

What you see is what we do

Finance and Foresight – We supply the money *and* the support behind small business development



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Purpose, vision, mission, goal and values

Business Partners Limited was established in 1981.

The company's founding documents outlined its "Main Object" and "Main Business" as follows:

- The "Main Object" of the company is "to develop the small and medium business sector in Southern Africa, and to be interested, either through direct investment or through the management of funds, in small enterprises in Southern Africa and other regions of the world".
- The "Main Business" was stated as follows:
 - "the financing of small and medium business undertakings in Southern Africa by the provision of share and loan capital on a short-, medium- and long-term basis"
 - "the provision of business infrastructure, advice, after-care service, as well as underwriting and loan guarantees" and
 - "the promotion of private enterprise in Southern Africa".

The organisation refines its strategies on a regular basis over time to ensure that it can both maximise its impact on the health of the SME sector, and ensure its own sustainability through this period of considerable and increasing levels of change.

The board has recently reviewed the strategy of the business, which is articulated in the managing director's report. The execution of this strategy is guided by the following vision, mission, goal and values.

Vision

Our vision is to live our name by being the premier business partner for small and medium enterprises (SMEs) and by facilitating wealth creation, job creation and shared economic development.

Mission

Our mission is to invest capital, skill and knowledge into viable entrepreneurial enterprises.

Goal

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

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 them with our products, innovative solutions and the quality of our service.
- *Economic merit*
Economic merit underpins all our finance and investment decisions, ensuring access to business finance and value-added service for entrepreneurs from 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.

Message from the Honorary Patron

This annual report marks my first as the Honorary Patron of Business Partners Limited. It is pleasing for me to note the company has done well for the year under review. This does not come as a surprise to me. However, this performance is laudable when one considers that, like most companies, Business Partners Limited is operating in trying times under equally trying economic conditions, as consumers cut down on their spending and entrepreneurs are cautious about taking on more debt.

When I resigned as Chairman of the Board of Directors in August 2011, it was a bittersweet moment for me. Bitter, because my family had been an integral part of the company since its establishment in 1981, but sweet because I had no doubt in my mind that the company would continue to progress under the stewardship of Theo van Wyk as board chairman, and the management team led by Nazeem Martin, the managing director.



We often hear that small and medium enterprises (SMEs) continue to create and sustain jobs. Recent statistics reveal that SMEs account for more than 35 percent of South Africa's GDP, employ more than 50 percent of the people in formal jobs, and create more than 60 percent of new jobs every year. Since Business Partners Limited focusses exclusively on SME entrepreneurs, the company is at the heart of it all. Regrettably, unemployment remains a challenge for South Africa with 25 percent of the working population unemployed, and the bulk of these being young people. This, I believe, is one of the primary challenges of our time. It's a challenge which governments and businesses, both big and small – in South Africa and in the rest of the world – must solve to benefit the communities in which they do business and for their own sustainability.

Business Partners Limited has always been a proudly South African company and over more than 32 years, the company has contributed towards building a better South Africa by investing in its lifeblood – its entrepreneurs. As a proud South African, I take this opportunity to issue the following challenge to Business Partners Limited: During the period 1981 to 2012, the company facilitated over 545 000 jobs. Prove that the company can reach the one million jobs facilitated mark by 2033.

I thank everyone who continues to contribute towards making Business Partners Limited a successful company – the Shareholders, the Board of Directors, clients, intermediaries and the staff. I appreciate in advance all the people and organisations that will help the company realise the challenge I have set. I wish you a successful 2013/2014 financial year and remain available to assist in whatever way I can.

Johann Rupert
Honorary Patron

Strategic principles that ensure our

competitive advantage and sustainability

The contribution of small and medium business enterprises (SMEs) to generating economic growth and employment is universally recognised. It is also widely acknowledged that a healthy and growing small and medium business sector is a pre-requisite for reducing the challenges of unemployment, poverty and inequality which afflict much of the developing world. Indeed, in South Africa, the National Development Plan – recently adopted by the government as a roadmap for the next two decades – envisages the role for SMEs as follows:

“A large percentage of the jobs will be created in domestic-oriented activities and in the services sector. Some 90 percent of jobs will be created in small and expanding firms. The economy will be more enabling of business entry and expansion, with an eye to credit and market access. By 2030, the share of small- and medium-sized firms in output will grow substantially. Regulatory reform and support will boost mass entrepreneurship. Export growth, with appropriate linkages to the domestic economy, will be critical in boosting growth and employment, with small and medium-sized firms the main employment creators.”

More than 32 years ago, the Rupert family – the founders of Business Partners Limited – recognised the importance of entrepreneurship in building the South African economy, as well as the challenges confronting entrepreneurs, especially those in the SME sector. They persuaded the South African government and numerous large South African companies to establish Business Partners Limited with the twin strategic objectives of:

- **“doing good”** – having a positive development impact by facilitating access to finance for SME entrepreneurs who pursue wealth for themselves, grow the economy, broaden the tax base and create employment opportunities for many; and
- **“doing well”** – attaining sustainability by being sufficiently profitable to provide shareholders with a real return on equity over the long term, thus growing the pool of funds available for “doing good”.

Business Partners Limited has remained true to its course – **“doing good”** and **“doing well”** – since its inception in 1981. The company’s track record of assisting and enabling the growth of SMEs on scale, and its ability to facilitate wealth and job creation on a sustainable basis, is admired by many SME experts

throughout the world. Its success has been built upon the following strategic principles which underpin the company’s operations in South Africa and abroad:

A single-minded, unwavering focus on SMEs

At Business Partners Limited we concentrate our financial and human resources exclusively on enabling the growth of SMEs because we understand the important role which they play in economic development and because our intellectual property, developed and proven over the years, is built upon our deep knowledge of how to enable their success. Our deliberate focus on, and specialisation in, SMEs enables our detailed understanding of all factors critical for an SME’s success – across all industries or economic sectors. We, for example, systematically identify and build relationships with SME deal sources, and we consciously build and expand our proprietary database of reliable information and processes. This allows us to streamline and reduce the cost of due diligence and, simultaneously, to add value to our SME clients’ businesses.

A comprehensive SME-friendly service offering

Our simplistic, easy-to-understand full service offering has been developed and designed to meet both the needs of entrepreneurial SMEs, as well as the risk and return hurdles that ensure our own long-term sustainability. It comprises the following:

- Risk finance solutions;
- Mentorship, technical assistance and consulting services; and
- The provision of business premises.

We concentrate our financial and human resources exclusively on enabling growth of SMEs

We have developed a range of business and property risk finance solutions which are customised and tailored to suit the unique requirements of each entrepreneur.

Experience has taught us that simply providing risk finance, the core of our business, without risk

Strategic principles ensure competitive advantage and sustainability

mitigating and value-adding services increases the risk of failure for both the SME and the financier. Our “more than just money” scheduled interactions with SMEs during all stages of our engagement, from assessment to exit, by our pre- and post-investment specialists and our team of over 340 mentors and consultants, are designed to increase the success rate of our clients and therefore our own sustainability and development impact.

We have, over the years, built up and expanded our property portfolio with a view to providing well-located, appropriate and affordable industrial and retail premises from which SMEs conduct their business.

Our products and services are priced to factor in risk, taking cognisance of the competition and affordability for SMEs, as well as the development impact (wealth facilitation, job creation, black economic empowerment and women empowerment) of each project.

World class systems, processes and infrastructure

Our processes and systems are world class – having been developed in accordance with internationally

recognised ISO quality standards. They enable us to efficiently and cost-effectively deliver our full service offering to SMEs whilst minimising risk to the company. These processes and systems are continuously evaluated and redesigned to ensure a customer-centric and timeous service delivery.

Our people are passionate about SMEs

Our people are passionate about entrepreneurs, entrepreneurship and entrepreneurial development – a culture that differentiates us from our peers. We hire excellent people, who are supported by excellent people, in their endeavour to find and support excellent entrepreneurial SMEs. We continuously invest in our people, train them, provide them with opportunities to progress and incentivise them with the aim of retaining them.

Our people reward systems are designed to balance the need for sustainability and social impact, and are implemented to align the interests of Business Partners Limited’s staff, shareholders and clients.

Our decentralised offices ensure proximity to clients

We conduct our business from decentralised offices. Our presence on the ground ensures that we have local networks for deal flow; to assist us with due diligence, post investment and value-added services; and to limit fixed costs which could so easily erode the profits associated with concluding relatively small transactions. This principle, honed in the South African context, is equally applicable for our African operations where we encounter differing political, legislative and regulatory environments.

Having due regard for the political, regulatory, social and cultural differences between regions and countries, the historical lessons, principles and processes that underpin the Business Partners Limited methodology have been proven to be relevant in all of the African environments we’ve encountered thus far.

We acknowledge that the environment in which we operate changes continuously. Hence, we seek to minimise risk and maximise financial and developmental returns by adhering to these principles, whilst regularly reaffirming their validity and relevance.



The economic and competitive context

The economic environment which confronted SMEs in Southern and East Africa remained coloured by both global and African economic trends.

More than four years later, the adverse impact of the 2008 global financial crisis and the 2009 recession was still being felt in much of the world. The efforts and policies of governments in the “developed” world (Europe, North America and Japan) – aimed at restoring economic growth to pre-recession levels – have been met with mixed success. Economic growth in the emerging economies (China, India, Brazil, Russia and Africa) continued, albeit at a slower pace. It became apparent that, from an economic growth perspective, we are confronted by a “three-speed” world as follows:

- Europe – no growth;
- North America – low growth of one to two percent; and
- Emerging markets led by China – high growth of above five percent.

We expect slow global economic growth rates to persist during 2013.

Growth rates in Africa have been impressive, averaging at more than five percent over the last decade – largely driven by commodity exports and consumption funded by rising per capita income levels. Economists are predicting that these rates could be sustained for the next decade, lifting much of Africa's population into the middle income group. The favourable African economic climate assisted our Kenyan and Rwandan businesses to post credible performances. It also proved to be a compelling story for international investors, making it possible for us to achieve a “first close” in the Southern African Risk Finance Fund, and enabling our imminent expansion into Malawi, Namibia and Zambia.

South Africa, our primary market, remained the African exception with an economic growth rate of 2,5 percent. The muted economic growth in South Africa was primarily caused by the slow/no growth environment experienced by its major trading partners (North America and Europe) which still account for close to 50 percent of the country's exports. The other major factors which contributed to South Africa's muted growth were lower levels of consumer and general business confidence.

South African households (consumers), in general, were still reeling from high levels of indebtedness which

reduced their propensity to spend. They faced a further liquidity squeeze from above-inflationary increases in administered prices (electricity and municipal charges). Business confidence was adversely impacted by the global economic environment, policy uncertainty leading up to the ruling political party's policy conference in December 2012, the muted growth in consumer spend, inflationary increases in administered prices, and labour unrest in the mining sector which started to spread to other sectors and resulted in above inflation wage settlements.

Interest rates in South Africa remained at their lowest levels for more than 30 years. Usually, this would encourage households to borrow to finance expenditure and businesses to do likewise to fund growth. However, the perilous state of household balance sheets and the muted economic growth prospects meant that entrepreneurs – especially from the SME sector – remained reluctant to take on debt to finance growth, acquisitions or the establishment of new businesses. The demand for business finance, our core business, therefore remained muted. On the other hand, the low interest rate environment meant improved cash flows for many SMEs, hence their ability to service contractual obligations. The number of Business Partners Limited's clients experiencing distress significantly decreased during the last year.

The low interest rate environment meant improved cash flows for many SMEs

The South African government announced major multi-year infrastructure spending plans during the course of the year. This counter-cyclical spend, when it materialises, should boost economic growth and create a healthy platform from which South African SMEs can grow when global growth returns. SMEs engaged in infrastructural projects, as well as their suppliers of goods and services, should benefit from the government's infrastructure roll-out plans.

Competition for SME finance business remained healthy. Banks are increasingly seeing SME finance as a growth sector and remain active competitors, especially where entrepreneurs are able to offer good quality collateral. Wealthy individuals, “angel investors”, remain active in financing businesses with high growth potential. Enterprise development funds of large



South African corporations are increasingly financing SMEs in their supply chains and the Small Enterprise Finance Agency, government's SME finance agency housed within the Industrial Development Corporation, may prove to be a formidable competitor in the under R5 million SME finance market in the future.

Performance over the last 12 months

Despite the tough and challenging global and local economic and business environment, Business Partners Limited posted good financial results and credible operational results during its 2012/13 financial year ending March 2013.

The financial results were pleasing:

- Total income of R428,5 million was 6,2 percent higher than in the previous financial year, largely attributable to a healthy increase in net property revenues
- Staff costs and other expenses were tightly managed, decreasing by 0,9 percent
- Net credit losses, at R44,9 million, were 31,0 percent lower than during the previous financial year. The low interest rate environment, as well as the efforts of our post investment team in assisting clients out of distress, paid handsome dividends during the course of the year
- Net profit after tax was R136,3 million, 36,2 percent higher than the previous financial year's result

The operational results were somewhat mixed.

New business concluded during the 2012/13 year (with the corresponding performance in the previous year in parentheses) was as follows:

- 331 (361) deals were approved to the value of R891,7 million (R935,2 million)
- 251 (307) deals were disbursed to the value of R600,8 million (R803,4 million)

The lower levels of new business may be attributed to the reluctance on the part of entrepreneurs to set up new businesses or expand their existing businesses given the uncertainty in the economy and pedestrian economic growth rates. Our deliberate strategy to invest up to 50 percent of our annual investment spend

in real, property-based assets, both for ourselves and for clients to reduce the overall risk in our investment portfolio also played a role. However, regulatory and administrative procedures often delay the process of implementing real estate-based transactions, thus slowing down the pace of disbursements.

We ended the year with R341,1 million worth of deals approved but not yet disbursed. This healthy commitment book should augur well for disbursements in the 2013/14 financial year.

Our post investment team met with considerable success in managing our existing clients. The outstanding balances of clients in distress decreased significantly from 21,1 percent to 17,9 percent, and net credit losses declined by 31,0 percent compared to the previous year. The improved operational performance of our post investment team, with some assistance from the low interest rate environment, meant that we ended the financial year with a healthier investment finance book.

Our strategic direction

It is precisely because we recognised the economic challenges and were aware of our competitors that we, together with our board of directors, reviewed the Business Partners Limited strategy in February 2012 and re-affirmed it in November 2012.

Effectively, our strategy requires us to continue in our pursuit to – on scale and on a sustainable basis – provide risk finance, technical assistance/mentorship/consulting services and business premises to SMEs. We have identified the key pillars, required for us to successfully execute our strategy, as follows:

- Streamlining our business/investment processes so that we may better serve our clients – in the most productive, efficient and cost-effective manner possible
- Continuing our nuanced moderate new business growth strategy in South Africa:
 - Cautiously, yet optimistically, increasing our investment activity – financing lifestyle businesses and properties – in South Africa
 - Investing 50 percent of our new investment spend into “real” assets – growing our own portfolio of properties which would meet the accommodation needs of SMEs, as well as through our bespoke property finance solutions which enable SMEs to acquire the properties

from which they operate or for investment purposes

- Establishing our venture capital fund – allowing us to fund and support exceptional businesses, concepts, products and services which have the potential to grow market share way beyond the borders of their areas of origin, employ many people and make substantial profits
- Raising and establishing a Technical Assistance Fund so that we may more comprehensively mentor our clients in South Africa – both to grow their businesses and to protect our investments
- Securing inexpensive funding to augment our own funds – thereby increasing the pool of funds we have available to provide risk finance to SMEs, especially lifestyle businesses
- Expanding and establishing our business finance activities deeper into Africa – where economies have been growing at growth rates in excess of five percent per year for the last decade

We will endeavour to find new, better and faster ways, possibly even new products/services, to serve our clients

A common thread throughout all the pillars outlined above, as well as in the normal course of our work, will be **INNOVATION**. In order to remain relevant, we will endeavour to find new, better and faster ways, possibly even new products/services, to serve our clients.

Prospects for 2013/14

The economic growth prospects remain muted for South Africa, with the 2013 GDP growth rate forecast in a range between two percent and 2,5 percent. Interest rates are expected to remain at their current relatively low levels for the duration of 2013. This should be positive for both our existing clients' cash flow and liquidity, and may improve SMEs' appetite to gear their businesses. However, in general, we do not anticipate a rapid increase in demand for risk finance from high quality SMEs in South Africa.

Our deliberate strategy to gradually increase our revenue from property investments – directly by increasing our property portfolio and indirectly by financing SMEs' property acquisitions – will balance

our risk, reduce our dependence on interest as a source of revenue, and assist us in building a pool of real assets which we could leverage over time.

We anticipate tapping into inexpensive sources of funding to enhance our competitiveness in financing lifestyle SMEs.

Our R400 million venture capital fund, launched in October 2012, resulted in much deal flow. We anticipate investing more than R40 million into business with high growth and development impact potential in the 2013/2014 year.

We anticipate investing more than R40 million into business with high growth and development impact potential in the 2013/2014 year

The good economic growth rates forecast for the rest of Africa augur well for the performance of our established Kenyan and Rwandan businesses, and also for the successful establishment of our new businesses in Malawi, Namibia and Zambia. The investment period of our Kenyan Fund ends in December 2013. Discussions have commenced with investors to replace our Kenyan Fund with an East African SME Risk Finance Fund which will conduct business in Kenya, Tanzania and Uganda. We expect to make considerable progress in the raising of this regional fund during the 2013/14 financial year.

According to most economists and economic commentators, 2013 – the year ahead of us – will be no less challenging than the preceding four years. However, we've identified the appropriate strategies and we have the people to ensure that we succeed. We believe that we can not only overcome the challenges of operating in a tough economic and business environment, but we can prove that it is also possible to have an even greater development impact ("**doing good**") whilst, simultaneously, increasing our profits ("**doing well**") as we continue to provide business finance, technical assistance/mentorship and business premises to SMEs in all of the markets in which we choose to operate.

Thanks

The 2012/13 financial year proved to be as challenging as we had anticipated it would be at the outset. However, we were able to post a good set of financial results despite the muted demand for our risk finance service offering in South Africa. We utilised the lull in demand to refine and streamline our investment process which should see us drastically reduce the time it takes us to process business finance applications as we go forward.

We significantly reduced the number and outstanding balances of our clients in distress. We implemented our strategy aimed at enhancing the long-term sustainability of Business Partners Limited. We launched a venture capital fund aimed at proving that we could increase both our development impact and our profitability. We also achieved a "first close" for our Southern Africa SME Risk Finance Fund.

All of these achievements would not have been possible without:

- The support of our shareholders, most of whom have traversed the more than 32-year journey with us. Thousands of SMEs and hundreds of thousands of families have benefitted from your commitment to "**doing good**" and "**doing well**"
- The investors in the funds we manage, for believing in and supporting the notion that SMEs are the value- and employment-generating fulcrum of any free-market economy
- The advice and guidance of our chairman and the board of Business Partners Limited in shaping our strategy, monitoring our performance and ensuring that our business adheres to the highest standards of good corporate governance
- The enthusiasm and passion of our staff in all the countries in which we operate, for ensuring the success of our SME clients and the sustainability of our businesses
- The entrepreneurial spirit of our clients and SMEs in general who, despite often insurmountable odds, seek to build wealth for themselves and in the process, grow the economy, broaden the tax base and create jobs for the many.

Nazeem Martin
Managing Director

A man with short grey hair and sunglasses, wearing a black vest over a light blue shirt and dark trousers, stands in an industrial facility. He is surrounded by large, white, horizontal pipes and vertical metal structures. The floor is made of metal grating. The background shows more industrial equipment and a bright light source, possibly a window or an open door.

Operational review

Business Investments

The effects of the slow pace of growth and policy and labour relations uncertainty which characterised the year are reflected in the performance of SMEs in general. As a consequence, they are also reflected in the difficulty we have experienced in identifying quality SME businesses that had both the appetite for debt and the financial capability to repay it. While our financial result is an excellent one, it is based on our careful selection process since the beginning of the recession, a generally reducing and low interest rate environment, and our proven ability to add value to the SMEs that we partner. In order to be true to our sustainability mandate we have decided that we cannot relax the risk levels that have stood us in good stead to date. The result has been that we have concluded fewer deals in 2012/13.

Traditional financiers of SMEs remain risk averse except where collateral levels are high. This situation applies even more strongly to start-up businesses.

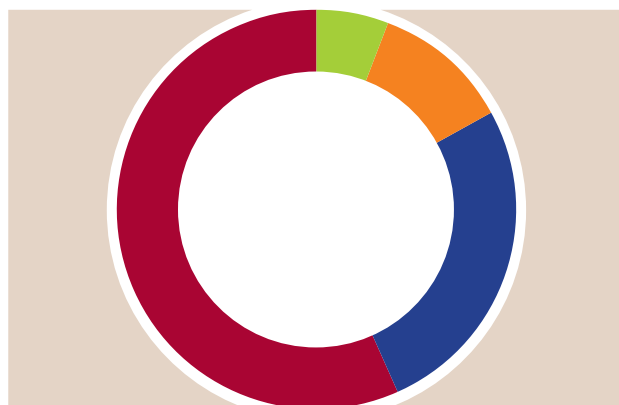
This state of affairs offers an opportunity for Business Partners Limited – which focusses on viability as the cornerstone of investment decisions – to finance deserving SMEs who are unable to obtain funding from conventional lenders. Business Partners Limited has spent much effort honing its business selection and due diligence processes so that it can do business at acceptable risk levels where others, who have less accurate tools and less experience in and focus on SMEs, will not go. Strong emphasis is placed on future affordability and potential growth.

Business Partners Limited approved a total value of R891,7 million to finance SMEs in 331 transactions. The number of transactions approved and the total value thereof were lower than the previous year and also lower than our expectations for the year. Until the levels of consumer and business confidence improve, it is unlikely that the demand for SME finance will improve. This means that Business Partners Limited will need to become slicker, smarter and possibly more aggressive to secure its fair share of the SME risk finance market.

Because sustainability is at the heart of all that we do, the required increase in market share that will restore our targeted deal levels cannot come at the expense

Stratification of investments

Investment portfolio composition as at 31 March 2013



5,9%	0 – 500 000
11,3%	500 000 – 1 000 000
26,2%	1 000 000 – 2 500 000
56,6%	more than 2 500 000

of increased risk. This means that our ability to achieve the desired result will come about because of improved trading conditions for SMEs (which is not under our control), or through an improvement in our ability to

market ourselves either directly to entrepreneurs or through intermediary channels. Of course, we also have the possibility of manipulating our product mix, which we have done successfully over the last few years, with a strong focus on financing of property-related transactions as well as the re-financing of the existing Business Partners Limited client portfolio. The portfolio, as at year end, was valued at R2,2 billion representing 1 776 clients. The level of deals approved but not yet advanced stood at a healthy R341,1m which augurs well for the level of disbursements in the new year.

Customer and operational support services

This division takes care of all clients from the time their businesses are approved for finance until they have repaid their capital and interest. The division's major contributions to the success of Business Partners Limited include, amongst others, deal implementation, the monitoring of the portfolio, collections, value adding mentoring, consulting and technical assistance services to clients.

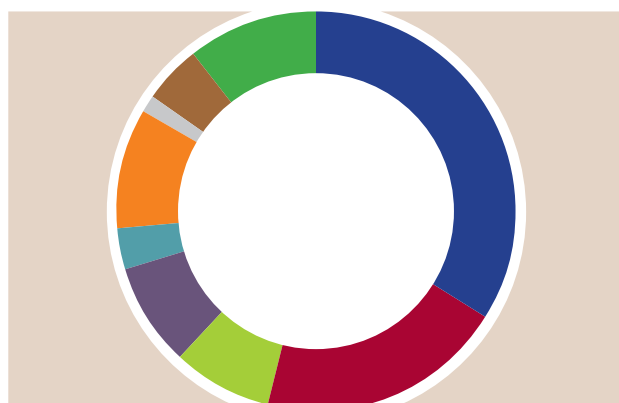
Economic conditions were not conducive to the growth of small to medium-sized businesses during the period under review. The depth and length of this period of recessionary type conditions, coupled with protracted and violent labour protests, strikes as well as policy uncertainty, had and still have negative effects on SMEs. Their business volumes, confidence levels and willingness to take on more debt to grow their businesses have all been negatively affected. This set of circumstances meant that Business Partners Limited needed to become even more focussed on expanding the support services it offers to existing and newly approved clients.

This Business Partners Limited activity, coupled with the low interest rate environment we have experienced, has resulted in the risk profile of our investment portfolio reducing by more than 25 percent over the past two years, and consequently in a much lower failure rate of client businesses. Our strong financial performance in difficult times has thus been driven by the activity supporting our client focussed "doing good" and our internally focussed "doing well" strategies.

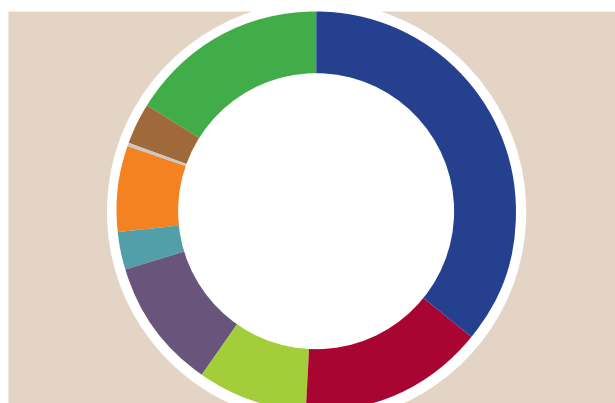
The process in retrospect seems simple, but the fine balance of sometimes being "cruel to be kind" and at other times bending over backwards to technically



Fritz Strydom and family
Blomo Plastics CC

Distribution of investments by sector*Investment portfolio **composition** as at 31 March 2013*

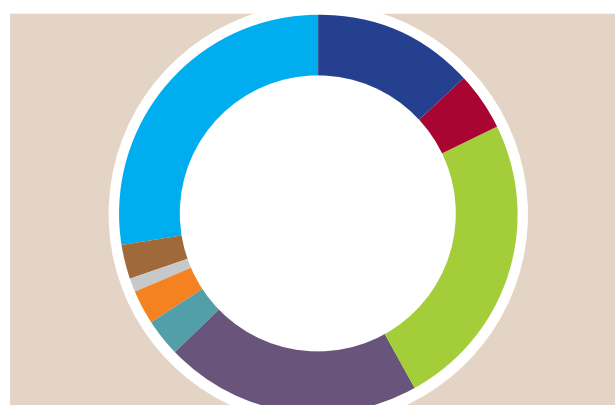
■	34,0%	Professional and personal services
■	20,0%	Manufacturing
■	8,0%	Motor trade
■	8,4%	Retailing
■	3,3%	Leisure
■	9,8%	Travel and Tourism
■	1,3%	Coastal fishing
■	4,8%	Building, plumbing and shopfitting
■	10,4%	Other

Distribution of investments by sector*Investments **advanced** for the year ended 31 March 2013*

■	36,1%	Professional and personal services
■	14,9%	Manufacturing
■	8,8%	Motor trade
■	10,6%	Retailing
■	3,1%	Leisure
■	7,0%	Travel and Tourism
■	0,2%	Coastal fishing
■	3,3%	Building, plumbing and shopfitting
■	16,0%	Other

assist a committed entrepreneur is an art and not a science. After a client deal is implemented and our finance disbursed, the simultaneous tasks of monitoring, value adding and collection begin. The active components of our service offering to SMEs are:

- The continuous improvement of our diagnostic tools to allow us to identify, analyse and institute remedial action within client businesses that are performing poorly, as early as possible
- A suite of ready-to-deploy solutions that can be applied across the board, as appropriate, to add value to our clients (reducing costs to the entrepreneur and simultaneously increasing the efficiency of our consulting staff)
- More frequent scheduled visits to clients to improve the level and timing of our proactive risk-reducing and value-adding activity
- Continuous learning sessions held regionally within Business Partners Limited. These involve the multi-disciplinary focus of deal generators, consultants, implementers and our legal teams, in order to improve the accuracy and efficiency of our process
- Sound and timeous risk identification and mitigation processes

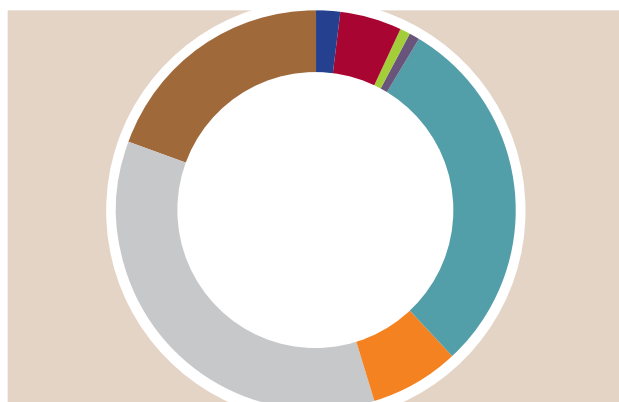
Distribution of investments by province*Investment portfolio **composition** as at 31 March 2013*

■	13,3%	Eastern Cape
■	4,5%	Free State
■	24,3%	Gauteng
■	20,8%	KwaZulu-Natal
■	3,0%	Limpopo
■	2,8%	Mpumalanga
■	1,2%	North West
■	2,6%	Northern Cape
■	27,5%	Western Cape

Operational review

Distribution of investments by product

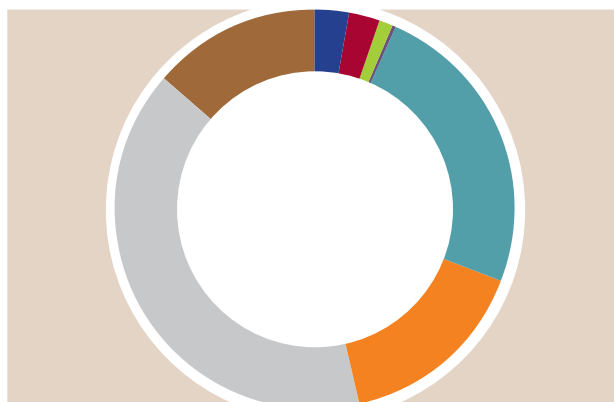
Investment portfolio **composition** as at 31 March 2013



2,2%	Equity partner
4,9%	Property equity partner
0,9%	Risk partner
0,8%	Royalty risk partner
29,4%	Property risk partner
7,1%	Property royalty partner
35,5%	Royalty partner
19,2%	Loan partner

Distribution of investments by product

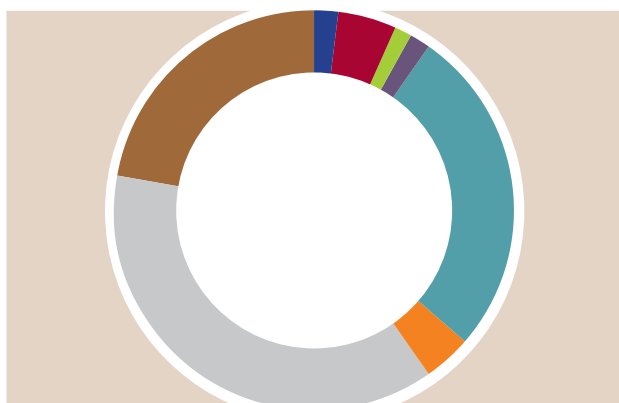
Investments **advanced** for the year ended 31 March 2013



2,9%	Equity partner
2,5%	Property equity partner
1,0%	Risk partner
0,3%	Royalty risk partner
24,4%	Property risk partner
15,5%	Property royalty partner
39,8%	Royalty partner
13,6%	Loan partner

Distribution of investments by product

Investment portfolio **composition** as at 31 March 2012



2,1%	Equity partner
4,7%	Property equity partner
1,4%	Risk partner
1,6%	Royalty risk partner
26,8%	Property risk partner
3,7%	Property royalty partner
37,7%	Royalty partner
22,0%	Loan partner

While the division's primary purpose is to offer professional business support to the SME clients of Business Partners Limited, it also provides this service to entrepreneurs throughout South Africa through other role players in the financial services sector.

It is widely acknowledged that our application of mentorship and technical assistance makes a significant difference to the financial success or otherwise of investments in the SME sector.

Our pool of mentors can be divided into two broad categories: retired business executives who are used for general business and industry assignments, and consultants who are deployed wherever their specialist skills are required.

Other equally important objectives of this division are to ensure that all deals are implemented in accordance with the terms and conditions approved by investment committees, and to oversee the collections, exit and risk management processes within the business.

The division's tasks are undertaken by our operational support services staff. These teams are based in our regional service centres and work closely with the deal-making and client-support teams. Our deal

implementation teams concentrate on ensuring that all conditions precedent, securities and agreements are drawn up before investments are paid out. A separate team focusses on post-investment value-adding to minimise risk, oversee collections and to assist and manage clients who are struggling to meet their obligations.

The structure aligns our capability with the decentralised operational needs of the organisation, but is centrally controlled.

Despite pedestrian forecasts for economic growth, the team remains bullish that their recipe to support SMEs is working and will continue to improve the success of our client base and of our own business. Those SMEs that survived the lengthy and trying economic growth challenges to date have shown that commitment to the task at hand makes one resilient to the headwinds of the time.

Property management services

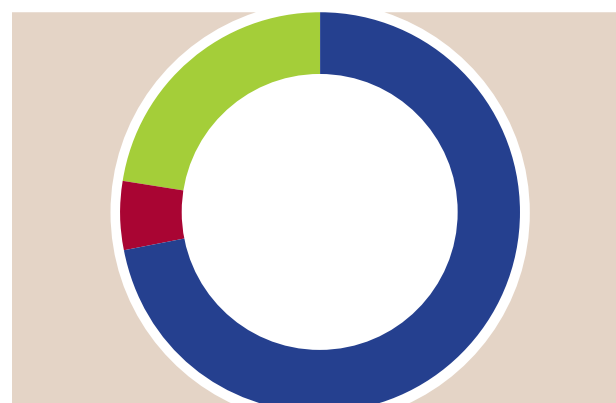
The Property Management Services division provides property broking and management services tailored to meet the needs of the SME sector. The division offers appropriate business premises and provides integrated property management and maintenance services to entrepreneurs. In addition to managing our own property portfolio, the division also manages properties on behalf of other property owners.

There are 1 710 businesses accommodated in premises under our management. Conditions experienced by this division mirror the experiences of the overall South African business environment. Demand for the expansion of our services was tepid, with our tenant profile lacking the business confidence to enter into longer term leases and preferring to limit their risk with shorter term agreements.

The prevailing low interest rates created conditions where our tenants were able to reduce their arrear rentals, and where we were able to improve our revenue based on existing contractual arrangements. The strategy of committing more of our available capital to property investment supporting SMEs – until the apparent risk in our core business finance market subsides – has paid dividends.

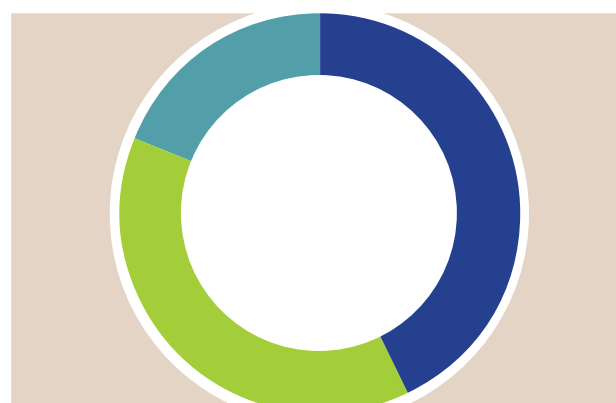
Property management services

Sectoral breakdown of portfolio



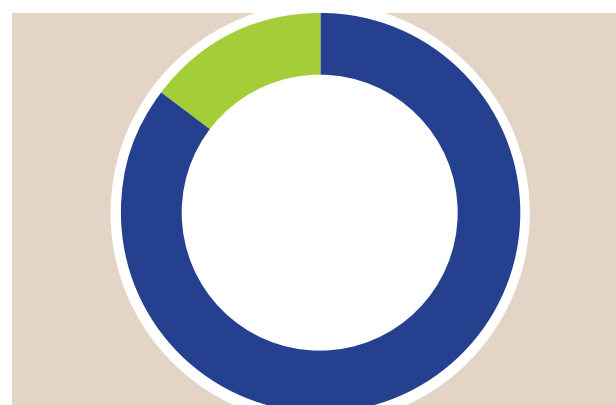
Property management services

Sectoral classification of tenant businesses



Property management services

Management fees received



Operational review

Our total vacancy rates reduced from 7,5 percent to 6,6 percent and our arrears reduced from R6,1m to R3,6m during the year.

Considering the profile of our tenants, we foresee that trading conditions will remain difficult and we do not anticipate much improvement in business activity, although our profitability should improve. We strive to be innovative in our attempts to secure and retain tenants, without sacrificing revenues or taking on more risk.

The net income from the property portfolio contributes substantially to the total net income of Business Partners Limited. We will continue to invest what is a substantial share of the capital available in Business Partners Limited in well located properties producing good yields as we mitigate risk in what are uncertain times. As we do this, we will continue the process of upgrading the quality of our property portfolio in order to ensure that we are competitive once demand resumes.

Business Partners International

Business Partners International (Pty) Ltd was established in 2004 with the support of the International Finance Corporation. Our objective was to successfully replicate the internationally recognised SME financing model – which had been established by Business Partners Limited in South Africa – in other African countries.

Business Partners International acts as a fund manager to SME-focussed limited life funds which are established in specific geographies and which have specific SME formation and growth objectives.

Our first international funds were established in Kenya and Madagascar, followed by a third country-specific fund in Rwanda. We have since developed the model further by moving to regionally focussed, rather than country-specific focussed funds, and have raised the Southern African SME Fund which will see the model deployed initially in Namibia, Malawi and Zambia, and subsequently in Zimbabwe.



Typical investors in the international funds are development finance institutions who, like Business Partners Limited, believe that they can positively affect the futures of the countries they invest in by actively supporting SMEs. They do this by investing in the Business Partners International managed funds in a way that provides them with both the ability to achieve an economic development impact while at the same time achieving a return on their capital at the end of the fund's life, thus ensuring the sustainability of their ability to invest over time.

The strategic objectives for the division

Business Partners International continues to refine its model in support of its objective of ensuring that it has a development impact (unleashes entrepreneurs who pursue wealth for themselves and create jobs for many) and does so sustainably for all its investors.

Results by country, and plans for 2013/4

Kenya

The Kenyan SME Fund performance continues to mimic that of our South African portfolio, signalling to both our

shareholders and to the investors in all our other African funds that our methodology is portable in the African context, and that we are able to both achieve our social and economic objectives, and provide a return on capital to investors at the end of the investment period.

The Kenyan SME Fund was established with a committed capital of US\$14,1 million and a Technical Assistance Fund of US\$2,5 million. It has, since inception, approved over 100 SME finance deals to a total value of US\$14,9 million, delivered over 150 technical assistance interventions and created 9 010 new jobs in the country.

A recent independent survey has shown that through access to finance and supporting technical assistance, portfolio companies within the Kenya SME Fund have over a three-year period been able to grow their levels of employment by 25 percent, their turnover by 33 percent and their profit by 79 percent.

The Kenya SME Fund will end its investment period in December 2013, after which we aim to have in place Fund 2 in East Africa, enabling us to permanently embed organisational and process structures in other East African countries.

Madagascar

The original Malagasy Fund of €8,5 million was supported by a €2,0 million Technical Assistance Fund. The challenging economic environment on the island, which was sparked by the political crisis and more recently the regime change, has made it difficult for our team on the ground to optimally grow SMEs. During the fund's investment period, which ended in 2010, we supported 27 businesses and created 359 new jobs under trying circumstances. We are now ensuring that our remaining SME clients are optimally supported by the Technical Assistance Fund and endeavouring that the capital invested by our international investors is returned to them at the end of the fund – which we expect to be at the end of 2013.

Rwanda

Our Rwandan Fund was established with a committed capital of US\$8 million and commenced with active investment at the beginning of 2012. In this early stage of the fund's life, we have approved 13 investments to the value of US\$2,5 million and have created 322 new jobs in the country.

Namibia, Malawi, Zimbabwe and Zambia

The Southern African SME Fund is a regional fund established to provide support for SMEs in Namibia, Malawi, Zambia and Zimbabwe. The fund raised US\$30m, enabling us to commence activities in Namibia, Malawi and Zambia during the 2013/2014 fiscal year. Although we are bullish about our ability to assist SMEs and to help them create jobs in Zimbabwe, developments regarding the elections, land tenure and the Indigenisation Act create conditions that are too fluid for our international investors to proceed at this stage. We are hopeful that conditions in this country will allow us, within a year of first closing, to also commence operations in Zimbabwe.

Corporate Support Services

This collection of services are bound together by the fact that while they provide disparate functions, they are all primarily driven from the corporate office in support of the regional Business Units. They comprise the accounting function, information technology and management information, human resources, the company secretariat, legal counsel, internal audit and marketing.

It is self-evident that with the rate of change we see in the world today, it is critical for a business such as ours to have world-class, accurate and timely information, as well as governance, audit and legal compliance standards that are beyond reproach. We are confident that we have these.

Without dedicated, passionate and capable people throughout the organisation, we would not have a competitive advantage, and would quickly lose our reputation as a global best practice exponent of the art of SME finance and support.

Similarly, unless we are able to understand our stakeholder needs, and to communicate our ability to deliver against these needs, we would lose our ability to grow and deliver sustainable wealth and job creation. It is for these reasons that we choose to highlight the human resource and marketing functions in this report.

Human Resources

In Business Partners Limited, the key to our success is how well we select, fund, partner, mentor, add value to, manage and exit the businesses that we are invested in. These are all human interactions, and the small businesses we deal with are owned and run by a special breed of people we call entrepreneurs.



It is not surprising, then, that the quality of our people ultimately determines the success not only of our business, but also of the businesses we assist. The importance of ensuring that we are staffed by top-class people who care about our processes and who are passionate about our clients is enormous. This is why we have determined that the responsibility for effective Human Resource management must be a line function, as close as possible to the interaction between our clients and ourselves.

It is why our central Human Resources team is a specialist group whose role is one of a high-level policy, advisory and support unit that focuses on serving – in partnership with line management – the following critical processes:

- sourcing;
- rewarding;
- retaining; and
- growing our people.

We have, over the past year, continued to bring more focus to our client liaising teams by improving the processes of the specialised units that perform either the pre-investment or post investment function.

We can really only expose front-line people, who have the training and the experience to interact at high levels, to our client base. This process has necessitated training and on-the-job coaching. As a result, we have facilitated 115 learning and development opportunities for a total of 5 755 hours for the year under review. Also key to Business Partners Limited's success is our ability to choose the right people for different roles, and then to manage, reward and retain them in ways that are appropriate to their functions. In this regard, we launched a Graduate Intern Programme at the beginning of 2013 with the view to providing practical investment skills to recent graduates who, over time, could work in the industry.

Our challenges going forward are diverse:

- The first will be to continue to staff our international business expansion into Southern and Eastern Africa and to ensure that the very methodology and culture that has built the Business Partners Limited reputation becomes ingrained in these new businesses

Workforce profile as at 31 March 2013

		MALE				FEMALE				FOREIGNERS		TOTAL
	Post level	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	1	0	1	0	3	0	0	0	0	0	0	4
Senior Management	1 & 2c	2	2	0	10	1	0	0	0	0	0	15
Professionally qualified & experienced specialist & mid-management	2 & 3	3	6	10	42	1	5	8	25	1	0	101
Skilled technical & academically qualified workers, Junior management, Supervisors, Foremen & Superintendents	4	10	7	15	7	11	19	26	38	0	1	134
Semi-Skilled and discretionary decision making	5	5	1	0	0	2	4	0	2	0	0	14
Unskilled & defined decision making	6	0	0	0	0	3	1	0	0	0	0	4
TOTAL		20	17	25	62	18	29	34	65	1	1	272

Age distribution of employees at year-end

	2013	2012
20 - 30	57	56
31 - 40	81	73
41 - 50	54	55
51 - 60	67	66
Over 60	13	15
TOTAL	272	265

Employee statistics

	2013	2012
Business Investment	187	185
Operational Employees	108	103
Operational Support Employees	79	82
Property	26	25
Operational Employees	14	16
Operational Support Employees	12	9
Group/Divisional	59	55

Two-year overview of employee statistics

	2013	2012
Total Numbers of Employees	272	265
Staff Turnover		
Total Employees at Beginning of Year	265	270
Add: Recruitments	37	37
Sub-total	302	307
Less: Resignations	(30)	(42)
Total at Year-End	272	265
Gender Profile		
Female	148	139
Male	124	126
Total	272	265
Community Profile		
Black	146	134
White	126	131
Total	272	265

- The second concerns our ability to source and retain 'high fliers' from all communities in the South African business environment. As a team, we have built what is arguably one of the best businesses of its kind in the world. But increasingly, our customer base is more diverse, and to relate to them we need to ensure more diversity amongst our employees
- The third is to grow and staff our company with appropriately skilled professionals who have both a financial and a social development drive. We have elsewhere in this report reiterated the importance of experience in the successful execution of risk-based lending to SMEs

Whilst we will continue to operate with the excellent set of skills that form our current teams, we are making overt moves to attract, train, promote and retain people who come from a range of perspectives and backgrounds, and now, from a range of countries too.

We expect that in time, and as these new people gain experience, our decision-making ability will be enriched as a result of our diversity. We have also taken steps to identify and centrally control the career paths of 'high fliers'. It is critical to the success of our organisation, given the twin demands of growth and diversity, that great potential is spotted early, trained and nurtured, and given every chance to progress.

We will also have to ensure that we retain these critical people in the Business Partners Limited environment with the promise and the delivery of a fulfilling and rewarding career for each of them.

Marketing

The primary role of the marketing department is to ensure that the identified target markets (existing and potential clients, intermediaries, shareholders, existing and potential funders and partners, suppliers, staff and opinion makers) are aware of, and positively pre-disposed towards, the Business Partners Limited value proposition as it pertains to them. This is done through developing a communication platform that is singular in thought and messages that clearly communicate Business Partners Limited's vision of being the premier business partner for SMEs. To this end, we have a structured marketing plan to achieve our objectives for each of these stakeholders.

The major thrust of our marketing efforts to existing clients is through our deal structuring, post-investment value-adding and operational support teams. We utilise a CRM system and a centralised information management tool to ensure that these teams, along with the ancillary service providers within the Business Partners Limited ambit, are utilised timeously and optimally to enable successful engagements with each of our clients.

Our marketing to existing clients is through our deal structuring, post-investment value-adding and operational support teams

The main thrust of marketing activity beyond existing clients is to intermediaries or potential channel partners, and directly to entrepreneurs who are seeking to fund the growth of their businesses. The channel partner programme is aimed at identifying – via enabling channel partners (primarily auditors, legal advisors or bankers of SMEs) – a high-quality flow of potential SME clients. The programme is aimed at enhancing awareness, positive predisposition and engagement of the channel partner sector. The major marketing activities that are utilised for these processes are awareness-generating public relations, advertising, electronic newsletters and relationship and network building events. Marketing activity aimed directly at potential SME clients uses public relations, advertising campaigns and promotional activities that acknowledge the best entrepreneurs in the country (via our Entrepreneur of the Year® programme). These activities attempt to raise both awareness and a sense of accessibility to the Business Partners Limited offering in

the minds of SME owners or managers who are keen to grow their businesses. These activities are augmented by a comprehensive website.

The communication effort with shareholders and funders is essentially a one-on-one process supported by annual report production and distribution to the regional general managers of each of the funding entities and the production of high level, strategically focussed prospectuses and a specially targeted public relations campaign.

The marketing team has been restructured during the period under review to capitalise on the productivity potential of centralised marketing specialists, whilst at the same time recognising the critical importance of localised event support. This combined effort is managed centrally, which gives the added advantage of a single-minded approach to the positioning and marketing of our brand.

Entrepreneur of the Year®

This is the premier promotional activity of Business Partners Limited and is intended to celebrate excellence in entrepreneurship by rewarding South Africa's most successful SMEs. It is one of our major contributions towards stimulating a culture of entrepreneurship in South Africa. Winners in the competition serve as an inspiration to others to succeed in the world of small and medium-sized businesses.

The competition started out being open only to Business Partners Limited clients. It has evolved to be open to all entrepreneurs in various categories, including Emerging Business Entrepreneur, Small Business Entrepreneur, Medium Business Entrepreneur, Job Creator of the Year and Innovator of the Year categories. The overall winner is aptly named Entrepreneur of the Year®. Since 2010, we have sponsored and hosted this event in partnership with Sanlam.

The event is an opportunity to attract governmental and institutional attention, and to underline the importance of the sector to GDP generation, growth and job creation. It also serves to highlight the role that Business Partners Limited plays in developing SMEs.

SME Confidence Index

Whilst almost all economists view SMEs as the engines of economic development and job creation, financiers have in the past not had credible information on the sector, and on the confidence levels of entrepreneurs.

As such, our ability to influence role-players who shape the environment for SMEs has thus far been limited to our own efforts. In July 2012, Business Partners Limited introduced a quarterly confidence index with a view to publishing the opinions of the SME entrepreneurs. The Business Partners Limited SME Confidence Index has, as one of its objectives, to measure and educate decision makers on the buoyancy of the SME sector and to help them understand the key social and economic issues affecting SMEs in South Africa. Three surveys were undertaken during the year under review. SME confidence levels that their business would grow in the next 12 months were reported at 72 percent (July 2012), 73 percent (September 2012) and 71 percent (December 2012) respectively.

Stakeholder engagement

Given the extent of Business Partners Limited's activities and its ambition to grow its influence, it is critical that we are represented and play influential roles in many business associations. Our managers are active participants in regional and national business associations, and we are members of various Chambers of Commerce, the Franchise Association of South Africa, the Businesswomen's Association, and the South African Private Equity and Venture Capital Association.

Environmental management, social engagement and enterprise development

Environmental management

Business Partners Limited complies with the environmental legislation in all the countries in which we operate, as well as with a self-imposed code of environmental policies. This code commits the company to practices that preserve the environmental and social health of the communities within which it operates – a commitment that is regularly monitored and evaluated. As part of the due diligence process, all potential client SMEs are evaluated in terms of their compliance with internationally accepted environmental management standards.

Business Partners Limited will not invest in companies that do not respect the local and global environment, no matter how financially lucrative the potential investment might be. The company also reserves the right to call-up investment facilities should a client be in breach of environmentally sound business practices. As far as



Chesney Ashton Lloyd and Gregory Frank Lloyd
Irony Trading (Pty) Limited trading as Just Refridgeration

Operational review

possible, clients are encouraged to comply with the environmental practices and procedures outlined in the ISO 14001 certification process.

In addition, Business Partners Limited will not lease premises to any tenant whose business practices are harmful to the environment. Existing tenants, whose practices are found to be harmful, receive a written warning to improve their environmental practices. If they do not respond adequately, action is taken.

Social engagement and enterprise development

Business Partners Limited's socio-economic development (SED) focus is aligned to the company's business of enabling the development of SMEs. Projects focus on either education (where we provide both monetary and non-monetary support, resources and materials), development programmes (transfer of business skills) or community training and skills development for black unemployed people.

We have several projects that we support and fund in pursuit of this end, including:

- ***The South African SME Toolkit***

Enterprise development is a crucial element in the support and promotion of entrepreneurship in South Africa. To that end, Business Partners Limited has entered into a licensing agreement with the International Finance Corporation (IFC, the financing arm of the World Bank) to bring the SME Toolkit South Africa to all entrepreneurs – existing and aspiring – in the country.

Business Partners Limited's aim is to get vital information and resources to as many entrepreneurs as possible – at no cost

Business Partners Limited's aim in establishing and managing the SME Toolkit South Africa is to get vital information and resources to as many entrepreneurs as possible – at no cost; acknowledging that the two most important business challenges cited by both aspiring and existing entrepreneurs are – besides access to finance – access to business information and support, and access to business solutions.

Since the launch of the SME Toolkit South Africa in 2007, more than 1,2 million visitors used the online resource, accessing more than 3,7 million pages of articles, tutorials and other business and industry information.

The SME Toolkit is a global initiative covering more than 37 countries and managed in each country by a hand-picked and appropriate country-partner.

- ***Information dissemination and advisory projects***

Business information and access to advice are critical inputs for emerging entrepreneurs. Business Partners Limited runs two interventions aimed at helping entrepreneurs at different levels. Business clinics are interventions run in association with various chambers of commerce. They are facilitated by Business Partners Limited mentors, and are designed to give participants a better understanding of the functional aspects of running a business. The objective is to offer information, guidance and advice to aspirant entrepreneurs in order to better motivate and equip them for a competitive business world.

Open days are aimed at existing and aspirant entrepreneurs with established skills bases. Our objective with these interventions is to supplement their experience and help them gain the specialist knowledge required to not only survive, but to thrive. Mentors assist with information on how to improve the growth and profitability of businesses, giving practical assistance with business plans and the process of attracting growth or start-up capital.

- ***Entrepreneurship training***

Business Partners Limited has partnered with various associations and organisations to create programmes designed to teach aspiring entrepreneurs the intricacies of starting or growing a business.

- ***Entrepreneurship promotions***

Business Partners Limited is involved in several promotions run in conjunction with third parties. Some of the most notable of these are promotions that focus on youth leading up to and during the Global Entrepreneurship Week in November.

Financial analysis



Financial review

Business Partners Limited's profit after tax increased by 36,2 percent to R136,3 million for the year ended 31 March 2013. The strong profit performance reported for the year is significant in the context of a lower interest rate environment and sluggish economic growth.

The solid financial performance for the year was in the main driven by:

- a 6,3 percent increase in total income to R428,5 million
- a decrease in total operating expenses from R200,4 million in the previous year to R198,6 million in the current year
- a decrease in net credit losses of 31,0 percent

Risk review

Business Partners Limited's approach to portfolio risk management pivots around the continuous assessment and monitoring of the health and viability of a client's business and operations. The provision of mentorship and consulting assistance not only benefits the client, but also gathers information which allows us to determine appropriate and timeous interventions to prevent or to solve problems. This information, in conjunction with payment performance data, informs our credit loss risk assessment models.

Significant progress was made in the past year in limiting credit losses and improving the credit risk in the investment portfolio:

- The exposure to non-performing investments decreased in the past year from R456 million (21,1 percent of the portfolio) to R388 million (17,9 percent of the portfolio)
- Net credit losses decreased 31,0 percent from R65,0 million to R44,9 million
- The impairment charges raised against the value of the investment portfolio decreased from R167,8 million to R158,5 million, representing 7,6 percent and 7,2 percent of the value of the investment portfolio, respectively.

Prospects

Our ability to sustain and scale the level of investment activity into the future will be dependent on investment

Financial analysis

prospects – in both volume and acceptable risk quality – and on the availability of appropriately priced capital. The mobilisation of special purpose funds, targeting both social and financial objectives, will extend and broaden the reach of the Business Partners Limited investment capacity, beyond the scope of the current focus. This process will be guided by agreed risk/return covenants which are approved by the board and which aim to ensure long-term sustainability of the Business Partners Limited capital base.

Special purpose funds create an excellent delivery mechanism to achieve the multiple and varied objectives of both private and public sector investors – balancing financial risk and return with the delivery of an effective social impact.

The specific methodologies and business processes developed and deployed by the company have been, and will continue to be cost-effectively adapted to the requirements of special purpose initiatives.

Economic growth in South Africa is expected to remain disappointing at around two to 2,5 percent, down from the also disappointing 2,5 percent GDP growth

experienced in 2012. The current low interest rate environment is expected to prevail at least until the first quarter of 2014, as the need for growth is balanced with keeping inflation within the Reserve Bank target range.

The low interest rate environment is a positive factor for SMEs, and has the potential to increase the appetite and propensity of SMEs to expand. Hopefully, as global uncertainty dissipates and the economic prospects of South Africa's main trading partners improve, especially in Europe, we expect a more positive and more conducive investment environment. As the appetite for business expansion improves amongst SMEs and the aversion to debt as a mechanism to fund the growth in their businesses decreases, the volume of new business investments approved by Business Partners Limited in South Africa in the 2013/2014 financial period is expected to rise to more than R1 billion.

Prospects for profitable growth remain good in Southern Africa, and also in the countries in East Africa in which we continue to operate. The expansion into Africa remains a strong strategic focus and will continue with the support of international investors.

Five-year summary

	2013/2012 Increase/(decrease)	2013	2012	2011	2010	2009
Consolidated statement of financial position (R000)						
Investment properties	15,8%	787 609	679 940	569 232	517 120	448 544
Business investments	1,1%	2 060 799	2 038 719	1 886 947	1 832 728	1 740 618
Deposits and bank balances	178,5%	99 846	35 853	25 411	23 575	24 832
Total assets	7,0%	3 246 793	3 034 404	2 780 190	2 655 516	2 359 401
Capital and reserves	4,2%	2 543 477	2 440 513	2 367 550	2 297 341	2 169 364
Consolidated statement of comprehensive income (R000)						
Net profit		136 347	100 079	107 147	94 583	130 310
Adjustments		(47 362)	(59 949)	(45 763)	(34 762)	(36 631)
Headline earnings		88 985	40 130	61 384	59 821	93 679
Change in net profit		36,2%	-6,6%	13,3%	-27,4%	-39,8%
Change in headline earnings		121,7%	-34,6%	2,6%	-36,1%	-12,7%
Share statistics						
Earnings per share (cents)	36,3%	78,8	57,8	62,0	54,8	75,9
Headline earnings per share (cents)	121,6%	51,4	23,2	35,5	34,6	54,6
Dividends per ordinary share (cents)	15,4%	15	13	12	11	15
Dividend cover (times)	20,5%	5,3	4,5	5,2	5,0	5,1
Net asset value per share (cents)	4,2%	1 470,2	1 410,7	1 368,5	1 330,0	1 255,9
Ratios						
Effective tax rate	-4,4%	26,3%	27,5%	22,8%	24,5%	24,8%
Return on opening shareholders' interest	33,3%	5,6%	4,2%	4,7%	4,4%	6,1%
Return on average assets	26,5%	4,3%	3,4%	3,9%	3,8%	5,6%
Operating expenditure/total income	-3,8%	39,3%	40,9%	40,9%	46,0%	48,1%
Net profit per employee (R000)	38,8%	514,5	370,7	385,4	323,9	441,7

Corporate overview

**Investments
disbursed**
R600,8 m

-25,2%

+9,0%

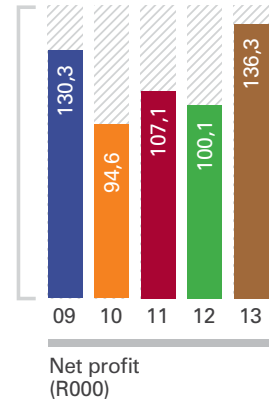
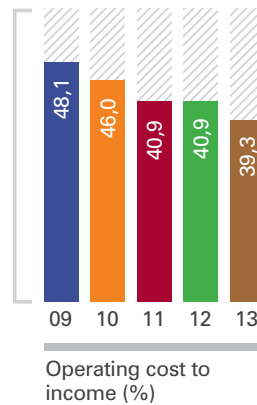
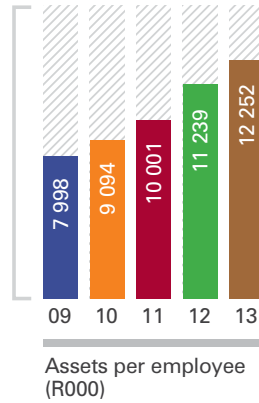
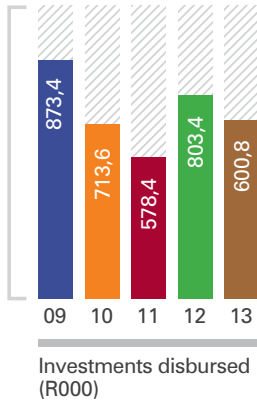
**Assets per
employee**
R12,3 m

+36,2%

**Net
profit**
R136,3 m

+15,4%

**Dividend per
share**
15 cents



Operational Highlights

- The portfolio of investments under management increased by 0,2 percent to R2 164,5 million (2012: R2 161,1 million)
- The investment property portfolio increased by 15,8 percent to R787,6 million (2012: R679,9 million)
- During the year, 251 investments (including investment properties) were disbursed to the value of R600,8 million (2012: 307 investments to the value of R803,4 million) – a decrease of 25,2 percent. Of these:
 - 90 investments to the value of R185,7 million (2012: 92 investments to the value of R220,7 million) were approved for black entrepreneurs
 - 105 investments amounting to R214,2 million (2012: 133 investments amounting to R290,8 million) were approved for female entrepreneurs
- Properties under management total more than 427 000m² of lettable space and are occupied by more than 1 700 tenants
- More than 11 900 employment opportunities were facilitated through our investment activities
- 344 mentors are available to provide mentorship and consulting services to clients
- More than 350 equity investments in unlisted entities depreciated in value by 13,6 percent



Mogani Padayachee
Debonairs Pizza

Directors and Management

Directors



Mr Theo van Wyk ^{2,3,4,5,6}
Chairman¹¹

Chairman: Personnel Committee
Chairman: Nominations Committee
Appointed: 1991
Served as Deputy Chairman: 2005 until 2011
Appointed Chairman: 2011
Director of Companies



Mr Nazeem Martin ^{2,3,4,5,6}
Managing Director¹²

Appointed: 2002
Appointed Managing Director: 2009



Mr Christo Botes ⁶
Executive Director¹²

Appointed: 2002



Mr Jan Dreyer ^{2,3,4,5}
Non-executive Director¹¹

Appointed: 2009
Executive Director: Remgro Limited



Mr Div Geeringh ^{1,2,3,4,5,6}
Non-executive Director¹⁰

Chairman: Audit and Risk Committee
Appointed: 1989
Director of Companies



Mr Godfrey Gomwe ^{*5}
Non-executive Director¹¹

Served: 2009 until 26 October 2012
Executive Director: Anglo American South Africa Limited
* Zimbabwean



Dr Paula Huysamer ²
Non-executive Director¹⁰

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



Mr Nick Janse van Rensburg
Alternate Director^{**13}

Served: 21 February 2012 until 5 September 2012
Former Chief Executive Officer: Anglo American Zimele Limited
** Alternate to Mr Godfrey Gomwe

Notes

Directors served as members on the following committees during the financial year:

- 1 Audit and Risk Committee
- 2 Personnel Committee
- 3 Nominations Committee
- 4 National Investment Committee
- 5 Fund-raising Committee
- 6 Social and Ethics Committee

Directors appointed or elected in terms of the company's memorandum of incorporation:

- 10 Elected by shareholders in terms of article 20.1.2 (article 13.2 of the former

articles of association)

- 11 Appointed by shareholders in terms of article 20.1.3 (article 13.4 of the former articles of association)
- 12 Appointed by the board of directors until confirmed by election of shareholders in terms of article 20.2 (article 15 of the former articles of association)
- 13 Appointed as alternate director in terms of the article 17.1 of the former articles of association

Directors served as alternate members on the following committees during the financial year:

- 7 Personnel Committee
- 8 Nominations Committee
- 9 Fund-raising Committee

Directors



Dr Eltie Links ^{1,5}
Non-executive Director¹⁰

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



Ms Zanele Matlala ^{1,5}
Non-executive Director¹⁰

Deputy Chairperson: Audit and Risk
Committee from 23 May 2012
Appointed: 2008
Chief Executive Officer: Merafe
Resources Limited



Mr Friedel Meisenholl ^{1,4,5}
Non-executive Director¹¹

Deputy Chairman: Audit and Risk
Committee until 23 May 2012
Appointed: 2000
Director of Companies



Mr David Moshapalo ^{2,3,4,6}
Non-executive Director¹⁰

Chairman: Social and Ethics
Committee
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
Non-executive Director¹⁰

Served as Alternate Director:
2002 until 2010
Appointed: 2010
Chief Executive Officer:
Greystones Cargo Systems (Pty)
Limited



Dr Zavareh Rustomjee ^{4,7,8,9}
Non-executive Director¹¹

Appointed: 1996
Independent Consultant



Mr Vusi Twala ^{2,3,5}
Non-executive Director¹¹

Appointed: 2010
Managing Director: Tunnel
Engineering (Pty) Limited



Mr Neville Williams ^{1,8}
Non-executive Director¹¹

Appointed: 15 May 2012
Head of Corporate Finance:
Remgro Limited



Mr Gerrie van Biljon ⁶
Executive Director¹²

Appointed: 2002

Directors and Management

Executive Management



Mr Nazeem Martin
Managing Director

BA, HDE, M Urban Planning,
Advanced Management Programme
15 years' service



Mr Ben Bierman
Chief Financial Officer

B Com, B Com (Hons), ACMA,
H Dip Tax
23 years' service



Mr Christo Botes
Executive Director

Head of Customer and
Operational Support
B Acc, B Compt Hons, CTA
27 years' service



Mr Pierre Mey
**Executive General
Manager: Operational
Support Services**

B Com
26 years' service



Ms Gugu Mjadu
**Executive General
Manager: Marketing**

BA Honours, CPRP
Appointed: September 2012



Mr Gerrie van Biljon
Executive Director

Head of Business Investments
B Com, MBA
27 years' service



Mr JM Smith
**Executive General
Manager: Human Resources**

B Soc Sc (cum laude), B Com
(Hons) (cum laude), M Com
21 years' service



Ms Marjan Gerbrands
**Company Secretary
Corporate Legal Adviser**

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



Mr Willem Bosch
**Chief Operating Officer:
Property Management
Services**

M Com
21 years' service



Mr Mark Paper
**Chief Operating Officer:
Business Partners
International**

B Com
21 years' service



Compliance with corporate governance standards

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

Business Partners Limited believes that a corporate culture of compliance with all applicable laws is key to good corporate governance and that there is a fundamental link between this culture and the generation of sustainable returns. The board provides strategic leadership through the maintenance of high standards of governance and finding the correct balance between accountability and encouraging entrepreneurial flair, and all stakeholders are provided with the assurance that the group's businesses are being managed appropriately.

Business Partners Limited uses the principles of good governance and recommendations identified in the King Report on Governance for South Africa 2009 (King III) to measure its performance and actions against best practice and standards. Business Partners Limited constantly evaluates and improves existing corporate governance structures and practices to achieve compliance with applicable principles and recommendations of King III and changes in legislation. The company's governance structure is set out on page 33 of this report.

During the 2012/2013 financial year, the company has taken the necessary steps to ensure compliance with legislation, including, in light of the provisions of the Companies Act, 2008, taking corporate actions for the adoption of a new memorandum of incorporation ('MOI') by shareholders on 15 April 2013. The board is satisfied that in the 2012/2013 financial year, the accuracy of the group's reporting and financial results were maintained at a high level.

Board of Directors

Board structure and composition

During the year under review, the directors approved a Board of Directors Charter which will be reviewed and approved annually. The charter sets out the board's mandate, role and responsibilities as well as the requirements for its composition and meeting procedures.

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.

The company has a unitary board structure and the roles of the chairman and the managing director are separate and distinct, and not vested in one person. The chairman is a non-executive director and is independent, as required by King III. The board elects a chairperson to hold office for a maximum period of one year.

The board structure provides for a strong element of independence, required to maintain high levels of objectivity for the effective functioning of the board and its committees. The board has an appropriate balance of executive, non-executive and independent directors (as set out in King III) and at least 50 percent of the board has been elected by shareholders (as required by the Companies Act, 2008).

Any shareholder, irrespective of the size of its shareholding, may nominate a director for election at an annual general meeting

In terms of article 20.1.2 (formerly article 13.2) of the company's MOI, up to six directors may be elected by the majority of shareholders. Any shareholder, irrespective of the size of its shareholding, may nominate a director for election at an annual general meeting. If a vacancy arises on the board as a result of the shareholders electing less than six directors, or the number of directors falls below six, the board may appoint a director on a temporary basis until the vacancy has been filled by election of shareholders. At least one third of directors elected by shareholders must retire at every annual general meeting, but may be

re-elected. The directors who retire shall be those who have been longest in office since their last election and any director who has held office for three years since his or her last election.

In addition to directors elected pursuant to article 20.1.2, shareholders or groups of shareholders are entitled, in terms of article 20.1.3 (formerly article 13.4) of the company's MOI, to appoint one director for every ten percent of issued share capital held or collectively held in the company. These appointed directors cease to hold office as soon as the shareholder, or group of shareholders, by whom the director was appointed loses the right to appoint a director as a result of no longer holding the requisite number of voting rights, or revokes the appointment of the director.

Any director elected by shareholders in terms of article 20.1.2 or appointed by shareholders in terms of article 20.1.3 of the company's MOI ceases to hold office as such when he or she attains the age of 70 years (65 years in terms of the company's former MOI), provided that the board may resolve that the retirement be waived for a period of not more than 12 months at a time.

The directors may, in addition to the managing director, appoint, until confirmed by election of shareholders, up to two directors (three directors in terms of the company's former MOI) to hold executive offices (article 20.2 of the company's MOI). Should the employment contract of any executive director terminate, he or she shall be deemed to have resigned as a director.

Details of the company's directors appear in the Directors and Management section of this report. The changes which occurred in the composition of the board during the year under review are set out in the directors' report in the Financial Statements section of this report.

Role and responsibilities

The board of directors is the company's highest decision-making body and is ultimately responsible for corporate governance.

The board specifically reserves the appointment of executive directors and the approval of business strategy, annual budget, interim results and annual financial statements for its decision. The board retains effective control through a well-developed governance structure that provides the framework for delegation. The board has delegated all authority

to achieve corporate objectives and management of the business and affairs of the group to the managing director, subject to statutory parameters and the limits imposed by the board. The managing director remains accountable to the board for the authority delegated to him 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 ongoing basis.

The 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.

Board meetings

In addition to the four scheduled meetings per year, the board may schedule strategy sessions or additional board meetings as it deems necessary. Meetings are scheduled well in advance. Where directors are unable to attend a meeting personally, teleconference facilities are made available to include them in the proceedings. Members of executive management attend meetings by invitation, and the company secretary attends board meetings as secretary.

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

Remuneration of non-executive board members

Non-executive directors receive fees for their service as directors on the board, and as members of board committees for meetings attended. Fees are reviewed annually. The board, with the assistance of the Nominations Committee, recommends to shareholders the remuneration payable to non-executive directors.

Remuneration paid to non-executive directors, executive directors and prescribed officers during the year under review, as approved by the shareholders or the board, as the case may be, is disclosed in note 29 to the financial statements.

Remuneration payable to non-executive directors for the 2014/2015 financial year will be submitted to shareholders for consideration at the forthcoming annual general meeting of the company.

Committees of the Board of Directors

In order to assist the board in discharging its duties, it has established committees to provide in-depth focus on specific areas of board responsibility. In line with best practice, committees of the board exist within written charters or terms of reference, which the board reviews and approves annually, respectively defining their 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.



Rajen Gounden and Gino da Silva
EIS (Engineering and Industrial Supplies)



The Nominations Committee evaluates the performance of individual members and the effectiveness of committees every year, and makes recommendations to the board with respect to the appointment of members to the various committees. The board also makes use of ad hoc board committees to deal with specific matters under written terms of reference from time to time.

Details of the meeting frequency, composition and quorum for the respective committees are set out in the Governance Structure on page 33 of this report. The members serving on 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 its charter. This committee is mandated by the board to raise any finance and risk-related concerns and is an integral component of the company's risk management process. Duties assigned to the committee by the board, along with statutory duties, include:

- reviewing the company's interim results and annual financial statements
- considering whether the external auditors should perform assurance procedures on the interim results
- reviewing the scope, effectiveness and resources of the internal audit and finance function
- overseeing the effectiveness of internal controls and ensuring that they are suitable to identify key business risks
- overseeing the governance of information technology (IT) and ensuring that the IT governance framework enables IT to deliver value to the business and mitigate IT risk
- ensuring that the appropriate accounting policies and practices have been adopted and are consistently being applied
- reviewing assessments and statements on the going concern status of the company
- reviewing the scope and effectiveness of the external audit function, including approving the external audit plan and reviewing findings and audit reports
- monitoring compliance with applicable legislation, regulatory requirements and good corporate governance

- reviewing legal matters that could have a significant impact on the group's financial statements
- nominating the external auditors for appointment by shareholders, and considering their independence and objectivity, and the approval of their terms of engagement and the audit fee
- determining the nature and extent of non-audit services provided by the external auditors and pre-approving the fees for such services

The external and internal auditors have unfettered access to the committee, and representatives from both attend meetings as standing invitees. The chairperson of the board, managing director, chief financial officer, chief risk officer, head of property management services and two directors appointed by the two major shareholders also attend committee meetings by standing invitation.

The chairperson of the committee meets at least quarterly with the head of internal audit. The external and internal auditors are given a private audience with the committee at every meeting if necessary, but at least once a year.

The chairperson of the committee annually assesses whether the committee is meeting its duties and responsibilities as set out in the committee's charter. The board, through the nominations committee, will present shareholders with suitable independent non-executive directors for election or re-election as members of the Audit and Risk Committee at the company's forthcoming annual general meeting, as required by the Companies Act, 2008.

The committee nominated PricewaterhouseCoopers Inc. for re-appointment at the forthcoming annual general meeting, as independent auditors of the company for the 2013/2014 financial year.

Social and Ethics Committee

The board appointed the Social and Ethics Committee with effect from 1 May 2012. This committee operates in accordance with a charter which includes the committee's mandate, role and responsibilities assigned by the board as well as the requirements of the Companies Act, 2008 and the Companies Regulations, 2011. The committee's composition complies with the requirements of the Companies Regulations, 2011. The chairman of the committee will report to shareholders at the company's forthcoming

annual general meeting on the matters within its mandate, as required by the Companies Act, 2008.

Nominations Committee

This committee is authorised to consider and submit proposals regarding the size, structure and composition of the board. This committee oversees a succession plan for the board and identifies and evaluates suitable potential candidates to serve as directors. The board, through the Nominations Committee, nominates eligible candidates for election to the position of director by shareholders in terms of article 20.1.2 of the company's MOI. This is done with due regard to the circumstances of the company, the skills and knowledge of the incumbent board, balancing the continuity in board membership as well as considerations of independence and the need for refreshing the board. The committee annually evaluates the independence of non-executive directors in terms of King III.

The committee annually evaluates the independence of non-executive directors in terms of King III

The committee also reviews and makes recommendations to the board regarding the requirements for, and the composition and functioning of, all the committees. The independence of directors is also evaluated pursuant to the requirements for members of an audit committee in terms of the Companies Act, 2008.

In addition, the committee annually reviews non-executive directors' remuneration and the board, through the Nominations Committee, makes recommendations to shareholders on remuneration payable to directors for not more than two years in advance.

Personnel Committee

The Personnel Committee submits recommendations to the board regarding general staff policy, remuneration of staff and executive directors, the service contracts of the executive directors, the company pension and retirement funds.

The company's remuneration, in the form of monetary rewards, focuses on the payment for performance on the achievement of corporate goals aligned to the

Corporate governance

business strategy. The reward opportunity is offered in terms of a reward policy. The reward policy sets guidelines for decision-making and has as its objectives to:

- attract, reward and retain employees of the highest calibre
- align the behaviour and performance of employees with the company's goals
- ensure the appropriate balance between short-, medium- and long-term rewards and incentives, which are closely linked to performance targets. The remuneration mix comprises basic fixed remuneration (salary plus pension and other benefits); annual performance-related rewards; as well as a medium-term carry scheme and a long-term incentive plan
- ensure that employees are competitively remunerated

Fund-raising Committee

The Fund-raising Committee's mandate is to source third party funds for the company for its SME investment activities.

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.

Transactions committee

The Transactions Committee considers company transactions (other than personnel matters) in which a director, an employee or any person related to a director or an employee, has a personal financial interest. 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.

Company Secretary and compliance governance

The Company Secretary is appointed by the board. 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.

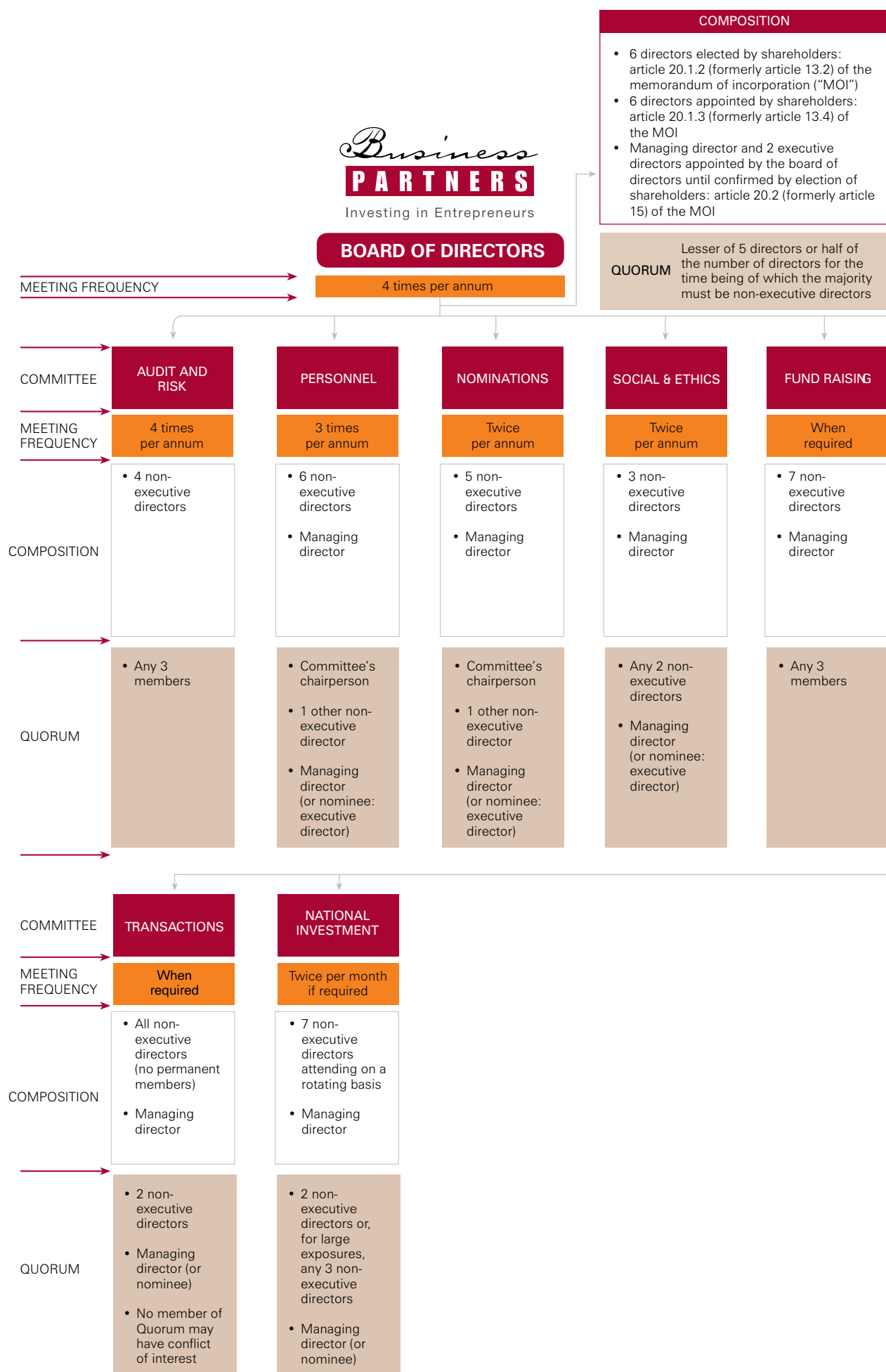
In light of the fact that the compliance function is considered to be a valuable aspect of good corporate governance, the board has approved a legislative and regulatory compliance policy during the year under review.

Regulatory compliance is of importance due to the frequent amendments to the regulatory framework in South Africa. The Company Secretary monitors the legal and regulatory environment and keeps the board abreast of relevant changes to legislation, provides training and advice, and ensures compliance with applicable legislation and regulations within the company.

The Company Secretary monitors dealings in securities and ensures adherence to 'closed periods' for share trading.

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.





Shareholder information

Distribution of shareholding

as at March 2013

	Number of holders	% of holders	Number of shares	% of shares
0 – 10 000	28	29,2%	89 925	0,1%
10 001 – 100 000	19	19,8%	695 163	0,4%
100 001 – 1 000 000	31	32,3%	8 984 988	5,2%
1 000 001 – 10 000 000	16	16,7%	52 359 547	30,3%
10 000 001 and above	2	2,1%	110 870 971	64,1%
	96	100,0%	173 000 594	100,0%

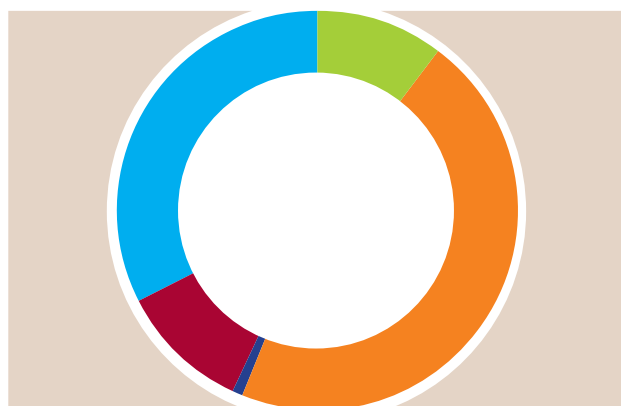
Major shareholders

as at March 2013

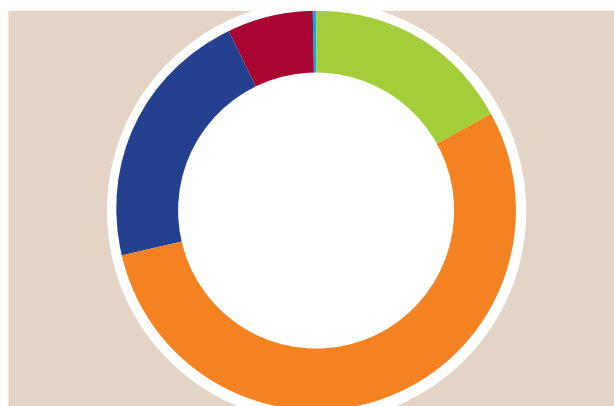
	Number of shares	% of shares
Eikenlust (Pty) Limited (Remgro Limited)	73 576 672	42,5%
Small Enterprise Finance Agency (SOC) Limited	37 294 299	21,6%
Old Mutual Life Assurance Company (South Africa) Limited	8 733 413	5,0%
Absa Group Limited	8 117 003	4,7%
Nedbank Limited	6 717 405	3,9%
FirstRand Limited	6 093 656	3,5%
Standard Bank Investment Corporation Limited	5 602 422	3,2%
SABSA Holdings Limited	2 398 528	1,4%
Barloworld Limited	2 209 594	1,3%
South African Distilleries and Wines (SA) Limited	2 149 323	1,2%
	152 892 315	88,3%

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

Number of shareholders



Number of shares



10,4%	Banks
45,8%	Corporate bodies
1,0%	Government
10,4%	Insurance companies
32,4%	Individuals

17,2%	Banks
54,2%	Corporate bodies
21,6%	Government
6,8%	Insurance companies
0,2%	Individuals

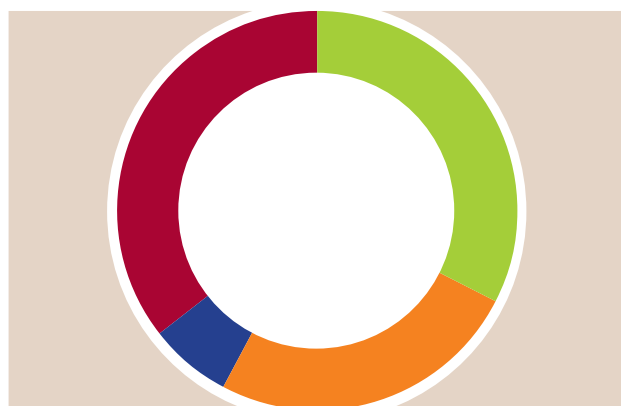
Value added-statement

	2013		2012	
	R000	%	R000	%
Value Added				
Interest received, rent charged and other income	548 971		509 479	
Less: paid to suppliers	(213 948)		(232 628)	
Total wealth created	335 023	100,0%	276 851	100,0%

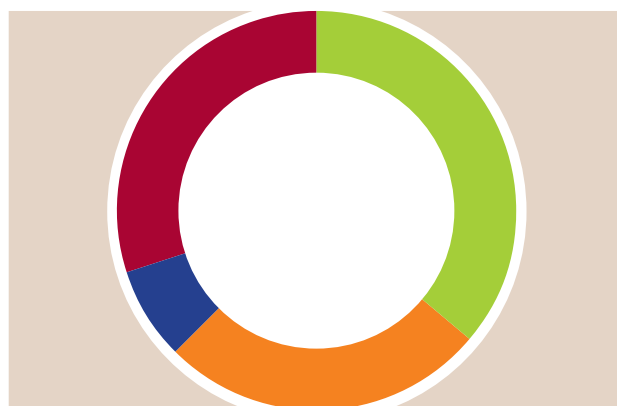
Distributed as follows:

Employees	108 948	32,5%	100 347	36,2%
Salaries, wages and contributions	108 948	32,5%	100 347	36,2%
Government	85 289	25,5%	73 155	26,4%
Corporate income tax	32 752	9,8%	26 374	9,5%
Taxes on distributions	4 011	1,2%	1 550	0,6%
Value added tax	17 332	5,2%	17 805	6,4%
Employee taxes	30 029	9,0%	26 408	9,5%
Skills development levies	1 165	0,3%	1 018	0,4%
Shareholders	22 490	6,7%	20 760	7,5%
Dividends paid	22 490	6,7%	20 760	7,5%
Retentions to support future operations	118 296	35,3%	82 589	29,9%
Depreciation	4 439	1,3%	3 270	1,2%
Income retained	113 857	34,0%	79 319	28,7%
	335 023	100,0%	276 851	100,0%

2013



2012



■ 32,5% Employees
■ 25,5% Government
■ 6,7% Shareholders
■ 35,3% Future operations

■ 36,2% Employees
■ 26,4% Government
■ 7,5% Shareholders
■ 29,9% Future operations

Financial Statements

Statement of responsibility by the Board of Directors

The directors of Business Partners Limited are responsible for the preparation of the Group and separate annual financial statements. In discharging this responsibility, the directors rely on management to prepare the annual financial statements in accordance with International Financial Reporting Standards ('IFRS') and for keeping adequate accounting records in accordance with the Company's system of internal control. As such, the annual financial statements include amounts based on judgments and estimates made by management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve significant changes to accounting policies. However, there were no changes to accounting policies during the financial year. The financial statements incorporate full and responsible disclosure in line with the Company's philosophy on corporate governance.

The directors are responsible for the Company's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost-effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the internal controls are adequate and that the financial records may be relied on in preparing the annual financial statements in accordance with IFRS and maintaining accountability for the Company's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Company, during the year and up to the date of this report.

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

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

It is the responsibility of the Company's independent external auditors, PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. Their unqualified report appears on page 38.

The separate annual financial statements of the Company, which appear on pages 42 to 84 have been approved by the Board of Directors on 29 May 2013 and are signed on behalf of the Board of Directors by two directors.



T van Wyk
Chairman



N Martin
Managing Director

Certificate by the Company Secretary

I certify, in terms of section 88(2) of the Companies Act 71 of 2008 ('the Act'), that for the year ended 31 March 2013, the Company has filed all the required returns and notices in terms of this Act, and that all such returns and notices appear, to the best of my knowledge and belief, true, correct and up to date.



CM Gerbrands
Company Secretary
29 May 2013

Audit and Risk Committee report

The members of the Audit and Risk Committee fulfilled all their duties during the financial year as prescribed by the Companies Act 71 of 2008 ('the Act') and the committee reports as follows in terms of section 94(7) of the Act:

- The committee has been constituted in accordance with the Act and applicable regulations. The committee members are all independent non-executive directors of the Company. The committee comprises members with adequate relevant qualifications and experience to equip the committee to perform its functions.
- Four committee meetings were held during the financial year.
- The committee has conducted its affairs in compliance with its Charter as approved by the Board of Directors and has discharged its responsibilities contained therein. The effectiveness of the committee and its individual members have been assessed.
- The committee has satisfied itself that the external auditors are independent of the Group as set out in section 94(8) of the Act.
- The appointment of the external auditors complies with the Act and with all other legislation relating to the appointment of external auditors.
- The external auditors' terms of engagement, audit plan and budgeted fees have been determined.
- The nature and extent of non-audit services have been defined and pre-approved.
- The committee has reviewed the accounting policies and the financial statements of the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards.
- The committee has overseen a process by which internal audit assessed the effectiveness of the system of internal control and risk management, including internal financial controls.
- The committee receives and deals with any concerns or complaints relating to accounting practices and internal audit of the Group, the content or auditing of the Group's financial statements, the internal financial controls of the Group or any related matter. No matters of significance have been raised in the past financial year.
- A detailed report on the activities of the committee is contained in the Corporate Governance section of the Annual Report on page 30.



DR Geeringh
Chairman: Audit and Risk Committee
29 May 2013

Independent Auditor's Report

to the Shareholders of Business Partners Limited

We have audited the consolidated and separate financial statements of Business Partners Limited set out on pages 42 to 84, which comprise the statements of financial position as at 31 March 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 judgment, 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 management, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Business Partners Limited as at 31 March 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



PricewaterhouseCoopers Inc.

Director: Stefan Beyers

Registered Auditor

Sunninghill

4 June 2013

Directors' Report

for the year ended 31 March 2013

1. Nature of the business

The Company is principally engaged in investing capital, knowledge and skill in viable small and medium-sized businesses ('SMEs'). The Company is registered in South Africa.

2. Business activities

Business confidence in South Africa, the Company's primary market, was adversely impacted upon by the perceived economic policy uncertainty in the months leading up to the ruling party's policy conference in December 2012, the inflationary increases in administered prices, and labour unrest in the mining sector – which also spread to other sectors and resulted in higher than inflation wage settlements. The resultant lower levels of fixed investment by the private sector, together with delays in governmental infrastructure investments and muted consumer spending, contributed to a disappointing economic growth rate and, in general, a challenging business environment for SMEs.

The volume of new business concluded – in a year during which SMEs were experiencing tough trading conditions – was lower than expected; 331 investment projects amounting to R891,7 million were approved, a decrease of 4,7 percent and 8,3 percent respectively, compared to the 2012 year when 361 investments amounting to R935,2 million were approved.

The majority (86,5 percent) of the investments were structured to align the return of the investment with the investee company's performance, thereby achieving a balance between risk and return. An equity stake was obtained in 50 projects (2012: 84 projects) at an average investment amount of R3,5 million (2012: R4,5 million).

The Company manages a portfolio of 163 industrial and commercial properties that are geographically dispersed. The portfolio provides business premises with a lettable area of more than 427 000m² (2012: 466 600m²), to more than 1 700 tenants.

The Group owns 134 investment properties at a fair value of R893,0 million on 31 March 2013 (31 March 2012: 135 properties at a fair value of R785,9 million). The portfolio is carried at R871,3 million (March 2012: R764,0 million) in the statement of financial position and is disclosed as 'Investment properties' amounting to R787,6 million, and, for the owner occupied properties, as 'Property, plant and equipment' amounting to R83,7 million.

3. Operational and financial review

The Group's net profit for the year amounted to R136,3 million, a R36,2 million or 36,2 percent increase on the R100,1 million profit of the prior year.

Total income increased from R403,3 million in the prior year to R428,5 million for the year ended 31 March 2013. Other income reported a significant increase compared to the prior year, primarily due to the recovery of certain establishment costs related to the Company's international operations.

The salary cost of permanently employed staff increased by 5,6 percent year on year. However, total staff costs for the year were R3,8 million (2,6 percent) lower, primarily due to the extraordinary pension fund settlement costs incurred in the prior year.

The risk in the investment portfolio, as measured by the repayment performance of the investments, satisfactorily improved during the period. Non-performing loans decreased from 21,1 percent at 31 March 2012 to 17,9 percent of the portfolio at 31 March 2013. Net credit losses decreased by 31,0 percent to R44,9 million (2012: R65,0 million).

Finance charges increased by 49,9 percent from the prior year. The Company's average borrowings increased from R334,8 million in 2012 to R450,9 million in 2013.

4. Events subsequent to the statement of financial position date

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

5. Share capital and reserves

The authorised share capital remained unchanged at 400 million ordinary par value shares of R1 each. The issued share capital was reduced during the current year – a result of a share buy-back by the Company – from 178,8 million shares to 173,0 million shares. The par value of the shares remains unchanged at R1 per share.

Directors' Report

for the year ended 31 March 2013

6. Dividend

A cash dividend of 15 cents per share in respect of the 2013 financial year (2012: 13 cents) was declared on 29 May 2013, payable on or about 23 August 2013 to all shareholders registered in the share register at the close of business on 13 August 2013.

The solvency and liquidity tests as required by section 46 of the Companies Act 71 of 2008 were applied, and the Company will satisfy the requirements of these tests immediately after completing the proposed distribution.

Dividend cover for the year equals 5,3 times (2012: 4,5 times). The dividend policy aims to ensure at least four times cover for the dividend, after evaluating the nature and quality of the profit for the year.

7. Earnings per share

Earnings per share increased to 78,8 cents (2012: 57,8 cents) based on 173,3 million weighted number of shares in issue. Diluted earnings per share increased to 76,8 cents (2012: 56,5 cents). Headline earnings per share increased to 51,4 cents (2012: 23,2 cents). Diluted headline earnings per share increased to 50,3 cents (2012: 23,0 cents). For more information, refer to notes 12 and 24 in the annual financial statements.

8. Directors' remuneration and interest

The directors' remuneration is set out in note 29 to the annual financial statements. No material contracts in which the directors have any interest were entered into in the current year.

9. Major shareholders

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

10. Directors

10.1 The directors of the Company on 31 March 2013 were

Directors appointed by shareholders in terms of Article 20.1.3 (formerly Article 13.4) of the Memorandum of Incorporation:

Mr T van Wyk (Chairman)	Mr F Meisenholl	Mr VO Twala
Mr JW Dreyer	Dr ZZR Rustonjee	Mr NJ Williams

Directors elected by shareholders in terms of Article 20.1.2 (formerly Article 13.2) of the Memorandum of Incorporation:

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

Directors appointed by the Board of Directors until confirmed by election of shareholders in terms of Article 20.2 (formerly Article 15) of the Memorandum of Incorporation:

Mr N Martin (Managing Director)	Mr C Botes (Executive Director)	Mr G van Biljon (Executive Director)
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10.2 During the year, the following changes occurred in the composition of the Board of Directors:

Director	Event	Terms	Date
Mr NJ Williams	Appointed	Article 20.1.3 (formerly Article 13.4)	15 May 2012
Mr DR Geeringh	Retired	Article 20.1.2 (formerly Article 13.2)	14 August 2012
	Re-elected	Article 20.1.2 (formerly Article 13.2)	14 August 2012
Mr SST Ngcobo	Retired	Article 20.1.2 (formerly Article 13.2)	14 August 2012
	Re-elected	Article 20.1.2 (formerly Article 13.2)	14 August 2012
Mr NP Janse van Rensburg	Resigned as alternate director to Mr GG Gomwe	Formerly Article 17.1	05 September 2012
Mr GG Gomwe (Zimbabwean)	Resigned	Article 20.1.3 (formerly Article 13.4)	26 October 2012

Directors' Report

for the year ended 31 March

11. Company Secretary

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

12. Annual Financial Statements

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

13. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors of the Group. The Audit and Risk Committee nominated PricewaterhouseCoopers Inc. for re-appointment, at the forthcoming annual general meeting, as auditors for the 2014 financial year. Mr S Beyers will be the designated auditor.

14. Acknowledgements

Sincere appreciation is extended to all our shareholders, members of the Board of Directors and its committees for their dedicated and positive participation throughout the year. To the entire staff of Business Partners Limited, we express our gratitude for their loyalty, commitment and hard work in pursuing the objectives of the Company.



T van Wyk
Chairman
29 May 2013



N Martin
Managing Director

Statement of financial position

as at 31 March 2013

		Group		Company	
		2013	2012	2013	2012
		R000	R000	R000	R000
Notes					
Assets					
Non-current assets					
		2 779 698	2 666 653	2 642 797	2 536 492
Investment properties	3	787 609	679 940	662 485	573 254
Loans and receivables	4	1 736 156	1 738 009	1 740 888	1 733 959
Investments in associates	5	76 938	77 143	380	1 874
Investments in subsidiaries	7			142 851	139 071
Property and equipment	6	88 402	88 830	5 600	5 603
Defined benefit pension fund surplus	8	90 593	82 731	90 593	82 731
Current assets					
		467 095	367 751	434 400	338 231
Loans and receivables	4	324 643	300 710	323 320	298 000
Assets held for resale	9	8 829	5 621	8 829	5 621
Accounts receivable	10	33 777	25 567	29 867	24 638
Cash and cash equivalents	11	99 846	35 853	72 384	9 972
Total assets		3 246 793	3 034 404	3 077 197	2 874 723
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent					
		2 543 477	2 440 513	2 398 857	2 298 250
Share capital	12	173 001	178 835	173 001	178 835
Treasury shares	12	-	(15 292)		
Fair value and other reserves	13	38 659	49 552	34 656	45 750
Retained earnings		2 331 817	2 227 418	2 191 200	2 073 665
Non-controlling shareholders' interest		1 053	1 000		
Total equity		2 544 530	2 441 513	2 398 857	2 298 250
Non-current liabilities					
		578 933	294 407	573 229	292 174
Borrowings	14	454 124	195 014	454 124	195 014
Post-retirement medical aid obligation	8	93 518	75 631	93 518	75 631
Deferred tax liability	15	31 291	23 762	25 587	21 529
Current liabilities					
		123 330	298 484	105 111	284 299
Borrowings	14	36 004	216 616	36 004	216 616
Accounts payable	16	45 484	39 328	28 541	25 526
Provisions	17	39 719	36 645	37 907	35 373
Current income tax liability		2 040	5 824	2 576	6 713
Shareholders for dividend		83	71	83	71
Total liabilities		702 263	592 891	678 340	576 473
Total equity and liabilities		3 246 793	3 034 404	3 077 197	2 874 723

Statement of comprehensive income

for the year ended 31 March 2013

		Group		Company	
		2013 R000	2012 R000	2013 R000	2012 R000
Notes					
Net interest revenue	18	214 845	218 996	216 022	219 002
Interest income		248 992	241 776	250 169	241 782
Interest expense		(34 147)	(22 780)	(34 147)	(22 780)
Fee revenue		5 972	8 484	5 919	8 355
Investment income and gains	19	87 587	90 095	71 813	89 753
Net property revenue		83 657	63 993	75 445	59 865
Property revenue		152 208	130 017	126 228	108 643
Property expenses		(68 551)	(66 024)	(50 783)	(48 778)
Management and service fee income		18 429	16 521	13 189	13 008
Other income		18 044	5 251	56 264	2 595
Total income		428 534	403 340	438 652	392 578
Net credit losses	20	(44 908)	(65 045)	(43 994)	(57 511)
Staff costs	21	(143 781)	(147 585)	(133 692)	(140 754)
Other operating expenses		(54 839)	(52 809)	(65 310)	(62 082)
Profit before taxation		185 006	137 901	195 656	132 231
Income tax expense	23	(48 606)	(37 855)	(28 620)	(29 700)
Profit for the year		136 400	100 046	167 036	102 531
Other comprehensive income after tax					
Actuarial loss on defined benefit pension fund		(994)	(4 610)	(994)	(4 610)
Actuarial loss on post-retirement medical aid obligation		(10 110)	(3 124)	(10 110)	(3 124)
Actuarial loss on post-retirement benefits		(11 104)	(7 734)	(11 104)	(7 734)
Fair value adjustment of available-for-sale instruments		10	(2)	10	(2)
Foreign currency translation reserve movement		796	443		
Share of associates' other comprehensive income		(595)	(380)		
Other comprehensive income for the year		(10 893)	(7 673)	(11 094)	(7 736)
Total comprehensive income for the year		125 507	92 373	155 942	94 795
Profit attributable to:					
Equity holders of Business Partners Limited		136 347	100 079	167 036	102 531
Non-controlling interests		53	(33)		
		136 400	100 046	167 036	102 531
Total comprehensive income attributable to:					
Equity holders of Business Partners Limited		125 454	92 406	155 942	94 795
Non-controlling interests		53	(33)		
		125 507	92 373	155 942	94 795
Earnings per share					
Basic earnings per share	24	78,8	57,8		
Diluted basic earnings per share	24	76,8	56,5		

Statement of changes in equity

for the year ended 31 March

		Attributable to equity holders of the parent				
	Notes	Share capital R000	Fair value and other reserves* R000	Retained earnings R000	Non-controlling interest R000	Total R000
Group						
Balance at 1 April 2011		163 543	57 225	2 146 782	1 929	2 369 479
Share of associates' movement in retained earnings				1 317		1 317
Change in control of partially owned subsidiaries					(896)	(896)
Total comprehensive income for the year			(7 673)	100 079	(33)	92 373
Net profit				100 079	(33)	100 046
Other comprehensive income			(7 673)			(7 673)
Dividend	25			(20 760)		(20 760)
Balance at 31 March 2012		163 543	49 552	2 227 418	1 000	2 441 513
Balance at 1 April 2012						
		163 543	49 552	2 227 418	1 000	2 441 513
Purchase of treasury shares		9 458		(9 458)		-
Total comprehensive income for the year			(10 893)	136 347	53	125 507
Net profit				136 347	53	136 400
Other comprehensive income			(10 893)			(10 893)
Dividend	25			(22 490)		(22 490)
Balance at 31 March 2013		173 001	38 659	2 331 817	1 053	2 544 530
Company						
Balance at 1 April 2011		178 835	53 486	1 992 594		2 224 915
Total comprehensive income for the year			(7 736)	102 531		94 795
Net profit				102 531		102 531
Other comprehensive income			(7 736)			(7 736)
Dividend	25			(21 460)		(21 460)
Balance at 31 March 2012		178 835	45 750	2 073 665		2 298 250
Balance at 1 April 2012						
		178 835	45 750	2 073 665		2 298 250
Purchase of treasury shares		(5 834)		(26 253)		(32 087)
Total comprehensive income for the year			(11 094)	167 036		155 942
Net profit				167 036		167 036
Other comprehensive income			(11 094)			(11 094)
Dividend	25			(23 248)		(23 248)
Balance at 31 March 2013		173 001	34 656	2 191 200		2 398 857

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

Cash flow statement

for the year ended 31 March

		Group		Company	
		2013	2012	2013	2012
		R000	R000	R000	R000
Notes					
Cash flow from operating activities					
		440 641	411 156	404 377	378 947
		(256 631)	(254 387)	(244 925)	(247 539)
	28.1	184 010	156 769	159 452	131 408
		(31 291)	(22 780)	(31 291)	(22 780)
	28.2	(33 346)	(14 240)	(24 385)	(11 528)
	28.3	(22 478)	(21 061)	(23 236)	(21 761)
		96 895	98 688	80 540	75 339
Cash flow from investing activities					
		(88 362)	(96 864)	(78 886)	(93 903)
		(3 257)	(3 324)	(2 752)	(2 517)
		12 300	27 388	12 300	27 388
		124	124	124	129
		(474 102)	(599 705)	(474 097)	(596 126)
		391 585	375 262	388 184	373 525
		4 790	1 069	4 039	3 778
				8 940	4 811
		39 752	46 260	39 752	46 260
		8 626	6 711	8 626	6 711
		(108 544)	(243 079)	(93 770)	(229 944)
Cash flow from financing activities					
		290 000	-	290 000	-
		(26 054)	(25 825)	(26 054)	(25 825)
		263 946	(25 825)	263 946	(25 825)
	11	252 297	(170 216)	250 716	(180 430)
	11	(152 451)	17 765	(178 332)	2 098
		99 846	(152 451)	72 384	(178 332)

Notes to the financial statements

for the year ended 31 March

1. Accounting policies

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

1.1 Basis of preparation

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

- Post-employment benefit obligations that are measured in terms of the Projected Unit Credit method
- Investment properties accounted for using the fair value model
- Jointly controlled entities accounted for using the equity method

1.2 New and amended standards adopted

The following amended standards are not yet effective and have not been adopted by the Group:

Amendments to IAS 1 – Presentation of Financial Statements: Presentation of items of OCI. The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income ('OCI') on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Effective date: 1 July 2012.

Amendments to IAS 19 – Employee benefits. The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expenses and termination benefits, and to the disclosures for all employee benefits. Effective date: 1 January 2013.

IAS 27 (revised 2011) – Separate financial statements. This standard includes the provisions on separate financial statements that remain after the control provisions of IAS 27 have been included in the new IFRS 10. Effective date: 1 January 2013.

IAS 28 (revised 2011) – Associates and joint ventures. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. Effective date: 1 January 2013.

Amendment to IFRS 7 – Financial Instruments: Disclosures. The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. Effective date: 1 January 2013.

IFRS 9 – Financial Instruments. This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9 to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. The IASB has published an amendment to IFRS 9 that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the assurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified. Effective date: 1 January 2015.

IFRS 10 – Consolidated financial statements. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. It provides additional guidance to assist in determining control where this is difficult to assess. Effective date: 1 January 2013.

IFRS 11 – Joint arrangements. This standard provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Effective date: 1 January 2013.

IFRS 12 – Disclosures of interests in other entities. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Effective date: 1 January 2013.

Notes to the financial statements continued

for the year ended 31 March

IFRS 13 – Fair value measurement. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS's. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS's or US GAAP. Effective date: 1 January 2013.

Amendments to IAS 32 – Financial Instruments: Presentation. The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP. Effective date: 1 January 2014.

The impact of the above standards on the results of the Group has not yet been assessed.

1.3 Consolidation

1.3.1 Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as and when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's share of the subsequent change in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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

1.3.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of the Company.

1.3.3 Transactions with non-controlling interests

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

1.3.4 Investments in associates

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

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

Notes to the financial statements *continued*

for the year ended 31 March

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

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

1.4 Foreign currencies

1.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in ZAR, which is the Company's functional currency and the Group's presentation currency.

1.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity, using the exchange rates prevailing at the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income.

1.4.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially or fully disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.5 Financial assets

1.5.1 Classification

The Group classifies its financial assets primarily in the following categories: loans and receivables and available-for-sale instruments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial instruments

Available-for-sale financial assets are non-derivatives that are designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise 'loans and receivables', 'accounts receivable' and 'cash and cash equivalents' on the face of the statement of financial position.

Notes to the financial statements *continued*

for the year ended 31 March

1.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value and loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income within 'investment income and gains' when the Group's right to receive payments is established.

1.5.3 Impairment of financial assets

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Assets carried at amortised cost

The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Specific impairments

The portfolio of investments is classified into different risk classes which are defined by the presence of various risk indicators. The presence of these risk indicators is accepted as objective evidence that an impairment event has occurred in the investment. The criteria for assessing the investment's performance in meeting its repayment obligations, and thereby identifying the risk indicators, are as follows:

- A. Investments with no arrears
- B. Amount in arrears for 30 days is less than the repayment required or value of 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. Dishonoured 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 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 zero percent to 75 percent.
- the time period required from the date of assessment to the point in the future when cash flows are expected from a specific investment. The period is estimated to be 18 months on average. The cash flows are discounted to the current date over the expected period at a discount rate equal to the rate of return expected from the specific investment.

Notes to the financial statements *continued*

for the year ended 31 March

The extent of the loss is quantified by measuring as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income within 'net credit losses'.

Collective impairments

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income within 'net credit losses'.

1.5.4 Renegotiated loans

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

Disclosure about financial assets to which the Group is a party is provided in note 2 to the annual financial statements.

1.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.7 Investment properties

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

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

1.8 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the financial period in which it is incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to the residual values over the estimated useful lives of the assets, as follows:

– Buildings	25 to 30 years
– Machinery, equipment, furniture and fittings	5 years
– Computer hardware and computer software	3 years
– Vehicles	4 years

Land is not depreciated.

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

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

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

Notes to the financial statements *continued*

for the year ended 31 March

1.9 Employee benefits

1.9.1 Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is any pension plan that is not a defined contribution plan, and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. In terms of this method, the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

1.9.2 Post-retirement medical aid obligations

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

1.10 Inventories and assets held for resale

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.

1.11 Accounts receivable

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

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and deposits held at call with banks. Bank overdrafts are shown within 'borrowings' under current liabilities on the statement of financial position.

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

1.13 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1.14 Current and deferred income tax

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

Notes to the financial statements *continued*

for the year ended 31 March

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.15 Accounts payable

Accounts payable consist mainly of funds held in trust on behalf of customers and obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. The amounts are unsecured and are, where applicable, usually paid within 30 days of recognition. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.16 Provisions and contingent liabilities

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

Provisions for future operating losses are not recognised.

Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

1.17 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statement of comprehensive income on a straight-line basis over the period of the lease.

1.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and supply of services in the ordinary course of the Group's activities. Revenue is shown net of discounts, returns and value added taxes and after eliminating sales and supply of services within the Group.

The Group recognises revenue when the amount of the revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Interest income is recognised using the effective interest method on a time apportionment basis, taking account of the principal amount outstanding and the effective rate over the period to maturity to determine when such income will accrue to the Group.

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

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

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

Notes to the financial statements *continued*

for the year ended 31 March

1.19 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

1.19.1 Impairment of loans and receivables

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

1.19.2 Present value of defined benefit obligation

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

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

Additional information is disclosed in note 8.1.

The determination of the defined benefit obligation as it relates to pensioners, is calculated by applying a mortality rate. If the average expected remaining life of pensioners were to increase by one year, the pension obligation for pensioners would amount to R93,1 million, resulting in a gain to other comprehensive income before tax of R3,5 million. If the average expected remaining life of pensioners were to decrease by one year, the pension obligation for pensioners would amount to R100,2 million, resulting in a charge to other comprehensive income before tax of R3,5 million.

1.19.3 Present value of post-retirement medical aid obligation

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

The Group determines the appropriate discount rate at the end of each year, which is based on the R186 government bond. This is the interest rate used to determine the present value of estimated future cash outflows required to settle the post-retirement medical aid obligations.

Additional information, as well as the sensitivity to the subsidy inflation rate, is disclosed in note 8.2.

1.19.4 Valuation of investment properties

The valuation of the investment properties was performed internally by suitably qualified personnel and is based on the capitalised income method. The key assumptions used in the valuation of the investment properties are capitalisation rates, vacancy factors and actual expenses incurred on each property. The vacancy factors and property expenses are based on actual and historical trends. Capitalisation rates are determined by management with reference to current market information and management's assessment of the property portfolio.

If the capitalisation rate was on average one percent higher for the portfolio, the Group's profit before tax would have been R135,7 million. Alternatively, if the capitalisation rate was on average one percent lower for the portfolio, the Group's profit before tax would have been R224,6 million. Additional information is disclosed in note 3.

Notes to the financial statements *continued*

for the year ended 31 March

2. Financial risk management

The Group'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 Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

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

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

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

2.1 Credit risk

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

2.1.1 Credit risk measurement

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

2.1.2 Risk management process

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

Loans and receivables

The concentration of risk in the investment portfolio is decreased through industry diversification. The more than 1 820 investment projects in the portfolio are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. No single investment represents more than 0,8 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.

Collateral

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

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

Rental contracts

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

Notes to the financial statements *continued*

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

2.1.3 Maximum credit risk exposure

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

Related to loans and receivables:

Interest-bearing loans	2 081 777	2 088 618	2 075 918	2 077 954
Shareholders' loans	96 192	77 659	96 192	77 659
Royalty agreements	32 874	26 276	32 077	25 096
Staff loans	24	89	24	89
	2 210 867	2 192 642	2 204 211	2 180 798

Related to accounts receivable:

Rent debtors	16 036	11 603	9 971	7 595
Trade and other receivables	13 145	9 369		

Cash held in bank accounts

99 846 35 853

Related to off-balance sheet items:

Financial guarantees	-	4 040	-	4 040
Loan commitments and other credit-related liabilities	295 262	237 078	295 262	237 073

2 635 156 2 490 585 2 509 444 2 429 506

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

Industry sector exposure

Construction	108 530	111 611	108 532	111 613
Financial intermediation	634 118	598 910	634 128	598 919
Fishing	28 947	43 442	28 947	43 443
Horticulture, animal farming and forestry	27 748	23 742	27 749	23 743
Leisure	68 809	93 331	65 417	89 111
Manufacturing	442 610	469 345	442 618	469 354
Motor trade	177 191	172 336	175 828	169 571
Personal services	120 773	98 051	120 528	97 701
Quarrying	38 591	41 753	38 591	41 753
Retail	185 904	168 012	184 658	166 096
Transport and communication	78 134	64 341	77 698	63 933
Travel and tourism	213 302	228 751	213 306	228 755
Wholesale	86 210	79 017	86 211	76 806
	2 210 867	2 192 642	2 204 211	2 180 798

Geographical exposure

Eastern Cape	296 226	278 925	294 656	277 041
Free State	101 842	102 302	99 140	101 343
Gauteng	538 783	541 642	537 936	539 982
KwaZulu-Natal	452 297	437 343	454 184	436 735
Limpopo	64 444	75 570	64 004	75 357
Mpumalanga	64 129	85 508	61 753	82 281
North West	26 192	29 639	26 381	29 639
Northern Cape	55 400	55 091	54 963	54 740
Western Cape	611 554	586 622	611 194	583 680
	2 210 867	2 192 642	2 204 211	2 180 798

Notes to the financial statements continued

for the year ended 31 March

Product type exposure

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Loan Partner	413 080	476 024	416 058	476 033
Royalty Partner	796 667	829 930	779 816	818 061
Royalty Risk Partner	18 823	32 924	18 959	32 925
Risk Partner	19 364	30 878	19 504	30 878
Equity Partner	46 379	45 148	46 713	45 149
Property Risk Partner	645 990	599 890	650 647	599 901
Property Royalty	163 844	80 985	165 025	80 986
Property Equity Partner	106 720	96 863	107 489	96 865
	2 210 867	2 192 642	2 204 211	2 180 798

2.1.4 Credit quality of loans and receivables

The credit quality of loans and receivables are as follows:

Neither past due nor individually impaired	1 489 367	1 332 949	1 485 614	1 324 767
Past due, but not individually impaired	26 654	49 088	26 654	49 088
Individually impaired	694 846	810 605	691 943	806 943
Gross	2 210 867	2 192 642	2 204 211	2 180 798
Less: allowance for impairment	(158 548)	(167 805)	(156 883)	(165 861)
	2 052 319	2 024 837	2 047 328	2 014 937

The allowance for impairment of loans and receivables amounts to R158,5 million (2012: R167,8 million). R114,5 million (2012: R131,7 million) represents the individually impaired loans and the balance of R44,0 million (2012: R36,1 million) represents the portfolio impairment. For additional information regarding the allowance for impairment, refer note 4.3.

Loans and receivables neither past due nor individually impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed in terms of the internal risk rating system as disclosed in the accounting policies.

Interest-bearing loans	1 378 998	1 243 867	1 376 042	1 236 865
Shareholders' loans	77 471	62 717	77 471	62 717
Royalty agreements	32 874	26 276	32 077	25 096
Staff loans	24	89	24	89
	1 489 367	1 332 949	1 485 614	1 324 767

Loans and receivables past due but not individually impaired

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

Interest-bearing loans	26 449	49 039	26 449	49 039
Shareholders' loans	205	49	205	49
	26 654	49 088	26 654	49 088
Fair value of collateral – interest-bearing loans	22 211	41 075	22 211	41 075

Upon initial recognition of loans and receivables, the fair value of the collateral is determined by applying valuation methodologies applicable to the specific collateral types.

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

Loans and receivables individually impaired

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

Interest-bearing loans	676 330	795 712	673 427	792 050
Shareholders' loans	18 516	14 893	18 516	14 893
	694 846	810 605	691 943	806 943
Fair value of collateral – interest-bearing loans	443 624	516 970	443 215	515 883

Upon initial recognition of loans and receivables, the fair value of the collateral is determined by applying valuation methodologies applicable to the specific collateral types.

During the year, interest in the amount of R58,5 million (2012: R71,5 million) earned on individually impaired loans was recognised in revenue.

Loans and receivables renegotiated

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

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

Group		Company	
Continue to be impaired	No longer impaired	Continue to be impaired	No longer impaired
R000	R000	R000	R000

At 31 March 2013

Interest-bearing loans	11 089	8 204	11 089	8 204
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At 31 March 2012

Interest-bearing loans	9 553	12 551	9 553	12 551
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2.1.5 Credit quality of other financial assets

Rent debtors are fully impaired where balances outstanding exceed 30 days. The provision for doubtful rent debtors amounts to R5,4 million (2012: R6,6 million).

All other financial assets are internally allocated a 'performing' risk grade, being neither past due nor impaired.

Notes to the financial statements continued

for the year ended 31 March

2.2 Market risk

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

2.2.1 Interest rate risk

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

If the prime rate was one percent higher during the year, the Group's profit before tax would have been R201,5 million (2012: R154,4 million). Alternatively, if the prime was one percent lower, the Group's profit before tax would have been R168,4 million (2012: R121,5 million).

Risk management process

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

2.3 Liquidity risk

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

Risk management process

Liquidity risk management requires maintaining sufficient cash resources through an adequate amount of committed credit facilities.

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. 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	Total R000
At 31 March 2013					
Borrowings (refer note 14.1)	30 803	139 067	16 724	299 780	486 374
Accounts payable	45 484				45 484
Current tax liability	2 040				2 040
At 31 March 2012					
Borrowings (refer note 14.1)	216 616	30 737	149 800	14 304	411 457
Accounts payable	39 328				39 328
Current tax liability	5 824				5 824

Notes to the financial statements continued

for the year ended 31 March

2.4 Fair values of financial assets and financial liabilities

The Group uses the following fair value measurement hierarchy to measure the financial assets and liabilities that are carried at fair value on the statement of financial position:

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

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

	Level 1	Level 2	Level 3	Total balance
At 31 March 2013				
Available-for-sale financial assets	333	-	-	333
At 31 March 2012				
Available-for-sale financial assets	320	-	-	320

Available-for-sale	Amortised cost	Total
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2.5 Financial instruments by category

At 31 March 2013

Assets per statement of financial position

Available-for-sale financial assets	333		333
Loans and receivables		2 052 319	2 052 319
Accounts receivable		33 777	33 777
Cash and cash equivalents		99 846	99 846
	333	2 185 942	2 186 275

Liabilities per statement of financial position

Borrowings		490 128	490 128
Accounts payable		45 484	45 484
		535 612	535 612

At 31 March 2012

Assets per statement of financial position

Available-for-sale financial assets	320		320
Loans and receivables		2 024 837	2 024 837
Accounts receivable		25 567	25 567
Cash and cash equivalents		35 853	35 853
	320	2 086 257	2 086 577

Liabilities per statement of financial position

Borrowings		411 630	411 630
Accounts payable		39 328	39 328
		450 958	450 958

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

2.6 Capital management

The Group's objectives when managing capital are:

- To safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and
- To maintain an optimal capital structure to reduce the cost of capital and support the development and growth of the business.

The table below summarises the composition of capital:

Share capital	173 001	178 835	173 001	178 835
Treasury shares	-	(15 292)		
Fair value and other reserves	38 659	49 552	34 656	45 750
Retained earnings	2 331 817	2 227 418	2 191 200	2 073 665
Total capital	2 543 477	2 440 513	2 398 857	2 298 250

3. Investment properties

Fair value – beginning of year	679 940	569 232	573 254	470 985
Acquisitions	88 362	96 864	78 886	93 903
Disposals	(9 800)	(19 880)	(9 800)	(19 880)
Depreciation on leasehold property	(936)	(194)	(936)	(194)
Fair value adjustment	30 043	33 918	21 081	28 440
Fair value – end of year	787 609	679 940	662 485	573 254

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

- Capitalisation rates varied between 10 and 14 percent (2012: 9,5 and 14 percent)
- Vacancy factors varied between zero and 10 percent (2012: zero and 10 percent)
- Property expenses varied between 10 and 36,9 percent of total rent and recoveries (2012: 11,9 and 38,4 percent)

The Group has not classified nor accounted for any properties subject to an operating lease as investment property.

At 31 March 2013, contractual obligations exist for the purchase of investment properties to the value of R45,8 million. No contractual obligations for the construction or development of investment properties exist.

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

– Rental income	125 589	108 519	95 913	82 417
– Repairs and maintenance expenses	15 929	12 710	12 096	9 252
– Other operating expenses	51 415	50 619	37 953	37 470

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

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

4. Loans and receivables

Investment in <i>En Commandite</i> partnerships (refer note 4.1)	8 147	13 562	16 547	16 702
Available-for-sale financial assets (refer note 4.2)	333	320	333	320
Loans and receivables (refer note 4.3)	2 052 319	2 024 837	2 047 328	2 014 937
Less: Short-term portion	(324 643)	(300 710)	(323 320)	(298 000)
Carrying value of loans and receivables	1 736 156	1 738 009	1 740 888	1 733 959

4.1 Investment in *En Commandite* partnerships

The Company entered into an *En Commandite* partnership in March 2003 with the Umsobomvu Youth Fund to establish a R125 million investment fund aimed at expanding the ownership of franchises amongst the previously disadvantaged youth. The Company contributed 20 percent of the capital for the fund, and the Umsobomvu Youth Fund the balance of 80 percent. 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 contributed 20 percent of the capital for the fund, and Khula 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 investments are stated at cost and profits are equity accounted in accordance with specifications of the partnership agreements.

4.2 Available-for-sale financial assets

Fair value – beginning of year	320	323	320	323
Fair value surplus transferred to equity	13	(3)	13	(3)
Fair value – end of year	333	320	333	320

The above available-for-sale investments, comprising listed shares, are measured at fair value. Fair value is determined by reference to quoted prices on the relevant securities exchange.

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

4.3 Loans and receivables

Interest-bearing loans

These loans are secured and are priced at market rates representative of the risk of the investment and the quality and extent of the collateral pledged. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity that vary between 6,5 percent and 23,8 percent per annum. The amortised cost of the interest-bearing loans approximates fair value, as the loans are priced at variable, market-related rates.

Gross interest-bearing loans

Less: allowance for impairment

2 081 777	2 088 618	2 075 918	2 077 954
(146 469)	(159 458)	(144 804)	(157 514)
1 935 308	1 929 160	1 931 114	1 920 440

Shareholders' loans

These loans are unsecured, and are priced at interest rates between zero percent and 8,5 percent per annum. The loans are initially recorded at fair value and thereafter measured at amortised cost, at level yields to maturity equal to the prime rate at the date of approval of the loan. Fair value at initial recognition is determined with reference to the prime rate. Should the repayment terms of the loan be indeterminable, the loan is recognised at cost. The amortised cost of the shareholders' loans approximates fair value.

Gross shareholders' loans

Less: allowance for impairment

96 192	77 659	96 192	77 659
(12 079)	(8 347)	(12 079)	(8 347)
84 113	69 312	84 113	69 312

Royalty agreements

The cash flows expected from royalty agreements are determined by adjusting the contracted royalty payments with a risk factor. The expected future royalty payments are initially measured at fair value and then measured at amortised cost by applying a discount rate equal to the expected return from the investment linked to the royalty agreement. The rates vary between one percent and 14,5 percent. The amortised cost of royalty agreements approximates fair value.

32 874	26 276	32 077	25 096
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Staff loans

These loans, consisting of a mortgage loan over residential property as well as other short-term loans, bear interest at rates linked to the prime overdraft rate. The loans are initially recorded at fair value and thereafter measured at amortised cost using the rates at which the agreements were concluded. The amortised cost of the loans to staff approximates fair value.

Gross staff loans

Less: allowance for impairment

24	89	24	89
-	-	-	-
24	89	24	89

Total for loans and receivables

2 052 319	2 024 837	2 047 328	2 014 937
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The Group accepted mortgage bonds, notarial bonds and other types of security, at a value of R1 707,3 million (2012: R1 681,3 million) as collateral for interest-bearing loans. The Group has the authority to cede or repledge this collateral. At the reporting date, although the Group has not sold or repledged any of the collateral held, the Group has ceded contingent rights to its loans and receivables as collateral for a loan facility in the amount of R400 million (refer note 14.1).

Notes to the financial statements continued

for the year ended 31 March

Reconciliation of allowance for impairment on loans and receivables

Group

	Interest-bearing loans R000	Share- holders' loans R000	Total R000
At 1 April 2011	161 998	11 545	173 543
Impairment allowance raised on new investments	37 101	51	37 152
Impairment reversed on investments written off or repaid	(58 453)	(1 729)	(60 182)
Increase in impairment allowance on existing investments	39 257	4 703	43 960
Decrease in impairment allowance on existing investments	(20 445)	(6 223)	(26 668)
At 31 March 2012	159 458	8 347	167 805
At 1 April 2012	159 458	8 347	167 805
Impairment allowance raised on new investments	25 750	833	26 583
Impairment reversed on investments written off or repaid	(51 428)	(632)	(52 060)
Increase in impairment allowance on existing investments	35 330	4 632	39 962
Decrease in impairment allowance on existing investments	(22 641)	(1 101)	(23 742)
At 31 March 2013	146 469	12 079	158 548

Company

At 1 April 2011	160 085	11 545	171 630
Impairment allowance raised on new investments	36 839	51	36 890
Impairment reversed on investments written off or repaid	(57 722)	(1 729)	(59 451)
Increase in impairment allowance on existing investments	38 564	4 703	43 267
Decrease in impairment allowance on existing investments	(20 252)	(6 223)	(26 475)
At 31 March 2012	157 514	8 347	165 861
At 1 April 2012	157 514	8 347	165 861
Impairment allowance raised on new investments	25 750	833	26 583
Impairment reversed on investments written off or repaid	(51 054)	(632)	(51 686)
Increase in impairment allowance on existing investments	35 053	4 632	39 685
Decrease in impairment allowance on existing investments	(22 459)	(1 101)	(23 560)
At 31 March 2013	144 804	12 079	156 883

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

5. Investments in associates

Audited financial statements are used to account for the share of associated companies' earnings. For those associates for which audited financial statements are not available, an estimation is made of the associated company's earnings. For the current year the estimated earnings amounted to R0,9 million before tax (2012: R1,3 million). A register containing details of all listed, unlisted and other investments is available at the registered office.

Unlisted shares at cost	2 181	3 645	380	1 874
Share of retained earnings	74 757	73 498		
Total for unlisted associates	76 938	77 143	380	1 874
Directors' valuation of the investment in associates	159 916	185 174	158 665	184 422

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

The movement in investments in associates is as follows:

Balance – beginning of year	77 143	85 462	1 874	1 874
Share of results before tax	29 203	20 388		
Share of tax	(7 201)	(4 561)		
Other movements (net of acquisitions and disposals)	(22 207)	(24 146)	(1 494)	-
Balance – end of year	76 938	77 143	380	1 874

The Company has investments in 356 associates (2012: 399), a list of which is available at the registered office for inspection. The detail of the Company's investment in associates, principally their assets, liabilities, revenues, profits or losses and the percentage held, is not disclosed as these investments are not individually material to the results of the Group.

6. Property and equipment

6.1 Equipment

Cost – beginning of year	25 288	24 139	24 830	23 913
Acquisitions	2 818	2 749	2 752	2 517
Disposals	(739)	(1 601)	(726)	(1 601)
Cost – end of year	27 367	25 287	26 856	24 829
Accumulated depreciation – beginning of year	(20 518)	(19 844)	(20 342)	(19 710)
Depreciation charged	(2 670)	(2 270)	(2 571)	(2 229)
Depreciation on disposals	557	1 597	548	1 597
Accumulated depreciation – end of year	(22 631)	(20 517)	(22 365)	(20 342)
Closing net carrying value	4 736	4 770	4 491	4 487

6.2 Land and buildings

Cost – beginning of year	89 876	89 302	1 147	1 147
Additions	439	-	-	-
Improvements	-	574	-	-
Cost – end of year	90 315	89 876	1 147	1 147
Accumulated depreciation – beginning of year	(5 816)	(5 010)	(31)	(24)
Depreciation charged	(833)	(806)	(7)	(7)
Accumulated depreciation – end of year	(6 649)	(5 816)	(38)	(31)
Closing net carrying value	83 666	84 060	1 109	1 116
Total net carrying value for property and equipment	88 402	88 830	5 600	5 603

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

7. Investments in subsidiaries

Unlisted shares at cost	11	11
Interest-free loans	115 060	107 173
Interest-bearing loans	34 140	38 250
Provisions	(6 360)	(6 363)
	142 851	139 071

Interest-bearing loans comprise a loan made available to Business Partners Properties 002 (Pty) Ltd to purchase a property. The loan has a tenure of 10 years and interest is charged at prime minus one percent.

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

Profits	33 565	19 475
Losses	(2 534)	(2 014)

The details of the subsidiaries are disclosed in note 31.

8. Employee benefits

8.1 Pension funds

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

Defined Contribution Pension Fund

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

Defined Benefit Pension Fund

All active members of the defined benefit pension fund elected to become members of the defined contribution fund – the Business Partners Limited Retirement Fund – with effect from 1 March 2012. The Section 14 approval from the Registrar of Pension Funds was obtained on 9 July 2012, at which time the final transfer values of the active members was calculated and the assets were transferred to the defined contribution fund.

The past service liability as at 31 March 2013 in respect of pensioners, has been calculated in accordance with the method disclosed below. The last statutory valuation of the fund was conducted at 1 April 2011 in terms of section 16 of the Pension Fund Act of 1956 (as amended).

Projected Unit Credit valuation performed in terms of the requirements of IAS 19, Employee Benefits

An actuarial valuation of the defined benefit pension fund was performed effective for 31 March 2013 by applying the Projected Unit Credit method in line with the requirements of IAS 19, Employee Benefits. There are no current service costs since the fund has no active members. The interest cost represents the increase during the year in the past service obligation which arises because the benefits are one year closer to settlement, and is determined by multiplying the discount rate by the average liability over the period. The funding level, in terms of the market value of the plan assets and this valuation basis and assumptions, was 179,8 percent (2012: 120,6 percent).

Notes to the financial statements *continued*

for the year ended 31 March

The results of the valuation are as follows:

Defined benefit obligation – beginning of year

Interest cost

Current service cost

Settlement cost

Benefits paid

Actuarial losses

Defined benefit obligation – end of year

2013 R000	2012 R000	2011 R000	2010 R000	2009 R000
386 349	325 167	296 678	281 875	278 774
21 193	32 528	29 849	26 613	27 191
-	10 403	10 460	10 540	10 813
-	31 541	-	-	-
(319 279)	(18 991)	(27 756)	(23 564)	(35 382)
(298 086)	55 481	12 553	13 589	2 622
8 380	5 701	15 936	1 214	479
96 643	386 349	325 167	296 678	281 875

The total value of the defined benefit obligation is made up as follows:

Active members

Pensioners

Defined benefit obligation – end of year

-	299 157	240 574	224 724	209 109
96 643	87 192	84 593	71 954	72 766
96 643	386 349	325 167	296 678	281 875

Market value of assets – beginning of year

Return due to transferred members

Benefits transferred to retirement fund

Expected return on assets

Actuarial gains / (losses)

Employer contributions

Member contributions

Benefits paid

Expenses and tax paid

Market value of assets – end of year

483 372	453 705	429 504	339 498	423 661
15 091	-	-	-	-
(312 268)	-	-	-	-
186 195	453 705	429 504	339 498	423 661
16 531	42 806	40 521	30 291	40 072
9 548	(702)	1 220	75 268	(96 887)
-	6 919	7 670	7 541	7 314
-	2 489	2 762	2 716	2 632
(7 011)	(18 991)	(27 756)	(23 564)	(35 382)
(1 186)	(2 854)	(216)	(2 246)	(1 912)
204 077	483 372	453 705	429 504	339 498

The principal actuarial assumptions used were:

Discount rate

Expected rate of return on assets

Expected future salary increases

Expected average remaining working life

9,2%	9,6%	9,6%	9,2%	9,7%
9,2%	9,6%	9,6%	9,2%	9,7%
N/A	7,7%	7,0%	6,9%	7,9%
N/A	12,6	12,9	13,3	13,7

Notes to the financial statements continued

for the year ended 31 March

	2013 R000	2012 R000
The amounts recognised in the statement of comprehensive income are as follows:		
Interest cost	21 193	32 528
Current service cost	-	10 403
Settlement cost	-	31 541
Expenses and tax paid	1 186	2 854
Expected return on plan assets	(16 531)	(42 806)
Return due to transferred members	(15 091)	-
Contributions	-	(9 408)
Release of contingency reserves as a result of the settlement	-	(17 361)
Total included in staff costs (refer note 21)	(9 243)	7 751
Actuarial losses and movement in contingency reserves	1 381	6 403
Total recognised in the statement of comprehensive income	(7 862)	14 154

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

Equity assets	99 931	276 265
Capital market assets	52 160	125 093
Money market assets	51 986	82 014
Market value of assets – end of year	204 077	483 372

No contributions will be made to the fund in the coming financial year.

Recognition of the surplus of the Defined Benefit Fund as an asset of the Company

In terms of the rules of the Fund – submitted and acknowledged by the FSB and 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 statement of financial position. The movement in the surplus relating to the provision of pensions is recognised under staff costs in the profit and loss component of the statement of comprehensive income. Actuarial gains or losses arising from the valuation of the past service liability and actual return on plan assets are recognised under other comprehensive income. The Trustees established contingency reserves consisting of a Data Reserve and a Solvency Reserve amounting to R4,2 million (2012: R3,7 million) and R12,7 million (2012: R10,6 million) respectively. The increase in the value of the surplus of R7,9 million (2012: decrease of R14,2 million) is accounted for in the statement of comprehensive income.

Financial position of the Fund

Market value of assets	204 077	483 372
Less: Contingency reserves	(16 841)	(14 292)
Less: Past service liabilities	(96 643)	(386 349)
Defined benefit pension fund surplus	90 593	82 731

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

8.2 Post-retirement medical aid obligation

The Group has an obligation to provide post-retirement medical aid benefits to employees and pensioners in the service of the Group 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 increases annually by 89 percent of the Consumer Price Index ('CPI'). Accordingly, the main actuarial assumption used in determining the liability relates to the future movements in the CPI. The CPI assumption for the current year is 5,9 percent (2012: 5,7 percent). An investment return of 7,4 percent per annum was applied and is based on the yield on the R186 government bond as at 31 March 2013 (2012: 8,4 percent).

The amounts recognised in the statement of comprehensive income are as follows:

Interest cost	6 327	6 094	6 327	6 094
Current service cost	809	564	809	564
Total included in staff costs	7 136	6 658	7 136	6 658
Actuarial losses included in other comprehensive income	14 040	4 339	14 040	4 339
Total recognised in the statement of comprehensive income	21 176	10 997	21 176	10 997

Movement in liability recognised in the statement of financial position

Liability – beginning of year	75 631	67 940	75 631	67 940
Benefits paid	(3 289)	(3 306)	(3 289)	(3 306)
Recognised in comprehensive income for the year	21 176	10 997	21 176	10 997
Liability – end of year	93 518	75 631	93 518	75 631

The actuarial loss of R14,0 million (2012: R4,3 million) is reflected in the statement of comprehensive income.

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

For a one percent increase the amounts are:

– Increase in interest cost	R 761 000
– Increase in current service cost	R 139 000
– Increase in liability	R 13 717 965

For a one percent decrease the amounts are:

– Decrease in interest cost	R 797 000
– Decrease in current service cost	R 140 000
– Decrease in liability	R 11 395 035

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

9. Assets held for resale

Reposessed properties (at lower of cost or net realisable value)	8 819	5 609	8 819	5 609
Other (at cost)	10	12	10	12
	8 829	5 621	8 829	5 621

Reposessed assets, which comprise mainly properties acquired at auction, were used to reduce the outstanding indebtedness of clients and are sold as soon as practical.

10. Accounts receivable

Rent debtors	16 036	11 603	9 971	7 595
Trade receivables	12 140	8 944	4 596	4 596
Insurance pre-paid and claims receivable	2 949	314	2 750	314
Sundry deposits	1 749	1 497	1 251	1 035
Tenant deposits held in trust by subsidiary			10 500	9 200
Other	903	3 209	799	1 898
	33 777	25 567	29 867	24 638

11. Cash and cash equivalents

Bank current and call accounts	81 015	19 683	62 965	2 074
Funds held in trust on behalf of third parties	18 831	16 170	9 419	7 898
	99 846	35 853	72 384	9 972

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

Deposits and bank balances	99 846	35 853	72 384	9 972
Bank overdraft (refer note 14.1)	-	(188 304)	-	(188 304)
Cash and cash equivalents	99 846	(152 451)	72 384	(178 332)

12. Share capital

12.1 Authorised

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

173 000 594 (2012: 178 834 594) ordinary shares of R1 each	173 001	178 835	173 001	178 835
5 834 000 treasury shares held by the share trust	-	(15 292)		
173 000 594 ordinary shares	173 001	163 543	173 001	178 835

12.3 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 at such times as they deem fit.

This general authority expires at the forthcoming annual general meeting of the Company.

The Company had a share incentive scheme in terms of which shares were issued and options were granted (refer note 30).

Notes to the financial statements *continued*

for the year ended 31 March

13. Fair value and other reserves

Group

		Net actuarial loss on post- retirement benefits	Fair value adjustment to financial instruments	Foreign currency translation reserve	Share of other compre- hensive income of associates	Total
		R000	R000	R000	R000	R000
At 1 April 2011		53 410	76	1 808	1 931	57 225
Actuarial loss on defined benefit pension fund	- gross	(6 403)				(6 403)
	- tax	1 793				1 793
Actuarial loss on post-retirement medical aid obligation	- gross	(4 339)				(4 339)
	- tax	1 215				1 215
Revaluation	- gross		(3)			(3)
	- tax		1			1
Currency translation differences				443		443
Share of associates other comprehensive income					(380)	(380)
At 31 March 2012		45 676	74	2 251	1 551	49 552
At 1 April 2012		45 676	74	2 251	1 551	49 552
Actuarial loss on defined benefit pension fund	- gross	(1 381)				(1 381)
	- tax	387				387
Actuarial loss on post-retirement medical aid obligation	- gross	(14 040)				(14 040)
	- tax	3 931				3 931
Revaluation	- gross		13			13
	- tax		(4)			(4)
Currency translation differences				796		796
Share of associates other comprehensive income					(595)	(595)
At 31 March 2013		34 573	83	3 047	956	38 659

Company

At 1 April 2011		53 410	75	-	-	53 485
Actuarial loss on defined benefit pension fund	- gross	(6 403)				(6 403)
	- tax	1 793				1 793
Actuarial loss on post-retirement medical aid obligation	- gross	(4 339)				(4 339)
	- tax	1 215				1 215
Revaluation	- gross		(3)			(3)
	- tax		1			1
At 31 March 2012		45 676	73	-	-	45 749
At 1 April 2012		45 676	73	-	-	45 749
Actuarial loss on defined benefit pension fund	- gross	(1 381)				(1 381)
	- tax	387				387
Actuarial loss on post-retirement medical aid obligation	- gross	(14 040)				(14 040)
	- tax	3 931				3 931
Revaluation	- gross		13			13
	- tax		(4)			(4)
At 31 March 2013		34 573	82	-	-	34 655

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

14. Borrowings

14.1 Non-current

Interest-free long-term loans

173 173 **173** 173

Interest-bearing long-term borrowings

453 951 194 841 **453 951** 194 841

454 124 195 014 **454 124** 195 014

Current

Short-term portion of long-term borrowings

36 004 28 312 **36 004** 28 312

Bank overdraft (refer note 11)

- 188 304 - 188 304

36 004 216 616 **36 004** 216 616

490 128 411 630 **490 128** 411 630

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

- loans secured by bonds over properties and incurring interest at rates between prime minus 0,5 percent and prime minus one percent. The loans' repayment terms are five and 10 years respectively. Refer note 2.3
- a loan secured by a cession of the loans and receivables and incurring interest at prime minus 1,5 percent. The loan's repayment term is 10 years. Refer note 2.3

14.2 Borrowing powers

The maximum permitted borrowings in terms of the Company's memorandum of incorporation (calculated by multiplying the Company's total capital and reserves by a factor of 1,4).

3 358 400 3 217 550

Total borrowings

490 128 411 630

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

15. Deferred tax liability

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28 percent (2012: 28 percent).

The movement on the deferred tax account is as follows:

Balance – beginning of year	(23 762)	(16 840)	(21 529)	(15 251)
Charge to profit and loss component of the statement of comprehensive income				
– Provisions	1 035	1 815	883	1 480
– Investment properties	(5 386)	(12 513)	(3 050)	(9 952)
– Fair value adjustments: financial instruments	(3 570)	(2 865)	(3 617)	(2 849)
– Defined benefit pension fund surplus	(2 588)	2 170	(2 588)	2 169
– Assessed losses	(1 334)	1 597	-	-
– Dividends received after the dividend cycle	-	(135)	-	(135)
Charged directly to other comprehensive income	4 314	3 009	4 314	3 009
Balance – end of year	(31 291)	(23 762)	(25 587)	(21 529)

Net deferred tax liabilities consist of temporary differences relating to:

– Provisions	55 715	50 748	52 907	48 092
– Investment properties	(54 285)	(48 899)	(42 503)	(39 453)
– Fair value adjustments: financial instruments	(11 972)	(8 397)	(10 625)	(7 003)
– Defined benefit pension fund surplus	(25 366)	(23 165)	(25 366)	(23 165)
– Assessed losses	4 617	5 951	-	-
Net deferred tax liability	(31 291)	(23 762)	(25 587)	(21 529)

An ageing of the net deferred tax liability is as follows:

Deferred tax asset

– Deferred tax assets to be recovered after more than 12 months	83 464	83 335	76 612	75 129
– Deferred tax assets to be recovered within 12 months	7 366	7 037	6 793	6 635
	90 830	90 372	83 405	81 764

Deferred tax liability

– Deferred tax liabilities to be recovered after more than 12 months	(92 623)	(82 774)	(79 494)	(71 933)
– Deferred tax liabilities to be recovered within 12 months	(29 498)	(31 360)	(29 498)	(31 360)
	(122 121)	(114 134)	(108 992)	(103 293)
Net deferred tax liability	(31 291)	(23 762)	(25 587)	(21 529)

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

16. Accounts payable

Tenant deposits held	10 757	9 042	9 419	7 898
Funds held in trust	8 074	7 128	-	-
Trade vendors	8 899	6 443	6 431	4 822
Statutory vendors	6 607	5 390	4 987	4 848
Prepaid and deferred income	6 258	5 613	4 526	4 219
Other	4 889	5 712	3 178	3 739
	45 484	39 328	28 541	25 526

Leave pay	Bonus	Total
R000	R000	R000

17. Provisions

Group

At 1 April 2011	16 509	18 330	34 839
Provided for the year	2 014	15 672	17 686
Utilised during the year	(2 742)	(13 138)	(15 880)
At 31 March 2012	15 781	20 864	36 645
At 1 April 2012	15 781	20 864	36 645
Provided for the year	1 485	23 619	25 104
Utilised during the year	(1 290)	(20 740)	(22 030)
At 31 March 2013	15 976	23 743	39 719

Company

At 1 April 2011	16 169	17 898	34 067
Provided for the year	1 806	14 904	16 710
Utilised during the year	(2 676)	(12 728)	(15 404)
At 31 March 2012	15 299	20 074	35 373
At 1 April 2012	15 299	20 074	35 373
Provided for the year	1 230	22 525	23 755
Utilised during the year	(1 275)	(19 946)	(21 221)
At 31 March 2013	15 254	22 653	37 907

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

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

Notes to the financial statements *continued*

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

18. Net interest revenue

Interest income	248 992	241 776	250 169	241 782
Interest on loans and receivables	192 390	192 371	192 539	191 629
Royalty fees	51 812	48 336	50 806	46 375
Interest on surplus funds	4 790	1 069	4 039	529
Interest on loans to subsidiaries			2 785	3 249
Interest expense	(34 147)	(22 780)	(34 147)	(22 780)
Interest-bearing borrowings	(34 147)	(20 132)	(34 147)	(20 132)
Bank overdraft	-	(2 648)	-	(2 648)
	214 845	218 996	216 022	219 002

19. Investment income and gains

Investment income	28 235	35 671	50 732	61 313
Surplus on realisation of unlisted investments	25 729	28 159	37 918	46 258
Surplus on realisation of investment properties	2 500	7 508	2 500	7 508
Dividends received	6	4	10 314	7 547
Investment gains	59 352	54 424	21 081	28 440
Income from associated companies	29 203	20 388		
Fair value movement investment properties	30 043	33 918	21 081	28 440
Net foreign exchange rate differences	106	118	-	-
	87 587	90 095	71 813	89 753

20. Net credit losses

Loans and receivables written off	68 214	84 880	66 946	77 411
Legal expenses incurred on recovery	3 692	3 239	3 599	3 205
Impairments released	(9 259)	(5 737)	(8 980)	(5 768)
Portfolio impairments created	7 871	5 928	8 095	6 004
Specific impairments released	(17 130)	(11 665)	(17 075)	(11 772)
Recovery of loans and receivables written off	(17 739)	(17 337)	(17 571)	(17 337)
	44 908	65 045	43 994	57 511

21. Staff costs

Remuneration at cost to company	117 993	111 723	109 397	106 199
Post retirement medical aid costs (refer note 8.2)	7 136	6 658	7 136	6 658
Bonuses and provisions	25 068	17 726	23 755	16 710
	150 197	136 107	140 288	129 567
Defined benefit pension fund gain (refer note 8.1)	(9 243)	(6 429)	(9 243)	(6 429)
Settlement of active members (refer note 8.1)	-	14 180	-	14 180
Indirect staff costs	2 827	3 727	2 647	3 436
	143 781	147 585	133 692	140 754

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

22. Profit from operations

The following items have been included in arriving at profit from operations:

Depreciation on property and equipment	4 439	3 270	3 514	2 430
Directors' emoluments				
– as directors	2 023	2 042	2 023	2 042
– as management	10 260	9 076	10 260	9 076
Auditor's remuneration				
– audit	3 133	3 004	2 544	2 594
– other services	581	120	581	120
Dividends received from subsidiaries			(1 687)	(836)
Loss / (surplus) on realisation of property and equipment	54	(124)	54	(124)

23. Tax expense

23.1 Tax charge through profit and loss component of comprehensive income

Income tax	- current year	19 579	15 394	14 551	12 585
	- prior year	(790)	(1 725)	(1 072)	(1 866)
Deferred tax		11 843	9 931	8 372	9 287
		30 632	23 600	21 851	20 006
Secondary tax on companies		-	1 550	-	1 550
Dividends withholding tax		4 011	-	7	-
Tax of associated companies		7 201	4 561		
Capital gains tax		6 762	8 144	6 762	8 144
		48 606	37 855	28 620	29 700

23.2 Reconciliation of rate of taxation

South African normal tax rate	28,00%	28,00%	28,00%	28,00%
Adjusted for:	-1,73%	-0,55%	-13,37%	-5,54%
Income not subject to tax	-1,37%	0,00%	-2,77%	-1,60%
Income subject to capital gains tax	-3,10%	-5,32%	-10,05%	-8,99%
Change in inclusion rate for capital gains tax	0,00%	6,15%	0,00%	6,00%
Secondary tax on companies	0,00%	1,22%	0,00%	1,27%
Dividends withholding tax	2,17%	0,00%	0,00%	0,00%
Prior year adjustments	-0,13%	-1,67%	-0,28%	-1,41%
Other	0,70%	-0,93%	-0,28%	-0,81%
Effective tax rate on profit before taxation	26,27%	27,45%	14,63%	22,46%

Notes to the financial statements continued

for the year ended 31 March

2013			2012		
Before tax	Deferred tax	After tax	Before tax	Deferred tax	After tax
R000	R000	R000	R000	R000	R000

23.3 Tax charge through other comprehensive income

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

Group

Actuarial loss on defined benefit pension fund	(1 381)	387	(994)	(6 403)	1 793	(4 610)
Actuarial loss on post-retirement medical aid obligation	(14 041)	3 931	(10 110)	(4 339)	1 215	(3 124)
Fair value adjustments of available-for-sale instruments	13	(4)	9	(3)	1	(2)
Share of other comprehensive income of associates	(595)	-	(595)	(380)	-	(380)
Foreign currency translation movements	796	-	796	443	-	443
Other comprehensive income	(15 208)	4 314	(10 894)	(10 682)	3 009	(7 673)

Company

Actuarial loss on defined benefit pension fund	(1 381)	387	(994)	(6 403)	1 793	(4 610)
Actuarial loss on post-retirement medical aid obligation	(14 041)	3 931	(10 110)	(4 339)	1 215	(3 124)
Fair value adjustments of available-for-sale instruments	13	(4)	9	(3)	1	(2)
Other comprehensive income	(15 409)	4 314	(11 095)	(10 745)	3 009	(7 736)

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

24. Earnings per share

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

24.1 Basic earnings per share

Net profit	136 347	100 079
Weighted number of ordinary shares ('000)	173 001	173 001
Basic earnings per share (cents)	78,8	57,8

24.2 Diluted earnings per share

In the computation of the number of shares used in the calculation of diluted earnings per share, the weighted average number of ordinary shares in issue is increased by the number of shares held by the share trust.

The net profit is adjusted by interest that would have been earned on the proceeds received from the sale of the shares held by the share trust for the time that those shares were held by the shares trust.

Net profit	136 347	100 079
Interest received (net of tax effect)	896	990
Net profit used to determine diluted earnings per share	137 243	101 069
Weighted number of ordinary shares ('000)	173 001	173 001
Adjustment for potentially dilutive shares	5 591	5 834
Number of ordinary shares used to determine diluted earnings per share	178 592	178 835
Diluted earnings per share (cents)	76,8	56,5

24.3 Headline earnings per share

Net profit	136 347	100 079
Adjustments net of tax		
– Capital loss / (profit) on sale of equipment	44	(107)
– Profit on sale of property investments	(2 034)	(6 456)
– Profit on sale of associates	(20 931)	(24 217)
– Fair value adjustment of investment properties	(24 441)	(29 169)
Headline earnings	88 985	40 130
Headline earnings per share (cents)	51,4	23,2

24.4 Diluted headline earnings per share

Headline earnings	88 985	40 130
Interest received (net of tax effect)	896	990
Diluted headline earnings	89 881	41 120
Diluted headline earnings per share (cents)	50,3	23,0

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

25. Dividend per share

Dividend in respect of 2012 of 13 cents per share paid on 24 August 2012 to shareholders registered on 14 August 2012

22 490

23 248

Dividend in respect of 2011 of 12 cents per share paid on 12 August 2011 to shareholders registered on 2 August 2011

20 760

21 460

22 490

20 760

23 248

21 460

A dividend in respect of 2013 of 15 cents per share was declared on 29 May 2013, due to shareholders registered on 13 August 2013, payable on or about 23 August 2013.

The dividend is subject to a dividend withholding tax at 15 percent. Tax payable is 2,2 cents per share, which results in a net dividend of 12,8 cents per share payable to shareholders who are not exempt from dividends withholding tax, or subject to a reduced rate.

26. Commitments and lease agreements

Loans and receivables approved but not advanced

295 262

237 078

295 262

237 073

Capital committed to *En Commandite* partnerships (refer note 4)

15

35

15

35

Capital committed in respect of purchase of building

45 843

-

45 843

-

Lease agreements expiring within

– 1 year

1 610

5 496

9 355

12 668

– between 1 and 5 years

1 528

1 403

28 683

26 546

– after 5 years

-

138

24 815

34 709

344 258

244 150

403 973

311 031

27. Contingent liabilities

Guarantees

-

4 040

-

4 040

The guarantees are issued to third parties on behalf of clients and will become liabilities in the event that the clients default on their obligations to third parties.

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

28. Cash flow information

28.1 Cash generated from operating activities

Profit before taxation	185 006	137 901	195 656	132 231
Adjustments for non-cash items	(25 090)	(2 625)	(58 100)	(11 718)
Income from associated companies	(29 203)	(20 388)		
Dividends received	(6)	(4)	(10 314)	(7 547)
Surplus on sale of assets	(28 176)	(35 790)	(40 364)	(53 890)
Fair value adjustment of investment properties	(30 043)	(33 918)	(21 081)	(28 440)
Fair value adjustment of financial instruments	(9 764)	(7 678)	(10 147)	(7 225)
Depreciation	4 439	3 270	3 514	2 430
Credit losses – loans and receivables	67 877	89 719	66 795	82 185
Credit losses – rent debtors	1 312	3 987	1 143	3 535
Movement on post-retirement benefits	(2 107)	(766)	(2 107)	(766)
Foreign currency movements	796	443	-	-
Capital returned from investments	-	-	(44 784)	-
Provisions	(215)	(1 500)	(755)	(2 000)
Changes in working capital	(5 263)	(218)	(5 428)	(8 107)
Increase in inventory and assets held for resale	(3 208)	(4 425)	(3 208)	(4 425)
Increase in accounts receivable	(8 210)	(2 395)	(5 230)	(4 683)
Increase in accounts payable	6 155	6 602	3 010	1 001
Net finance cost	29 357	21 711	27 324	19 002
Cash generated from operating activities	184 010	156 769	159 452	131 408

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

28.2 Taxation paid

Taxation (liability) / asset – beginning of year	(5 824)	3 299	(6 713)	2 172
Tax provision for the year	(48 606)	(37 855)	(28 620)	(29 700)
Deferred tax	11 843	9 931	8 372	9 287
Paid by associated companies	7 201	4 561		
Taxation liability – end of year	2 040	5 824	2 576	6 713
Taxation paid during the year	(33 346)	(14 240)	(24 385)	(11 528)

28.3 Dividends paid

Dividends payable – beginning of year	(71)	(372)	(71)	(372)
Dividends declared	(23 248)	(21 460)	(23 248)	(21 460)
Dividends payable to the share trust	758	700		
Dividends payable – end of year	83	71	83	71
Dividends paid during the year	(22 478)	(21 061)	(23 236)	(21 761)

29. Related parties

29.1 Loans to / from related parties

Loan from the Business Partners Employee Share Trust				
Balance – beginning of year		10 854		9 535
Amount (repaid) / advanced during the year		(10 854)		1 319
Balance – end of year		-		10 854
Loans to subsidiaries				
Balance – beginning of year		149 914		114 343
Amount (repaid) / advanced during the year		(7 074)		35 571
Balance – end of year		142 840		149 914
Dividends received from subsidiaries		1 687		836

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013 R000	2012 R000	2013 R000	2012 R000

29.2 Directors' remuneration

Payments made to directors and prescribed officers for services rendered during the year are as follows:

Non-executive directors

JW Dreyer	234	215
G Gomwe	36	68
DR Geeringh	273	291
P Huysamer (Dr)	115	107
E Links (Dr)	150	169
ZJ Matlala	94	88
F Meisenholl	153	198
DM Moshapalo	166	184
SST Ngcobo	112	97
JP Rupert	-	23
ZZR Rustonjee (Dr)	136	151
VO Twala	136	143
NJ Williams	85	-
T van Wyk	333	308
Total	2 023	2 042

Executive directors

N Martin	4 136	3 747
– Salary	2 934	2 742
– Bonuses and performance-related payments	1 202	1 005
C Botes	2 756	2 271
– Salary	1 915	1 790
– Bonuses and performance-related payments	841	481
G van Biljon	3 368	3 058
– Salary	2 281	2 131
– Bonuses and performance-related payments	1 087	927
Total	10 260	9 076

Prescribed officers

BD Bierman	2 630	2 280
– Salary	1 845	1 725
– Bonuses and performance-related payments	785	555
	14 913	13 398

Notes to the financial statements continued

for the year ended 31 March

Group		Company	
2013	2012	2013	2012
R000	R000	R000	R000

29.3 Loans to associates

Balance – beginning of year	800 603	733 474	800 603	733 474
Loans advanced during the year	158 375	235 452	158 375	235 452
Loan repayments received	(106 926)	(135 934)	(106 926)	(135 934)
Loans written off	(15 696)	(32 389)	(15 696)	(32 389)
Balance – end of year	836 356	800 603	836 356	800 603

Loans to associates consist of the following:

– Interest-bearing loans	740 177	727 486	740 177	727 486
– Shareholders loans	96 179	73 117	96 179	73 117
Total loans to associates	836 356	800 603	836 356	800 603

The allowance for impairment as disclosed in note 4.3 as it relates to loans to associates is as follows:

Impairment provision – beginning of year	61 360	72 594	61 360	72 594
Impairment allowance raised on new investments	5 932	13 528	5 932	13 528
Impairment reversed on investments written off / repaid	(13 420)	(29 487)	(13 420)	(29 487)
Increase in impairment allowance on existing investments	20 633	17 380	20 633	17 380
Decrease in impairment allowance on existing investments	(8 505)	(12 655)	(8 505)	(12 655)
Impairment provision – end of year	66 000	61 360	66 000	61 360

The loans provided to associates are part of the investment activities of the parent as set out in note 4.3 Interest-bearing loans and Shareholders' loans. The interest-bearing loans have an average payment period of seven years. The majority of shareholders' loans have no scheduled repayment date. Loans to associates are not required to be settled in the associate's shares. The Company does not provide guarantees in respect of its associates' debt.

2013	2012
Number of shares	Number of shares

30. Share incentive scheme

During 1998, an employee share incentive scheme was introduced and incorporated in the Business Partners Employee Share Trust. The trust granted share options to all employees from the period October 1998 to October 2003. Share options granted expired nine years after the allotment date and were, in terms of the trust deed, exercisable in three tranches; four, six and eight years after the allotment date. The Company had no legal or constructive obligation to repurchase or settle the options in cash.

The Company purchased the shares held by the share trust in February 2013 as part of a share buy-back arrangement.

Unallocated options	-	5 834 000
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Notes to the financial statements *continued*

for the year ended 31 March

Share percentage held		Shares at cost		Loans	
2013	2012	2013	2012	2013	2012
%	%	R	R	R000	R000

31. Principal subsidiaries

Business Partners International (Pty) Ltd	80	100	80	100	15 129	13 393
Business Partners Mentors (Pty) Ltd ¹	100	100	100	100	-	-
Business Partners Property Brokers (Pty) Ltd	100	100	100	100	153	-
Business Partners Venture Managers (Pty) Ltd ¹	100	100	100	100	-	-
Business Partners Ventures 1 (Pty) Ltd	100	100	100	100	2 632	8 653
Cussonia Trust (Pty) Ltd	100	100	3	3	7 787	9 507
Finance for the Third Millennium (Pty) Ltd ¹	100	100	100	100	693	693
JRC Properties (Pty) Ltd	100	100	100	100	(1 926)	(1 687)
Lindros Investments (Pty) Ltd	100	100	4 000	4 000	81	89
Business Partners Properties 002 (Pty) Ltd	100	100	1 000	1 000	97 437	92 887
Unitrade 106 (Pty) Ltd	100	100	100	100	11 278	14 381
Satinsky 289 (Pty) Ltd	100	100	120	120	6 471	6 666
Business Partners Employee Share Trust					-	(10 854)
Coral Lagoon Investments 175 (Pty) Ltd ²	-	70	-	70	-	2 202
Rapitrade 594 (Pty) Ltd ²	60	60	72	72	5 151	3 883
SF Coetzee Eiendom (Pty) Ltd ²	60	60	72	72	3 441	3 441
Yeoman Properties 1016 (Pty) Ltd ²	80	80	80	80	873	2 169
Franchise Partners (Pty) Ltd – indirectly held ³						
Business Partners International Madagascar Société Anonyme – indirectly held ⁴						
Business Partners International Kenya Limited – indirectly held ⁵						
Business Partners International Rwanda Limited – indirectly held ⁶						
	6 127	6 217	149 200	145 423		

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

1 Dormant subsidiaries.

2 The financial year of these subsidiaries ends in February. Consolidation of the results are based on the latest audited financial statements received.

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

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

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

6 Business Partners International Rwanda Limited is a wholly-owned subsidiary of Business Partners International (Pty) Ltd.

Notes to the financial statements continued

for the year ended 31 March

2013 R000	2012 R000
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32. Interest in joint ventures

The Company had a 50 percent interest in a joint venture with ZASM which ended in 2008. All the assets of the joint venture were realised during the year and the proceeds were distributed.

The Company's share of the assets and liabilities and revenue and results of the joint venture are included in the statement of financial position and statement of comprehensive income as follows:

Loans and receivables	-	30
Current assets	-	100
Current liabilities	-	-
Net assets	-	130
Revenue	-	3
(Loss) / profit before taxation	(130)	3
Taxation	-	-
Net profit	(130)	3

33. Reclassifications

During the year, the statement of comprehensive income was expanded to reflect the operating activities of the Group more appropriately. Comparative information disclosed in the previous year was reclassified to be consistent with the current year's expanded disclosure. The reclassification did not affect total comprehensive income for the prior year as previously reported.

Where necessary, certain other comparatives have been reclassified to conform to current year presentations. These changes did not affect total comprehensive income nor net cash flow for the prior year. The following reclassifications of comparative information took place:

- Amounts relating to **loans and receivables** previously carried under **accounts receivables** were reclassified to loans and receivables.
- Amounts paid in advance by tenant debtors were reclassified from **accounts receivable** to **accounts payable**.
- The cash flow disclosure was improved to better reflect the adjustment for non-cash items and the source of cash flows generated.

Notice Convening the Annual General Meeting

Notice is hereby given that the thirty second annual general meeting of shareholders of the Company will be held on **Tuesday, 13 August 2013 at 10h00, in the Auditorium of The Court House, 2 Saxon Road, Sandhurst, Sandton** to consider and, if deemed fit, pass with or without modifications, the resolutions below.

The record date for shareholders to –

- i. receive this notice is Friday, 28 June 2013
 - ii. attend, participate in and vote at the annual general meeting is Tuesday, 30 July 2013
1. ordinary resolution no. 1: adoption of the audited annual financial statements for the year ended 31 March 2013
 2. ordinary resolution no. 2: re-appointment of PricewaterhouseCoopers Inc. as the independent auditors of the Company for the 2013/2014 financial year
 3. ordinary resolution no. 3: election of directors and re-election of the directors retiring by rotation in terms of article 20.1.2 of the Company's memorandum of incorporation
 4. ordinary resolution no. 4: re-election of the executive directors, appointed by the board of directors in terms of article 20.2 of the Company's memorandum of incorporation, retiring following the adoption of the Company's new memorandum of incorporation by shareholders
 5. ordinary resolution no. 5: (re-)election of the audit and risk committee members
 6. special resolution no. 1: approval of the non-executive directors' remuneration for the 2014/2015 financial year
 7. special resolution no. 2: approval of financial assistance to related and inter-related entities for the 2014/2015 financial year

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

The original form of proxy and the certified copy of the authority under which the proxy is signed must reach the Company's registered office by no later than 10h00 on Thursday, 8 August 2013.

Between 10 and 30 minutes before the appointed time for the meeting to begin, any person who is attending or participating in the meeting, either as a shareholder or a proxy for a shareholder, must present reasonably satisfactory identification to the Company Secretary.

By order of the Board.



Ms C M Gerbrands
Company Secretary
29 May 2013

Full details of the resolutions are set out in a separate notice to shareholders. The separate notice and the form of proxy are inserted as a loose-leaf in this Annual Report.

Corporate information

COMPANY REGISTRATION NUMBER

1981/000918/06

COMPANY SECRETARY

Ms CM Gerbrands

REGISTERED OFFICE

37 West Street
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Johannesburg
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PO Box 7780
Johannesburg
2000

TELEPHONE

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FAX

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E-MAIL

enquiries@businesspartners.co.za

WEBSITE

www.businesspartners.co.za

AUDITORS

PricewaterhouseCoopers Inc.

BANKERS

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.

SOUTH AFRICA (+27)

Bellville

Tel: 021 919 3242
Fax: 021 919 3333

Bethlehem

Tel: 058 303 7842
Fax: 058 303 6801

Bloemfontein

Tel: 051 430 9846
Fax: 051 430 9847

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 (Boksburg)

Tel: 011 395 4150
Fax: 011 395 2565

George

Tel: 044 873 6112
Fax: 044 873 3397

Johannesburg

Tel: 011 713 6600
Fax: 011 713 6650

Kuruman

Tel: 076 879 9402
Fax: 086 655 0617

Nelspruit

Tel: 013 752 3185
Fax: 013 752 4669

Pietermaritzburg

Tel: 033 342 1410
Fax: 086 764 3137

Polokwane

Tel: 015 297 1571
Fax: 015 297 1461

Port Elizabeth

Tel: 041 367 1082
Fax: 041 367 3962

Pretoria

Tel: 012 347 3208
Fax: 012 347 2198

Queenstown

Tel: 045 838 1004

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

Regional office (Johannesburg)

Tel: 011 713 6600
Fax: 011 713 6758

KENYA (+254)

Nairobi

Tel: 20 280 5000
Fax: 20 273 0589

MADAGASCAR (+261)

Antananarivo

Tel: 20 223 1017

RWANDA (+250)

Kigali

Tel: 252 585 065

*** Property Management Services only*



Investing in Entrepreneurs

BUSINESS PARTNERS LIMITED CORPORATE OFFICE

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Houghton Estate
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