

# ENABLING SMEs TO FLOURISH

Ensuring long-term success through considered partnerships, investment and mentorship



## ENABLING SMEs TO FLOURISH

The world as we know it would not exist if not for symbiosis, or mutualism. From obscure examples such as the relationship between algae and sloth fur, to more common examples such as the honey bee and the flower, between the clown fish and the sea anemone, and even that between digestive bacteria and our own human bodies, nature shows us that symbiotic relationships result in value creation.

The bee collects nectar from the flower, and in turn the flower is cross-pollinated by the bee. Each is both provider to, and recipient from the other; without them the universe would be a very different place.

At Business Partners Limited we believe that there are some basic “laws of nature” that apply to SMEs. They have basic needs that, if catered for, can make them wonderful providers – of wealth to their entrepreneur owners, of jobs, and of an increased tax base to the state.

Business Partners Limited itself is a thriving example of the power of symbiosis in the SME sector:

- It has a relationship with shareholders and funders from whom funds are sourced, and to whom an investment return and a significant and sustainable developmental impact is delivered
- It provides funds, technical assistance and mentorship to deserving SMEs who return the funds with interest, but who through their growth provide the necessary developmental impact
- It works with governments which provide a stable and welcoming base from which to work, to help them develop their SME sector, facilitate employment and expand their tax base

Business Partners Limited was founded, and is currently funded by shareholders whose only interest is a selfless wish to enable and grow entrepreneurs. It has discovered, through hard-won experience, that this is best achieved through the judicious choice of which entrepreneurs to support, and through the knowledge that mentorship, support and technical assistance is as important as funding to these businesses.

**The shareholders and funders of Business Partners Limited share a common set of beliefs – that the project should be self-sustaining, wealth creating for its SME clients, job facilitating and tax base enhancing in the territories in which it operates.**



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# A MESSAGE FROM THE HONORARY PATRON

The hallmark of a great entrepreneur is one who spots opportunity where others see only doom and gloom. That pretty much sums up the positive financial and operational performance of Business Partners Limited in the 2013/14 financial year, its best in the last five years.

At a time when the economy experienced slower growth, industrial action had a choke-hold on the country's GDP and competing financiers, like banks, adopted a conservative approach to financing small businesses, Business Partners Limited managed to close the subsequent gap with quality investments, expanding its reach both locally and into the rest of Africa.

The company has cemented its reputation as being innovative, dedicated and disciplined. And, while traditional lenders continued to play it safe, Business Partners Limited has continued to till what it sees as increasingly fertile soil. It has leveraged its experience to mitigate risk, while keeping to its promise of delivering value to its clients and investees.



In 2013, I challenged Business Partners Limited to increase the 545 000 jobs facilitated through its investments in SMEs up to 2012 to one million jobs by the end of 2033. The number of jobs facilitated increased to 573 502 as at end 2013/14, proving what we have known and advocated – entrepreneurs are the key drivers of the South African and even global economies, and entrepreneurial businesses are the true source of sustainable employment creation.

The South African government has always acknowledged the role that small businesses play in the country's economic growth. Very recently, by establishing a dedicated small business development ministry, it seems to be signalling its intent to create an enabling environment in which small businesses can thrive. Fulfilling this mandate will increase the pool of viable small businesses ready for investment.

Business Partners Limited was created as a vehicle to support the growth of emerging, entrepreneurial small businesses. Not only has it done this on a massive scale, but Business Partners Limited has also proved that it could simultaneously pursue a positive development impact on the countries in which it operates and to provide a financial return to its shareholders and investors.

Since inception in 1981, Business Partners Limited has made investments cumulatively totalling R14,4 billion in 69 946 transactions with small businesses. And while the funding is a key component of its success, it is equally the post-investment consulting and mentorship provided by Business Partners Limited that places its entrepreneurs on an upward trajectory.

Yes, the year has indeed been an exciting one for Business Partners Limited, despite the trying times in which it is operating. This can only bode well for the year ahead as I know it will keep on striving to realise its vision of facilitating wealth creation, job creation and shared economic development.

I would like to thank all those who contribute towards making Business Partners Limited the good news story that it is today – the shareholders, the Board of Directors, clients, intermediaries and the staff. I wish you all a prosperous 2014/15 financial year.

**Johann Rupert**  
Honorary Patron

## ABOUT THIS REPORT

This report has been restructured to comply with the evolving standards and principles of integrated reporting. Although Business Partners Limited is not a listed entity, the company seeks to uphold and comply with the disciplines that are required of listed entities.

The Integrated Report is principally a report to shareholders and funders. However, it gives other stakeholders an important view of the strategies that the company has agreed upon for the future. This transparency allows for more strategic and constructive relationships with all stakeholders.

The Annual Report has been revised and has now been divided into two parts. The first part, the Integrated Report, is essentially strategic. It confirms the purpose of the business, reports on its performance in the past year against operational and strategic targets, and makes clear the strategic intent for the future. The second part is the Financial Report, which contains much of the detailed content that used to be incorporated into the traditional Annual Report. For the full Annual Financial Report visit: [www.businesspartners.co.za](http://www.businesspartners.co.za)

## THE PURPOSE OF BUSINESS PARTNERS LIMITED

Business Partners Limited was established in 1981 with the prime objective of encouraging entrepreneurship

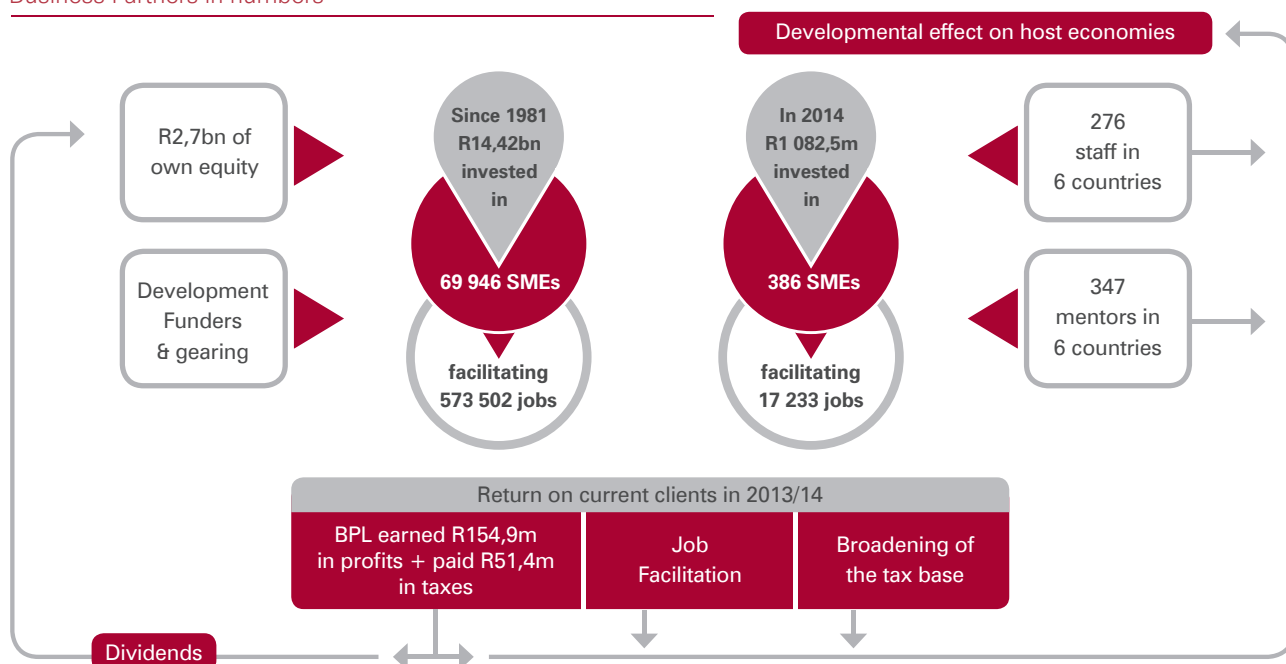
## Business Partners Limited's transparency allows for more strategic and constructive relationships with all stakeholders

in South Africa by assisting entrepreneurs with business finance, mentoring support and affordable business premises that many of them need to start and grow their businesses. From the outset, the company recognised that its own profitability would be paramount if it was able to play a sustainable and growing role as a partner to, and investor in, SMEs.

To this end, the company has developed and continuously improved its business model and methodologies to ensure that the funds it invests in SMEs achieve growth and job facilitation objectives, and are recovered with an investment return that enhances the company's balance sheet. In this way, the funds can be recycled to new and viable SMEs.

In recent years, the company has tested whether its business model and the methodology that had been proven in South Africa could be successfully deployed in selected East and Southern African countries. The methodology has indeed been proven in these new territories, and the business has expanded its purpose and geographical focus beyond its home territory.

### Business Partners in numbers





## THE BUSINESS MODEL

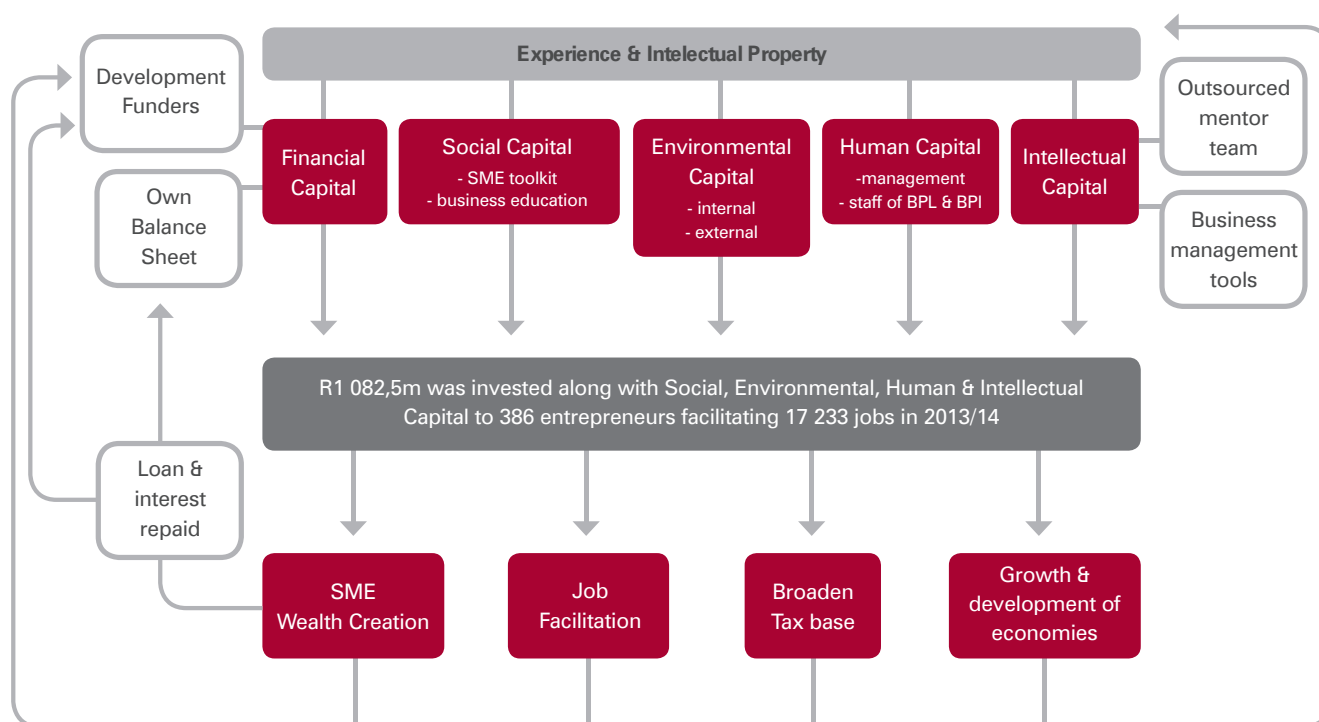
The Business Partners Limited business model is acknowledged internationally as one of the most successful models for delivering risk finance to SMEs in the developing world. SME funding is by nature risky, and there is a fine line between creating sustainable economic and social value for all stakeholders, and destroying value. An important factor in the company's success over the years has been its single-minded, unwavering and exclusive focus on enabling the growth of SMEs.

This focus on small and medium enterprises, together with a culture of continuous improvement, means that the company has been able to become better at what it does every year. Key to its ability to assist SMEs to

There is a fine line between creating sustainable economic and social value for all stakeholders, and destroying value

attain their growth goals is the robustness of the company's business model, along with the considerable intellectual property (IP) that it has developed over more than 33 years, and the experience and passionate dedication of management and staff to the company's cause. Each year conditions change, but because of its focus, the company is able to adapt and hone its ability to select, add value to, and profitably exit from its SME investments.

### Business Partners Limited business model



The belief which underpins the company's mission is that the best way to create jobs, to broaden the tax base and to strengthen and develop the economy is to create and support a strong and growing SME sector. It is commonly acknowledged that SMEs account for about 45 percent of South Africa's GDP, employ 50 percent of the people in formal jobs, and create more than 60 percent of new jobs every year.

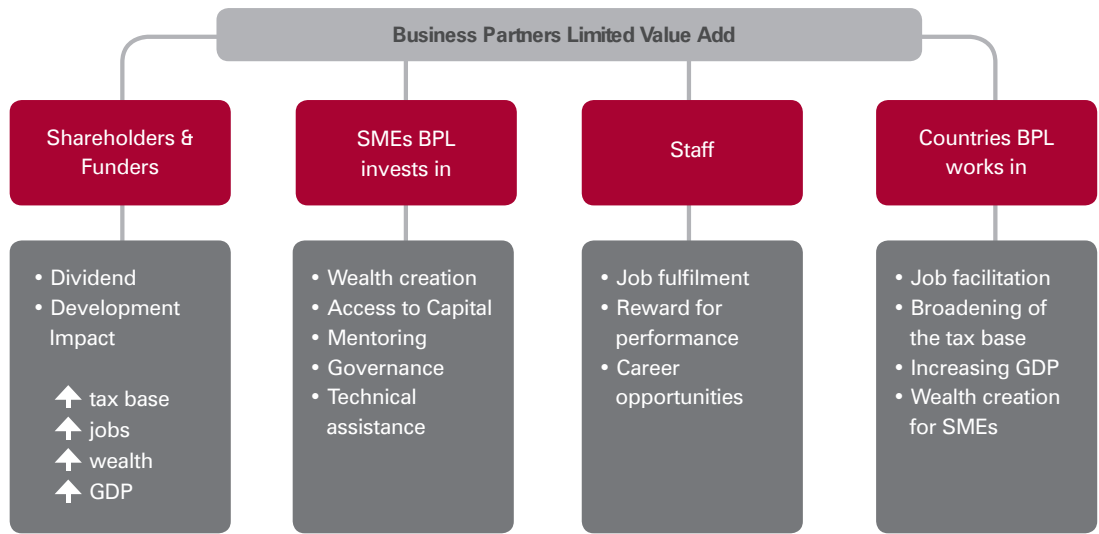
The South African National Development Plan acknowledges the important role that SMEs play in the country's economy and envisages the future as follows: *"The economy will be more enabling of business entry and expansion, with an eye to credit and market access. By 2030, the share of small and medium-sized firms' 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.”*

It is the considered view of Business Partners Limited that the only way in which government can meaningfully and cost-effectively create sustainable jobs is to create

an environment in which SMEs thrive. The focus of the government’s job creation objective should therefore be the encouragement of an entrepreneurial culture, the enablement of new ways for SMEs to access funding, the support and education of entrepreneurs and SMEs, and the simplification and/or removal of bureaucratic obstacles to SME formation and growth.

Stakeholder value creation model



GAFIELDA RAHMAN  
PETITE HOME DECOR

assisted by Sonja Schwulst  
from Business Partners Limited

# THE CHAIRMAN'S REPORT

Business Partners Limited posted a satisfactory set of results for the year to March 2014.

The financial results are even more commendable when one considers that the reporting period was characterised by sluggish growth of the South African economy, extensive strikes and labour unrest, as well as a protracted period of electioneering preceding the May 2014 general elections. These factors contributed to SMEs tending to be more cautious with regard to their growth and gearing plans.

Paradoxically, these conditions have seen the company's more traditional lending competitors adopting a more conservative stance towards SME lending. This has left the market with good quality businesses in search of funding – an opportunity seized by the company to significantly increase the value of investments approved and disbursed, and simultaneously improve the quality of the investment book.

The strategy pursued over the past five years has resulted in a reduction of risk in the business and in the strengthening of the balance sheet with real estate-based transactions, and allowed for managed growth into sub-Saharan Africa – all of which enhance the sustainability and reputation of the company.

**The major challenge facing government and business in South Africa and much of the developing world, is economic growth which results in sustainable job creation**

There is no doubt that the major challenge facing government and business in South Africa and much of the developing world is economic growth which results in sustainable job creation. It is only through the growth of the number of gainfully employed people that economies

are created in which the majority of people are not dependent on government grants for their livelihood. Pressure has been put on government to create these jobs, but economic history teaches us that job creation cannot only be the direct work of government and that government alone cannot substantially reduce the 25 percent unemployment rate. However, there is no doubting that the role of government is crucial, both in developing the infrastructure and the environment in which business can grow, thrive and create sustainable jobs.

Business in general, especially the SME sector, has the potential to reduce these stubbornly high unemployment numbers and, as a consequence, reduce the welfare bill of government and increase its tax base. It is therefore pleasing to observe the prominence that the National Development Plan – adopted by the South African government as its policy framework for growing the economy – gives to the development and promotion of SMEs.

Given the recoveries, albeit slow, of the North American, European and Japanese markets, the robust growth in sub-Saharan Africa, and a relatively benign interest rate environment, a modest improvement in conditions for SMEs within the company's stated target markets is anticipated. Furthermore, it is expected that competitors will remain cautious in their approach to lending to SME entrepreneurs who don't have significant collateral, thereby creating conditions in which the company should continue its growth trajectory.

I would like to thank all who have worked so hard both to deliver an outstanding performance at Business Partners Limited this year and to position the company so well for the future. Thank you to the shareholders, the Board of Directors, our clients, our intermediaries and of course, our dedicated and hardworking staff.

**Mr Theo van Wyk**  
Chairman



# THE BOARD

## DIRECTORS



**Mr Theo van Wyk**  
**Non-executive Chairman**

Appointed: 1991  
Served as Deputy Chairman:  
2005 until 2011  
Appointed Chairman: 2011  
B Com, LLM, H Dip Tax  
Director of companies



**Mr Nazeem Martin**  
**Managing Director**

Appointed: 2002  
Appointed Managing  
Director: 2009  
BA, HDE, M Urban Planning,  
Advanced Management  
Programme



**Mr Christo Botes**  
**Executive Director**

Appointed: 2002  
B Acc, B Compt Hons,  
CTA



**Mr Jan Dreyer**  
**Non-executive Director**

Served: 2009 until  
31 December 2013  
B Com, LLB, H Dip Tax,  
H Dip Co Law  
Executive Director:  
Remgro Limited  
(retired 31 December 2013)



**Mr Faffa Knoetze**  
**Non-executive Director**

Appointed: 1 January 2014  
B Com Hons, Fellow of the  
Actuarial Society of South Africa  
Actuary: Remgro Limited



**Mr Div Geeringh**  
**Non-executive Director**

Served: 1989 until  
13 August 2013  
B Com, CA (SA)  
Director of companies



**Dr Paula Huysamer**  
**Non-executive Director**

Served: 2002 until  
13 August 2013  
Dipl. Radiography, Kandidaats  
Ekonomie, B Com Hons,  
M Com, D Com  
Executive Director: VUYA!  
Investments (Pty) Limited



**Dr Eltie Links**  
**Non-executive Director**

Appointed: 2002  
M Com Economics,  
PhD Economics  
Professor Extraordinary at the  
University of Stellenbosch  
Business School  
Director of companies

# THE BOARD

## DIRECTORS



**Ms Zanele Matlala**  
**Non-executive Director**

Appointed: 2008  
CA (SA)  
Chief Executive Officer:  
Merafe Resources Limited



**Mr Friedel Meisenholz**  
**Non-executive Director**

Appointed: 2000  
B Acc Hons  
Director of companies



**Mr David Moshapalo**  
**Non-executive Director**

Served: 1996 until 2001  
Re-appointed: 2002  
National Leadership Programme,  
Industrial Relations, Human  
Resources Development and  
Personnel Management,  
ILO Strategic Management of  
Employer's Organisation  
Executive Deputy Chairman:  
Strategic Partners Group –  
Black Partner in Bombela  
Consortium in Gautrain Project  
Director of companies



**Mr Themba Ngcobo**  
**Non-executive Director**

Served as Alternate Director:  
2002 until 2010  
Appointed: 2010  
B Com, Diploma in Management  
Consulting, Certificate in  
Petroleum Policy, Management  
and Economics  
Chief Executive Officer: Greystones  
Cargo Systems (Pty) Limited



**Dr Zavareh Rustomjee**  
**Non-executive Director**

Appointed: 1996  
PhD Economics, M Sc Industrial  
Engineering,  
B Sc Hons Chemical Engineering,  
C Eng, M I Chem, MSAI Chem  
Independent consultant



**Ms Sonja Sebotsa**  
**Non-executive Director**

Appointed: 13 August 2013  
LLB Hons, MA Economic Policy  
Management  
Principal Partner: Identity Partners  
(Pty) Limited  
Director of companies

Business in general, especially the SME sector, has the potential to dent high unemployment numbers and, as a consequence, reduce the welfare bill of government and increase its tax base

## DIRECTORS



**Mr Vusi Twala**  
**Non-executive Director**

Appointed: 2010  
B Sc Accounting, Masters in  
Development Finance, MBA,  
Structuring Effective Private  
Equity Partnerships,  
Strategic Business Management  
Managing Director: Tunnel  
Engineering (Pty) Limited



**Mr Neville Williams**  
**Non-executive Director**

Appointed: 2012  
CA (SA)  
Head of Corporate Finance:  
Remgro Limited



**Mr Gerrie van Biljon**  
**Executive Director**

Appointed: 2002  
B Com, MBA



**REGINALD AMOS**  
**CTC SPORT**

assisted by Arnold February  
from Business Partners Limited



# THE MANAGING DIRECTOR'S REPORT

## THE ECONOMIC AND COMPETITIVE CONTEXT

The economic conditions which confronted Business Partners Limited's South African clients in the year under review were mixed, depending on their geographical location and on the industries to which their businesses are aligned. For example, SMEs that rely on the platinum mining sector or that conduct general business in the North West province experienced trying times due to the direct and indirect effects of the prolonged strike in that sector. On the other hand, SMEs that primarily serve export markets have experienced windfall gains due to the considerable weakening of the South African currency over the period.

In general, however, slowly improving economic growth rates in Europe, North America and Japan, as well as robust growth in Africa, cushioned South African SMEs against adverse local economic conditions. Similarly, the continuation of the period of low interest rates in South Africa assisted SMEs with their ability to service and repay debt. It is anticipated that both of these conditions will endure for the year ahead. With the 2014 election out of the way, it is expected that the South African government's much vaunted multi-year Infrastructure Plan will further be implemented, positively impacting on those SMEs associated with these projects.

The counter-cyclical nature of this spend should have direct benefits for SMEs and create the platform for more robust economic growth in the future.

From a competitive point of view, the banking sector is expected to be more active in the SME market over the next few years. The after-effects of the 2008 global financial crisis and 2009 recession are still affecting this sector's willingness to provide access to finance for SMEs that do not have adequately high levels of collateral – allowing Business Partners Limited access to good quality deals, and to grow and improve the quality of the company's loan book. While banks are still generally conservative, they will slowly increase their appetite for financing SMEs.

It is also anticipated that the South African government will ramp up its efforts to support SMEs in line with the goals of the National Development Plan (NDP), and that its financing agencies will become more active in this regard. The recent decision to create a specialist Small Business Ministry is an indication that the South African government is keen to promote the role that the NDP envisages for small business in terms of economic growth, transformation and job creation. Whatever form this discussion eventually takes, it should be positive for SMEs.

### VICKRIM NAIDOO PURE MAGIC AUTO ELECTRICAL

assisted by Sibongile Maseko  
from Business Partners Limited



## THE PERFORMANCE OF BUSINESS PARTNERS LIMITED OVER THE LAST 12 MONTHS

Business Partners Limited has performed well, both in terms of its financial and its operational activities to March 2014. This improved performance may be ascribed to many factors. In part, it may be ascribed to the benign interest rate environment which allowed SMEs to meet their obligations, and in part, it may be ascribed to the slow but gradual strengthening of the economies of the country's major trading partners. Those SMEs with export businesses were also beneficiaries of a weaker Rand. Furthermore, the continued cautious approach of banks in lending to SMEs allowed Business Partners Limited to increase its new business volumes and to further improve the quality of its investment book.

These positive exogenous factors were complemented by the benefits of the company's re-organisation, undertaken over the past few years. There is no doubt that the company has continuously improved its ability to find quality clients, add value to their businesses and collect money due. The investment strategy pursued – investing 50 percent of available funds in property-related transactions over the period of the recession – has both mitigated the company's risk and produced good returns. The company's international business, Business Partners International, has also come of age. Many positive lessons have been learned from experiences in Africa over the past five years, with strong support from international development finance institutions for further expansion plans into sub-Saharan Africa.

**Key performance measures are as follows:**

	2013/14 actual	2012/13 actual
<b>Key financial measures</b>		
<b>Income statement</b>		
Total revenue	R601,0m	R531,2m
Non-interest investment income	R122,4m	R87,6m
Operating costs / Revenue ratio	36,1%	37,4%
Net credit loss %	2,1%	2,0%
Net profit after tax	R154,8m	R136,4m
Earnings per share	89,5c	78,8c
<b>Balance sheet</b>		
Total assets	R3 660,0m	R3 246,8m
Loans and receivables	R2 274,1m	R2 060,8m
Total equity	R2 707,0m	R2 544,5m
Borrowings	R718,0m	R490,1m

	2013/14 actual	2012/13 actual
<b>Cash flow</b>		
Net cash inflow from operating activities	R107,2m	R96,9m
Net cash outflow from investing activities	(R329,9m)	(R108,5m)
Cash and cash equivalents at year end	R102,8m	R99,8m

<b>Ratios</b>		
Debt to assets	19,6%	15,1%
Debt to equity	26,5%	19,3%
Assets per employee	R13,9m	R12,3m

### Key operational measures

<b>Investment</b>		
No. of investments approved	386	331
Value of investments approved	R1 082,5m	R891,7m
No. of investments disbursed	313	251
Value of investments disbursed	R864,7m	R600,8m
No. of jobs facilitated	17 233	11 993

### Customer and operations support

Number of quality value-adding interventions	1 505	1 229
Up to date financial accounts of investee companies	89,3%	83,9%
Accounts in arrears	17,2%	19,0%

### Property measures

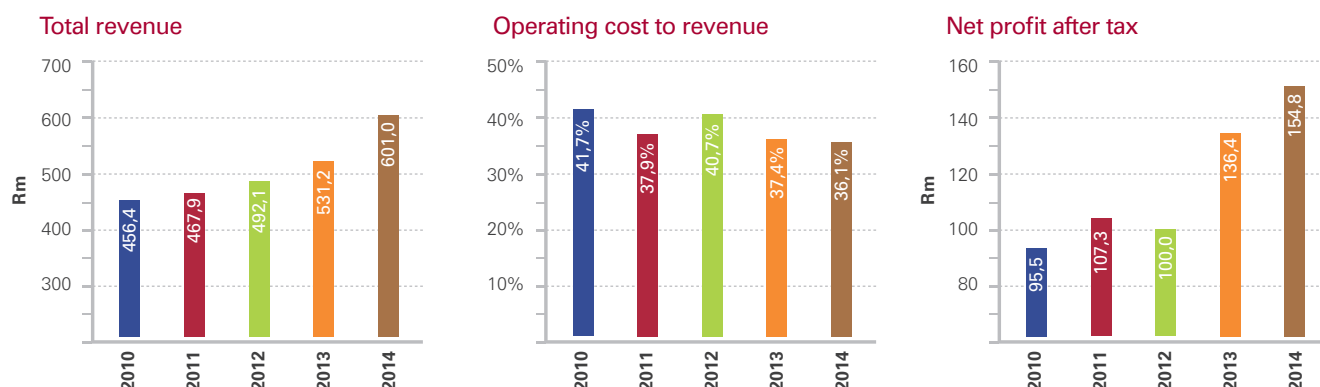
Value of investment in property	R958,9m	R787,6m
Revenue from property services	R170,9m	R152,2m
Vacancy level	7,5%	6,6%
Net tenant arrears	15,5%	21,2%

### Key Business Partners International measures (Kenya and Rwanda)

Investments approved since inception (number)	146	134
Investments approved since inception (value)	\$29,1m	\$21,3m
Investments disbursed since inception (number)	118	106
Investments disbursed since inception (value)	\$23,9m	\$18,0m
Employment opportunities facilitated	10 069	9 704
Number of branches	3	2
Number of staff	11	7



# THE MANAGING DIRECTOR'S REPORT



## THE STRATEGY GOING FORWARD

The company's strategy going forward is based on the following set of assumptions:

- The modest economic recovery in North America, Western Europe and Japan will continue to slowly gather steam
- Economic growth in sub-Saharan Africa will continue to be robust
- Economic growth in South Africa will be in a band between 2,0 percent and 2,6 percent for the next year
- The South African currency will stabilise at between R10,00 and R11,00 to the United States Dollar
- The expected high level of government infrastructure spend in South Africa will be rolled out over the next three years
- The government will begin implementing the National Development Plan in earnest
- For the next year, banks will remain cautious in their lending policies to SMEs, but this will start to loosen
- Interest rates may increase slightly, but will remain at relatively low levels

As a result of these assumptions and Business Partners Limited's stated business purpose, the major pillars of the company's strategy are as follows:

- The continued provision of risk finance, technical assistance/mentorship and consulting services, and business premises to SMEs in South Africa, at scale, and on a sustainable basis
- The funding of operations and growth off the company's own balance sheet and through the judicious increase of gearing – up to a maximum level of 30 percent. The management of independent funds will be sought as a way of extending the company's activity, without compromising sustainability or internal gearing covenants
- The quality and quantity of non-financial assistance

provided to SMEs (both clients and SMEs in general) will be enhanced. The raising of a substantial technical assistance fund in South Africa remains a priority – to be invested in the same way that technical assistance is provided through Business Partners International

- The investment strategy – allocating 50 percent of available funds for investments into real “bricks and mortar”, expanding the company's portfolio of investment property and facilitating the ability of the SMEs to acquire their own business premises – will continue. The proportion of available funds committed to property investment will reduce as conditions for SMEs in South Africa improve substantially
- The company's recently established venture capital fund, which aims to fund SMEs with exceptional growth potential, will continue. Clients whose businesses have the potential for fast, profitable and cash-generating growth, as well as for job creation, will be targeted
- Now that Business Partners Limited's Kenyan fund is winding down, it will be replaced with an East African vehicle, capitalised with equity funding instead of adopting the limited life private equity funding model that the company has utilised in sub-Saharan Africa thus far
- Innovation remains key to the strategy for the business. The company's business philosophy, processes and its full service offering will continuously be reviewed and improved
- The re-positioning of the Business Partners Limited brand will be introduced into the market in September 2014. This project – much more than just a change in brand imagery – is also aimed at ensuring that the company and all its people live and fulfil the brand promise and values
- Efforts to convince the South African government that job creation objectives will best be met by specifically instilling a culture of entrepreneurship

amongst all South Africans and by generally supporting SMEs, providing them with access to funds and technical support on a sustainable basis, will continue apace

- Some of the members of the company's executive and senior management team are nearing the end of their careers. The company has a comprehensive succession plan and will continue to invest in its Management and Leadership Development programme, which aims to create a rich harvest of leadership candidates

## RISK IDENTIFICATION AND MANAGEMENT

Business Partners Limited undertakes a comprehensive risk assessment and management process on a regular basis. This process is reported to the Audit and Risk Committee which, in turn, reports to the full board.

The objective is to have a clear understanding of the internal and external contexts of risks affecting each area of the business and to develop appropriate risk management activities to reduce these risks, where possible, to acceptable levels.

Major risks identified include the following:

- The relevance of the business model
- Client repayment risk
- Internal liquidity risk
- The level of gearing
- Reputational risk
- Country risk
- External macro-economic risk

The board is comfortable that the company's risk management process is appropriate, and that mitigation and management control measures are being adequately effected.

## PROSPECTS FOR 2014/15

Business Partners Limited is well positioned for the 2014/15 year. The company's good quality investment book and the expected relatively benign interest rate environment, combined with an enhanced ability to support and mentor, should mean that clients will, for the most part, experience less distress and be able to afford their gearing.

Deal flow is anticipated to remain both strong and of good quality.

The company is confident that it can manage its ability to fund the expected level of demand for SME finance. Its ability to source gearing at competitive prices remains key, as is its ability to ensure the required healthy level of backflow of funds from existing clients. In South Africa, the current funding model will be supplemented by attempting to attract an increased flow of enterprise development funding anticipated due to the changes inherent in the new Broad-Based Black Economic Empowerment regulations.

The company's international business is going from strength to strength. 2014/15 should see the unfolding of an important development for the company's international funding – the beginning of the establishment of a permanent team, made possible with equity capital from international investors.

## THANKS

The 2013/14 financial year was a good year for Business Partners Limited, despite the still adverse economic environment experienced in South Africa, the company's home base.

The excellent operational and financial results, as well as the positive developmental impact on the countries in which the company operates, was made possible by:

- The company's shareholders, who continue to believe in the positive economic and social impact of SMEs
- Investors in the funds which the company manages, who recognise the sustainability of the company's model to deliver risk finance and technical assistance to SMEs on scale
- The chairman and board of Business Partners Limited, who shape the company's strategy, monitor performance, ensure adherence to the highest standards of good corporate governance, and continuously support, challenge and encourage management to accomplish more
- Our people – all colleagues in all the countries where we have a presence, who enthusiastically and passionately work to prove that financing SMEs is developmental, profitable and sustainable;
- Our clients, SME entrepreneurs, the true heroes of economic society, who seek to build wealth for themselves and jobs for many

We thank you all for a job well done!

**Nazeem Martin**  
Managing Director

# THE EXECUTIVE MANAGEMENT TEAM



**Mr Nazeem Martin**  
**Managing Director**

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



**Mr Ben Bierman**  
**Chief Financial Officer**

B Com, B Com Hons,  
ACMA, H Dip Tax  
24 years' service



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

M Com  
22 years' service



**Mr Christo Botes**  
**Executive Director**  
**Head of Customer and  
Operational Support**

B Acc, B Compt Hons, CTA  
28 years' service



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

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



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

B Com  
27 years' service

The raising of a substantial technical assistance fund in South Africa remains a priority – to be invested in the same way that technical assistance is provided through Business Partners International



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

BA, BA Hons, CPRP  
1 year's service



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

B Com  
22 years' service



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

B Soc Sc (cum laude), B Com  
Hons (cum laude), M Com  
22 years' service  
Retired: 31 March 2014



**Mr Gerrie van Biljon**  
**Executive Director**  
**Head of Business Investments**

B Com, MBA  
28 years' service



**AVINASH KARA NICHHA**  
**ASHINA ICCHARAM**  
**SHEKHAR BIRTHARTHEE**  
**KARA NICHHA'S FAST FOOD**

assisted by Janeesha Perumal  
from Business Partners Limited



# FINANCIAL REVIEW



Clown fish and sea anemones have a symbiotic and mutualistic relationship, each providing a number of benefits to the other.

Clown fish are omnivorous. They feed off undigested food from their host anemones and on plankton, and their waste in turn feeds and fertilises the sea anemones. In some cases their bright colours are said to attract food sources to the anemone. It is precisely this type of classic co-dependency which has inspired and contributed to the “modern” concepts of sustainability and mutual co-existence.

**Business Partners Limited mimics this symbiotic and co-dependent relationship both with its shareholders and funders, with the SMEs they support and the communities they enhance by enabling wealth and job facilitation and through an increase to the tax base.**



# THE CHIEF FINANCIAL OFFICER'S REPORT

## FINANCIAL REVIEW

Business Partners Limited's profit after tax increased by 13,6 percent to R154,8 million, a pleasing result given the level of economic uncertainty throughout the year. The financial results were supported by a strong demand for the company's services from SMEs.

The continued improvement in the credit quality of the investment book resulted in acceptable net credit losses, especially in the context of the South African economy struggling to gain substantive traction. The quality and quantum of support interventions with clients by the Customer Support Services team, as well as dedicated credit control management, have no doubt meaningfully contributed to the low level of bad debts.

These efforts to manage the credit risk were complemented by increases in productivity and efficiency, with both the operational cost to revenue and the assets per employee ratios improving over the period.

## PROSPECTS FOR THE 2014/15 YEAR

The company's capacity to invest in new businesses in the future remains robust and proven. The level or volume of new investments will depend on the ability of Business Partners Limited to raise the capital required to fund the desired level of investments. Capital required is the result of the desired level of new investments in a period, minus the capital repayments expected and the net cash-based earnings.

Increasing the levels of gearing or debt is a capital raising option over the short term, if the debt to equity ratio of 26,5 percent at the end of the 2014 financial period is considered.

Special purpose funds are another attractive option to address the funding needs of SMEs. Such funds provide an excellent delivery vehicle with which to achieve the multiple and varied objectives of private and public sector investors, as Business Partners Limited is able to balance the financial risk and return requirement with the developmental and social impact focus desired by the respective investors.

Prospects for continued profitable growth in 2014/15 remain positive in both the South African and the African business.

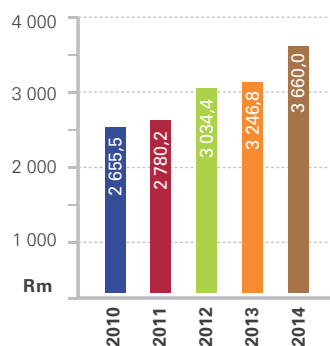


**SIBONGILE XABA**  
**TX MOTORS CC**

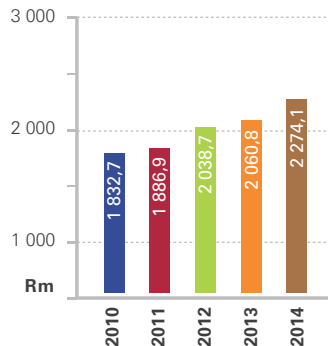
assisted by Sylvester Mokwele  
from Business Partners Limited

# FINANCIAL REVIEW

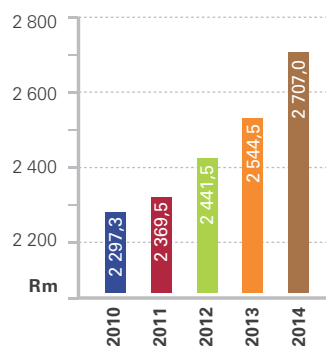
**Total assets**



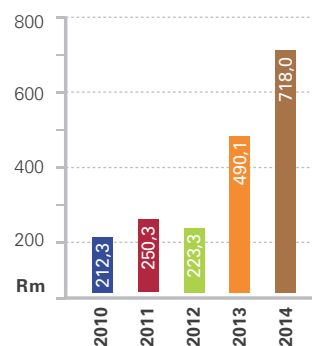
**Loans and receivables**



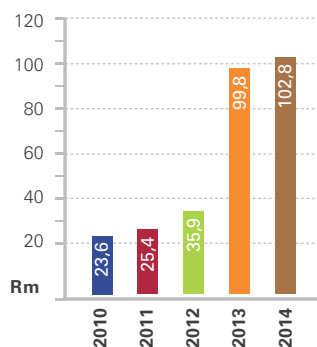
**Total equity**



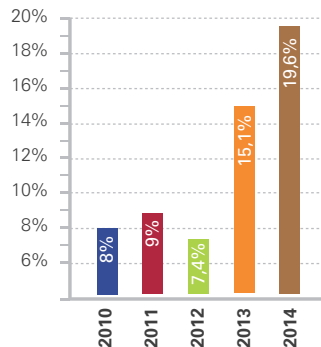
**Borrowings**



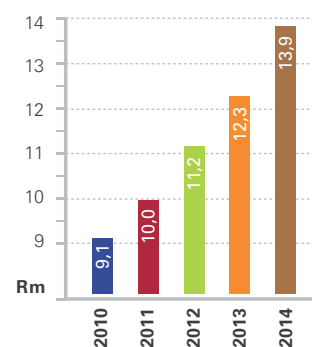
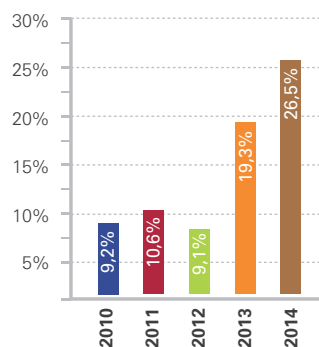
**Cash and cash equivalents at end of year**



**Debt to assets ratio**



**Debt to equity ratio**



## RAJNA TOWERS BIO INDUSTRIAL SERVICES (PTY) LTD

assisted by Sylvester Mokwele  
from Business Partners Limited



# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
Net interest revenue	231 233	214 845	232 815	216 022
Interest income	274 744	248 992	276 326	250 169
Interest expense	(43 511)	(34 147)	(43 511)	(34 147)
Fee revenue	10 785	5 972	10 774	5 919
Investment income and gains	122 380	87 587	87 447	71 813
Net property revenue	83 552	83 657	69 753	75 445
Property revenue	170 938	152 208	135 392	126 228
Property expenses	(87 386)	(68 551)	(65 639)	(50 783)
Management and service fee income	17 311	18 429	13 235	13 189
Other income	4 851	18 044	4 701	56 264
<b>Total income</b>	<b>470 112</b>	<b>428 534</b>	<b>418 725</b>	<b>438 652</b>
Net credit losses	(46 770)	(44 908)	(46 276)	(43 994)
Staff costs	(162 626)	(143 781)	(149 725)	(133 692)
Other operating expenses	(54 474)	(54 839)	(64 444)	(65 310)
<b>Profit before taxation</b>	<b>206 242</b>	<b>185 006</b>	<b>158 280</b>	<b>195 656</b>
Income tax expense	(51 405)	(48 606)	(32 281)	(28 620)
<b>Profit for the year</b>	<b>154 837</b>	<b>136 400</b>	<b>125 999</b>	<b>167 036</b>
<b>Other comprehensive income after tax</b>				
Remeasurement of defined benefit pension fund	17 658	(994)	17 658	(994)
Remeasurement of post-employment medical benefits	15 018	(10 110)	15 018	(10 110)
Remeasurement of post-employment benefits	32 676	(11 104)	32 676	(11 104)
Fair value adjustment of available-for-sale instruments	14	10	14	10
Foreign currency translation reserve movement	1 041	796		
Share of associates' other comprehensive income	(90)	(595)		
<b>Other comprehensive income for the year</b>	<b>33 641</b>	<b>(10 893)</b>	<b>32 690</b>	<b>(11 094)</b>
<b>Total comprehensive income for the year</b>	<b>188 478</b>	<b>125 507</b>	<b>158 689</b>	<b>155 942</b>
<b>Profit attributable to:</b>				
Equity holders of Business Partners Limited	154 850	136 347	125 999	167 036
Non-controlling interests	(13)	53		
	<b>154 837</b>	<b>136 400</b>	<b>125 999</b>	<b>167 036</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of Business Partners Limited	188 491	125 454	158 689	155 942
Non-controlling interests	(13)	53		
	<b>188 478</b>	<b>125 507</b>	<b>158 689</b>	<b>155 942</b>

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Group		Company	
	2014	2013	2014	2013
	R000	R000	R000	R000
<b>Assets</b>				
<b>Non-current assets</b>	<b>3 199 128</b>	2 779 698	<b>3 015 621</b>	2 642 797
Investment properties	<b>958 943</b>	787 609	<b>695 839</b>	662 485
Loans and receivables	<b>1 947 356</b>	1 736 156	<b>1 952 502</b>	1 740 888
Investments in associates	<b>82 139</b>	76 938	<b>151</b>	380
Investments in subsidiaries			<b>238 059</b>	142 851
Property and equipment	<b>86 498</b>	88 402	<b>4 878</b>	5 600
Defined benefit pension fund surplus	<b>124 192</b>	90 593	<b>124 192</b>	90 593
<b>Current assets</b>	<b>460 912</b>	467 095	<b>435 152</b>	434 400
Loans and receivables	<b>326 790</b>	324 643	<b>326 967</b>	323 320
Assets held for resale	<b>5 316</b>	8 829	<b>5 316</b>	8 829
Accounts receivable	<b>26 037</b>	33 777	<b>27 758</b>	29 867
Current income tax asset			<b>806</b>	
Cash and cash equivalents	<b>102 769</b>	99 846	<b>74 305</b>	72 384
<b>Total assets</b>	<b>3 660 040</b>	3 246 793	<b>3 450 773</b>	3 077 197
<b>Equity and liabilities</b>				
<b>Capital and reserves attributable to equity holders of the parent</b>	<b>2 706 018</b>	2 543 477	<b>2 531 596</b>	2 398 857
Share capital	<b>173 001</b>	173 001	<b>173 001</b>	173 001
Fair value and other reserves	<b>72 300</b>	38 659	<b>67 346</b>	34 656
Retained earnings	<b>2 460 717</b>	2 331 817	<b>2 291 249</b>	2 191 200
<b>Non-controlling shareholders interest</b>	<b>1 006</b>	1 053		
<b>Total equity</b>	<b>2 707 024</b>	2 544 530	<b>2 531 596</b>	2 398 857
<b>Non-current liabilities</b>	<b>826 965</b>	578 933	<b>817 024</b>	573 229
Borrowings	<b>691 289</b>	454 124	<b>691 289</b>	454 124
Post-employment medical benefits	<b>77 143</b>	93 518	<b>77 143</b>	93 518
Deferred tax liability	<b>58 533</b>	31 291	<b>48 592</b>	25 587
<b>Current liabilities</b>	<b>126 051</b>	123 330	<b>102 153</b>	105 111
Borrowings	<b>26 680</b>	36 004	<b>26 680</b>	36 004
Accounts payable	<b>50 748</b>	45 484	<b>29 283</b>	28 541
Provisions	<b>48 197</b>	39 719	<b>46 089</b>	37 907
Current income tax liability	<b>325</b>	2 040		2 576
Shareholders for dividend	<b>101</b>	83	<b>101</b>	83
<b>Total liabilities</b>	<b>953 016</b>	702 263	<b>919 177</b>	678 340
<b>Total equity and liabilities</b>	<b>3 660 040</b>	3 246 793	<b>3 450 773</b>	3 077 197

# CASH FLOW STATEMENT

for the year ended 31 March 2014

## Cash flow from operating activities

Cash received from clients  
Cash paid to suppliers and employees  
Cash generated from operating activities  
Finance cost  
Taxation paid  
Dividends paid  
**Net cash flow from operating activities**

Group		Company	
2014	2013	2014	2013
R000	R000	R000	R000
493 205	440 641	447 258	404 377
(288 985)	(256 631)	(271 259)	(244 925)
204 220	184 010	175 999	159 452
(41 374)	(31 291)	(41 374)	(31 291)
(29 749)	(33 346)	(25 371)	(24 385)
(25 932)	(22 478)	(25 932)	(23 236)
107 165	96 895	83 322	80 540

## Cash flow from investing activities

Capital expenditure on  
– investment properties  
– property and equipment  
Proceeds from sale of  
– investment properties  
– property and equipment  
Loans and receivables advanced  
Loans and receivables repaid  
Interest received from other investments  
Loans from subsidiaries repaid  
Proceeds from sale of investments in associates  
Dividends received from investments in associates  
**Net cash flow from investing activities**

(110 896)	(88 362)	-	(78 886)
(2 225)	(3 257)	(1 799)	(2 752)
4 600	12 300	4 600	12 300
1 838	124	88	124
(674 043)	(474 102)	(674 043)	(474 097)
394 824	391 585	399 854	388 184
5 337	4 790	4 435	4 039
		(90 861)	8 940
40 359	39 752	40 359	39 752
10 262	8 626	10 262	8 626
(329 944)	(108 544)	(307 105)	(93 770)

## Cash flow from financing activities

Utilisation of long-term borrowings  
Repayment of long-term borrowings  
**Net cash flow from financing activities**

251 721	290 000	251 721	290 000
(26 019)	(26 054)	(26 017)	(26 054)
225 702	263 946	225 704	263 946

Net movement in cash and cash equivalents  
Cash and cash equivalents at beginning of year  
**Cash and cash equivalents at end of year**

2 923	252 297	1 921	250 716
99 846	(152 451)	72 384	(178 332)
102 769	99 846	74 305	72 384



# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

## Group

### 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			(22 490)		(22 490)
<b>Balance at 31 March 2013</b>	<b>173 001</b>	<b>38 659</b>	<b>2 331 817</b>	<b>1 053</b>	<b>2 544 530</b>

### Balance at 1 April 2013

	<b>173 001</b>	<b>38 659</b>	<b>2 331 817</b>	<b>1 053</b>	<b>2 544 530</b>
Total comprehensive income for the year		<b>33 641</b>	<b>154 850</b>	<b>(13)</b>	<b>188 478</b>
Net profit			<b>154 850</b>	<b>(13)</b>	<b>154 837</b>
Other comprehensive income		<b>33 641</b>			<b>33 641</b>
Dividend			<b>(25 950)</b>		<b>(25 950)</b>
Non-controlling interest recognised directly in equity				<b>(34)</b>	<b>(34)</b>
<b>Balance at 31 March 2014</b>	<b>173 001</b>	<b>72 300</b>	<b>2 460 717</b>	<b>1 006</b>	<b>2 707 024</b>

## Company

### 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			(23 248)		(23 248)
<b>Balance at 31 March 2013</b>	<b>173 001</b>	<b>34 656</b>	<b>2 191 200</b>		<b>2 398 857</b>

### Balance at 1 April 2013

	<b>173 001</b>	<b>34 656</b>	<b>2 191 200</b>		<b>2 398 857</b>
Total comprehensive income for the year		<b>32 690</b>	<b>125 999</b>		<b>158 689</b>
Net profit			<b>125 999</b>		<b>125 999</b>
Other comprehensive income		<b>32 690</b>			<b>32 690</b>
Dividend			<b>(25 950)</b>		<b>(25 950)</b>
<b>Balance at 31 March 2014</b>	<b>173 001</b>	<b>67 346</b>	<b>2 291 249</b>		<b>2 531 596</b>

# FIVE-YEAR SUMMARY

	2014/2013		2014	2013	2012	2011	2010
	Increase/(decrease)						
<b>Consolidated statement of financial position (R000)</b>							
Investment properties	21,8%		<b>958 943</b>	787 609	679 940	569 232	517 120
Business investments	10,4%		<b>2 274 146</b>	2 060 799	2 038 719	1 886 947	1 832 728
Deposits and bank balances	2,9%		<b>102 769</b>	99 846	35 853	25 411	23 575
Total assets	12,7%		<b>3 660 040</b>	3 246 793	3 034 404	2 780 190	2 655 516
Capital and reserves	6,4%		<b>2 706 018</b>	2 543 477	2 440 513	2 367 550	2 297 341
<b>Consolidated statement of comprehensive income (R000)</b>							
Net profit			<b>154 850</b>	136 347	100 079	107 147	94 583
Adjustments			<b>(76 704)</b>	(47 362)	(59 949)	(45 763)	(34 762)
Headline earnings			<b>78 146</b>	88 985	40 130	61 384	59 821
Change in net profit			<b>13,6%</b>	36,2%	-6,6%	13,3%	-27,4%
Change in headline earnings			<b>-12,2%</b>	121,7%	-34,6%	2,6%	-36,1%
<b>Share statistics</b>							
Earnings per share (cents)	13,6%		<b>89,5</b>	78,8	57,8	62,0	54,8
Headline earnings per share (cents)	-12,1%		<b>45,2</b>	51,4	23,2	35,5	34,6
Dividends per ordinary share (cents)	13,3%		<b>17</b>	15	13	12	11
Dividend cover (times)	0,0%		<b>5,3</b>	5,3	4,4	5,2	5,0
Net asset value per share (cents)	6,4%		<b>1 564,2</b>	1 470,2	1 410,7	1 368,5	1 330,0
<b>Ratios</b>							
Effective tax rate	-5,3%		<b>24,9%</b>	26,3%	27,5%	22,8%	24,5%
Return on opening shareholders' interest	8,9%		<b>6,1%</b>	5,6%	4,2%	4,7%	4,4%
Return on average assets	4,7%		<b>4,5%</b>	4,3%	3,4%	3,9%	3,8%
Operating expenditure/total income	-6,8%		<b>36,6%</b>	39,3%	40,9%	40,9%	46,0%
Net profit per employee (R000)	14,4%		<b>588,8</b>	514,5	370,7	385,4	323,9
Net profit/employee cost	0,0%		<b>1,0</b>	1,0	0,7	0,9	0,7



## GAVIN DIEHL MOTION PERFECTION INDUSTRIES

assisted by Sylvester Mokwele  
from Business Partners Limited

# SHAREHOLDER INFORMATION

## Distribution of shareholding

as at March 2014

	Number of holders	% of holders	Number of shares	% of shares
0 – 10 000	27	28,4%	87 425	0,1%
10 001 – 100 000	19	20,0%	695 163	0,4%
100 001 – 1 000 000	31	32,6%	8 984 988	5,2%
1 000 001 – 10 000 000	16	16,8%	52 359 547	30,3%
10 000 001 and above	2	2,2%	110 873 471	64,0%
	95	100,0%	173 000 594	100,0%

## Shareholders

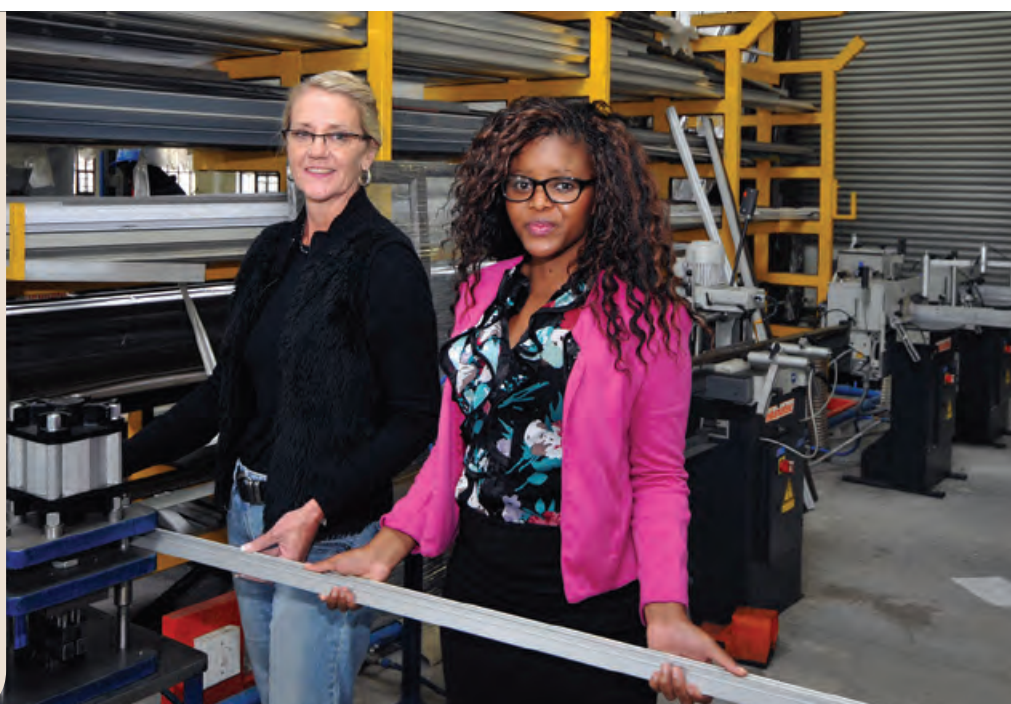
as at March 2014

	Number of shares	% of shares
Eikenlust (Pty) Limited (Remgro Limited)	73 579 172	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%
Other shareholders' holding	20 105 779	11,7%
	173 000 594	100,0%

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

LINDA SNYMAN  
**FSL GLASS**

assisted by Sibongile Maseko  
from Business Partners Limited



# VALUE-ADDED STATEMENT

	2014		2013	
	R000	%	R000	%
<b>Value Added</b>				
Interest received, rent charged and other income	616 622		584 971	
Less: paid to suppliers	(242 999)		(213 948)	
<b>Total wealth created</b>	<b>373 623</b>	<b>100,0%</b>	<b>335 023</b>	<b>100,0%</b>
<b>Distributed as follows:</b>				
<b>Employees</b>	<b>117 312</b>	<b>31,4%</b>	108 948	32,5%
Salaries, wages and contributions	117 312	31,4%	108 948	32,5%
<b>Government</b>	<b>97 956</b>	<b>26,2%</b>	85 289	25,5%
Corporate income tax	36 875	9,9%	32 752	9,8%
Taxes on distributions	1	0,0%	4 011	1,2%
Value added tax	26 601	7,1%	17 332	5,2%
Employee taxes	33 218	8,9%	30 029	9,0%
Skills development levies	1 261	0,3%	1 165	0,3%
<b>Shareholders</b>	<b>25 950</b>	<b>6,9%</b>	22 490	6,7%
Dividends paid	25 950	6,9%	22 490	6,7%
<b>Retentions to support future operations</b>	<b>132 405</b>	<b>35,5%</b>	118 296	35,3%
Depreciation	3 506	0,9%	4 439	1,3%
Income retained	128 899	34,6%	113 857	34,0%
	<b>373 623</b>	<b>100,0%</b>	<b>335 023</b>	<b>100,0%</b>



# OPERATIONAL REVIEW



The Zebra and the Red-billed Oxpecker have a complex symbiotic relationship.

The Oxpecker gets its main source of nourishment – blood – by eating the ticks off its host. An adult bird will take nearly 100 engorged female ticks, or more than 12 000 larvae in a day off tick infested antelope. It also lines its nest with the hair of its symbiotic partner.

In turn the Zebra is kept relatively free of the parasites that can cause small wounds to fester. The Oxpecker also acts like an early warning alarm system to herds of Zebra, alerting the animals to potential danger and ensuring the sustainability of both species.

**Business Partners Limited mimics this symbiotic and co-dependent relationship both with its shareholders and funders, with the SMEs they support and the communities they enhance by enabling wealth and job facilitation and through an increase to the tax base.**



## BUSINESS INVESTMENT REPORT (SOUTH AFRICA)

Business Partners Limited had a very successful year in the period to March 2014 in terms of finding new SMEs to do business with. Banks have continued to have a cautious attitude towards the funding of SMEs without substantial levels of collateral. At the same time SMEs have been reluctant to increase gearing for anything but low risk, high return opportunities. As a result of these two conditions, Business Partners Limited has been able to secure a good flow of high quality deals.

Other factors that have buoyed the ability of Business Partners Limited to source good quality investments have been the continued growth of African GDP, the growth of the alternative energy sector and the private education sector, the relatively stable and low interest rate environment, and for exporters, the depreciation of the Rand. The company's performance has also been improved by its efforts to strengthen its presence in the Gauteng province, which has historically been a weak area for Business Partners Limited.

On the negative side, from a demand point of view, SME confidence has been affected by the low GDP growth in the country, as well as by industrial unrest in the platinum sector and the consequent effect this has had on businesses in the geographical areas affected by these strikes. For those businesses heavily dependent on imports, the weak Rand has negatively impacted on businesses.

## PROSPECTS FOR 2014/15

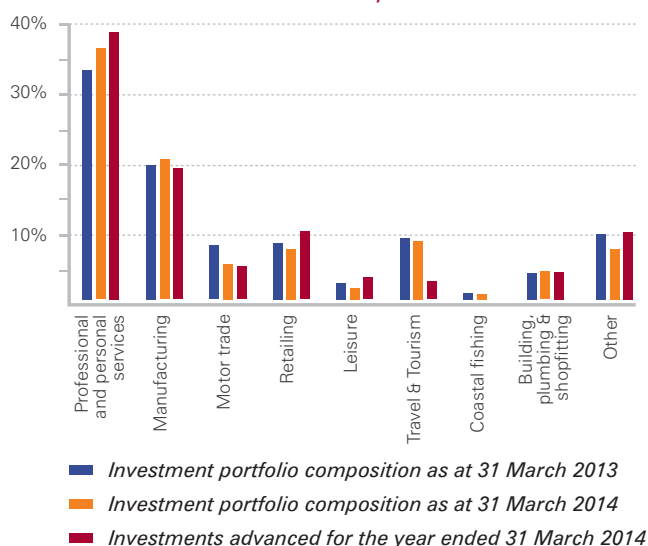
Business Partners Limited is confident that it will be able to grow both the level and the quality of investment activity it has achieved in 2013/14 based on the following assumptions:

- That interest rates will remain relatively low compared to inflation
- That the level of the Rand will remain in a band between R10,00 and R11,00 to the Dollar
- That banks will remain cautious in their policies towards financing SMEs without significant collateral
- That South African SMEs will benefit from high growth levels in sub-Saharan Africa
- That the private education, environmental, tourism and infrastructure support industries will continue to experience growth
- That the company will continue to be able to grow its share of business in the Gauteng province
- That the planned Business Partners Limited drive to raise its awareness levels amongst SMEs and intermediaries will gain traction

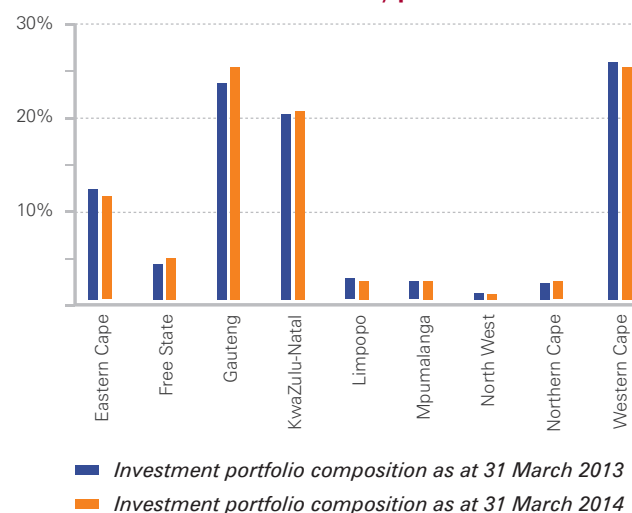
## THE RISKS TO A SUCCESSFUL 2014/15

- Continued high levels of industrial relations conflict
- That banks relax their cautious stance toward lending to SMEs and become more aggressive in the SME marketplace
- That interest rates increase significantly, reducing the appetite that SMEs have for gearing

Distribution of investments by sector

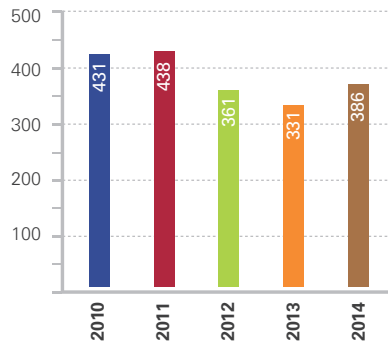


Distribution of investments by province

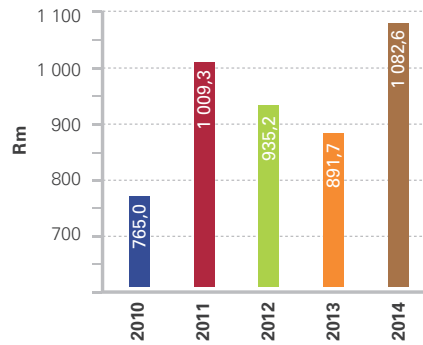


# OPERATIONAL REVIEW

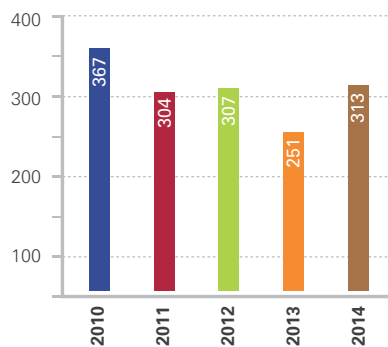
Number of investments approved



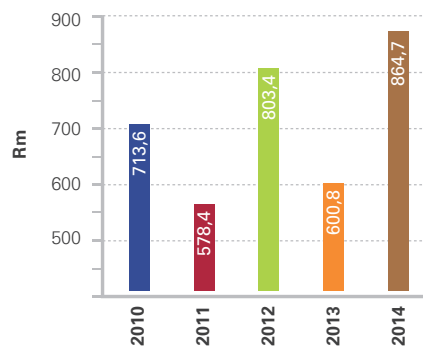
Value of investments approved



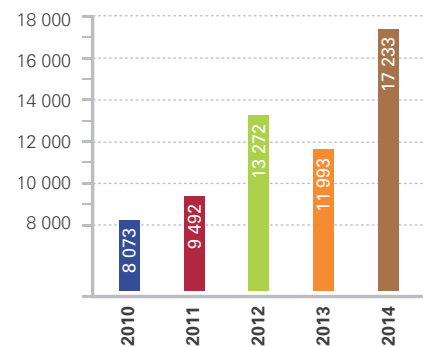
Number of investments disbursed



Value of investments disbursed



Number of jobs facilitated



MUZI SHINGA  
DEBONAIRS PIZZA  
UMLAZI MEGA CITY

assisted by Warren Lester  
from Business Partners Limited



## CUSTOMER AND OPERATIONAL SUPPORT REPORT

The Customer and Operational Support Division is responsible for deal implementation, monitoring, value adding, mentoring, consulting, technical assistance, collections, as well as enterprise development initiatives.

One of the great differentiators of Business Partners Limited is that after having found SMEs to invest in, the company carefully evaluates, monitors and adds value where it can to increase the chances of success for the SME, and in so doing, also minimise credit risk.

2013/14 has been a successful year from a customer and operational support point of view. This success came as a result of a number of external and internal factors.

**Business Partners Limited continue to improve the diagnostic tools used to engage customers with value-add needs appropriately and timeously**

Over the past five years, banks and other financial institutions have been more cautious in lending to small and medium-sized businesses without proper collateral, whilst others scaled down their activities as a result of the increasingly high cost of delivering an effective service in the SME market. High credit losses further necessitated some consolidation from the banking sector and a review of their service offering. These changes have left the door open to Business Partners Limited to conduct higher quality business without neglecting the traditional risk finance to SMEs. These conditions have allowed the company to reduce its credit risk for three consecutive years.

Internal factors that have affected this performance include the restructuring of the business to create a specialist unit that monitors and adds value to its customers. The company has increased both the number and the quality of its interventions, which has enabled the performance improvement of the SMEs financed, as well as reduced both arrears and bad debt levels.

Business Partners Limited continue to improve the diagnostic tools used to engage customers with value-add needs appropriately and timeously. Staff and mentors visit clients more regularly, and they can apply any of a



**FRANCO MÜLLER**  
**ZIBO PLASTICS**

assisted by Pelisa Nesi  
from Business Partners Limited

# OPERATIONAL REVIEW

suite of existing solutions as well as business-specific solutions to help SMEs. This enables the company to be more productive and accurate. Where required, the company's specialist consultants and mentors are utilised to further raise the chances of its SMEs' success.

It is important that SMEs behave as responsible corporate citizens with regard to the environment, and also that they manage environmental, health and safety risks better by taking preventative measures

Environmental, health and safety factors also play an increasingly significant role in the future success of businesses. It is increasingly important that SMEs behave as responsible corporate citizens with regard to the environment, and also that they manage environmental, health and safety risks better by taking preventative measures. Business Partners Limited follows a structured approach to facilitating this process during due diligence as well as implementation and investment monitoring stages. This structured approach was adopted from the company's investment experience in Africa, where the development financial institutions (DFIs) require such an approach for all of its SME investments. It also enables Business Partners Limited to introduce positive interventions for those clients who can improve

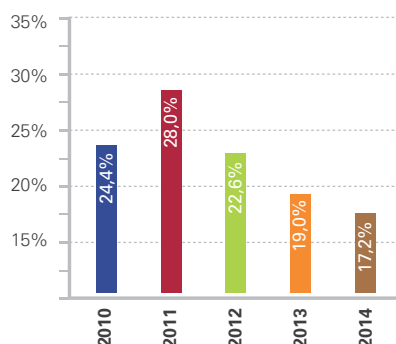
their environmentally friendly performance. Although Business Partners Limited has a low direct impact on the environment, the company has a carbon footprint reduction plan in place and continually monitors its performance in an effort to reduce its impact.

Enterprise development is a crucial element in the company's support and promotion of entrepreneurship in South Africa. The newly established Enterprise Development Unit aims to promote and develop SMEs and entrepreneurship, and in so doing, work towards creating and developing the sustainability of small and medium businesses in South Africa. This happens primarily through the company's socio-economic development and mentorship initiatives.

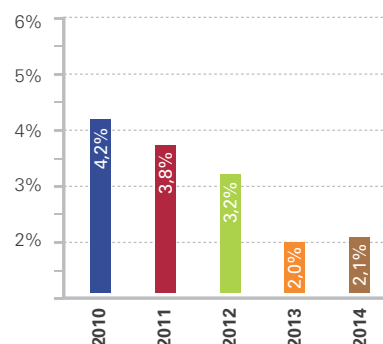
Business Partners Limited's socio-economic development (SED) focus is aligned to the company's business of enabling the development of SMEs.

The company supports and funds several projects in pursuit of this end, including:

- The SME Toolkit South Africa – an online resource for SMEs and existing or aspiring entrepreneurs, providing access to business information and support, as well as to business solutions, at no cost to the entrepreneur. These tools are provided under a license agreement with the International Finance Corporation (IFC, the financing arm of the World Bank)
- Entrepreneurship training – the company develops initiatives to teach aspiring entrepreneurs the intricacies of starting and growing sustainable small businesses



Net credit losses %





## THE RISKS TO A SUCCESSFUL 2014/15

- A potentially rising interest rate, driven by higher inflation levels
- The impact of the strikes, one of which has already devastated SMEs in the platinum belt
- A continued rise in energy costs
- A rise in real wages in highly unionised industries – the motor, mining, clothing and steel industries in particular
- The negative effect of exchange rates on importers

On the positive side, the company expects SMEs in the following industries to do well:

- Education – from crèches to universities
- Tourism
- Alternative energy
- The green economy
- Exporters – due to the exchange rate advantages and the recovery in the USA, Europe and Japan

## PROSPECTS FOR 2014/15

Business Partners Limited is comfortable that as the quality of its investments improves, so should the key measures of this division. The company has implemented the “transformers” project, which seeks to reduce the time for due diligence to 30 days and of deal implementation to 60 days. This project will improve levels of productivity at the company and in turn, increase service levels to new SME clients. The project utilises new processes, software and systems, and doubles up as a CRM and management system.

2014/15 will see the company increasing its concentration on both the top performing SME clients as well as those in distress.

Business Partners Limited is comfortable that as the quality of its investments improves, so should the key measures of this division



**JUNADE & ARLENE  
SEWHURICHAND  
BOSCH CAR SERVICE  
CENTRE**

assisted by Veroshen Naidoo  
from Business Partners Limited

# OPERATIONAL REVIEW

## PROPERTY REPORT

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

Business Partners Limited has increased the percentage of its total investments into property since the start of the financial crisis in an effort to reduce its risk. During the period under review, investments in properties increased by 21,7 percent to R958,9 million. Revenue from the property services division increased by nine percent over the last year. This performance was slightly below company expectations due to the fact that its property acquisitions were concluded later in the year than expected, and because vacancies increased slightly from 6,6 percent to 7,5 percent.

Business Partners Limited managed to decrease the level of arrears from 21 percent to 15,5 percent of arrears from 21 percent to 15,5 percent

The company has, however, managed to decrease its level of arrears from 21 percent to 15,5 percent as SME tenants have benefitted, experiencing improved cash flow during a period of low interest rates.

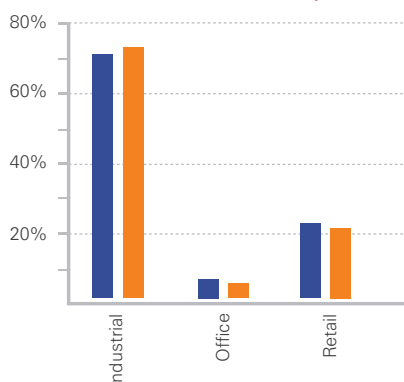
## THE RISKS TO A SUCCESSFUL 2014/15

- Business Partners Limited is over-exposed in some geographic areas, particularly in the Rustenburg, Brits and Roslyn areas, as well as in Richards Bay. The company plans to mitigate this risk by selling properties in these locations and reinvesting in quality properties in locations where it is not ideally represented
- The company is over-exposed to the clothing industry in KwaZulu-Natal and to the mining industry. The company will attempt to change its tenant mix to mitigate this risk
- Local authority inefficiency is a risk in that it leads to both administration inefficiencies and to delays in the purchase and sale of properties. The only way to manage this risk is to be vigilant in dealings with these bodies, to make representations through the South African Property Owners Association (SAPOA) in extreme cases, and to invest in municipalities where this is less of a problem
- Higher-than-expected levels of interest rates may affect the ability of SMEs to pay their rent obligations
- SMEs are reluctant to sign long leases due to the uncertain economic conditions they are currently experiencing

## PROSPECTS FOR 2014/15

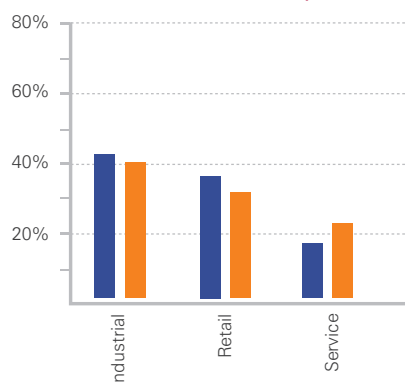
Business Partners Limited is continuing with its investment strategy, allocating 50 percent of its investment funds into property-related investments. This will mean an increase in property investments

**Sectoral breakdown of portfolio**



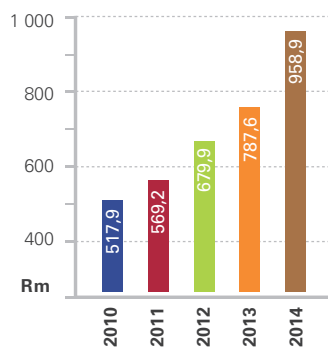
■ Sectoral breakdown of portfolio as at 31 March 2013  
 ■ Investment portfolio composition as at 31 March 2014

**Sectoral breakdown by tenant business**

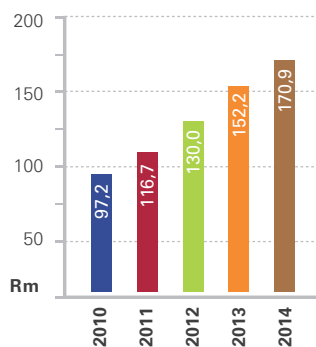


■ Sectoral classification of tenant business as at 31 March 2013  
 ■ Sectoral classification of tenant business as at 31 March 2014

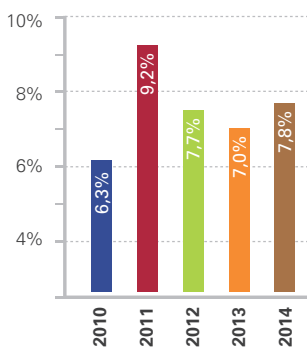
Value of investment in property



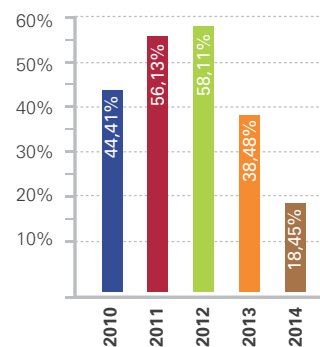
Revenue from property management services



Vacancy levels %



Net tenant arrears



under management. The company is confident that it can increase property revenue growth by 12,5 percent in 2014/15, mainly due to the improvement of the quality of the portfolio, the level of new acquisitions and a lower level of vacancies.

The company is also confident that it can maintain tenant arrears at the current level of 15,5 percent.

2014/15 will present Business Partners Limited with a good opportunity to refurbish and upgrade its portfolio in anticipation of improved economic conditions.



**MWANGI MUCHEMI**  
**RELIABLE CONCRETE**  
**WORKS LIMITED**

assisted by Sally Gitonga from  
Business Partners International, Kenya



# BUSINESS PARTNERS INTERNATIONAL REVIEW



Some species of termites practice fungi-culture. They maintain a “garden” of specialised fungi of the genus *Termitomyces*, which are nourished by the excrement of the insects. When the fungi are in turn eaten by the insects, their spores pass undamaged through the intestines of the termites to complete the cycle by germinating in the fresh faecal pellets.

Thus the termites are integral to the reproductive system of the fungus. The temperature and humidity controlled environment which the termites create and control through the opening and closing of air vents, is critical to the ability of the fungus to grow.

The fungus in turn provide a valuable source of food for the termite community.

**Business Partners Limited mimics this symbiotic and co-dependent relationship both with its shareholders and funders, with the SMEs they support and the communities they enhance by enabling wealth and job facilitation and through an increase to the tax base.**



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

Until now, Business Partners International (BPI) has acted as a fund manager to SME-focused limited life funds that have been established in specific geographies and have specific formation and growth objectives.

## Typical investors in the funds are institutions that aim to sustainably fund African development through SME growth

Typical investors in the funds are institutions that aim to sustainably fund African development through SME growth. Like BPI, they believe, that through funding and mentoring SMEs they can have a positive effect on GDP growth and wealth creation, as well as on job creation and broadening the host country's tax base. Critical to their model is the view that they should achieve a return on their capital at the end of the investment period to ensure their own ability to sustainably fund development.

The company's first funds were established in Kenya and Madagascar. The Rwandan fund followed soon after. BPI then developed a strategy to decrease both country risk and cost. The result was the establishment of its first regional fund, the Southern African SME Fund. This fund will deploy funds initially in Namibia, Malawi and Zambia, and subsequently in Zimbabwe.

In the meantime the Malagasy fund, which was negatively affected by political uncertainty in Madagascar, has virtually been wound up. The very successful Kenyan fund is also approaching the end of its natural life.

Country economic growth rates in the international business exceed those in South Africa. The region is also characterised by higher interest rates than the South African base. While this is positive for the company's business and its sustainability, as long as it manages the bad debt risk, it does make life more difficult for SMEs and the affordability of transactions becomes a major consideration. The opportunity for Business Partners

International is significant as these markets are beset with low levels of liquidity and shorter terms for SME loans. These conditions, coupled with the fact that BPI has had to comply with strict conditions set by its development funders, have enabled BPI to learn valuable lessons. These are being transferred back to Business Partners Limited, creating the following unanticipated benefits for the mother company:

- The due diligence process, from an environmental and social point of view, has been transformed from a "no-harm" to a "do-good" philosophy
- The fact that the company raises separate technical assistance funds in support of its African country funds has allowed it to ramp up the assistance it can give to SMEs. This change has resulted in greater value in the SMEs that the company invests in and a lowering of risk levels on its investments

## THE EVOLUTION OF THE SUB-SAHARAN AFRICA MODEL

The Kenyan fund will be replaced by an East African entity which will achieve the same cost and country risk mitigation objectives as the first regional fund, but BPI will also be taking the next step required in the development of its international model. It has decided to establish the new East African business on the same equity-funded model as that used in Business Partners Limited. This will allow BPI to establish more permanent regional structures which will give its host governments, local staff, and of course, local SMEs a sense of its commitment. It will also reduce BPI's cost base further and help to ensure its sustainability.

BPI's initial intention is to do business on the back of its established reputation in Kenya, and to this end it will take over the staff of the Kenyan operation. As the Rwandan fund matures, BPI plans to integrate this business into its permanent East African structure. 2015 will see BPI extending its East African activity into Uganda, and in time this structure plans to service other East African countries.

## COUNTRY REPORTS

### Kenya

- The Kenyan SME fund was established with a committed capital of US\$14,1m, and a technical assistance fund of US\$2,5m

# BUSINESS PARTNERS INTERNATIONAL REVIEW

- The Kenyan business mirrors the South African result in almost every aspect, proving that the concept works in other African countries
- 2013/14 yielded the fund's best profit performance to date
- The success of the Kenyan fund has allowed BPI to plan the next generation regional fund with a more permanent structure and with the support of its development funding partners
- The fund has made 108 investments and facilitated over 10 000 jobs
- 97 percent of its investments are owned by indigenous people. 35 percent of them are owned by females

## **Rwanda**

- The Rwandan fund was established with a committed capital of US\$8m
- 2013/14 was the second year of operations and BPI gained significant traction, exceeding budget expectations by 25 percent
- So far, BPI has made 21 investments, facilitating 637 jobs
- BPI began to generate profits from month 16 of operations, compared to the Kenyan operation which broke even on a monthly basis in its third year
- The Rwandan business is beginning to statistically resemble the South African operation

## **Namibia, Malawi, Zambia and Zimbabwe**

- The Southern African SME fund raised US\$30m of committed capital
- During the 2013/14 year, BPI commenced operations in Namibia, Zambia and Malawi
- The first investment was made in March 2014
- BPI has recruited quality staff in the region, and has high expectations given the lessons learned in Kenya and Rwanda

## **RISKS IDENTIFIED FOR THE INTERNATIONAL BUSINESS**

- Individual country funds have been susceptible to both currency and political risk. The structural change made by BPI regarding doing business in countries through regional funds – and now in East Africa through an equity-based entity – means that BPI will have more diversity in the portfolio with respect to any country or currency, and also more flexibility in terms of risk mitigation
- The funding of SMEs using a private equity model that does not guarantee continuity exposes the business to staff, funder and country risk as it could be seen as a short-term strategy. The change in the structure of BPI's East African business will create more certainty and sustainability in the minds of all stakeholders. BPI East Africa will be capitalised with US\$30m in equity, of which US\$6m will be provided by Business Partners Limited and the balance by its development funding partners
- BPI is employing people into its international business who have not had long careers in Business Partners Limited. Whilst this has advantages and disadvantages, BPI is mindful of the need to ensure that both the proven methods and the culture of Business Partners Limited are used to reduce risk. Close monitoring and management, and the strength of its systems and governance processes are the key ways to mitigate this risk

Close monitoring and management, and the strength of BPI's systems and governance processes are the key ways to mitigate this risk

## SUPPORT SERVICES REVIEW



The symbiotic mutualism of certain birds and the cactus is very unique to the desert. The Cactus wren hollows out a part of the Cholla cactus and lives in it. The inside of the cactus proves to be the best shelter against the hot desert sun, and also keeps its young safe from predators.

In return, the birds pollinate the cactus plants, and also eat any parasites harmful to the cactus.

**Business Partners Limited mimics this symbiotic and co-dependent relationship both with its shareholders and funders, with the SMEs they support and the communities they enhance by enabling wealth and job facilitation and through an increase to the tax base.**



# SUPPORT SERVICES REVIEW

## MARKETING REPORT

The role of marketing in Business Partners Limited is to ensure that meaningful stakeholders are aware of, and positively predisposed to, the brand. The company's most important stakeholders in this regard are its clients, potential clients and channel partners; its current and future shareholders and funders; its staff and potential staff; and its suppliers. To the extent that they shape the conditions within which SMEs operate, various government departments, as well as the governments of the countries in which the company operates, are also important stakeholders.

Business Partners Limited's marketing activities are designed to achieve different responses from each of its target markets. The major thrust of its marketing efforts to existing clients is through deal structuring, post-investment value-adding and operational support teams. The company utilises 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 its clients.

The main focus 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 the 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.

Beyond the regular marketing efforts outlined above, the marketing effort in 2014/15 will also focus on:

- Raising the awareness and positive predisposition levels of both intermediaries and the broad SME marketplace to encourage greater deal-flow
- Repositioning Business Partners Limited and introducing a refreshed logo as part of an effort to make the brand more relevant to entrepreneurs

## SIBONGILE XABA TX MOTORS CC

assisted by Sylvester Mokwele  
from Business Partners Limited





- Using the new corporate identity as the centerpiece of an internally focussed change management programme to ensure that the company are aware of, and are meeting the needs of, their clients more precisely and more regularly
- SME Index to ascertain the status of SMEs in South Africa
- Introducing an Alumni society for the Sanlam Business Partners Entrepreneur of the Year® awards

## HUMAN RESOURCES REPORT

The key to the success of Business Partners Limited lies in how well the company selects, funds, partners, monitors, mentors, adds value to, and exits SMEs. All of these involve human interactions and indeed, the SMEs that the company invests in are all run by entrepreneurs. It is not surprising, then, that the quality of the people determines the degree to which Business Partners Limited can successfully achieve its objectives. The staff also determines the extent to which the company can exit businesses that have grown both in quantum and quality.

### The key to the success of Business Partners Limited lies in how well the company selects, funds, partners, monitors, mentors, adds value to, and exits SMEs

While 61 percent of the senior leadership profile at Business Partners Limited is above 50 years of age and the majority have more than ten years' service to the company, the total company profile averages 41 years of age. Given that both the pre-investment and the post-investment functions require experienced people to interact productively with entrepreneurs, the company is well positioned for the future – except for one factor: It needs to prepare the next generation of leaders.

## RISKS IDENTIFIED FOR THE HUMAN RESOURCES DIVISION

- Historically, the company has had a strong and very loyal team of senior managers. This has meant that the business has remained stable and has undergone a long period of continuous improvement. However,

there is now the risk of a significant number of senior managers retiring in a relatively short time over the next five years.

Whilst it continues to operate with excellent sets of skills, overt plans are being made to attract, train, promote and retain people who come from a range of backgrounds as well as countries. To this end, Business Partners Limited has introduced a Management and Leadership Development Programme to prepare talented individuals to be ready to act and operate at the next level in the company when they are called upon to do so. The company has also introduced a Graduate Internship Programme which currently has ten participants. This encourages loyalty to the team, as well as learning and integration, all of which create a common sense of purpose

- The international business needs to be staffed substantially by people who come from the countries in which the company invests. This has to be done because local knowledge is crucial when it comes to both accurate SME selection for investment and value-add activities. And whilst the African countries in which Business Partners Limited operates have good education systems, it is the very success of the South African model that has encouraged its international investors to partner with the company in its expansion into these new territories. The critical risk been faced by the company is that these new employees have not learned the "Business Partners Limited way" over years. The only way to mitigate this risk is for the company to be careful in its selection process, and to measure and monitor not only their productivity but also their evolving business culture and processes. The company further incorporates its people into appropriate small local teams
- There is a balance of art and science in the ability to select the right clients for investment, and then monitoring and applying the right interventions at the right time to optimise value add and minimise risk. Business Partners Limited is acutely aware that the types of people it asks to join the business and to undertake these two crucial tasks need to have, in differing balances, both of these qualities. In addition, they must be passionate about their work. As a result, the company is careful in its selection processes and employs psychometric assessments to help it make increasingly accurate decisions in this regard

# SUPPORT SERVICES REVIEW

## Workforce profile

	Post level	MALE				FEMALE				FOREIGNERS		BPI	TOTAL
		African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		
Top Management	1	0	1	0	3	0	0	0	0	0	0	0	4
Senior Management	1 & 2c	1	2	0	10	1	0	0	0	0	0	0	14
Professionally qualified & experienced specialist & mid-management	2 & 3	3	8	10	37	0	4	7	23	0	0	7	99
Skilled technical & academically qualified workers, Junior management, Supervisors, Foremen & Superintendents	4	14	9	10	10	15	18	20	37	0	0	2	135
Semi-Skilled and discretionary decision making	5	7	1	0	0	1	6	0	1	0	0	2	18
Unskilled & defined decision making	6	0	0	0	0	5	1	0	0	0	0	0	6
<b>TOTAL</b>		<b>25</b>	<b>21</b>	<b>20</b>	<b>60</b>	<b>22</b>	<b>29</b>	<b>27</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>276</b>

## Age distribution of employees

	2014	2013
20 - 30	70	57
31 - 40	79	81
41 - 50	53	54
51 - 60	62	67
Over 60	12	13
<b>TOTAL</b>	<b>276</b>	<b>272</b>

## Employee statistics

	2014	2013
<i>Business Investment</i>	<i>185</i>	<i>187</i>
Operational Employees	112	108
Operational Support Employees	73	79
<i>Property</i>	<i>24</i>	<i>26</i>
Operational Employees	14	14
Operational Support Employees	10	12
<i>Group/Divisional</i>	<i>56</i>	<i>59</i>
<i>BPI</i>	<i>11</i>	

## Two-year overview of employee statistics

	2014	2013
<b>Total Numbers of Employees</b>	<b>276</b>	<b>272</b>
<i>Staff Turnover</i>		
Total Employees at Beginning of Year	272	265
Add: Recruitments	33	37
Add: BPI	11	
Sub-total	316	302
Less: Terminations	(40)	(30)
<b>Total at Year-End</b>	<b>276</b>	<b>272</b>
<i>Gender Profile</i>		
Female	146	148
Male	130	124
<b>Total</b>	<b>276</b>	<b>272</b>
<i>Community Profile</i>		
Black	144	146
White	121	126
BPI*	11	
<b>Total</b>	<b>276</b>	<b>272</b>

\* BPI – Business Partners International

While 61 percent of the senior leadership profile at Business Partners Limited is above 50 years of age and the majority have more than ten years' service to the company, the total company profile averages 41 years of age

# CORPORATE GOVERNANCE

## COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

Business Partners Limited believes that a corporate culture that values business and personal integrity, transparency, accountability and compliance with all applicable laws in all business activities 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, maintains high standards of governance and manages an appropriate balance between accountability and encouraging entrepreneurial flair. 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.

During the 2013/14 financial year, the company continued to evaluate and improve its corporate governance structures and practices, and took the necessary steps to ensure compliance with legislation. On 15 April 2013, shareholders adopted a new memorandum of incorporation (MOI) in light of the provisions of the Companies Act, 2008.

The board is satisfied that in the 2013/14 financial year, the accuracy of the group's reporting and financial results was maintained at a high level.

## BOARD OF DIRECTORS

### Board structure and developments

Since last year's report, a new independent director was recruited to the board, broadening the board's skills, experience and independence.

At the annual general meeting held in 2013, Mr Geeringh and Dr Huysamer retired, and Ms Sebotsa and Mr Meisenholl (previously appointed by a shareholder in terms of Article 20.1.3 of the MOI) were elected by shareholders to serve as directors in terms of Article 20.1.2 of the company's MOI. During the year under review, Mr Dreyer retired and Mr Knoetze was appointed by shareholders in terms of Article 20.1.3 of the MOI.

All stakeholders are provided with the assurance that the group's businesses are being managed appropriately

The company has a unitary board structure. The roles of the chairman and the managing director are separate and distinct, and are 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 annually 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).

In terms of Article 20.1.2 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, 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 the directors elected in terms of Article 20.1.2 must retire by rotation at every annual general meeting, but may be re-elected.

In addition to directors elected in terms of Article 20.1.2, shareholders or groups of shareholders are entitled – in terms of Article 20.1.3 of the 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 such, as soon as the shareholder(s) by whom the director was appointed no longer holds the requisite number of voting rights or revokes the appointment of the director.

The directors may, in addition to the managing director, appoint, until confirmed by election of shareholders, up to two further executive directors. Should the employment contract of any executive director terminate, he or she shall be deemed to have resigned as a director.

# CORPORATE GOVERNANCE

## **Roles 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 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.

## **Board meetings**

Board and committee 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. 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 services as directors on the board and as members of board committees. Fees are reviewed annually.

Remuneration payable to non-executive directors for the 2015/16 financial year will be submitted to shareholders for consideration at the forthcoming annual general meeting of the company.

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 28 to the Financial Statements.

## **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 and make recommendations to the board on specific areas of board responsibility. In line with best practice, committees of the board function within written charters or terms of reference, which are reviewed annually by the board with the assistance of the Nominations Committee. Committee chairpersons provide the board with feedback on committee matters, and the minutes of committee meetings are distributed to all board members.

The board also makes use of ad hoc board committees to deal with specific matters under written terms of reference from time to time. During the year under review, the board established an ad hoc committee to consider the appropriate structure and principal agreements for Business Partners Limited's capital commitment in an SME investment vehicle, Business Partners International East Africa LLC.

## **Audit and Risk Committee**

The Audit and Risk Committee Report for the 2013/14 financial year appears in the Financial Statements section.

Mr Williams succeeded Mr Geeringh, after 24 years' service on the board, as Chairperson of the Audit and Risk Committee with effect from 13 August 2013. In line with good corporate governance principles, the chairperson and deputy chairperson of the Audit and Risk Committee may not be the chairperson of the board or the managing director.

The external and internal auditors have unfettered access to the committee. During the year under review, the external and internal auditors attended meetings as standing invitees and were given a private audience with the committee at least once. The chairperson of the



committee met at least quarterly with the head of internal audit. In addition to the chairperson of the board and managing director, the chief financial officer, chief risk officer and head of property management services also attended committee meetings by standing invitation.

The chairperson of the committee conducted his annual assessment of the committee's performance in meeting its duties and responsibilities as set out in the committee's charter. In addition, all members submitted their self-assessment performance questionnaires.

The Audit and Risk Committee is mandated by the board to raise any finance and risk-related concerns and is an integral component of the company's integrated risk management process.

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.

#### **Nominations Committee**

During the year under review, the committee, as part of its duty to oversee a succession plan for the

board, identified suitable potential candidates to serve as directors. This was done with due regard to the circumstances of the company, to the skills and knowledge of the incumbent board, and in the interest of balancing the continuity in board membership as well as in consideration of independence and the need for refreshing the board.

The board, through the Nominations Committee, will nominate eligible candidates for election or re-election to the position of director by shareholders in terms of Article 20.1.2 of the company's MOI at the company's forthcoming annual general meeting.

#### **Personnel Committee**

The company's remuneration process, in the form of monetary rewards, focusses on the payment for performance on the achievement of corporate goals aligned to the business strategy. The reward opportunity is offered in terms of a reward policy. During the year under review, the Personnel Committee continued to exercise its mandate within the reward policy, which 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



**PAT DUXBERRY**  
**A-WAYBURY**  
**ADVENTURES**

assisted by Sibongile Maseko  
from Business Partners Limited

# CORPORATE GOVERNANCE



JACQUELINE NIBONKA  
**IMPRIMERIE AZ MEDIA PLUS LTD**

assisted by Eric Rutabana  
from Business Partners International, Rwanda

- 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; a medium-term carry scheme; and a long-term incentive plan
- ensure that employees are competitively remunerated

During the year under review, the Personnel Committee and the board supported a succession plan for senior management, combined with a newly introduced Management and Leadership Development Programme to develop the next generation of Business Partners Limited leaders. The board has also, with the assistance of the Personnel Committee, allocated a separate budget for the company's new Graduate Internship Programme.

## **Social and Ethics Committee**

During the year under review, the Social and Ethics Committee gave specific consideration to the company's consumer relations and the group's social, economic and environmental sustainability, as required in terms of its work plan. Also considered were the BBBEE legislative environment, the new Financial Sector Code and the implications of the Code for the company.

In light of the fact that the functions of the Social and Ethics Committee overlap with functions already performed by the Audit and Risk Committee, the internal auditors attend meetings of the Social and Ethics Committee by invitation. The internal auditors are tasked with providing assurance to the committee as part of their combined assurance process provided to the Audit and Risk Committee, which is extended where required. In addition, the chairman of the Social and Ethics Committee attended, as a standing invitee, the Audit and Risk Committee meeting at which the annual financial statements were considered.

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.

## **Fund-raising Committee**

The Fund-raising Committee did not hold meetings during the 2013/14 financial year as the company had sourced adequate third party funds for its SME investment activities.



### **National Investment Committee**

The National Investment Committee held 21 meetings during the financial year to consider investments within its approval mandate. Members usually attend meetings by teleconference facility to curtail travelling time and costs.

The board resolved to re-appoint Mr Geeringh as a member of the National Investment Committee, despite his retirement as a non-executive director of the company, in light of his extensive experience and expertise, as authorised by the company's MOI and in accordance with the provisions of the Companies Act, 2008.

### **Transactions Committee**

Full transparency on all investments and transactions in which a director, employee or a person related to a director or employee has a personal financial interest is mandated to ensure good corporate governance. If directors attend a meeting of the Transactions Committee on the same day that another committee's meeting is held, the attendees do not receive an attendance fee for the Transactions Committee meeting.

### **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.

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.

Regulatory compliance is of importance due to the frequent amendments to the regulatory framework in South Africa



REGINALD AMOS  
**CTC SPORT**

assisted by Arnold February  
from Business Partners Limited

# THE GOVERNANCE STRUCTURE

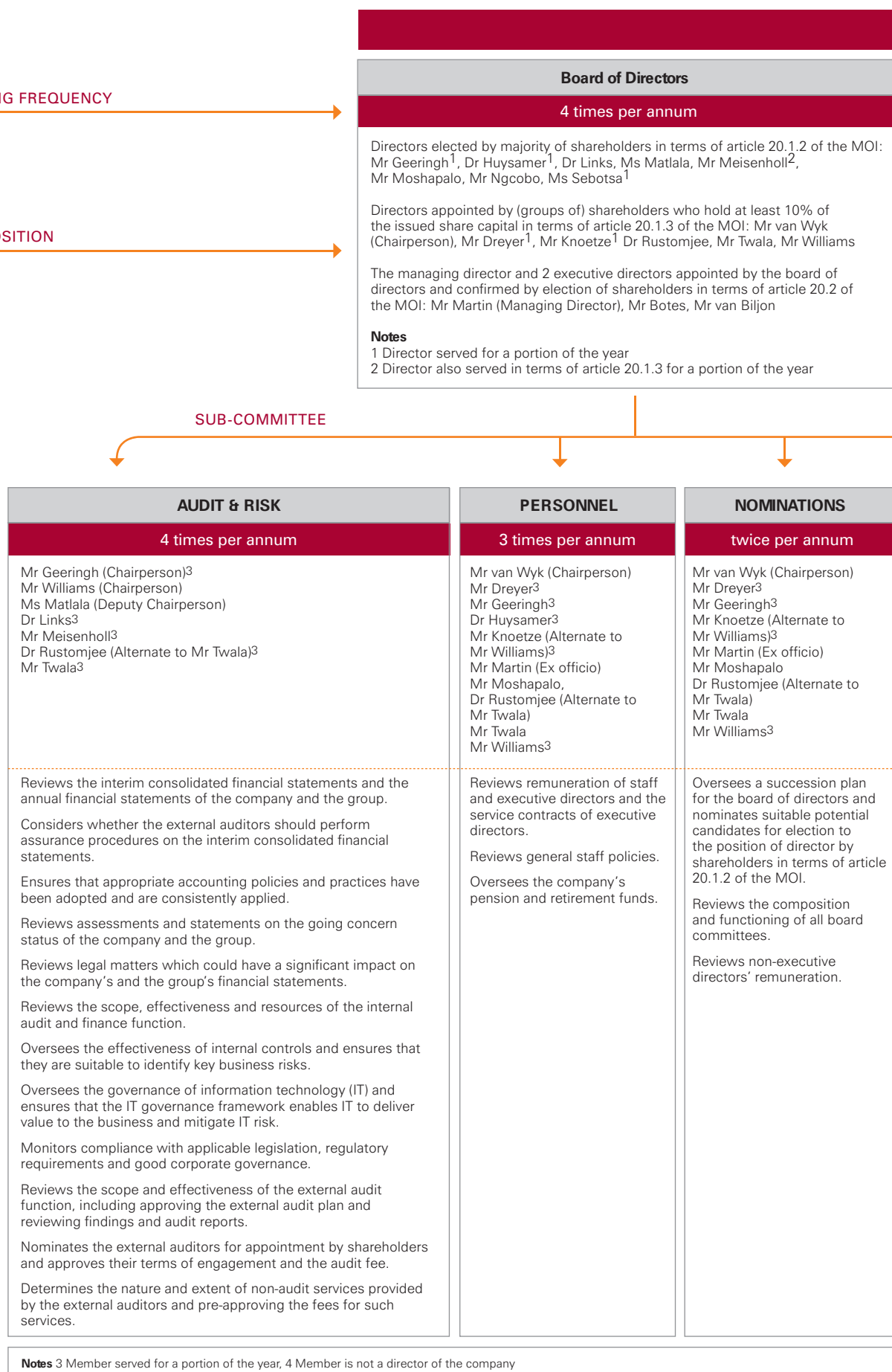
## MEETING FREQUENCY

## COMPOSITION

## MEETING FREQUENCY

## MEMBERS

## SUB-COMMITTEE





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

SUB-COMMITTEE				MEMBERS
SOCIAL & ETHICS	FUND-RAISING	NATIONAL INVESTMENT COMMITTEE	TRANSACTIONS	
twice per annum	when required	two scheduled and further meetings per month, if required	4 times per annum	
Mr Moshapalo (Chairperson) Mr Geeringh <sup>3</sup> Dr Links <sup>3</sup> Mr Martin (Ex officio) Mr van Wyk	Mr Dreyer <sup>3</sup> Mr Geeringh <sup>3</sup> Mr Knoetze (Alternate to Mr Williams) <sup>3</sup> Dr Links Mr Martin (Ex officio) Ms Matlala Mr Meisenholl Dr Rustomjee (Alternate to Mr Twala) Mr Twala Mr van Wyk Mr Williams <sup>3</sup>	Mr Dreyer <sup>3</sup> Mr Geeringh <sup>4</sup> Mr Martin (Ex officio) Mr Meisenholl Mr Moshapalo Mr Ngcobo Dr Rustomjee Mr van Wyk Mr Williams <sup>3</sup>	No permanent members are appointed. The chairperson of the board or of the audit and risk committee elects the directors to form a disinterested quorum for a meeting, when required: Any 2 non-executive directors and the managing director (ex officio). Or any 3 non-executive directors	
The committee elects a chairperson for each meeting.	The committee elects a chairperson for each meeting.	The committee elects a chairperson for each meeting.		
Performs the functions and has the rights and duties assigned in terms of the Companies Act, 2008 and the Companies Regulations, 2011.  Manages the ethics program and matters related to social and economic development.	Sourcing of third party funds for the company for its SME investment activities.	Approves investments with large exposures, the sale of assets and participation in property development projects beyond the delegated powers of executive management Monitors performance of investment projects.	Approves investments and 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.	

Notes 3 Member served for a portion of the year, 4 Member is not a director of the company

## NOTES

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Fax: 043 721 1528

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Fax: 043 743 0596

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\*\* Property Management Services only

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