

sustainable

partnerships

Annual Report

2010



Business
PARTNERS

Investing in Entrepreneurs



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Corporate Overview

Key performance areas

OPERATIONAL

- The portfolio of investments under management increased by R97,0 million to R2 049,9 million (2009: R1 952,9 million) — an increase of 5 percent
- The investment property portfolio increased by R68,6 million to R517,1 million (2009: R448,5 million) — an increase of 15,3 percent
- During the year 369 investments (including investment properties) were advanced to the value of R713,6 million (2009: 520

investments to the value of R873,4 million) — a decrease of 18,3 percent. Of these:

- 128 investments to the value of R248,8 million were advanced to black entrepreneurs (2009: 246 investments to the value of R364,7 million)
- 134 investments amounting to R225,0 million were advanced to female entrepreneurs (2009: 180 investments amounting to R220,4 million)
- 24 investments amounting to R36,3 million were advanced on behalf of the Business Partners–Khula Start-up Fund,

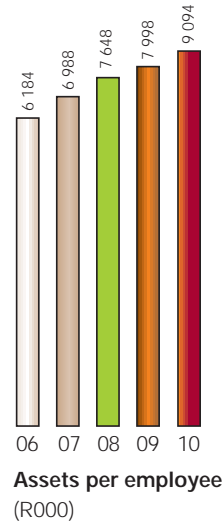
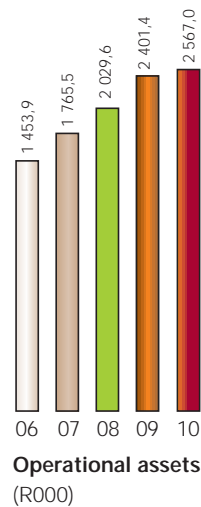
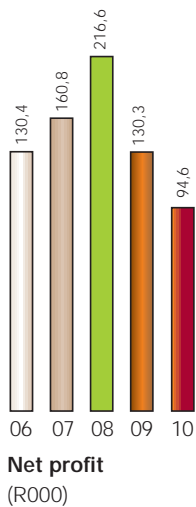
launched in 2006 as a R150 million fund for investment in start-up businesses owned and managed by historically disadvantaged individuals

- Properties under management total more than 475 000 m² of lettable space and are occupied by 2 165 tenants
- More than 8 070 employment opportunities were facilitated through our investment activities
- 325 mentors are available to provide mentorship and consulting services to clients



FINANCIAL AND CORPORATE

- Operational assets increased by 6,9 percent to R2 567,0 million
- Assets per employee improved by 13,7 percent to R9,1 million
- Net profit for the year was R94,6 million – a decline of 27,4 percent
- Dividend per share was 11 cents



opportunity

"AFTER HAVING WORKED IN THE MEDICAL PROFESSION AS A LOCUM FOR SO MANY YEARS, BUSINESS PARTNERS GAVE ME THE OPPORTUNITY TO REALISE MY DREAM TO OPEN A MEDICAL PRACTICE IN MY OWN COMMUNITY; EFFECTING CHANGE IN MY COMMUNITY AND SEEING FAMILIES GROW POSITIVELY TOGETHER AND LIVING HEALTHY, WHOLESOME LIVES. IT TAKES A LOT OF HARD WORK, LONG HOURS AND PASSION, BUT THE RESULTS ARE WORTH IT! THANKS TO BUSINESS PARTNERS – WHAT WAS ONCE A DREAM BECAME REALITY!"

Dr Samantha Thompson – Dr SH Thompson Inc, Kuilsriver



Corporate Overview

Vision, Mission and Goal

Our vision is to live our name by being the premier business partner for SMEs (small and medium enterprises), and by 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 of the markets in which we have a presence

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

"BUSINESS PARTNERS HAS BEEN A LIFELINE – HELPING ME TO GROW MY BUSINESS INTO A PROGRESSIVE ENTERPRISE DELIVERING PRODUCTS AND SERVICES IN LINE WITH WORLD CLASS STANDARDS"

Rajesh Reddy – Cether Trading (Pty) Ltd, Waterfall, Durban

lifeline



Business Partners Values

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

Economic merit underpins all our investment decisions, ensuring access to business finance and added-value service for all the communities we serve. It also underpins all our operational decisions, ensuring long-term sustainability and the ability 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.

Strategic principles ensuring sustainability

Business Partners has, over more than 29 years, successfully and on scale, provided its full service offering to small and medium enterprises (SMEs) in South Africa. This full service offering includes risk finance solutions; mentorship, consulting and technical assistance services; and real estate broking, management and consulting services.

Over the past five years, Business Partners' reach has also successfully been extended further into Africa, with country-specific pilot SME investment funds providing scalable risk finance solutions in Kenya and Madagascar. These funds have proven the rigour, relevance and portability of the Business Partners SME funding model beyond the borders of South Africa. The establishment of an SME investment fund in Mozambique is close to being finalised and the groundwork is also being undertaken to establish a Southern Africa SME investment fund covering Namibia, Malawi, Zambia and Zimbabwe.

This track record of successfully, and on scale, financing SMEs may be attributed to the strategic principles which guide all Business Partners' decision making and activities. These strategic principles are as follows:

A single-minded, unwavering focus on SMEs only

In economic debates, small and medium enterprises have enjoyed much prominence, often being heralded as the solution to economic growth, wealth generation and job creation. While many people – ranging from politicians to political and economic commentators, economists and financial analysts – wax lyrical about the role and importance of SMEs in economic development, few are prepared to finance or support them.

At Business Partners, we live for SMEs because we understand the important role they play in economic development. We do not deviate from this focus, as tempting as it may sometimes be to extend our full-service offering to big businesses or even micro enterprises. Our deliberate focus on and specialisation in SMEs has resulted in our in-depth understanding of all factors critical to SMEs' success across all industries and/or economic sectors. It has also enabled us to consciously identify, build relationships with, and





prosper

tap into deal sources; streamline and reduce the cost of due diligence and add value to our clients' businesses.

Development and profit

Financing SMEs, the heart of our business, is developmental by nature and, in essence, our business has a twin soul. We aim to do good, i.e. have a developmental impact – by facilitating access to risk finance for entrepreneurs, who relentlessly use it to pursue wealth for themselves and, in the process, create many jobs for others. Simultaneously, we aim to do well – by generating sufficient profits to ensure the long-term sustainability of Business Partners. Of equal importance, we believe it would be difficult for Business Partners, as risk financier, to guide and encourage SMEs to be profitable if our business itself was not profitable.

"BIG BUSINESS AND SMALL BUSINESS NEED EACH OTHER TO PROSPER AND CREATE JOBS AND WEALTH. TEAM THIS MIX WITH A FINANCIER SUCH AS BUSINESS PARTNERS, AND WE HAVE A WINNING RECIPE."

Essex Cable – AE Fire Protection Services

More than just money

The risks associated with financing SMEs are innumerable. Experience has taught us that if a financier provides only risk financing, without offering any value-adding services, then both the SME and the financier stand a strong chance of failure.

Business Partners therefore provides "more than just money" value-added services for its clients and prospective clients during each stage of the investment process. These include, among others, business advice following the assessment of the initial application; assistance with the negotiation of purchase prices during the due diligence phase; and guidance with turning around and/or growing a business during the post-investment phase. All of these



Corporate Overview

Business Partners' processes, systems and databases – helping us to reduce the time, extent and cost of due diligence and the administration of our client base.

Effectively, the best practices associated with private equity and venture capital (financial solutions designed for a few businesses with high growth potential) have been borrowed and adapted, enabling Business Partners to produce private equity or venture capital-like solutions for many SMEs, regardless of whether they have high growth potential or not.

People

Our business is all about people, and our people are our greatest asset. For us to be successful, we continuously endeavour to find good people, train them, invest in them and retain them so that they, in turn, can continuously find good entrepreneurs whose businesses we can invest in and add value to. Our human resources policies and practices, together with our business culture, are shaped by our values, and are designed to enable all our Business Partners colleagues to live, work, operate and contribute to the full extent of their potential.

At Business Partners, we understand that there are much easier things to do in life – and much easier ways to earn a living – than to finance SMEs. In our recruitment process, we therefore actively search for people who are already passionate about entrepreneurs, entrepreneurship and development for profit, or have the potential to be.

Once hired, all staff are systematically trained and retrained as risk financiers, using customised in-house courses that include

classroom work, on-the-job training and productivity benchmarks. Training is goal-oriented, with staff having to pass rigorous evaluations before being allowed to progress from one level to the next.

Reward systems are designed and implemented to ensure that the interests of Business Partners' shareholders and its staff are aligned. A balanced scorecard is used to measure the business's ability to generate profits and remain sustainable, as well as to determine the development impact of our activities.

Adherence to the above strategic principles has ensured our sustainability, especially during the last year when the global recession created an unfriendly environment for both our clients' businesses and for our business.

Managing Director's Message and Strategic Focus

2009/2010 Review

Throughout 2009, the global recession meant that businesses, especially small and medium enterprises (SMEs) were operating in a hostile economic environment.

SMEs experienced a considerable decline in the markets for their goods and services. Traditionally, SMEs supply goods and services to big businesses and to the general public. The decline in economic activity associated with the recession meant that big businesses focused on reducing their costs and stock levels – thus acquiring fewer goods and services from SMEs. Similarly, the generally increased cost of living, job

interventions are specifically designed to protect both the entrepreneur and Business Partners, and to ensure the long-term success of SMEs.

"More than just money" value-added services are provided by Business Partners' staff, as well as by the mentors and consultants contracted to Business Partners Mentorship and Consulting Services, a division of Business Partners Limited.

Processes, systems and infrastructure

Due diligence comprises, in absolute terms, by far the single largest cost associated with providing risk finance solutions to SMEs. To remain profitable and hence sustainable, information technology has been used extensively to facilitate

Corporate Overview

losses due to retrenchments as well as the uncertainty about possibly being retrenched resulted in a significant decline in the general public's disposable spend and their propensity to acquire goods and services, especially from SMEs. Many SMEs, particularly those who are largely reliant on consumers' discretionary disposable spend, witnessed a 20 to 30 percent decline in their revenues.

Whilst SMEs' revenues were declining, their cost of doing business – raw materials and labour – continued to increase. Profit margins of SMEs were under severe pressure and many struggled to survive.

Also, the liquidity crunch meant that finance for SMEs – to either tide them through the tough economic conditions or, for the lucky few, to facilitate growth – from traditional sources (like banks) all but dried up.

At Business Partners, we exclusively focus on SMEs – providing them with risk finance solutions, mentorship, consulting and technical assistance services, and real estate broking, management and consulting services. When SMEs are adversely affected – especially to the extent that they were throughout 2009 – we too feel the pain. Operationally, during the last year, this pain manifested itself in lower levels of deal flow, deal approvals and deal advances, as well as in higher levels of payments in arrears and bad debts due to more clients being in distress.

The pursuit of our strategic objectives, which we defined more than a year ago, have despite adverse business conditions – bordering on

being hostile, resulted in us having to navigate the most troubled economic waters in 20 years, ending our 2009/2010 financial year with our business intact and having posted a credible operational performance.

“Touching” more SMEs


We continued our efforts to expand our risk finance for SMEs footprint, albeit more cautiously due to the tough economic environment. Deal flow levels were considerably lower than in prior years, but significantly better potential clients were approaching us for finance. In many instances, we were able to conclude appropriately priced risk-based deals with clients who would, in a normal non-recessionary period, have secured asset or collateral backed funding.

Increasing the funds under management

Despite the financial liquidity crunch, with banks reluctant to lend money to big and small business alike, we managed to secure a line of funding which allows us to continue growing our investment activities and asset base.

Research was completed and much groundwork was concluded for Business Partners to establish an enterprise development fund into which South African businesses could invest their enterprise development spend and, in doing so, obtain maximum recognition for enterprise development in accordance with the Broad-Based Black Economic Empowerment Codes. It is envisaged that such a fund, managed by Business Partners, will provide risk finance for SMEs in South Africa on a sustainable basis.





"THE RACE IS NOT TO THE SWIFT, BUT TO
THOSE WHO KEEP ON RUNNING."

Amith Kara – **Original Penguin, Sandton**

Support

Industry alliances

Business Partners employees are actively serving business associations (chambers of commerce) and industry associations (Franchise Association of South Africa, Southern Africa Private Equity and Venture Capital Association, African Venture Capital Association, etc.), at local branch and national board levels. Our involvement in these associations is spurred by the objective of shaping the legislative, regulatory and fiscal environments to foster the development of SMEs and champion their cause.

Broadening and deepening the Business Partners delivery platform

It has taken many years to create the capacity to deliver risk finance solutions on the scale that we do. During the last year, as the impact of the recession filtered through the economy, many businesses reduced costs by retrenching staff. We made

a conscious decision not to follow suit since we did not wish to compromise our ability to seize opportunities arising from an economy recovery. However, whenever staff members resigned or retired, we thoroughly interrogated the need to replace them.

Organisational changes – splitting our business investment teams into six geographical business units and a specialist, national property investment unit – were bedded down. We have created a platform from which we can seamlessly, efficiently and cost effectively deliver our full service offering to SMEs, on an even greater scale as and when the economy recovers.

Investment in our people – training provided by our Entrepreneurial Investors Training Academy – gained momentum and continued apace.

Corporate Overview

The transition of our systems to a SAP environment was completed and we are now starting to leverage off existing and new systems, procedures and Information Technology to further enhance operational and cost efficiencies.

Post-investment value-added services (PIVAS)

The core of our PIVAS team was appointed during the last year. They, together with mentors and consultants from the Business Partners Mentors division, assisted many clients who were in distress, thereby ensuring that our payments in arrears and bad debts did not balloon beyond still manageable levels. They have spent much time in developing systems that can schedule, receive and process pertinent client information – the “science” part of PIVAS. The “art” part of PIVAS – growing our clients’ business – is their next challenge.

Expansion into Africa

By the end of the financial year, we had reached the final stages of setting up a management company and an SME risk finance fund in Mozambique. We were also in the final stages of obtaining the required approvals to set up a management company and SME risk finance fund in Rwanda, and we’ve commenced the research to establish a Southern Africa (Namibia, Zimbabwe, Malawi and Zambia) SME risk finance fund.

Focus for 2010/2011

2009/2010 was arguably the toughest year in the history of Business Partners. It would be easy to wallow too much in how tough the year was. It would, however, be infinitely better for us to remember that navigating and surviving the recession was no mean feat. This reminds me of a discussion, in December 2009, which I had with a Washington DC-based SME expert and Business Partners friend. When I was waxing lyrically about how tough 2009 was, he asked me the following questions: “Are you still making a profit? Have you retrenched people?” When I told him that we were still making a profit, albeit much lower than the previous year, and that we have not embarked on a campaign to reduce our staff levels, he reprimanded me about complaining too much. For, as he pointed out, few firms worldwide across all sectors can still say they’re

making profits and did not significantly reduce their staff complements.

Towards the end of 2009, there were signs (or “green shoots”, as the positive economic signals were being dubbed) that both the global economy and the South African domestic economy were starting to ease out of the recession. Many economists and economic commentators believe that the recession is “bottoming out” and that we are on our way to an economic recovery. However, we are convinced that the recovery will not be rapid, but will indeed take a long time, possibly only showing visible positive signs late in 2010.

Because we are mindful that it may take a while before the economy recovers to its pre-recession (2008) levels, we have decided that it would be wise to return to basics during 2010/2011, imbuing the following themes throughout our business.

- Cost effectiveness
- Efficiency and increased productivity
- Innovation

In addition, we will continue to pursue our strategic objectives which, when successfully executed, will ensure that Business Partners not only survives, but thrives, during our next 29 years and beyond.



Financial Analysis

Financial Review

The Business Partners Group's profit after tax decreased by 27,4 percent to R94,6 million from the R130,3 million recorded in 2009. The decrease in profitability is primarily due to lower interest revenues which resulted from the decrease in the prime interest rate.

The uncertainty and lower levels of business confidence resulting from the recession and the subsequent volatility in local and international markets, contributed to create a challenging environment for SMEs, and specifically for risk-based investors such as Business Partners. A cautious approach was accordingly followed in approving new investments, and, combined with a decrease in opportunities, resulted in lower investment activity levels in comparison to previous years. The operational performance of the group was however satisfactory, with 360 new investments amounting to R610,4 million being disbursed. The quality of, and the potential return on, the investments made are expected to yield positive returns in the future.

The Directors' valuation of the unlisted investments is performed by applying valuation methodologies endorsed by the South African Venture Capital Association. Changes in the value of the investment portfolio are not accounted for in the financial statements, but income realised by the associated companies are recognised and the value of the investment is adjusted accordingly.

The diversification of the Business Partners revenue stream as a strategy to reduce the sensitivity of our earnings to interest rate changes has continued. Interest represented 48,6 percent of total revenue, decreasing from 52,5 percent in the previous year. Revenue generated by property investments, consisting of rental income and fees earned from managing third party properties, contributed 22,8 percent to total revenue. Property revenue increased by 4,2 percent from R96,6 million in 2009 to R100,6 million in 2010. Fees earned from the management of third party investment funds, as well as due diligence fees, decreased by 17,0 percent to R23,4 million (2009: R28,2 million).

The expenses incurred in managing Business Partners' operations decreased by 2,1 percent from R241,9 million in 2009 to R236,8 million in 2010. The cost to operational income ratio has however increased from 52,2 percent in 2009 to 57,3 percent in 2010, primarily due to the lower revenues.

Risk Review

SMEs are generally more vulnerable to changes in macro-economic conditions — they were the first to be affected by the recession, and will be the last to recover fully. The implications of material decreases in cashflow due to lower turnover, or sudden increases in working capital requirements, are often terminal for an SME.

The recession and generally tougher macro economic conditions negatively affected the risk profile of our investments. Much needed relief was brought about by a decrease in the level of interest rates, which led to improvements in operating margins and in increases in discretionary or consumer spending. This resulted in a steady, albeit slow, improvement in the risk profile of the investment portfolio in the latter half of the period under review.

The exposure to non-performing and doubtful investments remain high, with investments at risk amounting to 22,5 percent of the total portfolio at 31 March 2010, compared to 22,2 percent at 31 March 2009. Bad debts amounting to R69,9 million were written off in the period (2009: R73,9 million). Impairments raised against the portfolio at the end of the period amounted to R163,7 million, representing an impairment level of 8,4 percent, an increase from the R144,8 million (7,4 percent) at 31 March 2009.

The concentration of risk in the investment portfolio is however mitigated by a number of factors. The

Financial Analysis

diversification of the investment portfolio across all thirteen major industry sectors, with the biggest exposure (16,1 percent of the portfolio) to the manufacturing sector, ensures that sectoral volatility would not disproportionately affect the portfolio.

At the end of the reporting period, 202 of the investments in the portfolio had an outstanding exposures of more than R2,5 million, representing 44,3 percent of the value of the investment portfolio, effectively spreading credit concentration across a large number of investments.

In the year under review we continued spreading our risk by approving 428 new investments (including investments in properties), of which 87 investments were approved for amounts exceeding R2,5 million. These investments represent 53,8 percent of the total value of investments approved for the year.

Outlook

The South African economy has weathered the recent recession fairly well and SMEs are poised to take advantage of renewed growth and economic recovery. We expect the recovery to be gradual, and for SMEs to fully benefit from the new growth phase, a stable political and macro-economic framework will be essential to foster the business confidence required to unlock entrepreneurs' appetite for starting and expanding businesses — a crucial factor in creating a demand for the risk capital offered by Business Partners.

Business Partners' investment activity during the 2010/2011 period will therefore also continue to follow a cautious approach, and be very dependant on business confidence.

We will continue to cautiously take advantage of opportunities and focus on improving the cost-effectiveness of our delivery. Most importantly, we will continue adding value — to new and existing clients, to thriving and struggling clients — thereby ensuring our status as the leading investor in SMEs, a business partner to our clients providing more than just money.

advice

"BUSINESS PARTNERS MET THE NEEDS OF MY PHARMACY VERY QUICKLY WHEN TIME WAS A CRUCIAL FACTOR FOR ITS EXPANSION. THE REGULAR ADVICE AND ASSISTANCE ARE REALLY APPRECIATED.

BPI IS A REAL PARTNER."

Laingo Rasamoela – **Pharmacie Rakotoarivony**



Five-year Summary

	2010/2009 Increase/(decrease)	2010	2009	2008	2007	2006
Consolidated Balance Sheet (R000)						
Investment properties	15,3%	517 120	448 544	357 469	267 760	224 474
Business investments	5,3%	1 832 727	1 740 618	1 506 277	1 365 097	1 138 347
Deposits and bank balances	-5,1%	23 575	24 832	236 751	280 615	386 847
Total assets	12,6%	2 655 515	2 359 401	2 294 483	2 096 253	1 830 339
Capital and reserves	5,9%	2 297 341	2 169 364	2 132 264	1 942 977	1 714 395
Consolidated Income Statement (R000)						
Net profit		94 583	130 310	216 599	160 821	130 398
Adjustments		(34 762)	(36 631)	(109 333)	(50 990)	(26 491)
Headline earnings		59 821	93 679	107 266	109 831	103 907
Change in net profit		-27,4%	-39,8%	34,7%	23,3%	29,6%
Change in headline earnings		-36,1%	-12,7%	-2,3%	5,7%	28,3%
Share statistics						
Earnings per share (cents)	-27,8%	54,8	75,9	128,7	99,5	81,0
Headline earnings per share (cents)	-36,6%	34,6	54,6	63,7	68,0	64,5
Dividends per ordinary share (cents)	-26,7%	11	15	22	20	18
Dividend cover (times)	-2,0%	5,0	5,1	5,9	5,0	4,5
Net asset value per share (cents)	5,9%	1 330,0	1 255,9	1 245,4	1 158,3	1 064,6
Ratios						
Effective tax rate	-1,2%	24,5%	24,8%	22,0%	25,1%	24,0%
Return on opening shareholders' interest	-27,9%	4,4%	6,1%	11,1%	9,4%	8,1%
Return on average assets	-32,1%	3,8%	5,6%	9,9%	8,2%	7,3%
Operating expenditure/total income	3,9%	71,6%	68,9%	48,6%	48,8%	50,5%
Net profit per employee (R000)	-26,7%	323,9	441,7	722,0	536,1	440,5
Net profit/employee cost	-18,2%	0,9	1,1	2,3	1,9	1,8



Directors and Management

Directors



Mr Johann Rupert
Chairman

Appointed: 1993
Appointed Chairman: 1995
Executive Chairman and Chief Executive Officer: Compagnie Financière Richemont SA
Chairman: Reinet Investments Manager SA and Remgro Limited



Mr Theo van Wyk^{2,3,4,5}
Deputy Chairman

Chairman: Personnel Committee
Chairman: Nominations Committee
Appointed: 1991
Executive Director: Remgro Limited



Mr Nazeem Martin^{2,3,4,5}
Managing Director

Appointed: 2002
Appointed Managing Director: 2009



Mr Philip Baum
Non-executive Director

Served: 1994 until 2001
Re-appointed: 2002
Retired: 24 July 2009



Mr Christo Botes
Executive Director

Appointed: 2002



Mr Jan Dreyer⁴
Non-executive Director

Appointed: 19 May 2009
Executive Director: Remgro Limited



Mr Div Geeringh^{1,2,3,4}
Non-executive Director

Chairman: Audit and Risk Committee
Appointed: 1989
Director of Companies
Alternate until 23 February 2010: Mr Themba Ngcobo



Mr Godfrey Gomwe⁶
Non-executive Director

Appointed: 31 July 2009
Executive Director: Anglo American South Africa



Dr Paula Huysamer^{2,5}
Non-executive Director

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



Dr Eltie Links^{1,5}
Non-executive Director

Appointed: 2002
Professor at the University of Stellenbosch Business School
Director of Companies



Ms Joyce Matlala¹
Non-executive Director

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

Directors and Management



Mr Friedel Meisenholl ^{1,4}
Non-executive Director

Deputy Chairman: Audit and Risk Committee
Appointed: 2000
Director of Companies



Mr Setlakalane Molepo ^{2,3}
Non-executive Director

Appointed: 20 July 2009
Managing Director: Khula Enterprise Finance Limited



Mr David Moshapalo ^{3,4}
Non-executive Director

Served: 1996 until 2001
Re-appointed: 2002
Executive Deputy Chairman: Strategic Partners Group
Black Partner in Bombela Consortium in Gautrain Project
Director of Companies



Mr Themba Ngcobo ^{4,5}
Non-executive Director

Appointed as alternate director to Mr Div Geeringh: 2002
Retired as alternate: 23 February 2010
Appointed as director: 23 February 2010 ⁷
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: 2005
Resigned: 4 December 2009
Chairperson: Circle Capital Ventures (Pty) Limited



Mr Zavareh Rustomjee ^{2,3,4,5}
Non-executive Director

Appointed: 1996
Independent Consultant

Notes

- 1 Member of Audit and Risk Committee
- 2 Member of Personnel Committee
- 3 Member of Nominations Committee
- 4 Rotating member of National Investment Committee
- 5 Member of B-BBEE Strategy Committee
- 6 Zimbabwean
- 7 Mr Ngcobo's appointment by the board of directors will be submitted for ratification at the next annual general meeting



Mr Xola Sithole ^{2,3}
Non-executive Director

Appointed: 2004
Resigned: 20 July 2009
Chief Executive Officer: Oteo Capital (Pty) Limited



Mr Gerrie van Biljon
Executive Director
Appointed: 2002

INVESTING IN

SMEs

HELPS TO CREATE A
MORE SUSTAINABLE
ECONOMY

Directors and Management

Executive Management



Mr Nazeem Martin
Managing Director
BA, HDE, M Urban Planning,
AMP
12 years' service



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



Mr Christo Botes
Executive Director:
Inland Division
B Acc, B Compt Hons, CTA
24 years' service



Mr Pierre Mey
Executive General
Manager: Operational
Support Services
B Com
23 years' service



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



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



Mr Gerrie van Biljon
Executive Director:
Coastal Division
B Com, MBA
24 years' service



Mr Willem Bosch
Chief Operating
Officer: Property
Management Services
B Com Acct, M Comm
18 years' service



Ms Petro Bothma
Assistant General
Manager: Marketing
Coordination
24 years' service



Directors and Management

friend



Ms Marjan Gerbrands
Company Secretary
Corporate Legal
Adviser
BLC, LLB (cum laude), LLM
9 years' service



Mr Mark Paper
Chief Operating
Officer: Business
Partners International
B Com
18 years' service

"LIKE MANY SMALL BUSINESSES, WE NEEDED FINANCIAL ASSISTANCE TO EXPAND OUR BUSINESS. THIS IS WHERE BUSINESS PARTNERS CAME IN. WITH NEW MACHINERY, EXPENSES WERE REDUCED AND WE SAW GROWTH. BUSINESS PARTNERS PROVED TO BE A FRIEND INDEED WITH PROFESSIONAL AND FRIENDLY ASSISTANCE."

FRANK HANSBY – L A CRANES, CAPE TOWN

Business Analysis and Discussion

Business Investments (South Africa)

During the 2010 financial year, Business Partners continued to provide business financing solutions and a range of support services for South Africa's growing SME sector. While sectoral demand for financing eased as a result of the global financial crisis and its impact on the local economy, the Business Partners niche remained firm. This was largely due to the fact that Business Partners offers tailored investment financing solutions based on business viability, a niche that is not extensively serviced by competitive financial institutions.

However, many SMEs experienced very challenging trading conditions and, for most, the focus was on survival rather than on growth or business expansion. In some cases, lower turnover, margins and net profit seriously affected cash flow, and Business Partners had to be proactive in assisting clients with the management of their monthly

repayment obligations. If and as appropriate, re-financing and re-structuring arrangements to alleviate the pressure on cash flow were negotiated, as was the conversion of debt into equity.

Against this backdrop, Business Partners intensified its focus on providing added value and support systems that would enable clients to survive the rigours of the recession, and which would position them for solid growth and development in the future. This was done throughout the business, but specifically through the launch of the Post-Investment Value Adding Service (PIVAS). This service draws on a pool of pre-approved, qualified and experienced mentors to offer assistance to clients, particularly in specialist areas like financial management, human resources management, labour relations and marketing.

In a similarly positive vein, businesses in a position to do so capitalised on the economic conditions and sought growth opportunities through

strategic buy-ins and buy-outs. Some also took the opportunity to rationalise their operations in order to be more cost efficient, or to form valuable strategic alliances or partnerships. This, of course, increased the need for business financing, and a number of buy-in and buy-out deals were concluded during the year.

In order to service the wide range of entrepreneurial businesses, Business Partners has 22 offices throughout South Africa.

"BUSINESS PARTNERS' PARTNERSHIP WITH OUR BUSINESS HAS CONTRIBUTED TOWARDS US ACHIEVING OUR GOALS AND MAKING OUR DREAM COME TRUE."

Yas Ebrahim – **Multimedia Print Technologies, Durban**



Business Analysis and Discussion

During the 2010 financial year, a total of 369 investment and financing deals to the value of R713,6 million were concluded across the country, representing all of the industry sectors serviced by Business Partners. Caution was obviously exercised when considering financing applications from businesses in high-risk industries or in industry sectors most affected by the recession.

Although Business Partners expects the post-recession recovery to be slow, business prospects for the 2011 financial year appear to be promising.

Post-Investment Value Adding Service (PIVAS)

During the past financial year, the Post-Investment Value Adding Services (PIVAS) project team was fully integrated into Business Partners' seven business units. As part of the process, post-investment managers with extensive experience in entrepreneurial investment and post-investment management were appointed from within existing operational teams.

Their approach has been to work closely with clients in order to constantly monitor the health and progress of client businesses, and to identify the need for interventions in a proactive way rather than being reactive to problems when they develop.

Value adding services are provided at four stages in the investment process:

- before the investment is made
- during the pre-investment approval and payout process
- during the entire investment period
- during the maturity and exit phase

The wide range of value adding services offered include, amongst others:

- assessing business plans and proposals
- conducting appropriate due diligence
- evaluating purchase and sale agreements
- monitoring financial controls
- providing industry-specific advice
- preparing the business for expansion
- preparing for Business Partners to exit the deal

In order to provide added value on a consistent basis, each post-investment manager is tasked with developing a risk matrix for his or her investment portfolio, and for putting in place a systematic monitoring process. This includes a regular schedule of activities such as:

- monitoring financial performance against budget
- using key ratios to conduct trend analyses
- comparing business performance with industry norms
- conducting regular strengths, weakness, opportunities and threats (SWOT) analyses

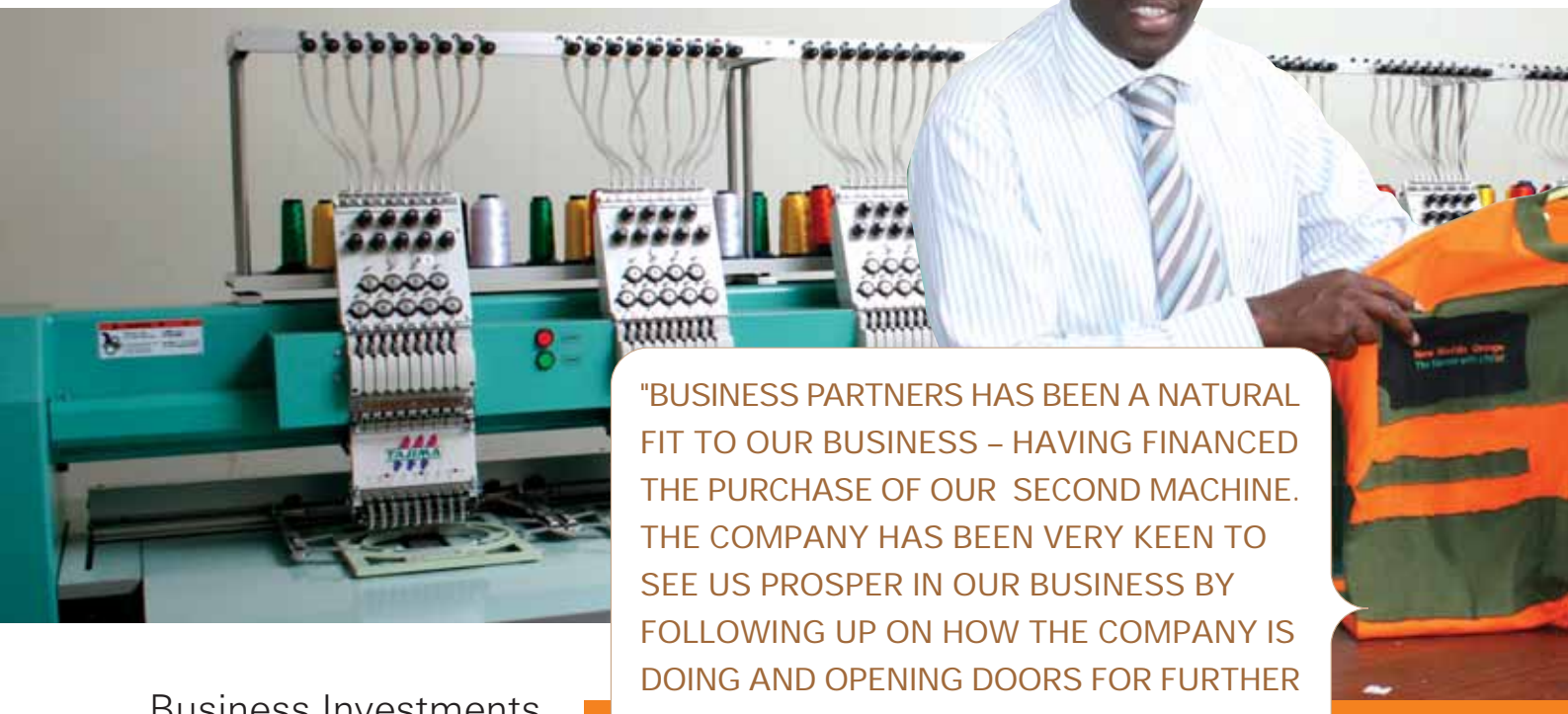
This process enables managers to monitor client progress carefully, and to benchmark performance against industry norms. The dedicated personnel and monitoring system add considerable value to client companies, and are aligned with the Business Partners strategic focus of being an added value investor in SMEs.

This, in turn, is supported by providing managers with access to well-managed and regularly-updated information resources. In the past year, considerable attention has been given to expanding and updating the Business Partners Expert Resource Centre, which provides improved access to the latest industry information, trend analyses, client profiles and macro economic updates. This resource is a fundamental aspect of providing real, on-going added value for clients.



achievement

Business Analysis and Discussion



"BUSINESS PARTNERS HAS BEEN A NATURAL FIT TO OUR BUSINESS – HAVING FINANCED THE PURCHASE OF OUR SECOND MACHINE. THE COMPANY HAS BEEN VERY KEEN TO SEE US PROSPER IN OUR BUSINESS BY FOLLOWING UP ON HOW THE COMPANY IS DOING AND OPENING DOORS FOR FURTHER FINANCING. WE'RE LOOKING FORWARD TO A LONG TERM RELATIONSHIP."

Dan Kangethe – **Brand Track Limited, Kenya**

Business Investments (International)

Business Investments (International)

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

Since it was established, this business unit has successfully set up investment funds in both Madagascar and Kenya. The €8,5 million investment fund in Madagascar is supported by a US\$2 million technical assistance fund, while the US\$14,1 million investment fund in Kenya is supported by a US\$2,5 million technical assistance fund.

Business Partners International is also finalising the establishment of

a US\$ 10 million investment fund in Mozambique, which is supported by a US\$ 1,5 million technical assistance fund, and is working on establishing similar investment funds in other Southern African countries.

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 as the in-country fund manager for the Business Partners International Madagascar SME Fund.

During the financial year ending 31 December 2009, the business of the fund was severely impacted by the on-going political crisis that has gripped the island since early 2008.

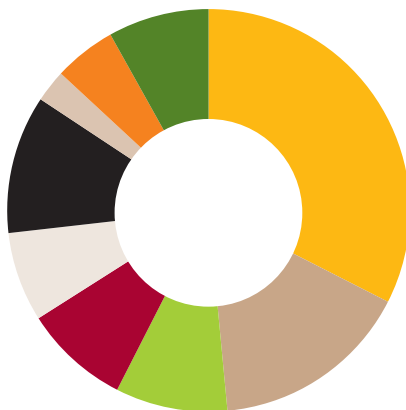
finance

Business Analysis and Discussion



BUSINESS PARTNERS LIMITED (SA) **Distribution of investments by sector**

*Investment portfolio composition as at
31 March 2010*



32,5%	Professional and personal services
16,0%	Manufacturing
9,0%	Motor trade
8,5%	Retailing
7,2%	Leisure
11,1%	Travel and Tourism
2,6%	Coastal fishing
5,0%	Building, plumbing and shopfitting
8,1%	Other

The unrest and the marked effect this has had on the economy has resulted in significantly reduced levels of investment activity, and the Malagasy team has had to provide extensive support to clients in order to ensure sustainability.

Six new investments to the value of R3,8 million were, however, approved for indigenous Malagasy entrepreneurs during the year; four of which, to the value of R2,8 million, were approved for female entrepreneurs. An estimated 111 new jobs were facilitated as a direct result of the six 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 as the in-country fund manager for the Business Partners International Kenya SME Fund.

During the 2009/2010 financial year, 25 investments to the value of R34,2 million were approved for indigenous Kenyan entrepreneurs through this fund, of which eight to the value of R11,07 million were approved for female entrepreneurs. An estimated 170 new jobs were facilitated as a direct result of the investments.

Property Management Services

Business Partners Property Management Services provides property broking and management services tailored to meet the needs of SMEs. The division sources and secures appropriate business premises for entrepreneurial enterprises at market-related rentals or purchase prices, and provides integrated property management for entrepreneurs who have invested in property, either for own use or rental. It manages properties owned by the company itself, as well as premises owned by third parties.

In the past financial year, trading conditions for most tenants were extremely harsh. As a result, many experienced cash flow difficulties, and either did not renew their leases on expiry or scaled down considerably on floor space. Tenants in the clothing, construction and motor manufacturing industries were particularly hard hit by the downturn in the economy, and this has resulted in an increase in the vacancies in that section of the portfolio.

Notwithstanding this, the division was actively involved in a number of new projects related both to wholly-owned properties and co-investments with entrepreneurs, with a particular focus on the management of these ventures.

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.

Business Analysis and Discussion

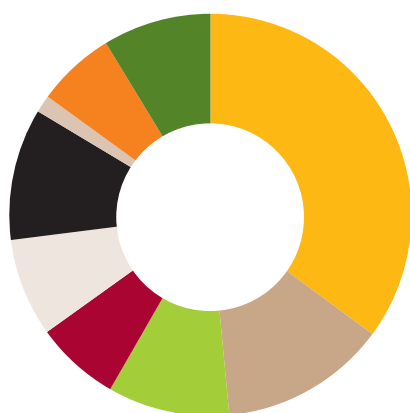
There are currently 2 528 businesses across all sectors of the economy accommodated in premises either owned or managed by Business Partners Property Management Services, with the industrial sector being best represented.

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.

BUSINESS PARTNERS LIMITED (SA) Distribution of investments by sector

Investments advanced for the year ended 31 March 2010



35,1%	Professional and personal services
13,4%	Manufacturing
9,8%	Motor trade
6,8%	Retailing
7,9%	Leisure
10,6%	Travel and Tourism
1,4%	Coastal fishing
6,3%	Building, plumbing and shopfitting
8,7%	Other

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 2010, the property portfolios under management were made up of 187 individual properties, comprising 464 897m² of lettable space.

Property ownership, investment and sales

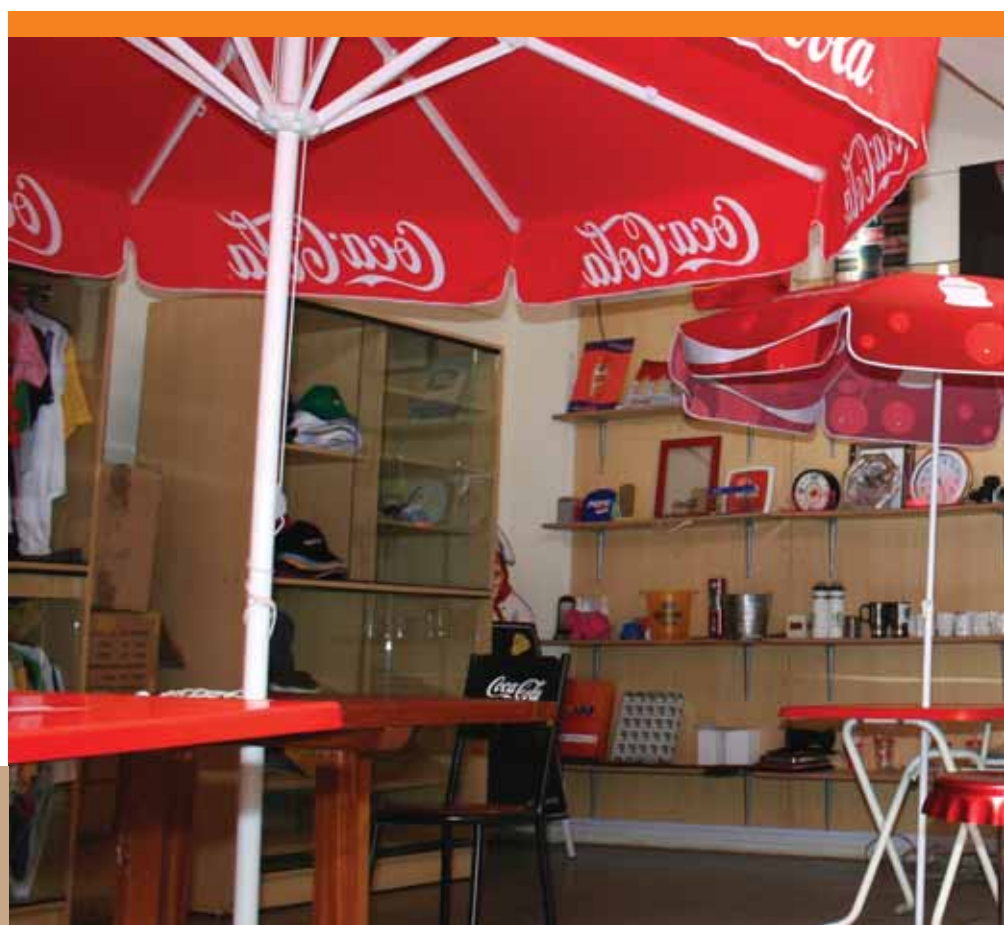
New developments were completed in Rustenburg and Pietermaritzburg during the year, and major renovations were undertaken at two properties in Port Elizabeth and Richards Bay. Vacant land is also available for development in Randfontein, Burgersfort, Richards Bay, Retreat and Pretoria.

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 aligned to both Business Partners' business and marketing strategies.

Procurement policy

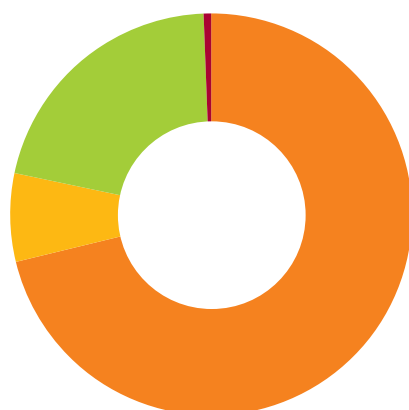
Business Partners and its divisions adhere to an empowerment procurement policy in all discretionary spending. The company ensures that, wherever possible, the small and medium enterprise sector and, in particular, historically-disadvantaged individuals, are contracted for the supply of goods and services.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



Business Analysis and Discussion

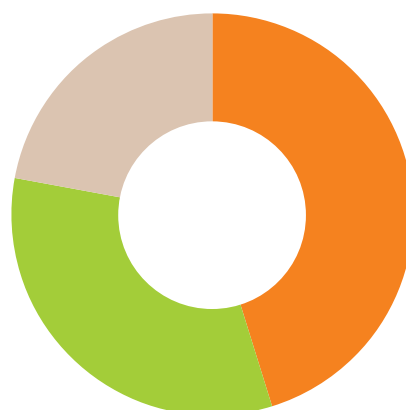
PROPERTY MANAGEMENT SERVICES

Sectoral breakdown of the property portfolio



71,2% Industrial
7,1% Retail
21,1% Office
0,6% Other

Sectoral classification of tenant businesses:



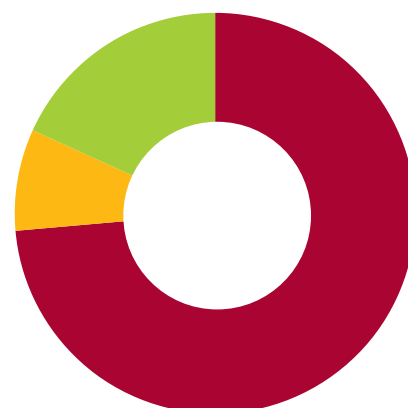
45,2% Industrial
32,7% Office
22,1% Service

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

Each region and division is set individual targets for empowerment procurement, and at the end of the 2010 financial year Business Partners Property Management Services had marginally exceeded its target.

PROPERTY MANAGEMENT SERVICES

Management fees received



73,6% Business Partners R13,27m
8,2% Khula R1,47m
18,2% Other R3,27m



INVESTING IN

SMEs

MEANS INVESTING
BOTH TIME AND MONEY

Business Analysis and Discussion

Operational Support Services

Operational Support Services has two main areas of responsibility, namely to ensure that deals are implemented in accordance with the terms and conditions approved by the relevant credit committees, and to oversee the collections and risk management functions.

Dedicated legal teams in each of the service centres are tasked with ensuring that all legal agreements are in place before any disbursements are made, and with overseeing collections and risk management. Current macro-economic conditions have, however, resulted in a significant increase in workload for the teams over the past year.

Operating from decentralised service centres allows the division to remain closer to clients, while still benefiting from standardised and centralised management, systems and procedures.

Technical Assistance, Mentorship and Consulting Services

Business Partners Technical Assistance, Mentorship and Consulting Services is a service unit that offers professional business support to entrepreneurs throughout Southern Africa. This is in line with the company's mission of investing not only capital, but also skill and knowledge into the SME sector.

It has been widely acknowledged that mentorship can make a significant difference to the underlying viability of SMEs, and Business Partners is acknowledged as playing a leading role in this regard. This has led to the extension of the mentorship and consulting offering to other role players in the financial services sector.

Mentors can be classified into two broad categories: retired business executives and active consultants. The first group is usually deployed for general assignments and industry or sectoral assignments, while consultants are used mainly for specialist assignments.

In line with the Business Partners brand, vision and mission, the unit continues to focus on pro-actively determining the needs of the company's clients, and addressing these needs in the best possible way, to the benefit of the business.

Human Resources

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, with their in-depth knowledge of the entrepreneurial environment, industry sectors and the factors that influence business viability, are an essential aspect of its competitive advantage. As such, careful attention is given to recruiting the right person for each job, and to ensuring each employee's long-term development and effectiveness.



Business Analysis and Discussion



"BUSINESS PARTNERS HAS BEEN VERY SUPPORTIVE AND INSTRUMENTAL IN MY SUCCESS."

Desmond Mabuza – **Signature Restaurant, Morningside, Sandton**

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 employee. Equally 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 employ the best people available and to enable them to experience the pride of working for a respected organisation, job satisfaction at

individual level, and on-going growth and development in the working environment.

Learning and development

Skills development at all levels is a core objective at Business Partners, and the company continues to provide for all its training requirements through its Entrepreneurship Investor Academy.

The learning and development interventions offered by the academy range from classroom training to interactive workshops, and include systems training, coaching, group activities and one-on-one sessions. A holistic approach ensures that all employees receive both product and soft skills training.

The training programme has three levels, and credits are required in order to move from one level to the next. The first-year level is called

Support

Business Analysis and Discussion

Foundation Training, the following level Cornerstone, and the final level Building Blocks. This programme will continue to play a decisive role in equipping the company to become even more professional in the challenging years ahead.

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 2009/2010 financial year, 233 training sessions were provided by the company, amounting to 1 706 student sessions and 8 455 hours of training exposure, an average of 30 hours of training per employee.

Talent management

In keeping with its people management philosophy, Business Partners aims to create and maintain effective talent management practices. These are designed to attract, identify, develop, engage and deploy individuals who will thrive at the company and, as a result, contribute to organisational success.

The company maintains its talent pipeline through initiatives such as the Business Partners e-recruitment website, the use of preferred and specialist search companies, and the improved articulation of our value proposition and employer brand in the recruitment market. It strives to effectively identify talent through the continuous revision of work profiles, and through the refinement of assessment and interview processes. It also makes every effort to engage its employees by creating a platform for their voices through forums, surveys and career discussions, as well as through post-placement and exit interviews.

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 societal inequalities, and 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 September 2009 report to the department, as follows:



Business Analysis and Discussion

Workforce Profile

As at September 2009

	MALE				FEMALE				FOREIGNERS		TOTAL
	Africans	Coloureds	Indians	Whites	Africans	Coloureds	Indians	Whites	Male	Female	
Top Management	0	1	0	3	0	0	0	0	0	0	4
Senior Management	2	1	0	13	1	0	0	0	0	0	17
Professionally qualified staff	17	9	13	40	1	10	2	26	0	1	119
Skilled technical staff	10	6	7	15	7	21	19	35	0	0	120
Semi-Skilled staff	6	3	0	0	2	3	3	4	0	0	21
Unskilled staff	1	0	0	0	6	1	0	0	0	0	8
TOTAL PERMANENT	36	20	20	69	18	36	24	65	0	1	289
Non - Permanent Employees	2	0	0	1	1	2	0	4	1	1	12
GRAND TOTAL	38	20	20	70	19	38	24	69	1	2	301

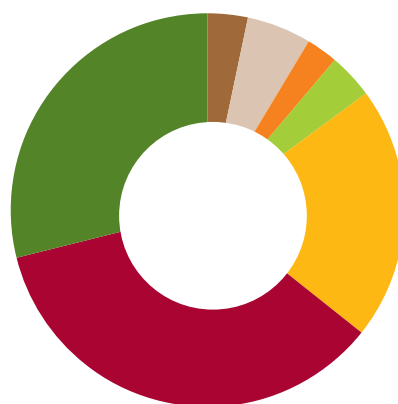
The company's transformation and evolutionary process is guided by policies and principles that:

- benefit existing employees, the company and employment candidates from historically-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

BUSINESS PARTNERS LIMITED (SA)

Distribution of investments by product

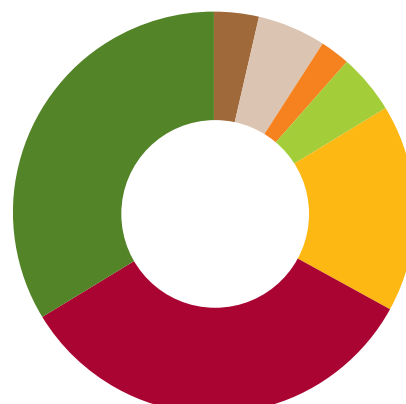
Investment portfolio composition as at 31 March 2010



3,3%	Equity Partner	3,6%
5,3%	Property Equity Partner	5,5%
2,6%	Risk Partner	2,4%
3,7%	Royalty Risk Partner	4,8%
20,8%	Property Risk Partner	16,7%
35,4%	Royalty Partner	33,3%
28,9%	Loan Partner	33,7%

Distribution of investments by product

Investment portfolio composition as at 31 March 2009



Business Analysis and Discussion

Staffing

As at 31 March 2010, 279 people were employed at Business Partners.

The statistical breakdown is as follows:

Age Distribution of Employees at Year-End

	2010	2009
20 - 31	74	77
32 - 40	63	65
41 - 50	65	66
51 - 60	67	73
Over 60	10	14
TOTAL	279	295

Employee Statistics

Business Investment	195	216
Operational Employees	89	108
Operational Support Employees	106	108
Property	27	33
Operational Employees	14	20
Operational Support Employees	13	13
Group/Divisional	57	46

Two Year overview of Employee Statistics

Total Numbers of Employees	279	295
Staff Turnover		
Total Employees @ Beginning of Year	295	300
Add: Recruitments	30	38
<i>Sub Total</i>	325	338
Less: Resignations	(46)	(43)
Total at Year-End	279	295
Gender Profile		
Female	139	142
Male	140	153
Total	279	295
Community Profile		
Black	126	142
White	153	153
Total	279	295



Business Analysis and Discussion

Marketing

Marketing

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

During the 2009/2010 financial year, the focus of corporate services marketing continued to be 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 Client Satisfaction Index.

The primary strategic objective of all marketing and media activities remains to ensure that the brand is nationally recognised and that there is a solid platform to support the sales function.

Client relationship management activities focus on clients, intermediaries and other stakeholders through the use of such communication channels as regular electronic 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 office in Houghton Estate and at the regional offices in Johannesburg, Cape Town and Durban. This enables the company's marketing team to stay close to clients in each region, and to maintain a real understanding of the business and marketing issues in their local environments.

Communication 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 clients.

During the year, a great deal of attention was also given to improving the company's client focus and to extending its customer relationship management programme. The on-going aim of this initiative is to identify 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 annual client satisfaction survey and the programme of follow-up calls, which form an integral part of this programme, focus on service delivery, client satisfaction, overall perceptions of the company and specific problem areas.

Entrepreneur of the Year®

The Entrepreneur of the Year® Award was established in 1989 in order to recognise the vision, innovation, perseverance, drive and commitment of the individuals who run successful small and medium enterprises.

As a private small and medium enterprise (SME) financier, Business Partners believes it is important to celebrate the people who are responsible for between 35% and 50% of the nation's Gross Domestic Product (GDP). These business owners not only employ half of the country's labour force, but are also vital to sustainable economic growth.

Business Partners, in partnership with Sanlam, is therefore pleased to announce that, as from 2010, the competition will be open to all South African SMEs. This marks a new era for Entrepreneur of the Year®, and the opportunity for all South African SMEs to compete for this prestigious award.

"BUSINESS PARTNERS IS THE PARTNER THAT HELPED ME REALISE MY DREAM OF HAVING MY OWN BUSINESS AND BECOMING A SUCCESS THROUGH THEIR SUPPORT"

Patricia Nhleko – Sorbet (Magilijas Retail), Fourways



Business Analysis and Discussion



understanding

The competition has been re-launched with a new logo, new branding and three new award categories. These will be for an Emerging Entrepreneur operating a business that is less than three years old, for a Small Business Entrepreneur operating a business with an annual turnover of up to R20 million, and for a Medium Business Entrepreneur operating a business with an annual turnover of more than R20 million.

The top award will, of course, remain the Entrepreneur of the Year®, and the overall prize in 2010 will include R100 000 in cash, the opportunity to attend an international conference or trade show, and extensive media exposure.

Various activities to promote the competition have been planned for 2010, with regional workshops being set to communicate the benefits of participation. The awards process will culminate in an SME conference at the end of the year, which will conclude with a gala dinner to announce the winners.

Stakeholder engagement

Senior and operational employees representing Business Partners are active members of the business associations in their respective communities, and are members of professional and industry bodies such as the local Chambers of Commerce, the Franchise Association of South Africa (FASA), the Businesswomen's Association (BWA), the Black Management Forum and the South African Private Equity and Venture Capital Association (SAVCA).

Environmental Management, Social Management and Enterprise Development

Sustained socio-economic prosperity depends, amongst other things, 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-responsible way.

Environmental legislation

Business Partners Limited complies fully with all of the country's environmental legislation, and also subscribes to an internal

Business Analysis and Discussion



"BUSINESS PARTNERS IS ONE OF A FEW FINANCIAL INSTITUTIONS WHICH FULLY UNDERSTANDS THE FISHING INDUSTRY AND THE NEEDS OF SMALL BUSINESSES. OVER THE YEARS THEY HAVE BEEN PARAMOUNT TO THE SUCCESS OF OUR BUSINESS – FOR WHICH WE ARE TRULY GRATEFUL."

Andrew Kaye, Errol April, Clive Wedel
– Unifish, Cape Town

environmental policy. This commits the company to practices that do not pollute the natural or social environment, a commitment which is constantly monitored and evaluated.

As part of the due diligence process, all potential clients are also evaluated in terms of their compliance with internationally-accepted environmental management standards. 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 business 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 environmentally harmful receive a written warning to improve their practices, and if they do not respond to this appropriately, they are evicted.

Enterprise development

Business Partners is aware 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 both SMEs and the communities in which they operate.

SME Toolkit

One of the company's flagship enterprise development programmes is the free online SME Toolkit. A joint initiative with the International Finance Corporation (IFC) and IBM, it offers easily-accessible business information, resources and online training for the country's growing independent business sector.

The aim of the SME Toolkit is to provide information and resources to as many entrepreneurs as possible via the internet, since access to these is often 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 SMEs. 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.

The site also 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.

Business Analysis and Discussion

Information dissemination and advisory projects

Quality business information is essential to emerging entrepreneurs if they are to enter the mainstream economy and grow profitable and sustainable businesses. Business Partners provides information and advice for these entrepreneurs through business clinics and open entrepreneurship days, which are held at regular intervals across the country.

The business clinics, which are conducted in association with various chambers of commerce, and are facilitated by Business Partners mentors, are structured to give participants a better understanding of the functional aspects of running a business, including marketing, production, financial management and human resources. The purpose of these clinics is to offer information, guidance and advice to aspirant entrepreneurs in order to motivate and equip them to enter the business world.

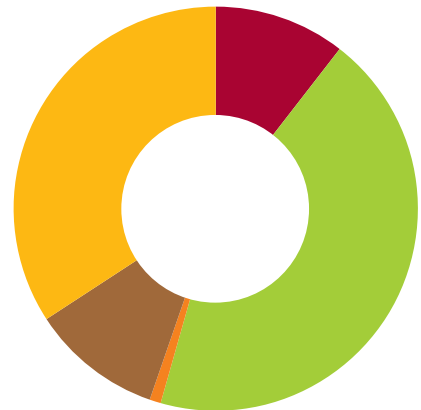
Open days, on the other hand, give existing and potential entrepreneurs with an established skills base the opportunity to supplement their experience, and to gain the specialist knowledge they require to remain competitive. Participants are given the opportunity to interact with Business Partners mentors and staff, discuss issues and problems, and receive advice on all aspects of running a successful business. Mentors assist with information on how to improve the efficiency, profitability and growth potential of a business, and do presentations on such topics as how to write a business plan or how to access start-up capital.

Educational support

In order to support and further the education of the next generation of entrepreneurs, Business Partners offers several bursaries a year for undergraduate study in the fields of commerce or law, which are tenable at any South African university.

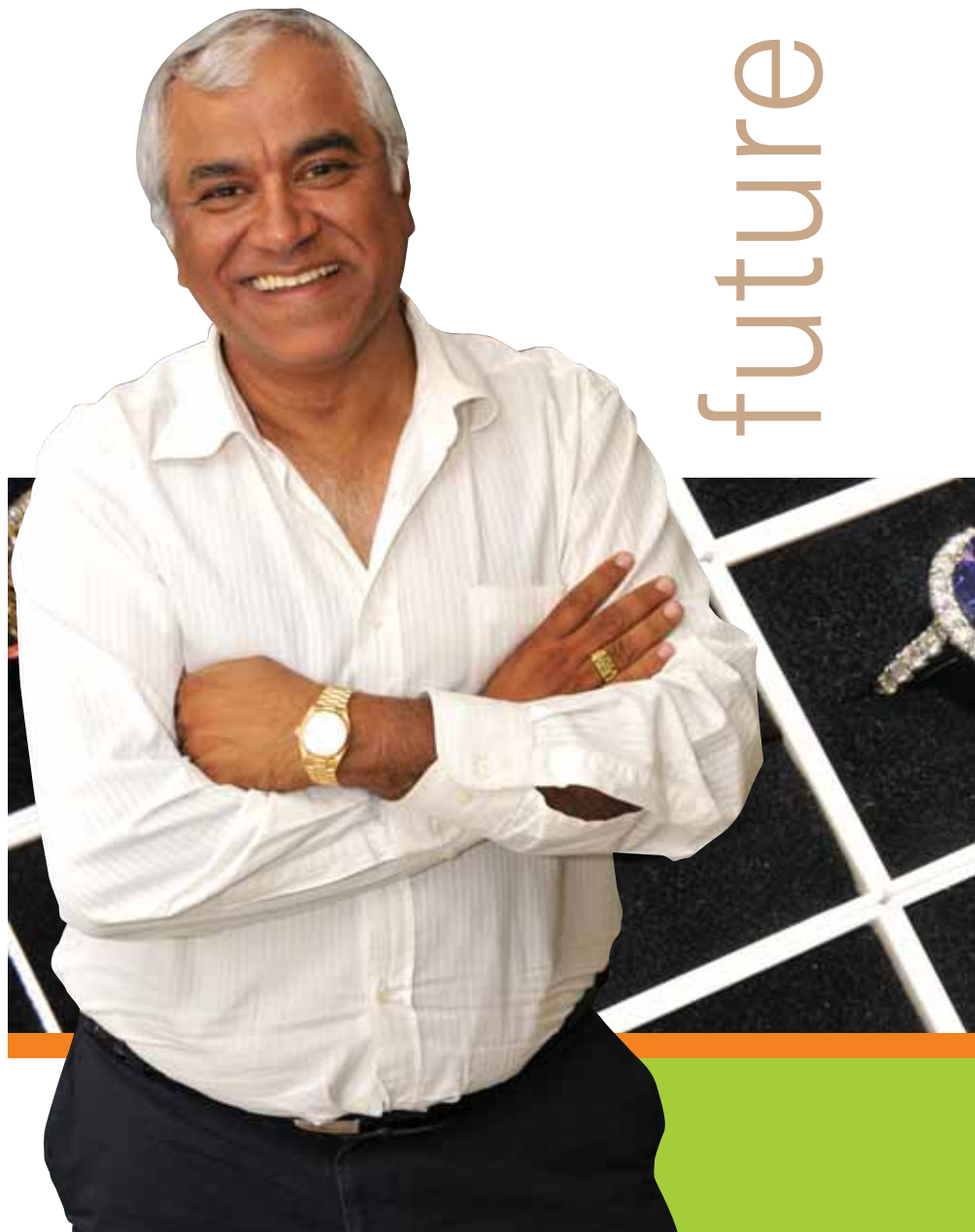
Shareholder information

Number of shareholders



10,5%	Banks
43,9%	Corporate bodies
0,9%	Government
10,5%	Insurance companies
34,2%	Individuals

future



Governance Report

Distribution of shareholding as at March 2010

	Number of holders	% of holders	Number of shares	% of shares
0 – 10 000	30	26,3%	86 325	0,0%
10 001 – 100 000	22	19,3%	667 961	0,4%
100 001 – 1 000 000	39	34,2%	10 042 234	5,6%
1 000 001 – 10 000 000	19	16,7%	69 409 253	38,8%
10 000 000 and above	4	3,5%	98 628 821	55,2%
	114	100,0%	178 834 594	100,0%

Major Shareholders as at March 2010

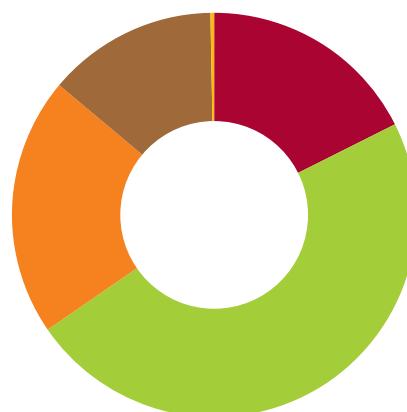
	Number of shares	% of shares
Remgro Limited (Eikenlust (Pty) Limited)	37 160 149	20,8%
Khula Enterprise Finance Ltd	37 160 149	20,8%
Sanlam Limited (CMB Nominees (Pty) Limited)	13 768 992	7,7%
Billiton SA Limited	10 720 621	6,0%
Old Mutual Life Assurance Company (South Africa) Limited	8 733 413	4,9%
Absa Group Limited	8 117 003	4,5%
Nedcor Limited	6 918 205	3,9%
Business Partners Employee Share Trust	6 102 300	3,4%
FirstRand Limited	6 093 656	3,4%
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%
	154 629 164	86,5%

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

"I AM LOOKING FORWARD TO MORE
PROPERTY PARTNERSHIP DEALS WITH
BUSINESS PARTNERS IN THE FUTURE."

Shorty Naran – Platinum Jewellery, Durban

Number of shares

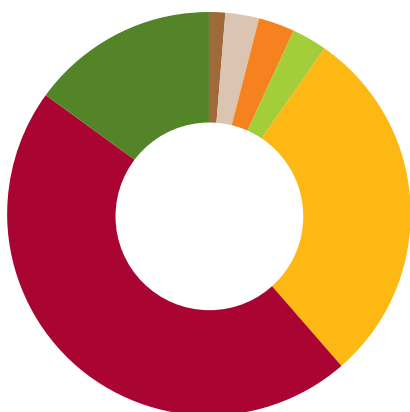


- 17,6% Banks
- 47,8% Corporate bodies
- 20,7% Government
- 13,6% Insurance companies
- 0,3% Individuals

Corporate Governance

Distribution of investments by product

Investments advanced for the year ended 31 March 2010



1,3%	Equity Partner
2,7%	Property Equity Partner
2,9%	Risk Partner
2,8%	Royalty Risk Partner
28,9%	Property Risk Partner
46,4%	Royalty Partner
15,0%	Loan Partner

Governance Report

Corporate governance

Business Partners is committed to being one of the most internationally respected, successful and profitable investors in small and medium enterprises. It is therefore also committed to the highest level of governance, and has a culture that values business and personal integrity, superior client service, transparency and accountability in all business activities.

At Business Partners, there is a fundamental link between impeccable governance and the creation of shareholder value.



Compliance with Corporate Governance Standards

Business Partners uses the seven principles of good governance identified in the King Report on Corporate Governance in South Africa (King II) in order to measure its performance and actions against best-practice standards:

Discipline: commitment by the company's executive management, management and staff to widely accepted standards of correct and proper behaviour.

Transparency: the ease with which an outsider can meaningfully analyse the company's actions and performance.



Corporate Governance

Independence: the extent to which conflicts of interest are avoided, so that the company'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 company's assets and its performance.

Responsibility: acceptance of all consequences of the company's behaviour and actions, including commitment to improvement where required.

Fairness: acknowledgement of, respect for and balance between the rights and interests of the company's various stakeholders.

Social Responsibility: the company's evident commitment to ethical standards and its appreciation

of the social, environmental and economic impact of its activities on the communities in which it operates.

The King Code of Governance Principles for South Africa 2009 (King III), which was published on 1 September 2009, took effect from 1 March 2010.

Business Partners is assessing the principles of King III, and its application will be reported on in the next annual report.

Board of Directors

Board structure and composition

The group has a unitary board structure, and the roles of the chairman and the managing director are separate and distinct. These roles are also not vested in one person.

The board has an appropriate balance of executive, non-executive and independent directors (as defined in King II).

As at 31 March 2010 there were 16 directors, three of which were executive directors and 13 of which were non-executive directors. Six of the non-executive directors were appointed in terms of article 13.2 of the company's articles of association, and seven in terms of article 13.4.

Shareholders or groups of shareholders are entitled to appoint one non-executive director for every ten percent of issued share capital held or collectively held in the company (article 13.4).

In addition, up to six non-executive directors may be appointed by the majority of shareholders. Any shareholder, irrespective of the size of its shareholding, may nominate a director for appointment. If the shareholders appoint less than six directors, the board may, based on recommendations from the Nominations Committee, appoint the balance of directors required, subject to ratification by the shareholders (article 13.2).



INVESTING IN

SMEs

HELPS TO CREATE JOBS

Corporate Governance

All directors serve for a maximum period of three years, but may be re-elected or re-appointed.

The board may elect a chairperson or one or more deputy chairpersons to preside in the absence of the chairperson, to hold office for a period of one year or less. A director may nominate an alternate director approved by the board.

In addition to the managing director, the board may appoint up to three directors to hold executive offices. Should the employment contract of any executive director terminate, he or she is deemed to have resigned as a director.

The members of the board are identified in the Directors and Management section of this report.

Role and responsibilities

The board of directors is the group's highest decision-making body and is ultimately responsible for governance. The board reserves the appointment of executive directors, the approval of business strategy, and the approval of the annual budget for its decision.

The board retains effective control through a well-developed governance structure that provides

the framework for delegation. It has delegated the operational responsibility and authority for achieving corporate objectives and for managing the company to the managing director subject to statutory parameters and limits. The managing director remains accountable to the board for the authority delegated to him or her, and for the performance of the company. Executive management's implementation of approved plans and strategies, and the measurement of financial performance against objectives are monitored on an on-going basis.

The chairman, deputy chairman and the managing director provide leadership and guidance to the company's board, obtain optimum input from the other directors, and encourage proper deliberation of all matters requiring the board's attention.

Skills, knowledge and experience

The non-executive directors are from various business backgrounds and bring a wealth of skills, knowledge and experience to the board. The role of all directors is to bring independent judgment and experience to the board's deliberations and decisions.

Board meetings

The board meets five times a year, and meetings are scheduled well in advance. In addition to these meetings, the board may schedule strategy sessions or additional board meetings as it deems necessary. In cases where directors are unable to attend a meeting personally, teleconference facilities are made available to include them in the proceedings.

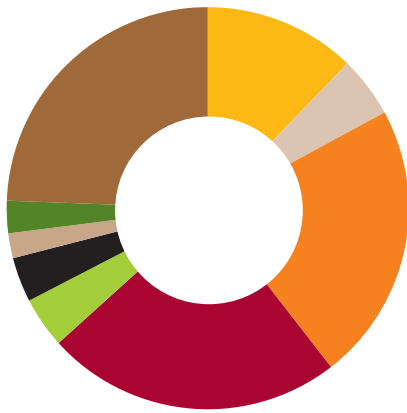
"THANKS TO BUSINESS PARTNERS, WE CAN."

Enver and Kandaija Munshi –
TomCo, Durban



BUSINESS PARTNERS LIMITED (SA) Distribution of investments by province

Investment portfolio composition as at 31 March 2010



12,2%	Eastern Cape
4,9%	Free State
22,4%	Gauteng
23,8%	KwaZulu-Natal
4,1%	Limpopo Province
3,6%	Mpumalanga
2,0%	North West
2,6%	Northern Cape
24,4%	Western Cape

Management ensures that the board and its committees are provided with all of the relevant information required to enable them to reach objective and well-informed decisions. Documentation for board and committee meetings is supplied in a timely manner in order to enable directors to discharge their responsibilities effectively.

Board remuneration

Non-executive directors receive fees for their service on the board and the board committees of which they are members. The remuneration of non-executive directors is reviewed by the Nominations Committee, and recommendations are made for board consideration on an annual basis.

Committees of the Board of Directors

Board committees provide in-depth focus on specific areas of board responsibility. In line with best practice, committees of the board

exist within written terms of reference, which define quorum requirements, frequency of meetings, powers and duties. The committee chairpersons provide the board with verbal reports on committee matters, and the minutes of committee meetings are distributed to all board members.

The board evaluates the performance and effectiveness of the committees every year. It also makes use of ad hoc board committees to deal with specific matters from time to time, and these committees are governed by written terms of reference.

The members of the respective committees are identified in the Directors and Management section of this report.

Audit and Risk Committee

The Audit and Risk Committee operates in accordance with an Audit and Risk Committee Charter, which is approved annually by the board. The committee annually assesses whether it is meeting its duties and responsibilities as set out in the committee's charter. The requirements for independence set out in the Companies Act of 1973, as amended, are considered in relation to members of the committee.

we can!





partnership

The responsibilities of the committee include:

- reviewing the company's interim and annual financial statements
- reviewing the scope and effectiveness of the internal audit function
- overseeing the effectiveness of internal controls, and ensuring that they are suitable for identifying key business risks
- ensuring that the appropriate accounting policies and practices have been adopted and are being consistently applied
- reviewing the scope and effectiveness of the external audit function
- approving the external audit plan and reviewing findings, problems and reports
- monitoring compliance with applicable legislation and regulatory requirements, including compliance with King II
- considering the independence and objectivity of the external auditors, nominating their appointment to shareholders and approving their audit fee

"THANK YOU – THIS IS A GREAT
MUTUALLY BENEFICIAL PARTNERSHIP
WORKING WELL FOR BOTH PARTIES."

John Edwards – Norscott Manor Guest Lodge, Fourways

- reviewing the nature and extent of non-audit services provided by the external auditors, and pre-approving the fees for those services

Both the internal and external auditors have unfettered access to the committee, and representatives from both attend meetings as standing invitees. The managing director, chief financial officer, a senior executive representing the property management services division, and the directors appointed by the two major shareholders also attend committee meetings by standing invitation. The chairman of the committee meets with the head of internal audit at least quarterly, and the external auditors are given a private audience with the committee at every meeting.

Nominations Committee

The Nominations Committee is authorised to consider and submit proposals regarding the size, structure and composition of the board. It also identifies and evaluates suitable potential candidates for appointment to the board in terms of article 13.2. This is done with due regard to the skills and knowledge of the incumbent board, as well as the requirements of the company. The committee also reviews and makes recommendations to the board regarding the composition and functioning of all of the committees, as well as the fees for non-executive directors.



Personnel Committee

The Personnel Committee submits recommendations to the board regarding general staff policy, remuneration of staff and executive directors, the service contract of the managing director, the employee share incentive scheme, and the company pension and retirement funds. With effect from February 2010, the committee's terms of reference include the assessment of the company's broad-based black economic empowerment (B-BBEE) targets and scores, both as a whole and for each element.

Regional Committees

A decision was taken to disband the Egoli, eThekweni and iKapa Regional Committees with effect from July 2009, due to on-going changes in the organisational structure and the resulting duplication of certain functions within the company.

These committees were responsible for monitoring corporate governance and compliance with the company's strategy and policies in its regional divisions. The committees monitored matters affecting the company in the relevant region, contributed expertise in due diligence investigations, and assisted in promoting the company in the SME sector.

Transactions Committee

The Transactions Committee considers company transactions in which directors or employees have any interests. Full transparency on all such transactions is mandated to ensure good corporate governance. The members who consider these transactions are always disinterested directors, and the committee therefore has no permanent members.

Broad-based Black Economic Empowerment (B-BBEE) Strategy Committee

The B-BBEE Strategy Committee has fulfilled its mandate and was disbanded during February 2010. The committee was 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. The Personnel Committee is now tasked with monitoring and assessing the company's B-BBEE targets and scores.

National Investment Committee

The National Investment Committee considers investments with large exposures, the sale of assets, and participation in property development projects beyond the delegated powers of executive management. It is also mandated to monitor performance on projects in which the company has invested.

Company Secretary and Compliance Governance

The role of the company secretary is to guide the board on discharging its duties and responsibilities. The company secretary oversees directors' training and development, and assists the chairman and managing director with the orientation and induction of new directors.

BUSINESS PARTNERS LIMITED (SA) Stratification of investments

Investment portfolio composition as at 31 March 2010



7,8%	0 - 500 000
14,3%	500 000 - 1 000 000
33,6%	1 000 000 - 2 500 000
44,3%	more than 2 500 000

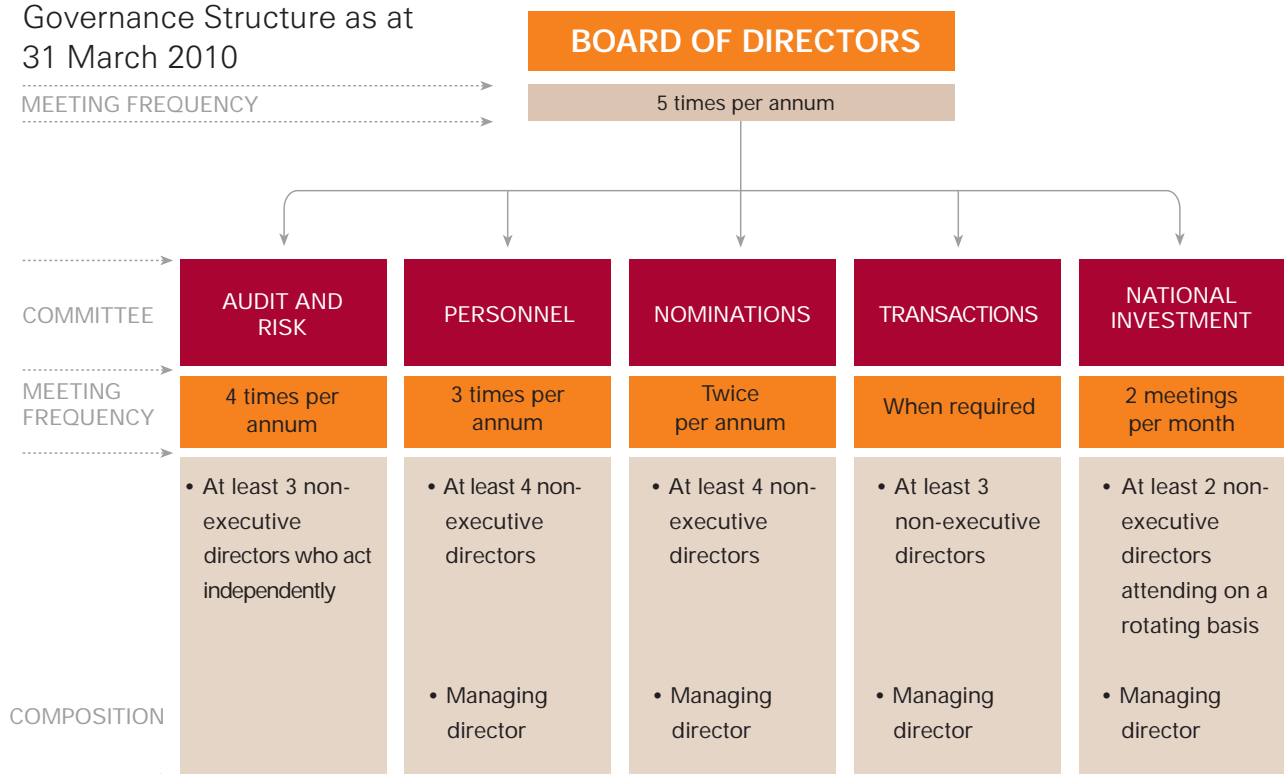
Corporate Governance

The compliance function is considered to be a valuable aspect of good corporate governance. The company secretary monitors the legal and regulatory environment, and keeps the board abreast of relevant changes to legislation. He or she also provides training and advice, and ensures compliance with applicable legislation and regulations within the company.

All directors have access to the company secretary as a central source of guidance and assistance, as well as to independent professional advice at the company's expense in appropriate circumstances.



Governance Structure as at 31 March 2010





INVESTING IN

SMEs

ON AN ECONOMICALLY
SUSTAINABLE BASIS

Enterprise Risk Management

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.

The company has a well-established internal audit division, the purpose of which is formally defined in the Internal Audit Charter. The Charter is consistent with the Institute of Internal Auditors' Standards of Professional Practice for Internal Auditing, and the operating activities

of the division are governed by a risk-based audit plan. The Internal Audit Charter and Internal Audit Plan are 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 to cover all mandated issues
- ensure effective communication of the company's ethics to all employees, allowing for continual compliance and related training

Corporate Governance

- provide mechanisms for monitoring adherence to the code

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

Enterprise Risk Management

Enterprise risk management (ERM) is a process effected by a legal 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 an 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 the company's risk strategy formulation, risk methodologies and risk assessments, and reinforces its commitment to sound risk management.

Risk management is an intrinsic aspect of Business Partners' strategic and business procedures. The management of the company, led by the Managing Director, is responsible and accountable for risk

"BPI'S FINANCING TERMS ARE VERY FRIENDLY AND FLEXIBLE, UNLIKE OTHER FINANCIAL INSTITUTIONS I HAD APPROACHED. I WAS PARTICULARLY IMPRESSED AND ENCOURAGED BY BPI'S FRIENDLY AND PERSONALISED ATTENTION AND ADVICE TO INDIVIDUAL CLIENTS."

John Kinuthia – Heritage Foods Kenya Limited, Kenya



management, and it is the responsibility of all staff to practice risk management in their day-to-day activities.

The ERM methodology at 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

Risks

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

It is the responsibility of the board to decide on the company's appetite for risk, and its ability to bear the consequences of the risk it accepts. In the process of identifying risk, the board considers materiality, insurance and retention levels. The management of these risks requires that they be clearly identified, and that appropriate policies and procedures be put in place to mitigate them.

The risk identification process is undertaken periodically by each business unit to assess the risks that may impact on the company's objectives.

Internal Audit

Internal Audit adheres to a risk-based approach in its planning, and continuously monitors business performance and risk. The internal audit plan includes a thorough assessment of the strategic, financial, information technology, human resources, environmental and other general issues that could endanger the operations of the company. Regular audits are performed as per the audit plan to assure management and the board of the effectiveness of the company's control environment. An annual assessment of the effectiveness of the company's system of internal control, performance and risk management is also compiled for the board.

Quality management system

Business Partners has adopted a policy of total quality management (TQM), which conforms to the ISO 9001:2008 standard for quality management systems.

This means that Business Partners adheres to the following eight principles of ISO 9001:2008:

- 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.

Reviews

Process owners are responsible for monitoring the quality of processes against set standards, and there are many tools to assist them in this regard.

All business units have appointed Internal Quality Assurance Officers, who regularly check the quality of the products (the end results of the process) against the set standards.

There are also annual reviews by an accredited external firm to verify that the company is adhering to ISO 9001:2008 standards.

attention



Broad-Based Black Economic Empowerment

Business Partners subscribes to and embraces both 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) as developed by the Department of Trade and Industry (the dti).

The role Business Partners plays in broadening the economic empowerment of all South Africans has increasingly been recognised both locally and abroad. Sustainable risk-based investment in SMEs is recognised as an effective and efficient creator of employment, economic independence and wealth.

A healthy and vibrant SME sector and the ancillary benefits that result from the economic activity and economic multipliers, are recognised to be not only an eradicator of poverty, but also as an important enabler for other development initiatives, such as healthcare and education.

The B-BBEE Codes have however succeeded in challenging Business Partners to expand and broaden its empowerment approach, as well as enhancing the focus to initiatives already undertaken.

The results of all Business Partners initiatives were managed, monitored and measured, and verified by Empowerdex, an accredited B-BBEE Verification Agency. A B-BBEE score of 65 percent was attained, conferring a Level 4 contributor status on Business Partners, with exceptional performance being recorded in the Procurement,

Enterprise Development and Socio-Economic Development elements.

Given the B-BBEE score and Business Partners' classification as a Value Adding Supplier, any business procuring goods and services from Business Partners can claim 125 percent recognition for such procurement.

SUCCESS

"SUPPORT FROM BUSINESS PARTNERS, OUR FLAMING ENTHUSIASM AND OUR ETERNAL GRATITUDE – THOSE ARE THE QUALITIES THAT MAKE OUR BUSINESS A SUCCESS."

Kgomotso Shiluvne – **Lunghile Nursing School and Agency, Johannesburg**



Value Added Statement

	2010 R000	%	2009 R000	%
Value Added				
Interest received, rent charged and other income	467 128		528 808	
Less: paid to suppliers	(204 769)		(202 298)	
Total wealth created	262 359	100,0%	326 510	100,0%

Distributed as follows:

Employees	105 346	40,2%	108 859	33,3%
Salaries, wages and contributions	105 346	40,2%	108 859	33,3%
Government	58 416	22,2%	84 403	25,9%
Income tax, capital gains tax and secondary tax on companies	21 886	8,3%	38 361	11,7%
Employee taxes	27 606	10,5%	37 440	11,5%
Skills development levies	1 053	0,4%	1 201	0,4%
Value added tax	7 871	3,0%	7 401	2,3%
Shareholders	25 910	9,9%	37 667	11,5%
Shareholders for dividend	25 910	9,9%	37 667	11,5%
Retentions to support future operations	72 687	27,7%	95 581	29,3%
Depreciation	4 014	1,5%	2 938	0,9%
Income retained	68 673	26,2%	92 643	28,4%
	262 359	100,0%	326 510	100,0%

Group Value Added Statement

2010

2009



40,2%	■	Employees	■	33,3%
22,2%	■	Government	■	25,9%
9,9%	■	Shareholders	■	11,5%
27,7%	■	Future Operations	■	29,3%



Financial Statements

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 48 to 87, 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.

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 have no reason to believe that all representations made to the independent auditors during their audit were not valid and appropriate. The audit report of PricewaterhouseCoopers Incorporated is presented below.

The financial statements were approved by the Board of Directors on 19 May 2010 and are signed on its behalf.



T van Wyk
Deputy Chairman



N Martin
Managing Director

Independent auditor's report to the members of Business Partners Limited

We have audited the group annual financial statements and annual financial statements of Business Partners Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2010, and consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 48 to 87.

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 consolidated and separate financial position of Business Partners Limited as at 31 March 2010, and its consolidated and separate financial performance and its consolidated and separate 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

31 May 2010

Directors' Report

for the year ended 31 March 2010

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 428 (2009: 607) investment projects (excluding investment properties) amounting to R753,8 million (2009: R934,2 million) were approved for investment at an average investment amount of R1 761 000 (2009: R1 539 000). Business Partners follows a risk based investment approach by structuring the majority (85,0 percent (2009: 64,9 percent)) of its investments with equity and royalty instruments. An equity stake was obtained in 109 projects (2009: 101 projects) at an average investment amount of R3,1 million (2009: R2,8 million). Business Partners manages a portfolio of industrial and commercial properties with a lettable area totalling more than 475 000 m² (2009: 634 000 m²), providing business premises to more than 2 165 (2009: 3 370) 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 R94,6 million, (2009: R130,3 million), a decrease of R34,8 million compared to the previous year. The 26,7 percent decrease in net profit is primarily the result of the global recessionary economic conditions which adversely affected Business Partners and its clients.

The consequent increased write-offs of and impairments on business investments negatively impacted upon the Company's profits. The decrease in interest rates adversely affected revenue.

The business investment portfolio is continuously analysed, utilising a range of risk management and control measures, to ensure that risks are identified and adequately provided for.

During the period under review, net bad debts amounting to R79,4 million (2009: R97,5 million) were written off. The recovery of bad debts written off amounted to R10,0 million (2009: R15,9 million).

4. Events subsequent to the balance sheet date

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

5. Share capital and reserves

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

6. Dividend

Dividend cover for the year equals 5,1 times. The dividend policy aims to ensure at least a four times cover for the dividend, after evaluating the nature and quality of the profit for the year.

A cash dividend of 11 cents per share in respect of the 2010 financial year (2009: 15 cents) was declared on 19 May 2010, payable on or about 13 August 2010 to all shareholders registered in the share register at the close of business on 3 August 2010.

7. Earnings per share

Earnings per share decreased to 54,8 cents (2009: 75,9 cents) based on 172,7 million weighted number of shares in issue. Diluted earnings per share decreased to 53,5 cents (2009: 73,7 cents). Headline earnings per share decreased to 34,6 cents (2009: 54,6 cents). Diluted headline earnings per share decreased to 34,1 cents (2009: 53,2 cents). For more information refer to notes 11 and 22 in the financial statements.

8. Directors' remuneration and interest

Details of the directors' remuneration are set out in note 27 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 33 of the annual report.

Directors' Report

for the year ended 31 March 2010

10. Directors

10.1 The Directors of the Company on the 31st of March 2010 were:

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

Mr JP Rupert (Chairman)
Mr T van Wyk (Deputy Chairman)
Mr JW Dreyer
Mr GG Gomwe #
Mr F Meisenholl
Mr SA Molepo
Dr ZZR Rustomjee

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

Mr DR Geeringh
Dr P Huysamer
Dr E Links
Ms ZJ Matlala
Mr D Moshapolo
Mr SST Ngcobo*

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

Mr N Martin (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
Mr JW Dreyer	Appointed	Article 13.4	19 May 2009
Mr XGS Sithole	Resigned	Article 13.4	20 July 2009
Mr SA Molepo	Appointed	Article 13.4	20 July 2009
Mr P Baum	Retired	Article 13.4	24 July 2009
Mr GG Gomwe #	Appointed	Article 13.4	31 July 2009
Mr DR Geeringh	Retired	Article 13.2	04 August 2009
	Re-appointed	Article 13.2	04 August 2009
Dr P Huysamer	Retired	Article 13.2	04 August 2009
	Re-appointed	Article 13.2	04 August 2009
Dr MA Ramphela	Resigned	Article 13.2	04 December 2009
Mr SST Ngcobo*	Retired as alternate director	Article 17	23 February 2010
	Appointed	Article 13.2	23 February 2010

Zimbabwean

* Appointed by directors, subject to ratification by shareholders at next general or annual general meeting

11. Company Secretary

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

12. Auditors

The Audit and Risk Committee nominated PricewaterhouseCoopers Incorporated and Mr JH Cloete as the individually 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.

13. 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 our sincere appreciation to Messrs Xola Sithole and Philip Baum and Dr Mamphela Ramphela for their committed and loyal service during their tenure as directors of Business Partners. To the entire staff of Business Partners, we express our gratitude for their loyalty, commitment and hard work in pursuance of the objectives of the Company.



T van Wyk
Deputy Chairman
19 May 2010



N Martin
Managing Director

Certificate by the Company Secretary

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



Ms CM Gerbrands
Company Secretary
19 May 2010

Audit and Risk Committee Report

Set out below is the Audit and Risk Committee's report in terms of section 270A(1)(f) of the Companies Act 61 of 1973, as amended, ("the Companies Act").

The Audit and Risk Committee has been constituted in accordance with applicable legislation and regulations. The committee members are all non-executive directors of the Company who act independently. Six committee meetings were held during the year, of which two were special meetings. A detailed report on the activities of the committee is contained in the Corporate Governance section of this report.

The members of the committee fulfilled all their functions during the financial year as prescribed by the Companies Act and the committee reports as follows:

- The committee has satisfied itself that the external auditors are independent of the Group.
- The appointment of the external auditor complies with the Companies Act and with all other legislation relating to the appointment of external auditors.
- The auditors' terms of engagement and fees have been determined.
- The nature and extent of non-audit services have been defined and pre-approved and the non-audit services provided by external auditors have been reviewed to ensure that the fees for such services do not become so significant as to call into question the independence of the external auditors.
- As at the date of this report, no complaints have been received relating to accounting practices and internal audit of the Group or to the content or auditing of the Group's financial statements, or to any related matter.



DR Geeringh
Chairman: Audit and Risk Committee
19 May 2010

Statement of financial position

as at 31 March

		Group		Company	
		2010 R000	2009 R000	2010 R000	2009 R000
Notes					
Assets					
Non-current assets		2 297 850	2 029 619	2 186 948	1 926 972
Investment properties	2	517 120	448 544	443 282	387 411
Business investments	3	1 518 331	1 455 856	1 511 048	1 454 556
Investments in associates	4	73 910	59 790	1 874	1 870
Property and equipment	5	85 272	28 613	3 643	3 840
Investments in subsidiaries	6	-	-	123 884	44 460
Deferred tax asset	7	-	15 083	-	13 102
Defined benefit pension fund surplus	14	103 217	21 733	103 217	21 733
Current assets		357 665	329 782	340 050	309 017
Short-term portion of business investments	3	314 396	284 762	312 227	284 762
Inventories and assets held for resale	8	1 346	457	1 346	457
Accounts receivable		18 348	18 988	18 053	16 404
Deposits and bank balances	9	23 575	24 832	8 424	4 101
Current tax asset		-	743	-	3 293
Total assets		2 655 515	2 359 401	2 526 998	2 235 989
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent		2 297 341	2 169 364	2 181 393	2,069,192
Share capital	11	178 835	178 835	178 835	178 835
Treasury shares	11	(15 978)	(15 984)		
Fair value and other reserves	12	75 579	18 429	72 763	15 265
Retained earnings		2 058 905	1 988 084	1 929 795	1 875 092
Minority interest		1 880	961		
Non-current liabilities		226 252	52 539	226 604	51 480
Borrowings	13	159 336	1 349	158 842	289
Post-retirement medical aid obligation	14	54 661	51 190	54 661	51 191
Deferred tax liability	7	12 255	-	13 101	-
Current liabilities		130 042	136 537	119 001	115 317
Borrowings	13	58 564	58 866	58 564	58 866
Accounts payable		33 413	37 979	22 823	18 011
Provisions	15	37 152	39 641	36 017	38 389
Current tax liability		873	-	1 557	-
Shareholders for dividend		40	51	40	51
Total liabilities		356 294	189 076	345 605	166 797
Total equity and liabilities		2 655 515	2 359 401	2 526 998	2 235 989

Statement of comprehensive income

for the year ended 31 March

		Group		Company	
		2010	2009	2010	2009
		R000	R000	R000	R000
		Notes			
Revenue	16	363 493	423 700	349 566	409 627
Other operating income	17	77 906	67 119	72 210	66 442
Operating expenses	18	(316 241)	(337 930)	(302 203)	(325 745)
Profit from operations	20	125 158	152 889	119 573	150 324
Finance cost		(14 392)	(1 524)	(14 388)	(974)
Income from associated companies		15 711	22 123		
Profit before taxation		126 477	173 488	105 185	149 350
Tax expense	21	(30 975)	(43 089)	(23 657)	(36 050)
Net profit		95 502	130 399	81 528	113 300
Other comprehensive income:					
Actuarial gain / (loss) on defined benefit pension fund		57 841	(62 593)	57 841	(62 593)
Actuarial gain / (loss) on post-retirement medical aid obligation		(402)	1 258	(402)	1 258
Net gain / (loss) on post-retirement benefits		57 439	(61 335)	57 439	(61 335)
Fair value adjustments of available for sale instruments		59	(95)	59	(95)
Share of other comprehensive income of associates		729	-		
Foreign currency translation reserve		(1 077)	1 898		
Other comprehensive income net of tax		57 150	(59 532)	57 498	(61 430)
Total comprehensive income		152 652	70 867	139 026	51 870
Net profit attributable to:					
Equity holders of the parent		94 583	130 310	81 528	113 300
Minority interest		919	89		
		95 502	130 399	81 528	113 300
Total comprehensive income attributable to:					
Equity holders of the parent		151 733	70 778	139 026	51 870
Minority interest		919	89		
		152 652	70 867	139 026	51 870
Basic earnings per share		54,8	75,9		
Diluted basic earnings per share		53,5	73,7		
Headline earnings per share		34,6	54,6		
Diluted headline earnings per share		34,1	53,2		

Statement of changes in equity

for the year ended 31 March

		Attributable to equity holders of the parent			Minority interest R000	Total R000
		Share capital R000	Fair value and other reserves R000	Retained earnings R000		
	Notes					
Group						
Balance at 1 April 2008		158 862	77 961	1 895 441	872	2 133 136
Share options taken up		3 989				3 989
Total comprehensive income for the period			(59 532)	130 310	89	70 867
Net profit				130 310	89	130 399
Other comprehensive income			(59 532)			(59 532)
Dividend	23			(37 667)		(37 667)
Balance at 31 March 2009		162 851	18 429	1 988 084	961	2 170 325
Balance at 1 April 2009		162 851	18 429	1 988 084	961	2 170 325
Share options taken up		6				6
Movement in share of associates				2 148		2 148
Total comprehensive income for the period			57 150	94 583	919	152 652
Net profit				94 583	919	95 502
Other comprehensive income			57 150			57 150
Dividend	23			(25 910)		(25 910)
Balance at 31 March 2010		162 857	75 579	2 058 905	1 880	2 299 221
Company						
Balance at 1 April 2008		178 835	76 695	1 801 136		2 056 666
Total comprehensive income for the period			(61 430)	113 300		51 870
Net profit				113 300		113 300
Other comprehensive income			(61 430)			(61 430)
Dividend	23			(39 344)		(39 344)
Balance at 31 March 2009		178 835	15 265	1 875 092		2 069 192
Balance at 1 April 2009		178 835	15 265	1 875 092		2 069 192
Total comprehensive income for the period			57 498	81 528		139 026
Net profit				81 528		81 528
Other comprehensive income			57 498			57 498
Dividend	23			(26 825)		(26 825)
Balance at 31 March 2010		178 835	72 763	1 929 795		2 181 393

Cash flow statement

for the year ended 31 March

		Group		Company	
		2010 R000	2009 R000	2010 R000	2009 R000
		<hr/>			
Cash flow from operating activities					
		399 641	460 278	384 285	436 851
		(237 584)	(244 545)	(224 389)	(240 588)
		<hr/>			
		162 057	215 733	159 896	196 263
		(14 392)	(1 524)	(14 388)	(974)
		<hr/>			
		(20 270)	(62 919)	(14 964)	(59 818)
		<hr/>			
		(25 921)	(37 629)	(26 836)	(39 306)
		<hr/>			
		101 474	113 661	103 708	96 165
		<hr/>			
Cash flow from investing activities					
		(45 856)	(71 478)	(33 719)	(58 509)
		(2 437)	(3 289)	(2 177)	(1 084)
		<hr/>			
		170	2 400	170	2 400
		132	37	124	37
		<hr/>			
		(451 004)	(636 563)	(442 247)	(636 563)
		220 711	294 888	278 108	294 950
				(79 424)	(1 628)
		15 904	23 794	15 288	21 219
		2 081	5 056	6 408	7 871
		<hr/>			
		(260 299)	(385 155)	(257 519)	(371 307)
		<hr/>			
Cash flow from financing activities					
		189 876	709	190 442	-
		<hr/>			
		189 876	709	190 442	-
		<hr/>			
		31 051	(270 785)	36 631	(275 142)
		(34 034)	236 751	(54 765)	220 377
		<hr/>			
		(2 983)	(34 034)	(18 134)	(54 765)
		<hr/>			

Notes to the financial statements

for the year ended 31 March

1. 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, unless otherwise stated.

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 New and amended statements adopted

The Company has adopted the following new and amended South African Statements of Generally Accepted Accounting Practice:

AC101 Presentation of Financial Statements - Revised. The changes made to AC 101 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. As a result, the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been amended.

Amendments to AC144 - Financial Instruments disclosures: Improving Disclosures about Financial Instruments. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

1.3 Group accounting

1.3.1 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 inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

The latest available audited financial information is used to consolidate the results of subsidiary companies.

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

Notes to the financial statements

for the year ended 31 March

1.3.2 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-acquisition 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 makes payments on behalf of the associates. The latest audited financial statements are utilised to determine the share of the associated company earnings.

1.3.3 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.

1.4 Foreign currencies

1.4.1 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).

1.4.2 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.

1.5 Financial instruments

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

Notes to the financial statements

for the year ended 31 March

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

Investments which the Company intends to hold for an indefinite period of time, but which may be sold in response to market opportunities, are classified as available for sale. The investments are initially recognised, at trade date, and subsequently measured against 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 or 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, using the effective interest rate method.

Impairment of loans and receivables:

Specific impairments

The Company determines whether a financial asset or group of financial assets is impaired by assessing whether objective evidence is presented that one or more loss events occurred after the initial recognition of the assets that can or will impact the expected cash flows resulting from the financial asset or group of financial assets in the future.

The portfolio of investments is classified into different risk classes which are determined by the application of various risk criteria. Meeting these criteria is accepted as objective evidence that an impairment event has occurred in the specific investment. The criteria for assessing the investment's performance in meeting its repayment obligations are as follows:

- A. Investments with no arrears
- B. Amount in arrears for 30 days is less than the repayment required or value of instalment

- C. Amount in arrears for 60 days is less than the repayment required or value of instalment
- D. Amount in arrears for 30 days is greater than value of instalment
- E. Amount in arrears for 30 days with no planned instalments on account
- F. Dishonored payments occurring in the preceding six months
- G. Informal sector loans
- H. Investments under legal control

In addition to the assessment of repayment performance, a qualitative assessment is performed to identify other specific indicators of impairment. The following events are considered to be indicative of impairment:

- the loss of big contracts
- labour unrest, litigation or unresolved issues
- legal actions being undertaken by other parties against the client
- entrance of a new competitor
- conflict between partners in the business
- shareholders' meetings that are cancelled and which have not been held for a long time
- the sensitivity of revenue to fluctuations in the exchange rate
- input costs materially affected by high commodity prices or high resource prices

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

- The probability of a loss giving default occurring for the risk classification applicable to each investment, which ranges from 0 percent to 80 percent.
- The time period required from the date of assessment to the point in the future when cash flows are expected from a specific investment. The period is estimated to be 18 months on average. The cash flows are discounted to the current date over the expected period at a discount rate equal to the rate of return expected from the specific investment.
- An impairment loss is recognised for the amount by which the carrying value of the investment exceeds the discounted future cash flows. Impairment losses are accounted for in the income statement.

Notes to the financial statements

for the year ended 31 March

Collective assessment of an investment class

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

Renegotiated loans

Renegotiated loans are those loans whose terms of repayment have been renegotiated and changed, and are no longer considered to be past due as a result of the renegotiated terms.

Disclosure about financial instruments to which the Company is a party is provided in note 10 to the annual financial statements.

1.6 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 value are recorded in the income statement and reported as other operating income.

Properties to be disposed of are valued in terms of the above principles but are influenced by market offers received. Leased properties are reflected at original capital cost less depreciation.

1.7 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 ranges from between 25 to 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.

1.8 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.

1.9 Trade receivables

Trade receivables are carried at anticipated realisable value and consist mainly of rent receivable and interest accrued. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.10 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. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements

for the year ended 31 March

1.11 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 bank overdraft.

1.12 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.

1.13 Employee benefits

1.13.1 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.

Defined Benefit Pension Fund

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 full in the statement of comprehensive income and reflected in equity.

Defined Contribution Pension Fund

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.

1.13.2 Post-retirement medical aid obligations

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

Notes to the financial statements

for the year ended 31 March

1.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

The current tax charge is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred 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.

1.15 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.

1.16 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.

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

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

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

1.17 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 in 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, the historical loss experience is adjusted to reflect current economic conditions, as well as changes in the emergence period for evidence of impairment to be identified and reported.

Notes to the financial statements

for the year ended 31 March

Group		Company	
2010 R000	2009 R000	2010 R000	2009 R000
448 544	357 469	387 411	307 371
45 856	71 478	33 719	58 509
(4 192)	(1 950)	(169)	(1 950)
(99)	(99)	(99)	(99)
27 011	21 646	22 420	23 580
517 120	448 544	443 282	387 411

2. Investment properties

Fair value – beginning of year
Acquisitions
Disposals
Depreciation on leasehold property
Fair value adjustment
Fair value – end of year

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% (2009: 10% and 16%)
- Vacancy factors varied between 0% and 15% (2009: 0% and 15%)
- Property maintenance and expenses varied between 11% and 33% of total rent (2009: 10% and 39%)

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

– Rental income	82 497	69 035	62 714	56 522
– Repairs and maintenance expenses	11 623	7 626	8 556	5 651
– Other operating expenses	34 174	28 012	25 356	21 460

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

3. Business investments

Investment in <i>En Commandite</i> partnerships (refer note 3.1)	17 147	17 338	20 485	16 645
Financial instruments - fair value adjusted to equity (refer note 3.2)	312	592	312	592
Loans and receivables (refer note 3.3)	1 815 268	1 722 688	1 802 478	1 722 081
Less: Short-term portion	(314 396)	(284 762)	(312 227)	(284 762)
Carrying value of business investments	1 518 331	1 455 856	1 511 048	1 454 556

3.1 Investment in *En Commandite* partnerships

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

The Company entered into an *En Commandite* partnership in February 2006 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 accordance with specifications of the partnership agreements. Future investments by the Company in the partnerships are disclosed in note 24.

Notes to the financial statements

for the year ended 31 March

3.2 Financial instruments - fair value adjusted to equity

Fair value – beginning of year
Disposals
Fair value (loss) / surplus transferred to equity
Fair value – end of year

Group		Company	
2010 R000	2009 R000	2010 R000	2009 R000
592	1,085	592	1,085
(361)	(447)	(361)	(447)
81	(46)	81	(46)
312	592	312	592

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 rates which are representative of the risk of the investment and the quality and quantum of the collateral available. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity that vary between 8,5 percent and 26,0 percent.

Gross interest bearing loans

Less: allowance for impairment

1 893 383	1 798 947	1 880 456	1 798 947
(154 364)	(138 000)	(153 538)	(138 000)
1 739 019	1 660 947	1 726 918	1 660 947

The amortised cost of the interest bearing loans approximates fair value, as the loans are priced at variable, market related rates

Shareholders' loans

These loans are unsecured, and are priced at interest rates between 0 percent and 11,5 percent. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity equal to the prime rate at the date of approval of the loan. Fair value at initial recognition is determined with reference to quoted market interest rates. Should information regarding the repayment terms not be available, the loan is recognised at cost.

Gross shareholders' loans

Less: allowance for impairment

62 107	50 914	61 754	50 270
(9 322)	(6 750)	(9 305)	(6 704)
52 785	44 164	52 449	43 566

The amortised cost of the loans to shareholders approximates fair value.

Notes to the financial statements

for the year ended 31 March

Group		Company	
2010	2009	2010	2009
R000	R000	R000	R000

Royalty agreements

The cash flows expected from royalty agreements are determined by adjusting the contracted royalty payments with a risk factor.

These expected future royalty payments are initially measured at fair value and then measured at amortised cost by applying a discount rate equal to the expected return from the investment linked to the royalty agreement. The rates vary between 1,0 percent and 14,5 percent. The amortised cost of royalty agreements approximates fair value.

22 764	16 375	22 420	16 375
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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 10 percent.

Gross staff loans

Less: allowance for impairment

924	1 433	915	1 424
(224)	(231)	(224)	(231)
700	1 202	691	1 193

The amortised cost of the loans to staff approximates fair value.

Total for loans and receivables

1 815 268	1 722 688	1 802 478	1 722 081
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The Company accepted mortgage and notarial bonds at fair value of R1 755,4 million (2009: R1 344,4 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.

The Company has ceded contingent rights to its loan book as security for a bank overdraft facility of R100 million (refer note 13).

Notes to the financial statements

for the year ended 31 March

Reconciliation of allowance account for impairment on loans and receivables

Group

	Interest bearing loans R000	Shareholders' loans R000	Staff loans R000	Total R000
At 1 April 2008	99 467	5 711	343	105 521
Increase in allowance (new investments)	36 411	214	-	36 625
Impairment reversed on investments written off / repaid	(47 101)	(328)	-	(47 429)
Increase in allowance during the year (existing investments)	64 576	2 714	-	67 290
Decrease in allowance during the year (existing investments)	(15 353)	(1 561)	(112)	(17 026)
At 31 March 2009	138 000	6 750	231	144 981
At 1 April 2009	138 000	6 750	231	144 981
Increase in allowance (new investments)	23 265	72	-	23 337
Impairment reversed on investments written off / repaid	(39 137)	(120)	-	(39 257)
Increase in allowance during the year (existing investments)	62 193	3 594	-	65 787
Decrease in allowance during the year (existing investments)	(29 957)	(974)	(7)	(30 938)
At 31 March 2010	154 364	9 322	224	163 910

Company

At 1 April 2008	99 466	5 359	343	105 168
Increase in allowance (new investments)	36 411	214	-	36 625
Impairment reversed on investments written off / repaid	(47 100)	(324)	-	(47 424)
Increase in allowance during the year (existing investments)	64 576	2 714	-	67 290
Decrease in allowance during the year (existing investments)	(15 353)	(1 259)	(112)	(16 724)
At 31 March 2009	138 000	6 704	231	144 935
At 1 April 2009	138 000	6 704	231	144 935
Increase in allowance (new investments)	22 439	72	-	22 511
Impairment reversed on investments written off / repaid	(39 137)	(120)	-	(39 257)
Increase in allowance during the year (existing investments)	62 193	3 594	-	65 787
Decrease in allowance during the year (existing investments)	(29 957)	(945)	(7)	(30 909)
At 31 March 2010	153 538	9 305	224	163 067

Notes to the financial statements

for the year ended 31 March

Group		Company	
2010	2009	2010	2009
R000	R000	R000	R000

4. Investments in associates

Audited financial statements are used to account for the share of associated company earnings. For those associates for which audited financial accounts are not available, an estimation is made of the associated company's earnings. For the current year the estimated earnings amounted to R1,6 million before tax. A register containing details of all listed, unlisted and other investments is available at the registered office.

Unlisted shares at cost	3 675	3 675	1 874	1 870
Share of retained earnings	70 235	56 115		
Total for unlisted associates	73 910	59 790	1 874	1 870

Directors' valuation of the investment in associates

129 851	126 698	129 023	125 083
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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	59 790	44 231	1 870	1 868
Share of results before tax	15 711	22 123		
Share of tax	(4 111)	(3 674)		
Other movements (net of acquisitions and disposals)	2 520	(2 890)	4	2
At end of year	73 910	59 790	1 874	1 870

The Company has investments in 568 associates, a list of which is available at the corporate office for inspection. The detail of the Company's investment in associates, principally their assets, liabilities, revenues, profits or losses and the percentage held is not disclosed as the majority of these investments are not individually material to the results of the Group.

5. Property and equipment

5.1 Equipment

Cost – beginning of year	20 401	24 297	20 244	24 197
Acquisitions	2 188	1 147	2 177	1 084
Disposals	(765)	(5 043)	(743)	(5 037)
Cost – end of year	21 824	20 401	21 678	20 244
Accumulated depreciation – beginning of year	(16 471)	(19 228)	(16 404)	(19 197)
Depreciation charged	(2 397)	(2 286)	(2 363)	(2 244)
Depreciation on disposals	743	5 043	732	5 037
Accumulated depreciation – end of year	(18 125)	(16 471)	(18 035)	(16 404)
Closing net book amount	3 699	3 930	3 643	3 840

Notes to the financial statements

for the year ended 31 March

	Group		Company	
	2010 R000	2009 R000	2010 R000	2009 R000
5.2 Land and buildings				
Cost – beginning of year	26 645	24 503		
Additions	59 899	-		
Improvements	248	2 142		
Disposals	(2 058)	-		
Cost – end of year	84 734	26 645		
Accumulated depreciation – beginning of year	(1 962)	(1 409)		
Depreciation charged	(1 518)	(553)		
Depreciation on disposals	319	-		
Accumulated depreciation – end of year	(3 161)	(1 962)		
Closing net book amount	81 573	24 683		
Total net book amount for property and equipment	85 272	28 613	3 643	3 840

6. Investments in subsidiaries

Unlisted shares at cost	6	6
Interest free loans	83 671	49 571
Interest bearing loans	45 325	-
Provisions	(5 118)	(5 117)
	123 884	44 460

During the year a loan was made available to Business Partners Properties 002 (Pty) Ltd to enable it to purchase a property. The loan is for 5 years and interest is charged at prime minus 1,0%.

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

Profits	16 951	9 658
Losses	(850)	(265)

The details of the subsidiaries are disclosed in note 29.

Notes to the financial statements

for the year ended 31 March

Group		Company	
2010	2009	2010	2009
R000	R000	R000	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% (2009: 28%).

The movement on the deferred tax account is as follows:

At beginning of the year	15 083	(7 752)	13 102	(9 851)
Income statement charge:				
– Provisions	2 772	3 826	2 235	3 371
– Fixed assets	(4 928)	(4 517)	(3 532)	(3 546)
– Fair value adjustments: financial instruments	(3 192)	724	(2 437)	742
– Assessed losses	479	416	-	-
– Dividends received after the dividend cycle	(109)	(1 503)	(109)	(1 503)
Fair value and other reserves charge	(22 360)	23 889	(22 360)	23 889
At end of the year	(12 255)	15 083	(13 101)	13 102

Deferred tax assets / (liabilities) consist of temporary differences relating to:

Provisions	44 648	41 720	43 096	40 703
Fixed assets	(29 526)	(24 599)	(25 473)	(21 940)
Fair value adjustments: financial instruments	(2 751)	142	(2 013)	125
Assessed losses	4 085	3 606	-	-
Dividends received after the dividend cycle	190	299	190	299
Defined benefit pension fund surplus	(28 901)	(6 085)	(28 901)	(6 085)
Net deferred tax (liability) / asset	(12 255)	15 083	(13 101)	13 102

8. Inventories and assets held for resale

Repossessioned properties – at lower of cost or net realisable value	1 331	426	1 331	426
Other – at cost	15	31	15	31
	1 346	457	1 346	457

9. Deposits and bank balances

Bank current accounts	23 575	24 832	8 424	4 101
Cash and cash equivalents for the purpose of the cash flow statement include the following:				
Deposits and bank balances	23 575	24 832	8 424	4 101
Bank overdraft (refer note 13.1)	(26 558)	(58 866)	(26 558)	(58 866)
Cash and cash equivalents	(2 983)	(34 034)	(18 134)	(54 765)

Notes to the financial statements

for the year ended 31 March

10. Financial risk management

The Company's activities expose it to a variety of financial risks. The 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 a material 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.

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 management process

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 2 035 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 0,7 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 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.

Collateral

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

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

Notes to the financial statements

for the year ended 31 March

Group		Company	
2010	2009	2010	2009
R000	R000	R000	R000

10.1.3 Maximum exposure to credit risk

Credit risk exposure relating to on-balance sheet assets are as follows:

Loans and receivables

– Interest bearing loans

– Shareholders' loans

– Royalty agreements

– Staff loans

1 893 383	1 798 947	1 880 456	1 798 947
62 107	50 914	61 754	50 270
22 764	16 375	22 420	16 375
924	1 433	915	1 424
1 979 178	1 867 669	1 965 545	1 867 016

Credit risk exposure relating to off-balance sheet items are as follows:

– Financial guarantees

– Loan commitments and other credit related liabilities

5	457	5	457
149 128	242 359	149 128	242 359
2 128 311	2 110 485	2 114 678	2 109 832

The above table represents the maximum scenario of credit risk exposure to the Company at 31 March 2010 and 2009, without accounting for any collateral held or other credit enhancements attached.

An analysis of the Company's recognised credit exposure as categorised by industry sectors is as follows:

Construction	101 053	90 724	101 053	90 724
Financial Intermediation	591 397	511 741	591 388	511 732
Fishing	53 101	50 177	53 101	50 177
Horticulture, animal farming & forestry	20 714	17 664	20 714	17 664
Leisure	134 231	134 333	126 105	134 333
Manufacturing	317 725	323 590	317 373	322 946
Motor Trade	179 610	186 835	179 610	186 835
Personal Services	70 464	63 453	68 940	63 453
Quarrying	21 666	12 464	21 666	12 464
Retail	155 835	167 352	155 266	167 352
Transport & Communication	63 915	78 623	63 915	78 623
Travel and Tourism	213 645	187 921	213 645	187 921
Wholesale	55 822	42 792	52 769	42 792
	1 979 178	1 867 669	1 965 545	1 867 016

The Company holds investments in numerous geographic locations in South Africa. The credit risk assessment of an investment decision is not primarily based on geographic location, nor are the risk management initiatives in the post-investment phase influenced by the geographic location of non-performing investments.

Notes to the financial statements

for the year ended 31 March

10.1.4 Loans and receivables

Loans and receivables are summarised as follows:

Neither past due nor impaired

Past due but not impaired

Impaired

Gross

Less: allowance for impairment

Net

Group		Company	
2010	2009	2010	2009
R000	R000	R000	R000
1 379 039	1 307 035	1 366 111	1 306 382
43 141	58 344	43 141	58 344
556 998	502 290	556 293	502 290
1 979 178	1 867 669	1 965 545	1 867 016
(163 910)	(144 981)	(163 067)	(144 935)
1 815 268	1 722 688	1 802 478	1 722 081

The total allowance for impairment for loans and receivables is R163,9 million (2009: R145,0 million) of which R132,4 million (2009: R101,6 million) represents the individually impaired loans and the remaining amount of R31,5 million (2009: R43,4 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 applied by the Company as disclosed in the accounting policies.

Interest bearing loans

Shareholders' loans

Royalty agreements

Staff loans

1 307 637	1 246 385	1 295 415	1 246 385
47 994	43 145	47 641	42 501
22 764	16 375	22 420	16 375
644	1 130	635	1 121
1 379 039	1 307 035	1 366 111	1 306 382

Loans and receivables past due but not impaired

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

Interest bearing loans

Shareholders' loans

Royalty agreements

Staff loans

43 141	58 344	43 141	58 344
-	-	-	-
-	-	-	-
-	-	-	-
43 141	58 344	43 141	58 344

Fair value of collateral - interest bearing loans

37 965	46 751	37 965	46 751
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Upon initial recognition of loans and receivables, the fair value of collateral is based on valuation techniques used for the corresponding assets.

The aging of loans and receivables that were past due but not impaired at the end of the year did not exceed 30 days.

Notes to the financial statements

for the year ended 31 March

Group		Company	
2010	2009	2010	2009
R000	R000	R000	R000

Loans and receivables individually impaired

The individually impaired loans and receivables of the Group before taking into consideration the fair value of collateral held is R557,0 million (2009: R502,3 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 follows:

Interest bearing loans	542 605	494 218	541 900	494 218
Shareholders' loans	14 113	7 769	14 113	7 769
Royalty agreements	-	-	-	-
Staff loans	280	303	280	303
	556 998	502 290	556 293	502 290
Fair value of collateral held for interest bearing loans	310 950	244 208	310 819	244 208

Upon initial recognition of loans and receivables, the fair value of collateral is determined by applying valuation techniques similar to those used for the corresponding assets.

During the year, interest in the amount of R63,7 million earned on individually impaired loans was recognised in revenue.

Loans and receivables renegotiated

Restructuring activities include changes in, modifications to and the deferral of payments. Restructuring activities may also result in the establishment of a new contract with the client based on a comprehensive evaluation by management to consider the viability and appropriateness of the new investment.

Renegotiated loans and receivables at 31 March 2010 are as follows:

Interest bearing loans
Shareholders' loans

Group		Company	
Continue to be impaired R000	No longer impaired R000	Continue to be impaired R000	No longer impaired R000
28 706	14 292	28 706	14 292
1 387	-	1 387	-
30 093	14 292	30 093	14 292

Notes to the financial statements

for the year ended 31 March

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 and fair value adjustments (refer 10.4).

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 of the Company. The level of interest rates also determines the return on treasury funds, when applicable.

If the prime overdraft rate was one percent higher during the year, the Group's profit before tax would have been R144,4 million (2009: R191,4 million). Alternatively, if the interest rate was one percent lower the Group's profit before tax would have been R106,7 million (2009: R155,4 million).

10.2.2 Risk management process

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, as well as the effect of primed linked borrowings.

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 debt and day to day operations.

10.3.1 Risk management process

Prudent liquidity risk management implies maintaining sufficient cash resources through an adequate amount of committed credit facilities.

Monitoring and reporting take the form of cash flow measurements and projections for all key periods. Such cash flow projections takes into consideration the Company's debt obligations and covenant compliance as well as regulatory and legal requirements. The major cash outflows consist of investment advances, capital expenditure projects, salaries and wages payments, dividend payments and income tax payments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. These financial liabilities have not been discounted:

	Less than 1 year R000	Between 1 and 2 years R000	Between 2 and 5 years R000	Over 5 years R000
At 31 March 2010				
Borrowings (refer note 13.1)	74 863	48 304	116 877	30 213
Accounts payable	33 413			
Provisions	37 152			
Current tax liability	873			
At 31 March 2009				
Borrowings (refer note 13.1)	58 866			1 349
Accounts payable	37 979			
Provisions	39 641			

Notes to the financial statements

for the year ended 31 March

10.4 Fair values of financial assets and financial liabilities

The company uses the following fair value measurement hierarchy to measure the financial assets and liabilities that are carried at fair value on the balance sheet:

- Level 1: Quoted prices in active market for identical assets or liabilities
- Level 2: Inputs other than quoted prices included with level 1 that are observable
- Level 3: Inputs for the asset or liability that are not based on observable market data

	Level 1	Level 2	Level 3	Total Balance
The table below presents the Company's assets and liabilities that are measured at fair value at 31 March 2010:				
Assets				
Financial instruments - fair value adjusted to equity	312	-	-	312
Total assets	312	-	-	312

10.5 Capital management

The Company's objectives when managing capital 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

	Group		Company	
	2010 R000	2009 R000	2010 R000	2009 R000
The table below summarises the composition of capital:				
Share capital	178 835	178 835	178 835	178 835
Treasury shares	(15 978)	(15 984)		
Fair value and other reserves	75 579	18 429	72 763	15 265
Retained earnings	2 058 905	1 988 084	1 929 795	1 875 092
Total capital	2 297 341	2 169 364	2 181 393	2 069 192

11. Share capital

11.1 Authorised

400 000 000 ordinary shares of R1 each	400 000	400 000	400 000	400 000
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11.2 Issued

178 834 594 ordinary shares of R1 each	178 835	178 835	178 835	178 835
6 102 300 (2009: 6 104 400) treasury shares held by the share trust	(15 978)	(15 984)		
172 732 294 (2009: 172 730 194) ordinary shares	162 857	162 851	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 28).

Notes to the financial statements

for the year ended 31 March

12. Fair value and other reserves

Balance – beginning of year
Fair value adjustment to financial instruments (refer note 3.2)
Actuarial gains / (losses) – post-retirement medical aid
Actuarial gains / (losses) – defined benefit pension fund
Foreign currency translation reserve
Share of other comprehensive income of associates
Balance – end of year

Group		Company	
2010 R000	2009 R000	2010 R000	2009 R000
18 429	77 961	15 265	76 695
59	(95)	59	(95)
(402)	1 257	(402)	1 257
57 841	(62 592)	57 841	(62 592)
(1 077)	1 898	-	-
729	-	-	-
75 579	18 429	72 763	15 265

13. Borrowings

13.1 Non-current

Interest-free loans repayable by rebates on petrol purchases
Interest-bearing long term loans

173	289	173	289
159 163	1 060	158 669	-
159 336	1 349	158 842	289

Current

Short-term portion of interest bearing loans
Bank overdraft (refer note 9)

32 006	-	32 006	-
26 558	58 866	26 558	58 866
217 900	60 215	217 406	59 155

Interest bearing long term loans are secured by bonds over properties and incur interest at rates between prime minus 0,5% and prime minus 1,0%. The loans repayment terms are 5 and 10 years respectively. Refer note 10.3.1.

13.2 Borrowing powers

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

3 053 950	2 896 869
217 406	59 155

Total borrowings

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 and has been initiated for the year ended 31 March 2010. The report is expected in October 2010.

Notes to the financial statements

for the year ended 31 March

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 2010 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 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 130,8% (2009: 107,7%).

	2010 R000	2009 R000	2008 R000	2007 R000	2006 R000
The results of the valuation are as follows:					
Projected benefit obligation at beginning of year	281 875	278 774	259 209	235 769	176 285
Interest cost	26 613	27 191	22 864	20 047	20 603
Current service cost	10 540	10 813	9 696	9 619	8 369
Benefits paid	(23 564)	(35 382)	(17 435)	(13 736)	(10 062)
	13 589	2 622	15 125	15 930	18 910
Additional past service obligations	-	-	-	12 243	1 966
Actuarial (gains) / losses	1 214	479	4 440	(4 733)	38 608
Projected benefit obligation at end of year	296 678	281 875	278 774	259 209	235 769

The total value of the past service liabilities are made up as follows:

Active members	224 724	209 109	209 369	191 779	173 697
Pensioners	71 954	72 766	69 405	67 430	62 072
Total past service liability at end of year	296 678	281 875	278 774	259 209	235 769
Market value of assets at beginning of year	339 498	423 661	402 474	319 471	240 630
Expected return on assets	30 291	40 072	33 820	25 877	24 063
Actuarial gains / (losses)	75 268	(96 887)	(3 228)	62 576	58 421
Employer contributions	7 541	7 314	7 249	7 942	6 899
Member contributions	2 716	2 632	2 627	2 877	2 500
Benefits paid	(23 564)	(35 382)	(17 435)	(13 736)	(10 062)
Expenses and tax paid	(2 246)	(1 912)	(1 846)	(2 533)	(2 980)
Market value of assets at end of year	429 504	339 498	423 661	402 474	319 471

The principal actuarial assumptions used were:

Discount rate	9,6%	9,2%	9,7%	8,5%	8,1%
Expected rate of return on assets	9,6%	9,2%	9,7%	8,5%	8,1%
Expected future salary increases	7,0%	6,9%	7,9%	6,7%	6,2%
Expected average remaining working life	12,9	13,3	13,7	14,7	15,1

Notes to the financial statements

for the year ended 31 March

	2010 R000	2009 R000
The amounts recognised in the consolidated statement of comprehensive income are as follows:		
Interest cost	26 613	27 191
Current service cost	10 540	10 813
Expenses and tax paid	2 246	1 912
Expected return on plan assets	(30 291)	(40 072)
Total included in staff costs	9 108	(156)
Actuarial (gains) / losses	(74 054)	97 366
Total recognised in the statement of comprehensive income	(64 946)	97 210

The pension fund assets, as administered by three asset managers, are in accordance with prudential guidelines, and consist of the following asset classes:

Equity	318 949	258 866
Capital market	78 043	19 521
Money market	32 512	61 111
Market value of assets at end of year	429 504	339 498

It is anticipated, on a best estimate basis, that contributions to be paid to the pension fund will amount to R10,8 million (2009: R10,8 million) in the period 1 April 2010 to 31 March 2011. 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

In terms of the rules of the scheme as submitted and acknowledged by the FSB and as recorded by the Registrar of Pension Funds, the surpluses in the Fund are for the benefit of the employer, and are recognised as an asset on the balance sheet. The movement in the surplus relating to the provision of pensions is recognised under staff costs in the statement of comprehensive income. Actuarial gains or losses arising from the valuation of the past service liability and plan asset is recognised under other comprehensive income.

The Trustees established a Data Reserve and a Solvency Reserve amounting to R4,05 million (2009: R2,46 million) and R25,6 million (2009: R33,4 million) respectively. These reserves are deducted in the determination of the surplus. Movements in the reserves are accounted for as actuarial gains or losses under other comprehensive income.

Financial position of the Fund

Assets	429 504	339 498
Less Contingency reserves	(29 609)	(35 890)
Less Past service liabilities	(296 678)	(281 875)
Defined benefit pension fund surplus	103 217	21 733

The movement in the value of the surplus of R81,6 million (2009: R86,9 million) is reflected in the statement of comprehensive income.

Notes to the financial statements

for the year ended 31 March

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 post-retirement medical aid subsidy for all participants (pensioners and employees) increases annually by 89 percent of the Consumer Price Index. Accordingly, the main actuarial assumption used in determining the liability relates to the future movements in the Consumer Price Index. The inflation rate assumption for the current year was 4,9 percent (2009: 5,3 percent).

An investment return of 8,8 percent (2009: 9,9 percent) per annum was applied, and is based on the yield on the R186 government bond as at 31 March 2010 to which is added an additional risk premium of 1,25 percent. This yield is accepted as the equivalent yield on high quality corporate bonds.

	Group		Company	
	2010	2009	2010	2009
	R000	R000	R000	R000
The amounts recognised in the statement of comprehensive income are as follows:				
Interest cost	4 992	5 024	4 992	5 024
Current service cost	630	713	630	713
Total included in staff costs	5 622	5 737	5 622	5 737
Actuarial gains / (losses)	558	(1 745)	558	(1 744)
Total recognised in the statement of comprehensive income	6 180	3 992	6 180	3 993

Movement in liability recognised in the balance sheet

Liability accounted for at beginning of year	51 190	49 520	51 191	49 520
Benefits paid	(2 709)	(2 322)	(2 710)	(2 322)
Recognised in comprehensive income for the year	6 180	3 992	6 180	3 993
Liability accounted for at end of year	54 661	51 190	54 661	51 191

The actuarial gain of R0,6 million (2009: loss R1,7 million) is reflected in the statement of comprehensive income.

Should the subsidy inflation rate move by one percent, the impact would be as follows:

	Increase	Decrease
For a one percent change the amounts are:		
– Interest cost	R0,6 million	R0,5 million
– Current service cost	R0,1 million	R0,1 million
– Liability	R3,3 million	R8,8 million

Notes to the financial statements

for the year ended 31 March

15. Provisions

Group

At 1 April 2008
Provided for the year
Utilised during the year
At 31 March 2009

Leave Pay R000	Bonus R000	Total R000
-------------------	---------------	---------------

18 162	25 882	44 044
1 909	28 295	30 204
(2 041)	(32 566)	(34 607)
18 030	21 611	39 641

At 1 April 2009
Provided for the year
Utilised during the year
At 31 March 2010

18 030	21 611	39 641
(333)	21 533	21 200
(1 730)	(21 959)	(23 689)
15 967	21 185	37 152

Company

At 1 April 2008
Provided for the year
Utilised during the year
At 31 March 2009

17 836	25 303	43 139
1 666	27 279	28 945
(2 027)	(31 668)	(33 695)
17 475	20 914	38 389

At 1 April 2009
Provided for the year
Utilised during the year
At 31 March 2010

17 475	20 914	38 389
(213)	20 452	20 239
(1 710)	(20 901)	(22 611)
15 552	20 465	36 017

The provision for leave pay is determined based on the contractual obligations incorporated in the conditions of employment.

The provision for bonuses is payable within three months after finalisation of the audited financial statements.

16. Revenue

Revenue consists of:

Interest on business investments
Interest on cash and cash equivalents
Royalty fees
Financing fees
Dividends received
Fund management fees
Rental income
Property management fees
Professional services rendered

Group		Company	
2010 R000	2009 R000	2010 R000	2009 R000
214 340	257 633	214 526	258 701
-	10 888	-	9 360
44 071	44 029	43 385	44 029
5 356	8 118	5 227	8 118
2 081	5 056	6 408	7 871
16 426	17 594	7 500	7 500
74 787	66 783	62 737	57 407
4 839	11 063	8 190	14 105
1 593	2 536	1 593	2 536
363 493	423 700	349 566	409 627

Notes to the financial statements

for the year ended 31 March

17. Other operating income

	Group		Company	
	2010 R000	2009 R000	2010 R000	2009 R000
Surplus on realisation of unlisted investments	11 177	20 459	15 281	23 074
Surplus on realisation of investments properties	2 122	450	(140)	450
Surplus on realisation of property and equipment	111	38	112	38
Recovery of property expenses	21 110	18 787	17 343	15 831
Fair value adjustment of investment properties	27 011	21 646	22 420	23 580
Fair value adjustment of royalty agreements	6 285	(2 905)	5 941	(2 905)
Fair value adjustment of shareholders' loans	3 808	1 935	3 783	1 873
Interest on shareholders' loans	1 163	1 092	1 163	1 093
Interest on staff loans	81	169	81	169
Other	5 038	5 448	6 226	3 239
	77 906	67 119	72 210	66 442

18. Operating expenses

Staff costs (refer note 19)	139 612	154 148	132 669	147 973
Bad debts - net of recoveries and impairment created / (reversed)	79 360	97 527	78 506	99 005
Bad debts written off	69 959	73 898	69 803	73 652
Bad debt recoveries	(10 018)	(15 866)	(9 858)	(14 490)
Impairment created / (reversed)	19 419	39 495	18 561	39 843
Repairs and maintenance	13 028	9 146	9 949	7 166
Other administrative overheads	84 241	77 109	81 079	71 601
	316 241	337 930	302 203	325 745

19. Staff costs

Salaries	99 007	103 834	93 252	99 056
Bonus paid	21 533	28 295	20 452	27 279
Leave payments	(333)	1 909	(213)	1 666
Pension costs (refer note 14.1)	9 108	9 946	9 108	9 946
Post retirement medical aid costs (refer note 14.2)	5 622	5 737	5 622	5 737
Other costs	4 675	4 427	4 448	4 289
	139 612	154 148	132 669	147 973

Notes to the financial statements

for the year ended 31 March

	Group		Company	
	2010 R000	2009 R000	2010 R000	2009 R000
20. Profit from operations				
The following items have been included in arriving at profit from operations:				
Depreciation on property and equipment	4 014	2 938	2 462	2 343
Interest paid	14 392	1 524	14 388	974
Directors' emoluments				
– as directors	1 764	1 471	1 764	1 471
– as management	9 701	17 242	9 701	17 242
Auditor's remuneration				
– audit	2 808	2 200	2 218	1 625
– other services	470	215	337	193
Impairment on investments created / (reversed)				
– Interest bearing loans	16 364	38 533	15 538	38 534
– Shareholders' loans	2 572	1 039	2 601	1 345
– Staff loans	(7)	(112)	(7)	(112)
Bad debts	69 959	73 898	69 803	73 652
Repairs and maintenance	13 028	9 146	9 949	7 166
Leasing charges				
– equipment	12	23	12	23
– office premises	3 178	2 025	14 044	8 037
Dividends on investments				
– listed	1	6	1	6
– unlisted	2 080	5 050	2 080	3 998
Income from subsidiaries				
– dividends received			4 327	3 867
Surplus on realisation of property and equipment	111	38	112	38
Surplus on realisation of investments properties	2 122	450	(140)	450
Surplus on realisation of unlisted investments	11 177	20 459	15 281	23 074
Fair value adjustment on investment properties	27 011	21 646	22 420	23 580

Notes to the financial statements

for the year ended 31 March

21. Tax expense

21.1 Income statement charge

South African normal tax

Current tax

Deferred tax

Secondary tax on companies

Tax of associated companies

Capital gains tax

Group		Company	
2010	2009	2010	2009
R000	R000	R000	R000
17 514	33 596	15 853	30 349
4 978	1 054	3 843	936
22 492	34 650	19 696	31 285
2 266	2 031	1 958	2 031
4 111	3 674		
2 106	2 734	2 003	2 734
30 975	43 089	23 657	36 050

21.2 Reconciliation of rate of taxation

South African normal tax rate

Adjusted for:

Income not subject to normal tax

Secondary tax on companies

Capital gains tax

Other

Total effective rate on profit before taxation

28,00%	28,00%	28,00%	28,00%
-3,51%	-3,16%	-5,51%	-3,86%
-2,94%	-4,18%	-5,80%	-5,87%
1,88%	1,17%	1,96%	1,36%
-1,31%	1,58%	-1,09%	1,83%
-1,14%	-1,73%	-0,59%	-1,18%
24,49%	24,84%	22,49%	24,14%

21.3 Tax charge through comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

Group

Actuarial gain / (loss) on defined benefit pension fund

Actuarial gain / (loss) on post-retirement medical aid obligation

Fair value adjustments of available for sale instruments

Share of other comprehensive income of associates

Foreign currency translation movements

Other comprehensive income

2010			2009		
Before tax	Deferred tax	After tax	Before tax	Deferred tax	After tax
80 335	(22 494)	57 841	(86 934)	24 341	(62 593)
(558)	156	(402)	1 747	(489)	1 258
81	(22)	59	(132)	37	(95)
729	-	729	-	-	-
(1 077)	-	(1 077)	1 898	-	1 898
79 510	(22 360)	57 150	(83 421)	23 889	(59 532)

Company

Actuarial gain / (loss) on defined benefit pension fund

Actuarial gain / (loss) on post-retirement medical aid obligation

Fair value adjustments of available for sale instruments

Other comprehensive income

80 335	(22 494)	57 841	(86 934)	24 341	(62 593)
(558)	156	(402)	1 747	(489)	1 258
81	(22)	59	(132)	37	(95)
79 858	(22 360)	57 498	(85 319)	23 889	(61 430)

Notes to the financial statements

for the year ended 31 March

22. 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	
2010	2009
R000	R000

22.1 Basic earnings per share

Net profit	94 583	130 310
Weighted number of ordinary shares ('000)	172 731	171 588
Basic earnings per share (cents)	54,8	75,9

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.

22.2 Diluted earnings per share

Net profit	94 583	130 310
Interest received (net of tax effect)	1 149	1 494
Net profit used to determine diluted earnings per share	95 732	131 804
Number of ordinary shares in issue ('000)	172 733	172 731
Adjustment for share options	6 102	6 104
Number of ordinary shares used to determine diluted earnings per share	178 835	178 835
Diluted earnings per share (cents)	53,5	73,7

22.3 Headline earnings per share

Net profit	94 583	130 310
Adjustments net of tax		
Capital profit on sale of equipment	(96)	(33)
Profit on sale of property investments	(1 825)	(387)
Profit on sale of associates	(9 612)	(17 595)
Fair value adjustment of investment properties	(23 229)	(18 616)
Headline earnings	59 821	93 679
Headline earnings per share (cents)	34,6	54,6

Comparative information has been restated to reflect changes as a result of the adoption of Circular 3/2009.

22.4 Diluted headline earnings per share

Headline earnings	59 821	93 679
Interest received (net of tax effect)	1 149	1 494
Diluted headline earnings	60 970	95 173
Diluted headline earnings per share (cents)	34,1	53,2

Comparative information has been restated to reflect changes as a result of the adoption of Circular 3/2009.

Notes to the financial statements

for the year ended 31 March

23. Dividend per share

Dividend in respect of 2009 of 15 cents per share paid on 14 August 2009 to shareholders registered on 28 July 2009
Dividend in respect of 2008 of 22 cents per share paid on 15 August 2008 to shareholders registered on 29 July 2008

A dividend in respect of 2010 of 11 cents per share was declared on 19 May 2010, payable to shareholders registered on 3 August 2010, payable on or about 13 August 2010.

Group		Company	
2010 R000	2009 R000	2010 R000	2009 R000
25 910		26 825	
	37 667		39 344
25 910	37 667	26 825	39 344

24. Commitments and lease agreements

Business investments approved but not yet paid out
Capital committed to *En Commandite* partnerships (refer note 3).
Capital committed in respect of purchase of building
Unexpired portion of lease agreements
– less than 1 year
– 1 year to 4 years
– more than 4 years

149 128	242 359	149 128	242 359
9 163	15 560	9 163	15 560
-	55 000	-	55 000
3 314	2 823	10 780	2 823
2 844	7 264	10 908	7 264
2 054	-	4 150	-
166 503	323 006	184 129	323 006

25. Contingent liabilities

Guarantees

5	457	5	457
5	457	5	457

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.

26. Cash flow information

26.1 Cash generated from operating activities

Profit before taxation
Adjustments
Depreciation
Profit on sale of assets
Dividends received
Income from associated companies
Fair value adjustment of investment properties
Fair value adjustment of inventories and assets held for resale
Fair value adjustment of financial instruments
Non-cash movement in borrowings
Provisions and write-offs
Changes in working capital
Decrease / (increase) in inventory and assets held for resale
Decrease / (increase) in accounts receivable
(Decrease) / increase in accounts payable
Finance cost

126 477	173 488	105 185	149 350
25 998	44 826	38 052	58 806
4 014	2 938	2 462	2 343
(13 410)	(20 947)	(15 253)	(23 562)
(2 081)	(5 056)	(6 408)	(7 871)
(15 711)	(22 123)		
(27 011)	(21 646)	(22 420)	(23 580)
48	29	48	29
(10 093)	970	(9 724)	1 032
(116)	-	(116)	-
90 358	110 661	89 463	110 415
(4 810)	(4 105)	2 271	(12 867)
(889)	302	(889)	302
640	(6 823)	(1 650)	(5 994)
(4 561)	2 416	4 810	(7 175)
14 392	1 524	14 388	974
162 057	215 733	159 896	196 263

Notes to the financial statements

for the year ended 31 March

	Group		Company	
	2010 R000	2009 R000	2010 R000	2009 R000
26.2 Taxation paid				
Taxation asset / (liability) at beginning of year	743	(23 815)	3 293	(21 411)
Tax provision for the year	(30 975)	(43 089)	(23 657)	(36 050)
Deferred tax	4 978	1 054	3 843	936
Paid by associated companies	4 111	3 674	-	-
Taxation liability / (asset) at end of year	873	(743)	1 557	(3 293)
	(20 270)	(62 919)	(14 964)	(59 818)
26.3 Dividends paid				
Dividends payable at beginning of year	(51)	(13)	(51)	(13)
Dividends declared	(26 825)	(39 344)	(26 825)	(39 344)
Share trust dividends	915	1 677	-	-
Dividends payable at end of year	40	51	40	51
	(25 921)	(37 629)	(26 836)	(39 306)
27. Related parties				
27.1 Loans to related parties				
Loan from the Business Partners Employee Share Trust				
Balance at the beginning of the year			8 606	3 169
Amount during the year			929	5 437
Balance at the end of the year			9 535	8 606
Loans to subsidiaries				
Balance at the beginning of the year			35 848	39 657
Amount during the year			78 495	(3 809)
Balance at the end of the year			114 343	35 848
Dividends received from subsidiaries			4 327	3 867
27.2 Directors' remuneration				
Executive directors				
– as management			9 701	17 242
– gains made on the exercise of share options			-	1 632
– loss of office			-	12 794
Non-executive directors			1 764	1 471
27.3 Loans to associates				
Balance at the beginning of the year	604 851	575 759	604 207	575 008
Loans advanced during the year	233 920	161 682	233 920	161 682
Loan repayments received	(120 557)	(110 508)	(119 913)	(110 401)
Loans written off	(14 872)	(22 082)	(14 872)	(22 082)
Balance at the end of the year	703 342	604 851	703 342	604 207

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

Notes to the financial statements

for the year ended 31 March

28. Share incentive scheme

The employee share incentive scheme granted share options to all employees. Options were granted annually from 1998 to 2004, after which no new options were allotted. Options granted will expire nine years after the allotment date. The options allotted may be exercised in three tranches, four, six and eight years after the allotment date. The exercise price of the granted options is disclosed below.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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 additional information regarding shares owned by the trust.

	2010 Number of shares	2009 Number of shares
Unallocated options	5 833 100	5 831 700

The movement in the scheme during the year is summarised as follows:

Shares under option at beginning of the year	272 700	1 852 100
Share options allocated	-	-
Options exercised during the year	(2 100)	(1 522 800)
Options forfeited during the year		
@ 250 cents	(900)	(56 600)
@ 262 cents	(500)	-
Under option at the end of the year	269 200	272 700

The shares under option are available for exercise as follows:

after 1 October 2005 @ 250 cents	86 533	87 300
after 1 October 2006 @ 250 cents	1 900	2 133
after 1 October 2007 @ 250 cents	86 533	87 300
after 1 October 2007 @ 262 cents	1 300	1 467
after 1 October 2008 @ 250 cents	1 900	2 133
after 1 October 2009 @ 250 cents	86 534	87 300
after 1 October 2009 @ 262 cents	1 300	1 467
after 1 October 2010 @ 250 cents	1 900	2 133
after 1 October 2011 @ 262 cents	1 300	1 467
	269 200	272 700

The expiry dates of these share options are as follows:

at 30 September 2010	259 600	261 900
at 30 September 2011	5 699	6 400
at 30 September 2012	3 901	4 400
	269 200	272 700

During the year no share options were allocated to executive directors.

Total outstanding share options allocated to current executive directors are:

@ 250 cents	50 100	50 100
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Notes to the financial statements

for the year ended 31 March

29. Principal subsidiaries

	Share percentage held		Shares at cost		Loans	
	2010 %	2009 %	2010 R	2009 R	2010 R000	2009 R000
Business Partners International (Pty) Ltd	100	100	100	100	2 967	(1 579)
Business Partners Mentors (Pty) Ltd	100	100	100	100	-	-
Business Partners Property Brokers (Pty) Ltd	100	100	100	100	-	-
Business Partners Venture Managers (Pty) Ltd	100	100	100	100	-	-
Business Partners Ventures 1 (Pty) Ltd	100	100	100	100	11 138	(4 386)
Cussonia Trust (Pty) Ltd	100	100	3	3	7 388	9 146
Finance for the Third Millennium (Pty) Ltd	100	100	100	100	693	693
JRC Properties (Pty) Ltd	100	100	100	100	211	1 621
Lindros Investments (Pty) Ltd	100	100	4 000	4 000	(3 866)	(249)
Business Partners Properties 002 (Pty) Ltd	100	100	1 000	1 000	98 714	39 198
Unitrade 106 (Pty) Ltd	100	100	100	100	15 175	5 137
Business Partners Employee Share Trust			-		(9 535)	(8 606)
Coral Lagoon Investments 175 (Pty) Ltd ⁴	70	-	-	80	-	3 667
Yellowstar Properties 1057 (Pty) Ltd ⁴	-	80	70	-	2 202	-
Yellowstar Properties 1129 (Pty) Ltd ⁴	60	60	60	60	1 472	2 001
Yeoman Properties 1016 (Pty) Ltd ⁴	80	80	80	80	2 437	2 928
Franchise Partners (Pty) Ltd - indirectly held ¹						
Business Partners International Madagascar Société Anonyme - indirectly held ²						
Business Partners International Kenya Limited - indirectly held ³						
			6 013	6 023	128 996	49 571

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

¹ Franchise 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 owned by Business Partners Limited (1 percent shareholding) and Business Partners International (Pty) Ltd (99 percent shareholding).

⁴ The financial year of the following subsidiaries ends in February: Coral Lagoon Investments 175 (Pty) Ltd, Yellowstar Properties 1129 (Pty) Ltd and Yeoman Properties 1016 (Pty) Ltd. Consolidation takes place on the basis of the latest audited financial statements received.

Notes to the financial statements

for the year ended 31 March

2010	2009
R000	R000

30. 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:

Business investments	30	30
Current assets	106	113
Current liabilities	(12)	-
Net assets	124	143
Revenue	6	515
Profit before taxation	(17)	562
Taxation	5	(157)
Net profit	(12)	405

The joint venture agreement ended during 2008. The assets of the joint venture are in the process of being realised and will be distributed.

31. Reclassifications

Where necessary, certain comparatives have been reclassified to conform to the current year presentation. These changes did not affect the comprehensive income or net cash flow for the prior year. The following reclassifications of comparative information took place:

- In the cash flow statement, an amount included under cash flow from borrowing activities was transferred to cash utilised in investing activities.
- The amounts reflected under credit risk exposure disclosure in note 10.1.3 are shown gross of tax as required by IFRS 7.
- The analysis of staff costs in note 20 was adjusted. The total amount of staff costs remain unchanged.

Notice Convening the Annual General Meeting

Notice Convening the Annual General Meeting

Notice is hereby given that the twenty-ninth Annual General Meeting of the Company will be held on Tuesday, 3 August 2010 at 15h30, in the auditorium of The Court House, 2 Saxon Road, Sandhurst, Sandton, to, if deemed fit pass, with or without modifications, ordinary resolutions to:

1. receive and adopt the audited annual financial statements for the year ended 31 March 2010
2. appoint PricewaterhouseCoopers Inc. as auditors of the Company and Mr J H Cloete as the individual designated auditor
3. elect directors (in terms of the Articles of Association, directors retire, but are eligible for re-election).
4. 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 his/her behalf and, on poll, to vote in his/her stead. A proxy need not be a member of the Company.

By order of the Board.



Ms C M Gerbrands
Company Secretary
19 May 2010

Corporate Information

COMPANY REGISTRATION NUMBER

1981/000918/06

COMPANY SECRETARY

Ms CM Gerbrands

REGISTERED OFFICE

37 West Street
Houghton Estate
Johannesburg
2198
PO Box 7780
Johannesburg
2000

TELEPHONE

+27 11 713 6600

FAX

+27 11 713 6650

E-MAIL

enquiries@businesspartners.co.za

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.

Annual Report 2010

National Offices

SOUTH AFRICA (+27)

0861SMEFIN (0861 763 346)

Offices

Bellville

Tel: 021 919 3242
Fax: 021 919 3333

Bethlehem

Tel: 058 303 7842
Fax: 058 303 6801

Bloemfontein

Tel: 051 446 0536
Fax: 051 446 4978

Cape Town

Tel: 021 464 3600
Fax: 021 461 8720

Durban (Westville)

Tel: 031 240 7700
Fax: 031 266 7286

East London

Tel: 043 721 1525/6/7
Fax: 043 721 1528

East London (Arcadia)**

Tel: 043 743 5485
Fax: 043 743 0596

East Rand (Jet Park)

Tel: 011 397 2616/7/8
Fax: 011 397 2619

George

Tel: 044 873 6112
Fax: 044 873 3397

Johannesburg

Tel: 011 713 6600
Fax: 011 713 6650

Kimberley

Tel: 053 831 1778
Fax: 053 832 2389

Nelspruit

Tel: 013 752 3185
Fax: 013 752 4669

Pietermaritzburg

Tel: 033 345 5471
Fax: 033 342 1410

Polokwane

Tel: 015 297 1571
Fax: 015 297 1461

Port Elizabeth

Tel: 041 365 0165
Fax: 041 365 7491

Pretoria (Centurion)

Tel: 012 664 3397
Fax: 012 664 2641

Queenstown

Tel: 045 838 1004
Fax: 045 838 1008

Richards Bay

Tel: 035 789 7301
Fax: 035 789 6727

Springbok

Tel: 027 712 1120
Fax: 027 712 3519

Stellenbosch

Tel: 021 809 2160
Fax: 021 887 2001

Upington

Tel: 054 331 1172
Fax: 054 332 2334

West Rand (Clearwater)

Tel: 011 679 1110
Fax: 011 679 1310

KENYA (+254)

Nairobi

Tel: 20 280 5000
Fax: 20 273 0589

MADAGASCAR (+261)

Antananarivo

Tel: 20 23 260 00
Fax: 20 23 260 03

** Property Management Services only

BUSINESS PARTNERS LIMITED CORPORATE SERVICES

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www.businesspartners.co.za

Company registration number: 1981/000918/06

Business
PARTNERS

Investing in Entrepreneurs