1 471 014** | 1 338 740 |

The Company accepted mortgage and notarial bonds at fair value of R1 224,5 million (2007: R1 113,7 million) as collateral for interest bearing loans, which it is permitted to sell or repledge. At year end, none of the collateral had been sold or repledged.

**Reconciliation of allowance account for losses on loans and receivables**

| | INTEREST BEARING LOANS | SHAREHOLDER'S LOAN | STAFF LOANS | TOTAL |
|---|---|---|---|---|
| | R000 | R000 | R000 | R000 |
| **GROUP** | | | | |
| At 1 April 2006 | 74 091 | 11 783 | 212 | 86 086 |
| Increase in allowance (new investments) | 25 113 | 185 | - | 25 298 |
| Impairment reversed on investments written off/repaid | (17 539) | (492) | - | (18 031) |
| Increase in allowance during the year (existing investments) | 17 011 | 565 | 59 | 17 635 |
| Decrease in allowance during the year (existing investments) | (25 794) | (1 974) | - | (27 768) |
| At 31 March 2007 | 72 882 | 10 067 | 271 | 83 220 |
| At 1 April 2007 | **72 882** | **10 067** | **271** | **83 220** |
| Increase in allowance (new investments) | **18 523** | **184** | **-** | **18 707** |
| Impairment reversed on investments written off/repaid | **(24 543)** | **(4 611)** | **-** | **(29 154)** |
| Increase in allowance during the year (existing investments) | **52 390** | **572** | **72** | **53 034** |
| Decrease in allowance during the year (existing investments) | **(19 785)** | **(501)** | **-** | **(20 286)** |
| At 31 March 2008 | **99 467** | **5 711** | **343** | **105 521** |
| **COMPANY** | | | | |
| At 1 April 2006 | 72 541 | 10 965 | 212 | 83 718 |
| Increase in allowance (new investments) | 25 113 | 183 | - | 25 296 |
| Impairment reversed on investments written off/repaid | (17 357) | (492) | - | (17 849) |
| Increase in allowance during the year (existing investments) | 16 989 | 562 | 59 | 17 610 |
| Decrease in allowance during the year (existing investments) | (25 497) | (1 782) | - | (27 279) |
| At 31 March 2007 | 71 789 | 9 436 | 271 | 81 496 |
| At 1 April 2007 | **71 789** | **9 436** | **271** | **81 496** |
| Increase in allowance (new investments) | **18 523** | **184** | **-** | **18 707** |
| Impairment reversed on investments written off/repaid | **(23 452)** | **(4 011)** | **-** | **(27 463)** |
| Increase in allowance during the year (existing investments) | **52 390** | **249** | **72** | **52 711** |
| Decrease in allowance during the year (existing investments) | **(19 784)** | **(499)** | **-** | **(20 283)** |
| At 31 March 2008 | **99 466** | **5 359** | **343** | **105 168** |

| | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|
| **4. INVESTMENTS IN ASSOCIATES** | | | | |
| Audited financial statements are utilised to determine the share of associated company earnings. Where these are not available management estimates for individual associates are not included in equity accounted earnings. For those associates for which audited financial accounts are not availalble, management estimates the value of potential associated company earnings to be accounted for. The estimate for the current year amounts R2,1 million. A register containing details of all listed, unlisted and other investments is available at the registered office. | | | | |
| Unlisted shares at cost | **3 673** | 3 685 | **1 868** | 1 877 |
| Share of retained earnings | **40 558** | 34 293 | | |
| Total for unlisted associates | **44 231** | 37 978 | **1 868** | 1 877 |
| Directors' valuation of the investment in unlisted associates | **138 046** | 134 062 | **135 469** | 133 177 |
| The valuation methods applied to determine the directors' valuation are consistent with the valuation guidelines recommended by the South African Venture Capital Association (SAVCA). | | | | |
| The movement in investments in associates are as follows: | | | | |
| At the beginning of year | **37 978** | (501) | **1 877** | (20 286) |
| Share of results before tax | **18 653** | 19 255 | | |
| Share of tax | **(4 289)** | (2 997) | | |
| Other movements (net of acquisitions and disposals) | **(8 111)** | 22 221 | **(9)** | 22 163 |
| At end of year | **44 231** | 37 978 | **1 868** | 1 877 |
| **5. PROPERTY AND EQUIPMENT** | | | | |
| **5.1 Equipment** | | | | |
| Cost – beginning of year | **20 630** | 21 013 | **20 557** | 21 013 |
| Acquisitions | **4 246** | 1 568 | **4 219** | 1 495 |
| Disposals | **(579)** | (1 951) | **(579)** | (1 951) |
| Cost – end of year | **24 297** | 20 630 | **24 197** | 20 557 |
| Accumulated depreciation – beginning of year | **(18 030)** | (18 668) | **(18 022)** | (18 668) |
| Depreciation charged | **(1 752)** | (1 158) | **(1 729)** | (1 150) |
| Depreciation on disposals | **554** | 1 796 | **554** | 1 796 |
| Accumulated depreciation – end of year | **(19 228)** | (18 030) | **(19 197)** | (18 022) |
| Closing net book amount | **5 069** | 2 600 | **5 000** | 2 535 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **5.2 Land** | | | | |
| Cost – beginning of year | **7 295** | 7 295 | **-** | - |
| Disposals | - | - | **-** | - |
| Cost – end of year | **7 295** | 7 295 | **-** | - |
| **5.3 Buildings** | | | | |
| Cost – beginning of year | **7 648** | 7 431 | **-** | - |
| Improvements | **9 560** | 217 | **-** | - |
| Disposals | - | - | **-** | - |
| Cost – end of year | **17 208** | 7 648 | **-** | - |
| Accumulated depreciation – beginning of year | **(1 174)** | (939) | **-** | - |
| Depreciation charged | **(235)** | (235) | **-** | - |
| Depreciation on disposals | **-** | - | **-** | - |
| Accumulated depreciation – end of year | **(1 409)** | (1 174) | **-** | - |
| Closing net book amount | **15 799** | 6 474 | **-** | - |
| Total net book amount for property and equipment | **28 163** | 16 369 | **5 000** | 2 535 |
| **6. Investments in subsidiaries** | | | | |
| Unlisted shares at cost | | | **6** | 6 |
| Loans | | | **47 943** | 39 934 |
| Provisions | | | **(5 117)** | (5 117) |
| | | | **42 832** | 34 823 |
| The Company's interest in the aggregate net profits and losses of subsidiaries are: | | | | |
| Profits | | | **10 858** | 13 441 |
| Losses | | | **(672)** | - |

The details of the subsidiaries are disclosed in note 30.

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2008

| | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|
| **7. DEFERRED TAX ASSET/LIABILITY** | | | | |
| Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28% (2007: 29%) | | | | |
| The movement on the deferred tax account is as follows: | | | | |
| At beginning of the year | **(12 613)** | 23 465 | **(15 772)** | 22 152 |
| Income statement charge - Provisions | **3 911** | 904 | **4 799** | 1 388 |
| - Fixed assets | **(6 194)** | (3 291) | **(5 108)** | (3 093) |
| - Fair value adjustments | **1 345** | (363) | **1 271** | (2 414) |
| - Assessed losses | **840** | 477 | **-** | - |
| - Dividends received after the dividend cycle | **1 759** | (1 438) | **1 759** | (1 438) |
| Fair value and other reserves charge | **3 200** | (32 367) | **3 200** | (32 367) |
| At end of the year | **(7 752)** | (12 613) | **(9 851)** | (15 772) |
| Deferred tax assets/liabilities consist of temporary differences relating to: | | | | |
| Provisions | **37 894** | 33 983 | **37 332** | 32 533 |
| Fixed assets | **(20 082)** | (13 888) | **(18 394)** | (13 286) |
| Fair value adjustments: financial instruments | **(130)** | (2 369) | **(165)** | (2 330) |
| Dividends received after the dividend cycle | **1 802** | 43 | **1 802** | 43 |
| Assessed losses | **3 190** | 2 350 | **-** | - |
| Defined benefit pension fund surplus | **(30 426)** | (32 732) | **(30 426)** | (32 732) |
| Total deferred tax liability | **(7 752)** | (12 613) | **(9 851)** | (15 772) |
| **8. INVENTORIES AND ASSETS HELD FOR RESALE** | | | | |
| Equipment (at cost) | **-** | 100 | **-** | 100 |
| Repossessed properties (at lower of cost or net realisable value) | **727** | 3 378 | **727** | 3 378 |
| Other (at cost) | **32** | 40 | **32** | 40 |
| | **759** | 3 518 | **759** | 3 518 |
| **9. DEPOSITS AND BANK BALANCES** | | | | |
| Term deposits | **208 707** | 261 210 | **208 707** | 261 210 |
| Bank current accounts | **23 473** | 15 904 | **7 099** | 9 002 |
| Interest accrued | **4 571** | 3 501 | **4 571** | 3 501 |
| | **236 751** | 280 615 | **220 377** | 273 713 |

## 10. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

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

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

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

### 10.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit risk exposures arise principally from accepting the credit risk of investing in small and medium businesses which forms the core business activity of the Company. Credit risk exposures also arise from property rental contracts entered into with lessees as well as the investment of treasury funds.

#### 10.1.1 Credit risk measurement

*Loans and receivables*

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

#### 10.1.2 Risk limit control and mitigation

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

*Loans and receivables*

The concentration of risk in the investment portfolio is decreased through industry diversification. The more than 1 970 investments in the portfolio are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. No single investment represents more than 0,9 percent of the total investment portfolio, limiting the concentration of risk in single investments.

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

*Rental contracts*

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

*Treasury investments*

Credit risk in the investment of treasury funds is controlled by a treasury policy as reviewed and approved by the Audit and Risk Committee. An investment mandate limits the investment exposure to each specific instrument and institution used.

*Collateral*

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and receivables are:

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **10.1.3 Maximum exposure to credit risk** | | | | |
| Credit exposure relating to on-balance sheet assets are as follows: | | | | |
| Loans and receivables | | | | |
| - Interest bearing loans | **1 403 093** | 1 278 532 | **1 402 824** | 1 277 064 |
| - Shareholder loans | **43 580** | 36 831 | **47 323** | 39 798 |
| - Royalty agreements | **19 280** | 19 953 | **19 280** | 19 951 |
| - Staff loans | **1 597** | 1 939 | **1 587** | 1 927 |
| Treasury investments | **236 751** | 280 615 | **220 377** | 273 713 |
| Credit risk exposure relating to off-balance sheet items are as follows: | | | | |
| - Financial guarantees | **7 689** | 487 | **7 689** | 487 |
| - Loan commitments and other credit related liabilities | **295 427** | 252 421 | **295 427** | 252 421 |
| At 31 March 2008 | **2 007 417** | 1 870 778 | **1 994 507** | 1 865 361 |

The above table represents the worst case scenario of credit risk exposure to the Company at 31 March 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets the exposures set out above are based on net carrying amounts as reported in the balance sheet.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **10.1.4 Loans and receivables** | | | | |
| Loans and receivables are summarised as follows: | | | | |
| Neither past due nor impaired | **1 332 927** | 1 244 424 | **1 336 621** | 1 246 906 |
| Past due but not impaired | **11 939** | 22 429 | **11 939** | 22 429 |
| Impaired | **228 205** | 153 622 | **227 622** | 150 901 |
| Gross | **1 573 071** | 1 420 475 | **1 576 182** | 1 420 236 |
| Less: allowance for impairment | **(105 521)** | (83 220) | **(105 168)** | (81 496) |
| Net | **1 467 550** | 1 337 255 | **1 471 014** | 1 338 740 |

The total impairment provision for the Group for loans and receivables is R105,5 million (2007: R83,2 million) of which R89,4 million (2007: R55,9 million) represents the individually impaired loans and the remaining amount of R16,1 million (2007: R27,3 million) represents the portfolio impairment. For further information regarding the impairment refer to Note 3.3

*Loans and receivables neither past due nor impaired*

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the internal risk rating system adopted by the Company.

| | INTEREST BEARING LOANS | SHAREHOLDER'S LOANS | ROYALTY AGREEMENTS | STAFF LOANS | TOTAL |
|---|---|---|---|---|---|
| **31 March 2008** | R000 | R000 | R000 | R000 | **R000** |
| **GROUP** | | | | | |
| No arrears | 1 268 110 | 43 941 | 19 280 | 1 596 | **1 332 927** |
| **COMPANY** | | | | | |
| No arrears | 1 267 840 | 47 915 | 19 280 | 1 586 | **1 336 621** |
| **31 March 2007** | | | | | |
| **GROUP** | | | | | |
| No arrears | 1 185 111 | 37 313 | 19 953 | 2 047 | **1 244 424** |
| **COMPANY** | | | | | |
| No arrears | 1 184 287 | 40 633 | 19 951 | 2 035 | **1 246 906** |

*Loans and receivables past due but not impaired*
Loans and receivables with amounts past due for 30 days that are less than the required amount due, are not considered impaired, unless other information is available to indicate specific impairment. Gross amount of loans and receivables that were past due but not impaired are as follows:

| | | | | | |
|---|---|---|---|---|---|
| **31 March 2008** | | | | | |
| **GROUP** | | | | | |
| 30 Days arrear less than instalment | 11 939 | - | - | - | **11 939** |
| Fair value of collateral | 8 465 | - | - | - | **8 465** |
| **COMPANY** | | | | | |
| 30 Days arrear less than instalment | 11 939 | - | - | - | **11 939** |
| Fair value of collateral | 8 465 | - | - | - | **8 465** |
| **31 March 2007** | | | | | |
| **GROUP** | | | | | |
| 30 days arrear less than instalment | 22 429 | - | - | - | **22 429** |
| Fair value of collateral | 21 569 | - | - | - | **21 569** |
| **COMPANY** | | | | | |
| 30 Days arrear less than instalment | 22 429 | - | - | - | **22 429** |
| Fair value of collateral | 21 569 | - | - | - | **21 569** |

Upon initial recognition of loans and receivables, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

*Loans and receivables individually impaired*
The individually impaired loans and receivables of the Group before taking into consideration the cash flows from collateral held is R228,2 million (2007: R153,6 million).
The breakdown of the gross amount of individually impaired loans and receivables by class, along with the fair value of related collateral held by the Company as security are as set out on the next page:

| | INTEREST BEARING LOANS | SHAREHOLDER'S LOANS | ROYALTY AGREEMENTS | STAFF LOANS | TOTAL |
|---|---|---|---|---|---|
| **31 March 2008** | R000 | R000 | R000 | R000 | **R000** |
| **GROUP** | | | | | |
| Individually impaired loans | 222 512 | 5 351 | - | 342 | **228 205** |
| Fair value of collateral | 99 647 | - | - | - | **99 647** |
| **COMPANY** | | | | | |
| Individually impaired loans | 222 512 | 4 768 | - | 342 | **227 622** |
| Fair value of collateral | 99 647 | - | - | - | **99 647** |
| **31 March 2007** | | | | | |
| **GROUP** | | | | | |
| Individually impaired loans | 143 767 | 9 585 | - | 270 | **153 622** |
| Fair value of collateral | 68 292 | - | - | - | **68 292** |
| **COMPANY** | | | | | |
| Individually impaired loans | 142 029 | 8 602 | - | 270 | **150 901** |
| Fair value of collateral | 68 247 | - | - | - | **68 247** |

**10.2 Market risk**

The Company takes on exposures to market risk which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise predominantly from risks associated with interest rates.

**10.2.1 Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the majority of the Company's interest bearing investment products are linked to the prime overdraft rate, changes in this rate will affect the revenue stream of the Company. The level of interest rates also determines the return on treasury funds invested over periods ranging primarily over 90 to150 days. The sensitivity to interest rate changes is decreased by alternative revenue streams from the investment portfolio, such as investment property returns, dividends and royalty fees.

If the prime overdraft rate was one percent higher during the year, the Group's profit before tax would have been R296,4 million (2007: R231,1 million). Alternatively, if the interest rate was one percent lower the Group’s profit before tax would have been R261,3 million (2007: R198,2 million).

**10.3 Liquidity risk**

Liquidity risk is the risk that the Company is unable to advance new funds as and when they are requested and is unable to meet its payment obligations associated with its financial liabilities when they fall due, as well as the payment obligations of its day to day operations.

**10.3.1 Risk management process**

In order to mitigate any liquidity risk, the Company’s policy is to balance net operational cash flows with the maturity term of the treasury investments. In addition, substantial borrowing facilities have been arranged should it be required.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The major cash outflows consist of investment advances, capital expenditure projects, salaries and wages payments, dividend payments and income tax payments.

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

Fair values are determined as follows:
(a) *Loans and receivables*
The fair value of the investment is initially calculated with reference to market related interest rates. Risk-based investments in SMEs are priced relative to the market rates and the rates of return on these investments are used to determine the fair value of the future cash flows resulting from the investment.

(b) *Available-for-sale financial assets*
Fair values are determined with reference to quoted prices on the relevant bond market and securities exchange.

**10.5 Deposits and bank balances**
The investment of cash and cash equivalents, and the management thereof, are controlled through a treasury policy which is reviewed by the Audit and Risk Committee. Investment limits exist for each instrument and institution used. Returns on investments are measured against returns of comparable money market instruments. The carrying value of deposits and bank balances are fair.

| | **Total R000** |
|---|---|
| **Remaining term of money market instruments** | |
| 0 to 1 month | **16 457** |
| 1 to 3 months | **190 722** |
| 3 to 6 months | **25 000** |
| 6 to 12 months | **-** |
| Over 12 months | **-** |
| Accrued interest | **4 572** |
| Total | **236 751** |

**10.6 Capital management**
The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:
- To safeguard the Company's ability to continue as a going concern in order to continue providing returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development and growth of the business

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| The table below summarises the composition of capital | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| Share capital | 178 835 | 178 835 | 178 835 | 178 835 |
| Treasury shares | (19 973) | (29 033) | - | - |
| Fair value and other reserves | 77 961 | 80 770 | 76 695 | 80 856 |
| Retained earnings | 1 895 441 | 1 712 405 | 1 801 136 | 1 631 841 |
| Total capital | **2 132 264** | 1 942 977 | **2 056 666** | 1 891 532 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **11. SHARE CAPITAL** | | | | |
| **11.1 Authorised** | | | | |
| 400 000 000 ordinary shares of R1 each | **400 000** | 400 000 | **400 000** | 400 00 |
| **11.2 Issued** | | | | |
| 178 834 594 ordinary shares of R1 each | **178 835** | 178 835 | **178 835** | 178 835 |
| 7 627 200 (2007: 11 084 900) treasury shares held by the share trust | **(19 973)** | (29 033) | | |
| 171 207 394 (2007: 167 749 694) ordinary shares | **158 862** | 149 802 | **178 835** | 178 835 |

**11.3 Unissued shares**

Ten percent of the unissued shares are under the control of the directors in terms of a general authority to allot and issue shares on such terms and conditions and at such times as they deem fit.

This general authority expires at the forthcoming annual general meeting of the Company. The Company has a share incentive scheme in terms of which shares are issued and options are granted (refer to note 29).

| | GROUP 2008 R000 | GROUP 2007 R000 | COMPANY 2008 R000 | COMPANY 2007 R000 |
|---|---|---|---|---|
| **12. FAIR VALUE AND OTHER RESERVES** | | | | |
| Balance – beginning of year | **80 770** | 1 615 | **80 856** | 1 615 |
| Fair value adjustment to financial instruments (refer note 3.2) | **(170)** | (149) | **(170)** | (149) |
| Actuarial gains/(losses) - post-retirement medical aid | **(2 094)** | (746) | **(2 094)** | (746) |
| Actuarial gains/(losses) - defined benefit pension fund | **(1 897)** | 80 136 | **(1 897)** | 80 136 |
| Foreign currency translation gains/(losses) | **1 352** | (86) | **-** | - |
| Balance – end of year | **77 961** | 80 770 | **76 695** | 80 856 |
| **13. BORROWINGS** | | | | |
| **13.1 Unsecured** | | | | |
| Interest-free loans repayable by rebates on petrol purchases | **289** | 289 | **289** | 289 |
| Interest-bearing long term loans (subsidiaries) | **351** | - | **-** | - |
| | **640** | 289 | **289** | 289 |
| **13.2 Borrowing powers** | | | | |
| Maximum permitted borrowings in terms of the Company's articles of association | | | **2 879 332** | 2 648 145 |
| Total borrowings | | | **289** | 289 |

## 14. EMPLOYEE BENEFITS

### 14.1 Pension funds

The Company operates a defined benefit pension fund as well as a defined contribution pension fund. All permanently employed personnel are members of one of the two funds. Both pension funds are funded by employee and employer contributions.

***Defined Contribution Pension Fund***

The Company pays fixed contributions into a separate trustee-administered fund in terms of the defined contribution plan. The Company has no legal or constructive obligation to pay additional contributions to the fund apart from those contributions that are contractual between the employer and employee. Should the fund not hold sufficient assets to pay employee benefits, no liability to make any additional contribution can or will accrue to the Company.

***Defined Benefit Pension Fund***

The defined benefit fund was actuarially valued at 1 April 2007 in terms of section 16 of the Pension Fund Act of 1956 (as amended). Statutory valuations of this fund are performed every three years.

***Projected unit credit valuation performed in terms of the requirements of IAS 19 (AC 116), Employee Benefits***

An actuarial valuation of the defined benefit pension fund was performed effective for 31 March 2008 applying the Projected Unit Credit method in line with the requirements of IAS 19 (AC 116), Employee Benefits. The current service cost reflects the increase in the past service liability resulting from employee service during the financial year. The interest cost represents the increase during the year in the past service obligation which arises because the benefits are one year closer to retirement and is determined by multiplying the discount rate used in the 1 April 2007 valuation by the average liability over the period. Based on the market value of the assets, the funding level, in terms of this valuation basis and assumptions, was 139% (2007: 143,5%).

| | **2008 R000** | 2007 R000 | 2006 R000 | 2005 R000 | 2004 R000 |
|---|---|---|---|---|---|
| The results of the valuation are as follows: | | | | | |
| Projected benefit obligation at beginning of year | **259 209** | 235 769 | 176 285 | 169 852 | 156 037 |
| Interest cost | **22 864** | 20 047 | 20 603 | 19 038 | 19 553 |
| Current service cost | **9 696** | 9 619 | 8 369 | 8 681 | 8 826 |
| Benefits paid | **(17 435)** | (13 736) | (10 062) | (27 253) | (12 901) |
| | **15 125** | 15 930 | 18 910 | 466 | 15 478 |
| Additional past service obligations | **-** | 12 243 | 1 966 | - | - |
| Actuarial gains/(losses) | **4 440** | (4 733) | 38 608 | 5 967 | (1 663) |
| Projected benefit obligation at end of year | **278 774** | 259 209 | 235 769 | 176 285 | 169 852 |

| | 2008 R000 | 2007 R000 | 2006 R000 | 2005 R000 | 2004 R000 |
|---|---|---|---|---|---|
| The total value of the past service liabilities are made up as follows: | | | | | |
| Active members | **209 369** | 191 779 | 173 697 | 130 130 | 124 729 |
| Pensioners | **69 405** | 67 430 | 62 072 | 46 155 | 45 123 |
| Total past service liability at end of year | **278 774** | 259 209 | 235 769 | 176 285 | 169 852 |
| Market value of assets at beginning of year | **402 474** | 319 471 | 240 630 | 210 764 | 168 753 |
| Expected return on assets | **33 820** | 25 877 | 24 063 | 23 184 | 20 250 |
| Actuarial gains/(losses) | **(3 228)** | 62 576 | 58 421 | 27 344 | 24 993 |
| Employer contributions | **7 249** | 7 942 | 6 899 | 6 599 | 7 216 |
| Member contributions | **2 627** | 2 877 | 2 500 | 3 666 | 4 017 |
| Benefits paid | **(17 435)** | (13 736) | (10 062) | (27 253) | (12 901) |
| Expenses and tax paid | **(1 846)** | (2 533) | (2 980) | (3 674) | (1 564) |
| Market value of assets at end of year | **423 661** | 402 474 | 319 471 | 240 630 | 210 764 |
| The principal actuarial assumptions used were: | | | | | |
| Discount rate | **9,7%** | 8,5% | 8,1% | 10,0% | 11,0% |
| Expected rate of return on assets | **9,7%** | 8,5% | 8,1% | 10,0% | 11,0% |
| Expected future salary increases | **7,9%** | 6,7% | 6,2% | 6,7% | 8,0% |
| Expected average remaining working life | **13,7** | 14,7 | 15,1 | 16,1 | 19,3 |

| | 2008 R000 | 2007 R000 |
|---|---|---|
| The pension fund assets, as administered by three asset managers, are in accordance with prudential guidelines, and consist of the following asset classes: | | |
| Equity | **318 945** | 301 404 |
| Capital market | **28 061** | 26 512 |
| Money market | **74 326** | 70 266 |
| Pooled funds | **2 329** | 4 292 |
| Market value of assets at end of year | **423 661** | 402 474 |

It is anticipated, on a best estimate basis, that contributions to be paid to the pension fund will amount to R10,4 million (2007: R9,995 million) in the period 1 April 2008 to 31 March 2009. This amount includes contributions made by the employer as well as the members.

***Recognition of the surplus of the Fund as an asset of the Company***

The surplus of the Fund is recognised as an asset in the balance sheet of the Company after a decision was taken by the Trustees of the Fund to apportion all future surplusses of the Fund to an employer surplus account. This decision was taken on 23 March 2007, and the rule change was submitted to the FSB for approval. The decision followed protracted negotiations between the Trustees and the employer, and was taken on the basis of certain benefit improvements and amendments to conditions of service.

The Pension Fund Second Amendment Act, 2001 permits the establishment of contingency reserve accounts that the Board of Trustees deem to be prudent. The Trustees decided to establish a Data Reserve and a Solvency Reserve amounting to R2,86 million (2007: R2,22 million) and R33,4 million (2007: R28,2 million) respectively on 31 March 2008. These reserves are deducted in the determination of the surplus.

**Financial position of the Fund**

| | 2008 R000 | 2007 R000 |
|---|---|---|
| Assets | **423 661** | 402 474 |
| *Less* Contingency reserves | **(36 221)** | (30 397) |
| *Less* Past service liabilities | **(278 774)** | (259 209) |
| Surplus reflected as an asset of the Group and Company | **108 666** | 112 868 |

**14.2 Post-retirement medical aid obligation**

The Company has an obligation to provide post-retirement medical aid benefits to employees and pensioners in the service of the Company on or before 30 April 1999. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age. The employer set the post-retirement medical aid subsidy for all participants (pensioners and employees) at a fixed amount since 1 January 2000 which increases annually by the same percentage granted as an increase to pensioners' pensions in the previous calendar year. The main actuarial assumptions used in determining the liability are the investment returns expected in the Pension Fund which will afford the annual increase in pensions to which this liability is linked. An investment return of 10,3% (2007: 9,0%) per annum was applied, and a subsidy inflation equal to the investment returns in excess of 6,0% (2007: 5,0%) per annum was applied.

| The amounts recognised are as follows: | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| Interest cost | **3 958** | 3 628 | **3 958** | 3 628 |
| Current service cost | **748** | 764 | **748** | 764 |
| Benefits paid | **(2 086)** | (1 770) | **(2 086)** | (1 770) |
| Total included in staff costs | **2 620** | 2 622 | **2 620** | 2 622 |
| Actuarial gains/(losses) recognised in statement of recognised income and expense | **2 917** | 1 050 | **2 917** | 1 050 |
| Movement in liability recognised in the balance sheet | **5 537** | 3 672 | **5 537** | 3 672 |
| Liability accounted for at beginning of year | **43 983** | 40 311 | **43 983** | 40 311 |
| Total expense as above | **5 537** | 3 672 | **5 537** | 3 672 |
| Liability accounted for at end of year | **49 520** | 43 983 | **49 520** | 43 983 |

## 15. PROVISIONS

| | LEAVE PAY R000 | BONUS R000 | TOTAL R000 |
|---|---|---|---|
| **GROUP** | | | |
| **At 1 April 2006** | 15 558 | 18 034 | 33 592 |
| Provided for the year | 2 311 | 17 587 | 19 898 |
| Utilised during the year | (1 305) | (14 925) | (16 230) |
| **At 31 March 2007** | **16 564** | **20 696** | **37 260** |
| **At 1 April 2007** | 16 564 | 20 696 | 37 260 |
| Provided for the year | 2 779 | 27 536 | 30 315 |
| Utilised during the year | (1 181) | (22 350) | (23 531) |
| **At 31 March 2008** | **18 162** | **25 882** | **44 044** |
| **COMPANY** | | | |
| **At 1 April 2006** | 15 558 | 18 034 | 33 592 |
| Provided for the year | 2 311 | 17 587 | 19 898 |
| Utilised during the year | (1 575) | (15 310) | (16 885) |
| **At 31 March 2007** | **16 294** | **20 311** | **36 605** |
| **At 1 April 2007** | 16 294 | 20 311 | 36 605 |
| Provided for the year | 2 779 | 26 779 | 29 558 |
| Utilised during the year | (1 237) | (21 787) | (23 024) |
| **At 31 March 2008** | **17 836** | **25 303** | **43 139** |

## 16. SEGMENT INFORMATION

| | INTERNATIONAL OPERATIONS R000 | BUSINESS INVESTMENTS R000 | PROPERTY INVESTMENTS R000 | TOTAL R000 |
|---|---|---|---|---|
| **For the year ended 31 March 2008** | | | | |
| Revenue | **9 074** | **288 541** | **67 997** | **365 612** |
| Profit before tax | **401** | **189 794** | **88 640** | **278 835** |
| Total assets | **7 687** | **1 936 043** | **350 753** | **2 294 483** |
| Total liabilities | **5 532** | **137 416** | **18 399** | **161 347** |
| Other segment items | | | | |
| – Capital expenditure | **27** | **4 185** | **45 100** | **49 312** |
| – Depreciation | **23** | **1 700** | **363** | **2 086** |
| **For the year ended 31 March 2007** | | | | |
| Revenue | 1 780 | 237 656 | 60 803 | 300 239 |
| Profit before tax | 104 | 155 884 | 58 624 | 214 612 |
| Total assets | 4 885 | 1 795 978 | 295 390 | 2 096 253 |
| Total liabilities | 4 866 | 117 546 | 30 864 | 153 276 |
| Other segment items | | | | |
| – Capital expenditure | 73 | 1 471 | 24 411 | 25 955 |
| – Depreciation | 8 | 1 131 | 353 | 1 492 |

The Company activities are concentrated in a number of business divisions:

The International Operations division comprise a small and medium enterprise investment fund management company, currently busy with a pilot phase of establishing three risk capital funds with third party investors.

The Business Investments division makes equity, as well as interest-bearing investments, with a range of investment products structured to address the requirements of the investee company.

The Property Investments division earns property management fees from the management of commercial and industrial properties on behalf of the Company as well as other property owners. The Company also invests in property, either wholly-owned or partially-owned, on which rental income is earned and property related expenses are incurred.

Other operations of the Company comprise the mobilisation and facilitation of Mentorship services, the management of surplus funds and providing corporate support services. These operations have been included in the Business Investments segment.

The assets of the divisions consist primarily of business investments, investment properties, equipment, furniture and vehicles, inventories, receivables and operating cash. The liabilities comprise operating liabilities, taxation and borrowings. Capital expenditure comprises additions to investment properties, equipment, furniture and vehicles.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **17. REVENUE** | | | | |
| Revenue consists of: | | | | |
| Interest on business investments | **194 473** | 148 037 | **195 318** | 147 633 |
| Interest on cash and cash equivalents | **24 853** | 25 085 | **24 028** | 24 649 |
| Royalty fees | **44 221** | 38 301 | **44 214** | 38 253 |
| Financing fees | **6 629** | 6 958 | **6 629** | 6 958 |
| Dividends received | **1 156** | 4 493 | **6 314** | 2 867 |
| Fund management fees | **21 456** | 14 186 | **12 391** | 12 412 |
| Rental income | **58 178** | 48 641 | **49 279** | 43 397 |
| Property management fees | **10 606** | 10 605 | **12 670** | 12 918 |
| Professional services rendered | **4 040** | 3 933 | **4 040** | 3 933 |
| | **365 612** | 300 239 | **354 883** | 293 020 |
| The interest income accrued by the Group on impaired financial assets amounts to R19,3 million (2007: R10,8 million). | | | | |
| **18. OTHER OPERATING INCOME** | | | | |
| Surplus on realisation of unlisted investments | **74 556** | 29 829 | **79 478** | 32 599 |
| Surplus on realisation of investments properties | **3 514** | 6 554 | **3 514** | 4 654 |
| Surplus on realisation of property and equipment | **23** | 60 | **23** | 60 |
| Recovery of property expenses | **16 477** | 15 457 | **13 737** | 13 108 |
| Fair value adjustment of investment properties | **49 782** | 23 172 | **43 628** | 22 868 |
| Fair value adjustment of royalty agreements | **(673)** | 1 859 | **(671)** | 1 864 |
| Fair value adjustment of shareholders' loans | **(7 370)** | (3 544) | **(7 112)** | 3 808 |
| Interest on shareholders' loans | **593** | 996 | **577** | 926 |
| Interest on staff loans | **259** | 335 | **259** | 335 |
| Other | **4 400** | 7 036 | **4 130** | 3 219 |
| | **141 561** | 81 754 | **137 563** | 83 441 |
| **19. OPERATING EXPENSES** | | | | |
| Staff costs (refer note 21) | **134 590** | 114 690 | **130 206** | 111 210 |
| Bad debts – net of recoveries and impairment created/(reversed) | **35 710** | 6 701 | **36 786** | 7 331 |
| Bad debts written off | **35 426** | 32 613 | **35 144** | 31 776 |
| Bad debt recoveries | **(22 168)** | (22 353) | **(22 099)** | (21 876) |
| Impairment created/(reversed) | **22 452** | (3 559) | **23 741** | (2 569) |
| Repairs and maintenance | **10 063** | 9 762 | **7 259** | 8 026 |
| Other administrative overheads | **65 951** | 55 207 | **59 374** | 52 009 |
| | **246 314** | 186 360 | **233 625** | 178 576 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **20. PROFIT FROM OPERATIONS** | | | | |
| The following items have been included in arriving at profit from operations: | | | | |
| Depreciation on property and equipment | **2 086** | 1 492 | **1 828** | 1 249 |
| Interest paid | **677** | 276 | **2** | 76 |
| Directors' emolument | | | | |
| – as directors | | | **1 282** | 1 127 |
| – as management | | | **11 575** | 9 190 |
| Auditor's remuneration | | | | |
| – audit | **2 268** | 1 124 | **1 753** | 881 |
| – other services | **109** | 160 | **102** | 160 |
| Impairment on investments created/(reversed) | | | | |
| – Interest bearing loans | **(26 585)** | 1 209 | **(27 677)** | 752 |
| – Shareholder loans | **4 356** | 1 716 | **4 077** | 1 529 |
| – Staff loans | **(72)** | (59) | **(72)** | (59) |
| Bad debts | **35 426** | 32 613 | **35 144** | 31 776 |
| Repairs and maintenance | **10 063** | 9 762 | **7 259** | 8 026 |
| Leasing charges | | | | |
| – equipment | **22** | 15 | **22** | 15 |
| – office premises | **1 848** | 1 460 | **6 597** | 5 917 |
| Dividends on investments | | | | |
| – listed | **26** | 4 | **26** | 4 |
| – unlisted | **1 130** | 4 489 | **1 130** | 689 |
| Income from subsidiaries | | | | |
| – dividends received | | | **5 158** | 2 174 |
| Surplus on realisation of property and equipment | **23** | 60 | **23** | 60 |
| Surplus on realisation of investments properties | **3 514** | 6 554 | **3 514** | 4 654 |
| Surplus on realisation of unlisted investments | **74 556** | 29 851 | **79 478** | 32 621 |
| Fair value adjustment on investment properties | **49 782** | 23 172 | **43 628** | 22 868 |
| **21. STAFF COSTS** | | | | |
| Salaries | **84 802** | 74 564 | **81 370** | 72 080 |
| Bonuses | **27 536** | 17 587 | **26 779** | 17 587 |
| Leave pay | **2 779** | 2 311 | **2 779** | 2 311 |
| Pension costs (see note 14.1) | **9 876** | 10 819 | **9 876** | 10 819 |
| Post-retirement medical aid costs | **2 620** | 2 622 | **2 620** | 2 622 |
| Other costs | **6 977** | 6 787 | **6 782** | 5 791 |
| | **134 590** | 114 690 | **130 206** | 111 210 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **22. TAX EXPENSE** | | | | |
| **22.1 Income statement charge** | | | | |
| South African normal tax | | | | |
| Current year | **47 479** | 41 045 | **45 221** | 39 186 |
| Deferred tax current year | **(1 661)** | 3 711 | **(2 721)** | 5 557 |
| | **45 818** | 44 756 | **42 500** | 44 743 |
| Secondary tax on companies | **3 524** | 2 661 | **3 524** | 2 661 |
| Tax of associated companies | **4 289** | 2 997 | | |
| Capital gains tax | **7 733** | 3 377 | **7 733** | 3 377 |
| | **61 364** | 53 791 | **53 757** | 50 781 |
| **22.2 Reconciliation of rate of taxation** | | | | |
| South African normal tax rate | **29,00%** | 29,00% | **29,00%** | 29,00% |
| Adjusted for: | **-6,99%** | -3,94% | **-8,23%** | -3,33% |
| Income not subject to normal tax | **-8,31%** | -5,72% | **-10,12%** | -6,09% |
| Secondary tax on companies | **1,26%** | 1,24% | **1,36%** | 1,35% |
| Capital gains tax | **2,77%** | 1,57% | **2,99%** | 1,71% |
| Other | **-2,71%** | -1,03% | **-2,46%** | -0,30% |
| Total effective rate on profit before taxation | **22,01%** | 25,06% | **20,77%** | 25,67% |

## 23. EARNINGS PER SHARE

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

| | GROUP 2008 | GROUP 2007 |
|---|---|---|
| **23.1 Basic earnings per share** | | |
| Net profit | **216 599** | 160 821 |
| Weighted number of ordinary shares ('000) | **168 280** | 161 594 |
| Basic earnings per share (cents) | **128,7** | 99,5 |

For the diluted earnings per share calculation, the number of ordinary shares in issue are adjusted on the assumption that all remaining share options are exercised. The net profit is adjusted for interest earned on the capital received from the share trust initially for the full repayment of the loan, and thereafter as non-taxable distributions by the trust.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **23.2 Diluted earnings per share** | | | | |
| Net profit | **216 599** | 160 821 | | |
| Interest received (net of tax effect) | **1 473** | 1 842 | | |
| Net profit used to determine diluted earnings per share | **218 072** | 162 663 | | |
| Number of ordinary shares in issue ('000) | **171 207** | 167 750 | | |
| Adjustment for share options | **7 627** | 11 085 | | |
| Number of ordinary shares used to determine diluted earnings per share | **178 834** | 178 835 | | |
| Diluted earnings per share (cents) | **121,9** | 91,0 | | |
| **23.3 Headline earnings per share** | | | | |
| Net profit | **216 599** | 160 821 | | |
| Capital profit on sale of equipment | **(23)** | (60) | | |
| Profit on sale of property investments | **(3 514)** | (6 554) | | |
| Headline earnings | **213 062** | 154 207 | | |
| Headline earnings per share (cents) | **126,6** | 95,4 | | |
| **23.4 Diluted headline earnings per share** | | | | |
| Headline earnings | **213 062** | 154 207 | | |
| Interest received (net of tax effect) | **1 473** | 1 842 | | |
| Diluted headline earnings | **214 535** | 156 049 | | |
| Diluted headline earnings per share (cents) | **120,0** | 87,3 | | |
| **24. DIVIDEND PER SHARE** | | | | |
| Dividend in respect of 2007 of 20 cents per share paid on 10 August 2007 to shareholders registered on 24 July 2007. | **33 563** | | **35 767** | |
| Dividend in respect of 2006 of 18 cents per share paid on 11 August 2006 to shareholders registered on 25 July 2006. | | 28 987 | | 32 190 |
| | **33 563** | 28 987 | **35 767** | 32 190 |

A dividend in respect of 2008 of 22 cents per share was declared on 15 May 2008 payable to shareholders registered on 29 July 2008, payable on or about 15 August 2008.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **25. COMMITMENTS AND LEASE AGREEMENTS** | | | | |
| Business investments approved but not yet paid out | **295 427** | 252 421 | **295 427** | 252 421 |
| Capital committed to En Commandite partnerships (refer note 3). | **18 308** | 28 975 | **18 308** | 28 975 |
| Unexpired portion of lease agreements | | | | |
| – less than 1 year | **2 927** | 2 582 | **2 927** | 2 582 |
| – 1 year to 4 years | **3 769** | 6 064 | **3 769** | 6 064 |
| – 5 years | **1 245** | 1 143 | **1 245** | 1 143 |
| | **321 676** | 291 185 | **321 676** | 291 185 |
| All current commitments is anticipated to be funded from own resources. | | | | |
| **26. CONTINGENT LIABILITIES** | | | | |
| Forward exchange contract taken up on behalf of client | **7 232** | - | **7 232** | - |
| Guarantees * | **457** | 487 | **457** | 487 |
| | **7 689** | 487 | **7 689** | 487 |

* The guarantees are issued to third parties on behalf of clients and will be paid should the clients default on their obligations to the third parties.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **27. CASH FLOW INFORMATION** | | | | |
| **27.1 Cash generated from operating activities** | | | | |
| Profit before taxation | **278 835** | 214 612 | **258 819** | 197 809 |
| Adjustments | **(68 354)** | (43 270) | **(53 389)** | (31 059) |
| Depreciation | **2 086** | 1 492 | **1 828** | 1 249 |
| Profit on sale of assets | **(78 093)** | (36 443) | **(83 015)** | (37 313) |
| Dividends received | **(1 156)** | (4 493) | **(6 314)** | (2 867) |
| Income from associated companies | **(18 653)** | (19 255) | | |
| Fair value adjustment of investment properties | **(49 782)** | (23 172) | **(43 628)** | (22 868) |
| Fair value adjustment of inventories and assets held for resale | **(998)** | 833 | **(998)** | 833 |
| Fair value adjustment of financial instruments | **8 042** | 1 685 | **7 783** | (5 673) |
| Non-cash movement in borrowings | **-** | (310) | **-** | (310) |
| Provisions and write-offs | **70 200** | 36 393 | **70 955** | 35 890 |
| Changes in working capital | **6 990** | 6 338 | **1 131** | 6 807 |
| Decrease/(increase) in inventory and assets held for resale | **2 759** | 2 814 | **2 759** | 2 814 |
| Decrease/(increase) in accounts receivable | **(119)** | (3 075) | **(3 471)** | 1 481 |
| (Decrease)/increase in accounts payable | **4 350** | 6 599 | **1 843** | 2 512 |
| Finance cost | **677** | 276 | **2** | 76 |
| | **218 148** | 177 956 | **206 563** | 173 633 |
| **27.2 Taxation paid** | | | | |
| Taxation liability at beginning of year | **(27 893)** | (16 713) | **(26 258)** | (16 520) |
| Tax provision for the year | **(61 364)** | (53 791) | **(53 757)** | (50 781) |
| Deferred tax | **(1 661)** | 3 711 | **(2 721)** | 5 557 |
| Paid by associated companies | **4 289** | 2 997 | | |
| Taxation liability at end of year | **23 815** | 27 893 | **21 411** | 26 258 |
| | **(62 814)** | (35 903) | **(61 325)** | (35 486) |
| **27.3 Dividends paid** | | | | |
| Dividends payable at beginning of year | **(25)** | (116) | **(25)** | (116) |
| Dividends declared | **(35 767)** | (32 190) | **(35 767)** | (32 190) |
| Share trust dividends | **2 204** | 3 203 | | |
| Dividends payable at end of year | **13** | 25 | **13** | 25 |
| | **(33 575)** | (29 078) | **(35 779)** | (32 281) |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2008 R000** | 2007 R000 | **2008 R000** | 2007 R000 |
| **28. RELATED PARTIES** | | | | |
| **28.1 Loans to related parties** | | | | |
| Loan to the Business Partners Employee Share Trust | | | | |
| Balance at the beginning of the year | | | **8 969** | 24 953 |
| Fair value adjustment | | | **760** | 7 358 |
| Loan repaid during the year | | | **(9 729)** | (23 342) |
| Balance at the end of the year | | | **-** | 8 969 |
| Loan from the Business Partners Employee Share Trust | | | | |
| Balance at the beginning of the year | | | **-** | - |
| Fair value adjustment | | | **-** | - |
| Loan advanced during the year | | | **3 169** | - |
| Balance at the end of the year | | | **3 169** | - |
| Loans to subsidiaries | | | | |
| Balance at the beginning of the year | | | **25 848** | 20 830 |
| Loans advanced during the year | | | **16 978** | 5 018 |
| Balance at the end of the year | | | **42 826** | 25 848 |
| Dividends received from subsidiaries | | | **5 158** | 2 174 |
| **28.2 Directors' remuneration** | | | | |
| Executive directors | | | | |
| – as management | | | **11 575** | 9 190 |
| – gains made on the exercise of share options | | | **3 258** | 7 219 |
| Non-executive directors | | | **1 282** | 1 127 |
| **28.3 Loans to associates** | | | | |
| Balance at the beginning of the year | **569 545** | 477 074 | **565 558** | 472 150 |
| Loans advanced during the year | **176 304** | 218 079 | **176 304** | 217 743 |
| Loan repayments received | **(164 207)** | (119 102) | **(160 348)** | (117 829) |
| Loans written off | **(5 883)** | (6 506) | **(6 506)** | (6 506) |
| Balance at the end of the year | **575 759** | 569 545 | **575 008** | 565 558 |

These loans form part of the normal business activities and are included under business investments (refer note 3).

## 29. SHARE INCENTIVE SCHEME

17 800 000 shares of R1 each were reserved to meet the requirements of the Employee Share Incentive Scheme in terms of the shareholder's resolution dated 18 August 1998. Refer note 11.2 for information regarding shares owned by the trust.

| | 2008 No. of shares '000 | 2007 No. of shares '000 |
|---|---|---|
| Unallocated options | **5 776** | 5 553 |
| The movement in the scheme during the year is summarised as follows: | | |
| Shares under option at beginning of the year | **5 532** | 12 789 |
| Share options allocated | **-** | - |
| Options exercised during the year | **(3 458)** | (6 715) |
| Options forfeited during the year | | |
| @ 300 cents | **(16)** | (276) |
| @ 325 cents | **(93)** | (100) |
| @ 250 cents | **(113)** | (166) |
| @ 262 cents | **(1)** | - |
| Under option at the end of the year | **1 851** | 5 532 |
| The shares under option are available for exercise as follows: | | |
| After 1 October 2002 @ 300 cents | **-** | 191 |
| After 1 October 2003 @ 325 cents | **-** | 826 |
| After 1 October 2004 @ 300 cents | **-** | 191 |
| After 1 October 2004 @ 250 cents | **309** | 508 |
| After 1 October 2005 @ 325 cents | **-** | 826 |
| After 1 October 2005 @ 250 cents | **304** | 314 |
| After 1 October 2006 @ 300 cents | **-** | 191 |
| After 1 October 2006 @ 250 cents | **312** | 511 |
| After 1 October 2007 @ 325 cents | **-** | 826 |
| After 1 October 2007 @ 250 cents | **304** | 314 |
| After 1 October 2007 @ 262 cents | **1** | 2 |
| After 1 October 2008 @ 250 cents | **312** | 511 |
| After 1 October 2009 @ 250 cents | **304** | 314 |
| After 1 October 2009 @ 262 cents | **1** | 2 |
| After 1 October 2010 @ 250 cents | **3** | 3 |
| After 1 October 2011 @ 262 cents | **1** | 2 |
| | **1 851** | 5 532 |
| The expiry dates of these share options are as follows: | | |
| at 30 September 2007 | **-** | 573 |
| at 30 September 2008 | **-** | 2 479 |
| at 30 September 2009 | **926** | 1 524 |
| at 30 September 2010 | **913** | 941 |
| at 30 September 2011 | **8** | 10 |
| at 30 September 2012 | **4** | 5 |
| | **1 851** | 5 532 |
| During the year no share options were allocated to executive directors. | | |
| Total outstanding share options allocated to current executive directors are: | | |
| @ 300 cents | **-** | 217 |
| @ 325 cents | **-** | 501 |
| @ 250 cents | **485** | 620 |

## 30. PRINCIPAL SUBSIDIARIES

| | SHARE PERCENTAGE HELD | | SHARES AT COST | | LOANS | |
|---|---|---|---|---|---|---|
| | **2008 %** | 2007 % | **2008 R** | 2007 R | **2008 R000** | 2007 R000 |
| Business Partners International (Pty) Ltd | **100** | 100 | **100** | 100 | **-** | - |
| Business Partners Mentors (Pty) Ltd | **100** | 100 | **100** | 100 | **1** | - |
| Business Partners Property Brokers (Pty) Ltd | **100** | 100 | **100** | 100 | **-** | - |
| Business Partners Venture Managers (Pty) Ltd | **100** | 100 | **100** | 100 | **(23)** | (32) |
| Business Partners Ventures 1 (Pty) Ltd | **100** | 100 | **100** | 100 | **(3 424)** | (3 706) |
| Cussonia Trust (Pty) Ltd | **100** | 100 | **3** | 3 | **9 719** | 1 497 |
| Finance for the Third Millennium (Pty) Ltd | **100** | 100 | **100** | 100 | **693** | 693 |
| JRC Properties (Pty) Ltd | **100** | 100 | **100** | 100 | **1 893** | (1 363) |
| Lindros Investments (Pty) Ltd | **100** | 100 | **4 000** | 4 000 | **(421)** | (89) |
| Business Partners Properties 002 (Pty) Ltd | **100** | 100 | **1 000** | 1 000 | **27 662** | 27 155 |
| Unitrade 106 (Pty) Ltd | **100** | 100 | **100** | 100 | **6 056** | 6 810 |
| Business Partners Employee Share trust | | | **-** | - | **(3 169)** | 8 969 |
| Yellowstar Properties 1057 (Pty) Ltd | **80** | - | **80** | - | **3 902** | - |
| Yellowstar Properties 1129 (Pty) Ltd | **60** | - | **60** | - | **1 980** | - |
| Yeoman Properties 1016 (Pty) Ltd | **80** | - | **80** | - | **3 074** | - |
| Franchize Partners (Pty) Ltd - indirectly held [1] | | | | | | |
| Business Partners International Madagascar Société Anonyme - indirectly held [2] | | | | | | |
| Business Partners International Kenya Limited - indirectly held [3] | | | | | | |
| | | | **6 023** | 5 803 | **47 943** | 39 934 |

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

1 Franchize Partners (Pty) Ltd is a wholly-owned subsidiary of Business Partners Ventures 1 (Pty) Ltd.

2 Business Partners International Madagascar Société Anonyme is a wholly-owned subsidiary of Business Partners International (Pty) Ltd.

3 Business Partners International Kenya Limited is wholly-owned by Business Partners Limited (1 percent shareholding) and Business Partners International (Pty) Ltd (99 percent shareholding).

## 31. INTEREST IN JOINT VENTURES

The Company has a 50 percent interest in a joint venture with ZASM.

The following amounts represent the Company's share of the assets and liabilities and revenue and results of the joint venture and are included in the consolidated balance sheet and income statement:

| | 2008 R000 | 2007 R000 |
|---|---|---|
| Business investments | **452** | 1 103 |
| Current assets | **6 096** | 4 489 |
| Current liabilities | **(968)** | (815) |
| Net assets | **5 580** | 4 777 |
| Revenue | **649** | 515 |
| Profit before taxation | **802** | 773 |
| Taxation | **(233)** | (226) |
| Net profit | **569** | 547 |

# NOTICE CONVENING THE ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-seventh Annual General Meeting of the Company will be held on Monday, 4 August 2008 at 15h30, in the auditorium of The Court House, 2 Saxon Road, Sandhurst, Sandton, to, if deemed fit, pass, with or without modification, ordinary and special resolutions:

1. to receive and adopt the audited annual financial statements for the year ended 31 March 2008
2. to appoint PricewaterhouseCoopers Inc. as auditors of the Company and Mr J H Cloete as the individual designated auditor
3. to elect directors (in terms of the Articles of Association directors retire, but are eligible for re-election)
4. to consider and pass special resolutions, with or without modification, to amend the Company's Articles of Association -
   4.1 by deleting the existing article 13.2 and replacing it with the new article 13.2, in order to –
      (i) simplify and include the procedure for the appointment of directors in terms of article 13.2 in article 13.2 itself
      (ii) remove the power of directors to fill casual vacancies and provide only for appointments in addition to the board
   4.2 by deleting the existing article 13.4 and replacing it with the new article 13.4 in order to allow for the appointment of directors in terms of article 13.4 for a maximum period of 3 years and include the procedure for their appointment and re-appointment
   4.3 by deleting the existing article 14 and replacing it with the new article 14 in order to clarify the rotation procedure of directors appointed in terms of article 13.2 and the method of calculation of the number and order of directors who will rotate
   4.4 by deleting the existing article 15 and replacing it with the new article 15 in order to –
      (i) remove the words "joint managing directors" and include the words "(with or without specific designation)" after "executive director"
      (ii) remove the reference to a 2 year fixed term contract with regard to the managing director's appointment
      (iii) remove the requirement that the appointment of executive directors (in addition to the managing director) have to be ratified and, every 3 years, confirmed at the annual general meeting
      (iv) align the appointment of the managing director and other executive directors and consolidate the provisions regarding the managing director and other executive directors
   4.5 so as to replace the word "he" with the phrase "(s)he", and to replace the word "his" with the phrase "her/his" wherever the relevant words appear in the Articles of Association, in order to reflect the representation of the female gender within all organs and structures of the Company throughout the Articles of Association
5. to transact any other business that falls within the scope of the meeting

A member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and speak on her/his behalf and, on poll, to vote in her/his stead. A proxy need not be a member of the Company.

By order of the Board.

**Ms C M Gerbrands**
Company Secretary
15 May 2008

# CORPORATE INFORMATION

**COMPANY REGISTRATION NUMBER**
1981/000918/06

**COMPANY SECRETARY**
Ms CM Gerbrands

**REGISTERED OFFICE**
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2000

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**WEBSITE**
www.businesspartners.co.za

**AUDITORS**
PricewaterhouseCoopers Inc.

**BANKERS**
ABSA Bank Limited
Standard Bank of South Africa Limited

**TRANSFER SECRETARIES**
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

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

Harvey Nkosi
Owner of Midway Board
and Doors, Soweto

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Fax: (041) 585-2297

**Pretoria (Centurion)**
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**Pretoria (Silverton)***
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Fax: (012) 804-0961

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Fax: (045) 838-1008

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**Springbok**
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**Stellenbosch**
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**Upington**
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**West Rand (Clearwater)**
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* Property Management Services only

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Investing in Entrepreneurs

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Company registration number: 1981/000918/06