

BUSINESS/PARTNERS

Investing in entrepreneurs

2015 INTEGRATED REPORT



We're for the **square pegs***

*noun: The exceptional few who see the world not for what it is, but for what it could be.

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We're for the square pegs

About our brand repositioning

Business Partners Limited's (BUSINESS/PARTNERS) purpose is to have a *development impact* (support entrepreneurs to pursue wealth for themselves, grow the economy and create jobs for many) in the small and medium enterprise (SME) sector and to *make profits* to ensure a sustainable and growing development impact.

Since our inception in 1981, our driving intent has always been to ignite, foster and entrench a culture of entrepreneurship wherever we conduct our business, and it remains so to this day. And, whilst our drive to stimulate entrepreneurship has always been relevant, we believe it is even more relevant now given the dire need for economic growth and job creation throughout the world which, in our view, can only be sustainably achieved by entrepreneurs engaged in private enterprise.

To this end, we took a decision to reposition BUSINESS/PARTNERS with the view to having our brand better reflect the core of our business: enabling successful entrepreneurship.

We chose a corporate identity which succinctly, yet comprehensively, communicates our brand essence and reaffirms our support for entrepreneurs. Our new logo reflects not only the crux of who we are, but also who we aim to serve: the entrepreneur. At first glance, one of the stylised objects in the logo appears different from the rest. It stands out as one of a kind — the square peg in a sea of round holes. This depicts entrepreneurs as we see them — rare individuals with unique qualities who do not view the world for what it is, but for what it could be. We believe that repositioning our brand represents an important step in inviting entrepreneurs to comfortably engage with us.

South Africa, and Africa at large, needs more entrepreneurs — or square pegs in a sea of

round holes as we affectionately refer to them in our business — especially those with the gumption to start, establish and grow SMEs. SMEs are key to helping economies grow, and to create more job opportunities. Therefore, we at BUSINESS/PARTNERS celebrate all square pegs as the real heroes of the economy and role models for all.

As we fly the flag for entrepreneurs — investing in them, standing beside them and enhancing their value — we realise that we too, are square pegs. We are fiercely entrepreneurial in sourcing and customising sustainable solutions for our clients. We continuously endeavour to transform the world of entrepreneurial finance — never settling for what it is, but instead, working towards what it could be — unleashing the positive power of entrepreneurship in the economies which we serve.

We have identified the *Entrepreneur's Credo*, penned by Thomas Paine in 1776, as being at the centre of our DNA. This ageless piece of literature speaks to the life choices and beliefs of an entrepreneur and has underpinned American economic well-being and galvanised that country to become an economic powerhouse through a strong entrepreneurial culture.

We believe it can also inspire both South Africans and Africans to build our country and the entire African continent into equally successful economic powerhouses.

I do not choose to be a common man.
It is my right to be uncommon... if I can.
I seek opportunity... not security.
I want to take the calculated risk;
To fail and to succeed.
To dream and to build.
I will never cower before any master,
Nor bend to any threat.
It is my heritage to stand
Proud and unafraid;
To think and act for myself,
To enjoy the benefit of my creations
And to face the world boldly and say:
This, I have done.
I am an entrepreneur.

Thomas Paine, 1776

Christo Botes Executive Director

Appointed: 2002
B Acc, B Compt Hons, CTA.

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.

Gerrie van Biljon Executive Director

Appointed: 2002
B Com, MBA.

Nazeem Martin Managing Director

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

Not present

Faffa Knoetze
Non-executive Director

Appointed: 2014
B Com Hons; Fellow of the
Actuarial Society of South Africa;
Actuary: Rengro Limited.

Friedel Meisenholl
Non-executive Director

Appointed: 2000
B Acc Hons; Director of companies.

Dr Elias (Eltie) Links
Non-executive Director

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



Board of Directors



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.

Neville Williams Non-executive Director

Appointed: 2012

CA (SA); Head of Corporate Finance: Remgro Limited.

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.

Sonja De Bruyn Sebotsa

Non-executive Director

Appointed: 2013

LLB Hons, MA Economic Policy Management; Principal Partner: Identity Partners (Pty) Limited; Director of companies.

Not present

Themba Ngcobo

Non-executive Director

Served as Alternate Director:

2002 until 2010

Appointed: 2010

B Com Accounting, Diploma Management Consulting; Chief Executive Officer: Greystones Cargo Systems (Pty) Limited.

Theo van Wyk Non-executive Chairman

Appointed: 1991

Served as Deputy Chairman: 2005 until 2011

Appointed Chairman: 2011

B Com, LLB, LLM, H Dip Tax; Director of companies.

Ben Bierman
Chief Financial Officer
B Com, B Com Hons, ACMA, H Dip Tax.
25 years' service.

Pierre Mey
**Executive General Manager:
Operational Support Services**
B Com.
28 years' service.

Willem Bosch
**Chief Operating Officer:
Property Management Services**
M Com.
23 years' service.

Kgomotso Ramoenyane
**Executive General Manager:
Human Resources**
B Com Human Resources
Management, Management
Advancement Programme, MBA.
Joined February 2015.

Gerrie van Biljon
**Executive Director
Head of Business and
Property Investments**
B Com, MBA.
29 years' service.

Gugu Mjadu
Executive General Manager: Marketing
BA, BA Hons, CPRP.
2 years' service.





Christo Botes
Executive Director
Head of Customer and Operational Support
B Acc, B Compt Hons, CTA.
29 years' service

Mark Paper
Chief Operating Officer:
Business Partners International
B Com.
23 years' service.

Nazeem Martin
Managing Director
BA, HDE, M Urban Planning;
Advanced Management Programme.
17 years' service.

Marjan Gerbrands
Company Secretary
Corporate Legal Adviser
BLC, LLB (cum laude), LL.M.
14 years' service.

Executive management

The chairman's report

The year under review was a time of exciting change for the business. Despite the year's complexities and challenges, BUSINESS/PARTNERS has posted a satisfactory set of results.

Growth in the SME sector has the potential to reduce unemployment, reduce poverty levels, broaden the tax base and reduce reliance on social security grants.

The results reflect the careful restructuring of the past few years, which has enabled us to achieve our primary goal of SME support and job creation on a sustainable basis. The business sports a vibrant, new brand image and it has carefully modified its offering to enhance its market appeal on the one hand, and to improve both its effectiveness and efficiency on the other.

The first half of the year was marked by low business activity levels as SMEs in South Africa, our primary market, became increasingly cautious due to significant economic uncertainties. Internationally, developed economies reflected slow recoveries while developing countries experienced lower levels of growth. In South Africa, it was a time of sluggish growth, pre-election uncertainty, power supply problems, a score of public holidays, a downgraded International Monetary Fund (IMF) rating, interest rate uncertainties, changing Broad-Based Black Economic Empowerment (B-BBEE) regulations, wage negotiation uncertainty, and a rand/dollar exchange rate that failed to stabilise. Naturally, this volatility and uncertainty affected our ability to conclude new business.

The second half of the year saw a marked increase in deals concluded with SMEs. We believe that the natural resilience of SMEs to adapt to changing conditions, coupled with the BUSINESS/PARTNERS repositioning exercise and the accompanying increased level of marketing activity helped to restore the company's investment activity to satisfactory levels.

The economic uncertainty and other environmental factors contributed to our traditional competitors continuing their conservative lending practices with regards to SMEs. This has assisted us to attract business from quality SMEs. It is anticipated that this trend will continue and that BUSINESS/PARTNERS will be able to attract and disburse funds and assistance to high-quality clients in the coming year.

However, it is clear that, for GDP growth and job creation targets to be achieved, it will be important for our traditional competitors to become more active in the SME-lending market. Successful SMEs are the cornerstone of improved economic growth and job creation, which are required to remedy unsustainable unemployment, poverty and inequality levels present in much of the developing world.

Growth in the SME sector has the potential to reduce unemployment, reduce poverty levels, broaden the tax base and reduce reliance on social security grants. It's encouraging that the South African National Development Plan (NDP) makes special mention of SMEs in Chapter Three — which is devoted to economic growth — recognising the role that SMEs can play in creating employment and developing the economy, and supporting a movement towards 'mass entrepreneurship'.

The creation of the new Small Business Development Department in South Africa, dedicated to improving conditions for SMEs, is welcomed. The challenge for the new department will be to achieve its goal of making regulatory, compliance and market conditions less onerous for SMEs. A shared aim of the NDP and the department is for small and expanding firms to be responsible for 90 percent of new employment by 2030. BUSINESS/PARTNERS is committed to playing its part and will collaborate with others in the sector to achieve this vision.

I would like to thank all of the stakeholders who have worked tirelessly to ensure our success this year. Specifically, however, I would like to thank the shareholders, the Board of Directors, our management and staff, our intermediaries and our clients — every one of them square pegs in a sea of round holes — for their commitment, effort and contribution over the year under review.

Theo van Wyk
Chairman

The managing director's report

The chairman has outlined the complex political, social and economic conditions that SMEs and, as a consequence, BUSINESS/PARTNERS had to deal with in the first half of the year under review. Paradoxically, but true to their optimistic outlook, several studies focusing on SME attitudes and performance indicated that, despite these difficult times, South African SMEs still have a healthy and robust appetite for growth and employment.

The competitive environment

Traditional lenders, especially from within the banking sector, continued to apply stringent lending criteria to SMEs. Despite the fact that SMEs are being touted as the economy's saving grace, there is yet to be a marked increase in the risk-based financing sphere – from either the private or the public sector.

There is healthy competition for bankable clients in the private sector, but competitors are not making a material impact in servicing SMEs with less than the typical, often onerous, collateral requirements. This has created a sufficiently large gap in the market for risk-based funders, such as BUSINESS/PARTNERS, who have the ability to assess risk in, add value to, and customise finance for SMEs.

The new South African Small Business Development Department, established early during the year under review, communicated its intentions to positively impact conditions under which SMEs operate. These intentions relate to improving the ease of starting businesses and remaining in business, access to finance and access to markets – all of which, if successfully executed, should augur well for small business in general.

We at BUSINESS/PARTNERS welcome the establishment of the Small Business Development Department and wish them great success in their endeavours.

BUSINESS/PARTNERS has a successful history and track record of providing SMEs with risk capital, technical assistance and business premises – sustainably and on scale. We would

be delighted to avail and extend our services to assist the new Department, on an agency basis, in ensuring that risk capital is placed into the hands of SME entrepreneurs.

Key financial measures for BUSINESS/PARTNERS:

	2013/14	2014/15	2014 – 2015 % change
Income statement			
Total revenue	R601,0m	R662,5m	10,2%
Non-interest investment income	R122,4m	R136,0m	11,1%
Operating costs/ revenue ratio	36,1%	36,0%	-0,1%
Net credit loss percent	2,1%	1,5%	-0,6%
Net profit after tax	R154,8m	R182,7m	18,0%
Earnings per share	89,5c	105,6c	18,0%
Statement of financial position			
Total assets	R3 750,2m	R4 013,1m	7,0%
Loans and receivables	R2 274,1m	R2 323,1m	2,2%
Total equity	R2 707,0m	R2 869,6m	6,0%
Borrowings	R718,0m	R781,6m	8,9%
Cash flow			
Net cash inflow from operating activities	R107,2m	R92,0m	14,2%
Net cash outflow from investing activities	(R330,0m)	(R123,2m)	-62,7%
Cash and cash equivalents at year end	R102,8m	R133,0m	29,4%
Ratios			
Debt to assets	19,1%	19,5%	0,4%
Debt to equity	26,5%	27,2%	1,7%
Assets per employee	R14,3m	R14,9m	4,6%

Our 2014/15 results

Our operational results reflect the economic and environmental uncertainties prevalent during the first half of the year, but also the confidence that seemed to ebb back into our target market in the second half.

Our full-year financial results were pleasing, under the circumstances, with profit after tax increasing by 18 percent to R182,7 million. Profits were positively affected by the increase in non-interest investment income and a reduction in credit losses — both of which reflect the improvements in the quality of our book and in our technical assistance to investee clients over the recent past.

380 business investments, valued at R1,1 billion, were approved during the year under review. However, disbursements during the year of R713,1 million, were at disappointingly low levels, primarily due to the timing of the approvals being weighted to the end of the year and partly due to delays — by entrepreneurs in taking up approved finance during economic uncertain times, in obtaining approved building plans and clearance figures from local authorities, and in obtaining permission from prior ranking bond holders.

To avoid similarly low levels of disbursements in future, we are streamlining our investment processes. Also, the information gathered in analysing delays in our disbursements will be shared with municipal and other regulatory bodies to encourage them to also streamline their processes in order to assist in speeding up access to finance for SMEs.

BUSINESS/PARTNERS' investment activity, during the year under review, facilitated 17 231 jobs.

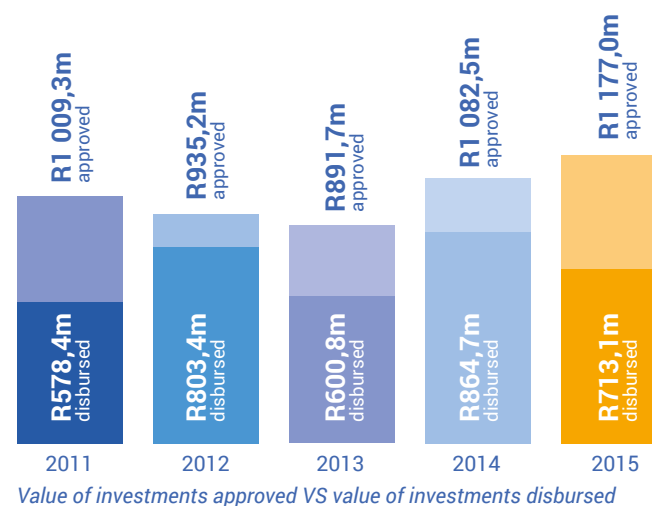
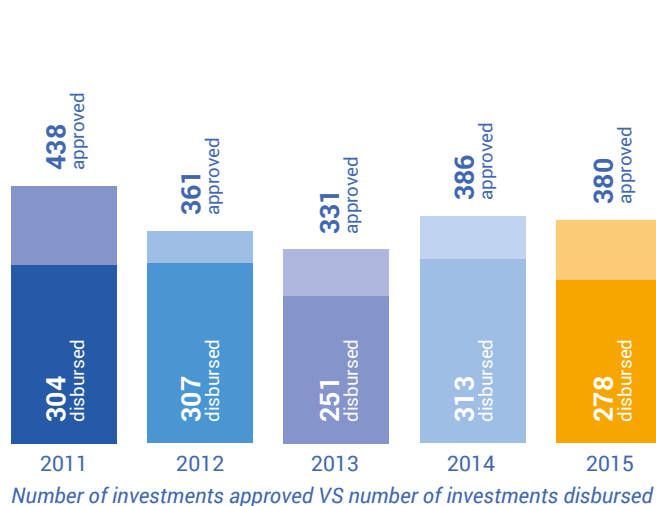
Our repositioning

Research had indicated that our image — as conveyed by the key elements of our brand — did not fully reflect our true passion and support for entrepreneurship. And, given the important role we see for entrepreneurs in Africa, we needed to infuse the outward-facing elements of the business with the very soul of what we believe and live. This resulted in us, during the course of the year under review, commencing with the repositioning of the BUSINESS/PARTNERS brand — an all-encompassing process which entailed changing our logo, colours and, most importantly, re-igniting the entrepreneur-friendly spirit within our own team.

Therefore, as part of repositioning our brand, we launched the square peg movement to recognise entrepreneurs as a breed apart — the resilient, often non-conforming people in our midst — whose noble endeavours create wealth, grow economies, broaden tax bases and create jobs. It was vital to us that entrepreneurs needed to experience us, from the first point of contact, as a kindred spirit. We believe that not only our new logo but, more importantly, the philosophy and behaviour of our people that underpins it, will serve entrepreneurs and BUSINESS/PARTNERS well into the future.

The introduction of new sector-specific SME funds and the increased marketing effort which accompanied the brand repositioning resulted in a marked increase in investment activity. Being more aligned with one's target market, entrepreneurial SMEs, both in brand image and with a more client-centric product offering — positively impacted upon the company's investment activity during the second half of the year under review.

It was vital to us that entrepreneurs needed to experience us, from the first point of contact, as a kindred spirit. We believe that not only our new logo but, more importantly, the philosophy and behaviour of our people that underpins it, will serve entrepreneurs and BUSINESS/PARTNERS well into the future.



The new funds

Perhaps somewhat opportunistically, a specialist fund was launched to finance the purchase of power generators by existing BUSINESS/PARTNERS clients. Power supply shortages in South Africa had begun to adversely affect both business confidence amongst SMEs, and the very viability of some energy-reliant SMEs. The fund, a reaction to the unpredictable electricity supply in South Africa, allows us to offer both business-enhancing and risk-mitigating solutions to our clients.

Similarly, the Education SME Fund was launched as a reaction to broader socio-economic challenges confronting South Africa. BUSINESS/PARTNERS recognises that education remains crucial to solving the current skills shortages which contribute to crippling unemployment rates.

We also recognise that entrepreneurs have stepped into the educational market with some success and are positively affecting the country in two important ways – they are helping to improve the overall standard of education and, at the same time, they are establishing new and growing businesses.

The Education SME Fund is designed to provide finance and support, in the form of mentorship and technical assistance, to existing and aspiring entrepreneurs in the education field.

The Manufacturing Fund was launched to better service the third largest sector of the South African economy. As with all SME activity, a shortage of skilled funders will inhibit the potential of the sector to produce

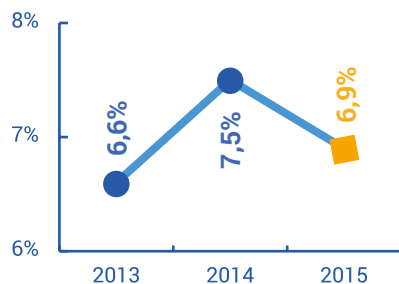
wealth and to create jobs. The unique BUSINESS/PARTNERS blend of funding and support, including greater reliance on our specialist industry knowledge and databases, will help aspiring SMEs in this important part of our economy.

Property Funds were also launched to meet the demand of entrepreneurs for owner-occupied properties, as well as the demand of those entrepreneurs who wish to be property investors, typically in multi-tenanted properties which they could not afford on their own. The funds allow entrepreneurs access to the commercial and industrial property market with lower-than-normal deposit requirements, if any, and with longer-than-normal repayment periods.

Business Investments

Despite the uncertain economic climate and low economic growth rates, BUSINESS/PARTNERS continued to finance SMEs, with their viability as the basis of the decision-making process. The company's cause – seeking to touch many SMEs with its customised finance, mentorship and business premises – was not aided by underlying reluctance from entrepreneurs to commit to long-term financial arrangements, mostly due to uncertainty in the marketplace.

Whilst BUSINESS/PARTNERS places specific focus on certain industries through its new funds, the challenge – beyond the specific funds – is still to successfully source viable and sustainable business from any industry in any geography. The competitive landscape – with most traditional financiers still reluctant to finance SMEs – should allow us to continue with the provision of risk capital to SMEs during the 2015/16 year.

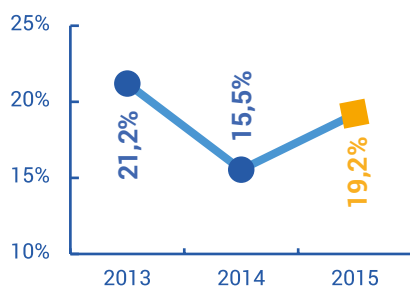


Property Investments

In a fiercely competitive environment, where investors' appetite for yield-providing real estate investments continued unabated, we were still able to source and acquire 22 investment properties with a combined value of more than R300 million. These include industrial parks in well-located areas throughout South Africa, as well as shopping centres. These long-term investments create spaces for entrepreneurs to trade whilst, simultaneously, providing the company with an annuity income and capital growth over a period of time.

The market for multi-tenanted properties remains competitive, as investors seek a safer haven to place capital offering reasonable returns. This means there is a great demand for investment properties, which drives the price up. As such, sourcing properties that fit the BUSINESS/PARTNERS criteria at the right price may prove to be more challenging subsequent to the year under review.

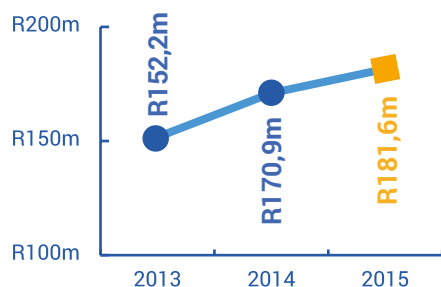
Vacancy level



Property Management

Property revenues showed good growth during the year under review, despite the challenging economic conditions. However, a major concern is the sustainability of annual net income streams, as abnormal increases in municipal costs and poor service delivery impact on the cost incurred by tenants and BUSINESS/PARTNERS alike.

Net tenant arrears

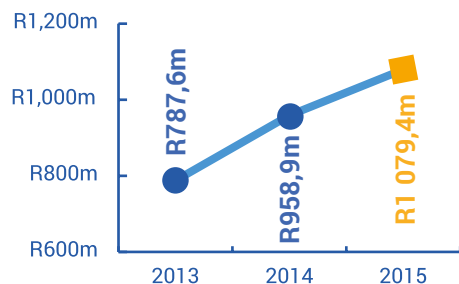


Economic uncertainty has also resulted in tenants requesting shorter term leases with an expectancy of annual escalations linked to inflation rate. The Property Management Services division will use the new financial year to explore additional sources of revenue.

Technical Assistance and Consulting Services

At R47,6 million, equity-accounted earnings — our share of investee companies' earnings — were much higher than the budgeted R28,9 million. This is evidence that our process of ensuring proper financial systems in our investee companies, assisting them in making sound business decisions and providing us with regular financial statements, is bearing fruit. The surplus on realisation of assets, which accrues when we sell our equity stakes in investee companies, was lower than budget, at R30 498 million versus R38 392 million — primarily because the environment was not opportune for us to exit.

Revenue from property services

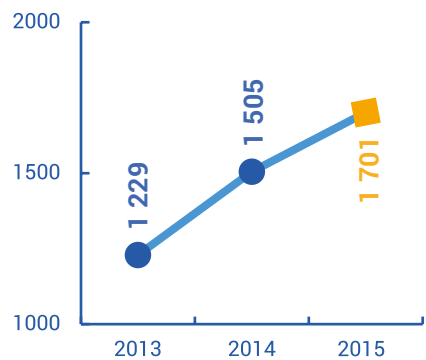


We achieved our target for value-adding interventions, which contributed to lower-than-budget bad debts and lower arrears amongst our clients — proving that 'prevention is better than cure'.

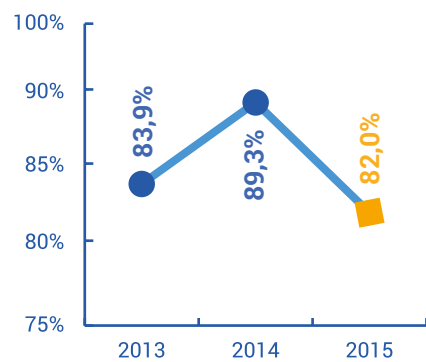
Special tracking measures were implemented to constantly monitor and remind clients and our teams of the outstanding items required for us to commence disbursing funds. We ended the period under review with a healthy pipeline of commitments — valued at a record R469,9 million.

Value of investment in property

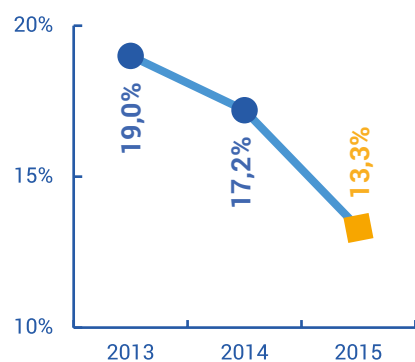
The Entrepreneurs Growth Centre, launched as part of our brand repositioning in September 2014, is proving to be a great success, with both current and would-be entrepreneurs being empowered through sound advice and readily available business information, either via electronic media or a dedicated phone line. More than 4 000 entrepreneurs or potential entrepreneurs utilised the services of the Entrepreneurs Growth Centre in its first six months.



Number of quality value-adding interventions



Up-to-date financial accounts of investee companies

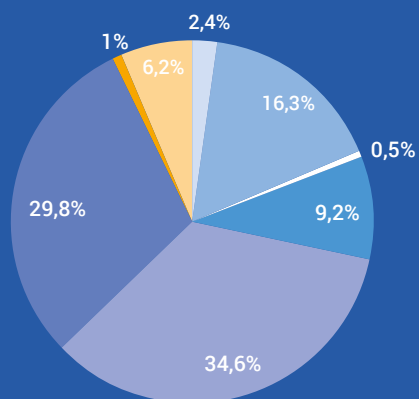


Accounts in arrears



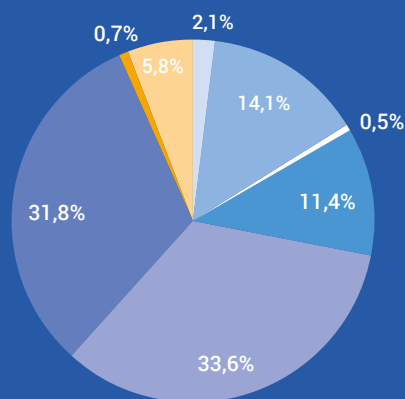
Distribution of investments by product

Investment portfolio **composition**
as at 31 March 2014



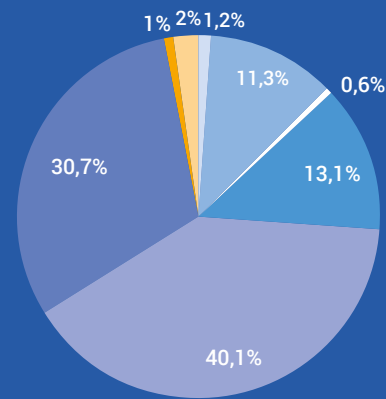
- Equity Investments
- Term Finance
- Term Finance with Royalty and Shareholding

Investment portfolio **composition**
as at 31 March 2015



- Property Finance with Royalty
- Term Finance with Royalty
- Property Finance with Shareholding

Investments **advanced** for the year
ended 31 March 2015



- Term Finance with Shareholding
- Property Finance with Equity Participation

2015  **17 231**

2014  **17 233**

2013  **11 993**

2012  **13 272**

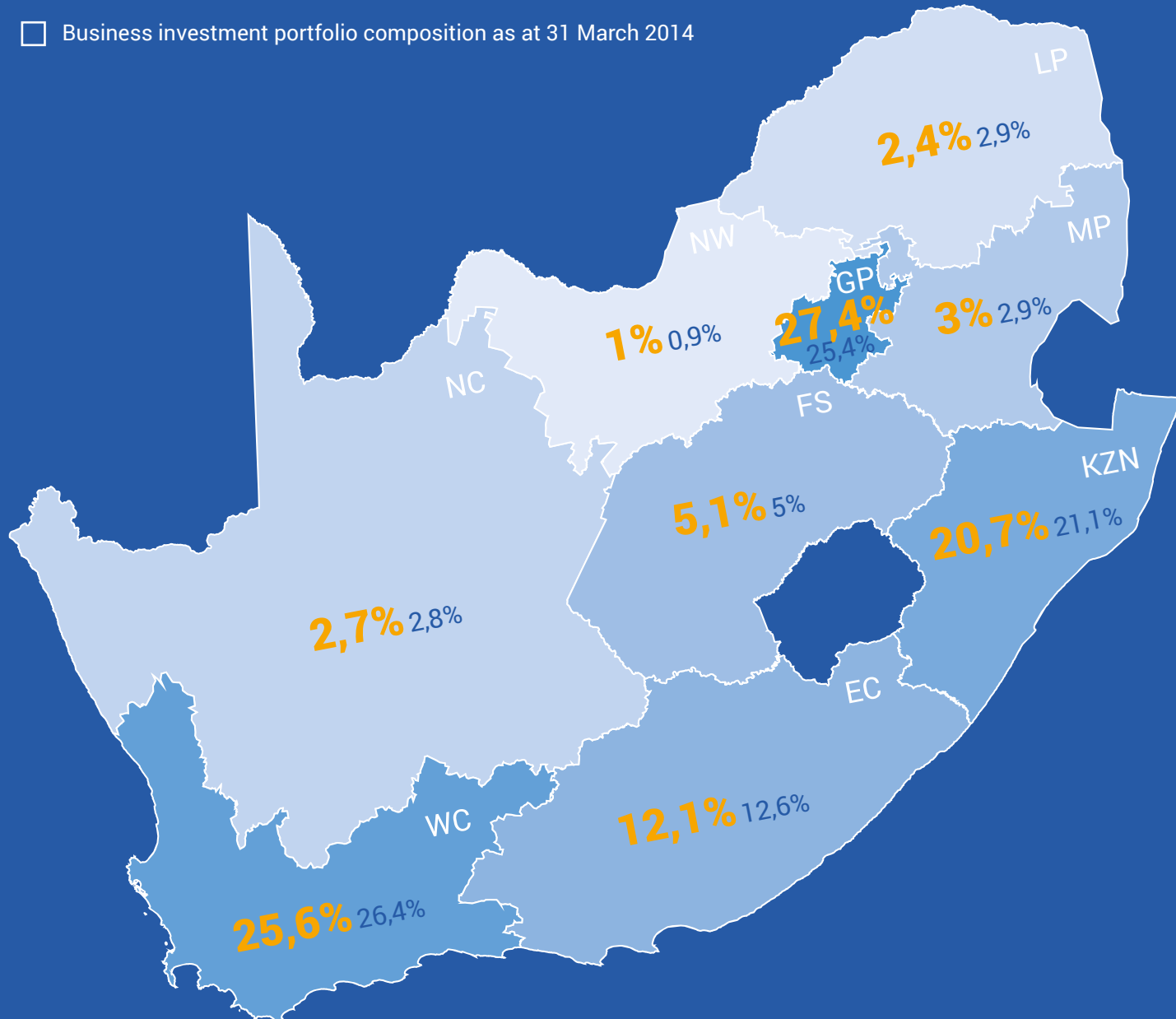
2011  **9 492**

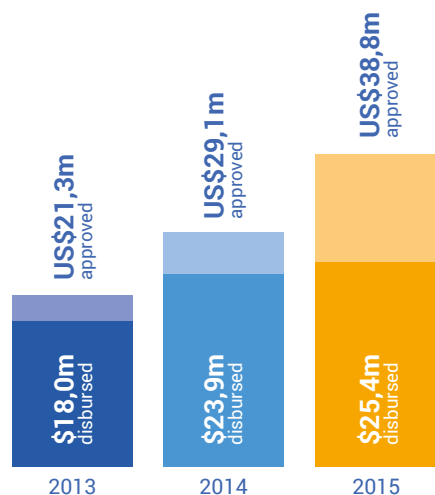
Number of jobs facilitated

Distribution of business investments by province

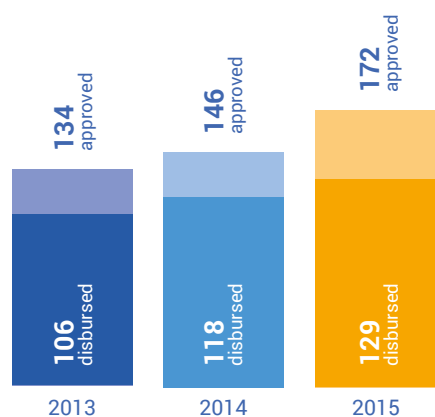
■ Business investment portfolio composition as at 31 March 2015

□ Business investment portfolio composition as at 31 March 2014





Cumulative value of investments approved VS value of investments disbursed since inception



Cumulative number of investments approved VS number of investments disbursed since inception



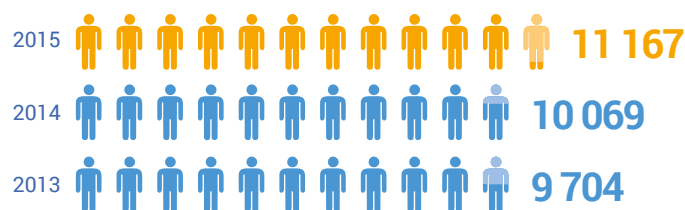
Total number of staff per year

Business Partners International (BPI)

The high levels of currency volatility against the US dollar and euro, in BPI-targeted African countries — especially where there is a heavy reliance on the importation of raw materials, plant and equipment — negatively impacted on the cost of doing business in those countries.

The year under review witnessed the establishment of the BPI Southern Africa SME Fund, a US\$30 million fund for SMEs. Accordingly, new offices were set up in Namibia, Zambia and Malawi. This was followed by the recruitment and training of new investment teams, continuing the successful roll-out of the BUSINESS/PARTNERS model into African countries.

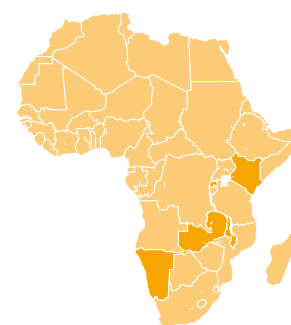
Further expansion into Africa is anticipated during the 2015/16 year through the creation of the BPI East Africa SME investment company, a US\$30 million permanent investment company for SMEs that will initially target investment opportunities in Kenya, Rwanda and Uganda, and 'bolt on' other countries in the region over time.



Cumulative employment opportunities facilitated since inception



2013 & 2014
2 branches



2015
5 branches

Total number of branches per year

The BUSINESS/PARTNERS strategy

BUSINESS/PARTNERS' strategic goals for the next year — in pursuit of its medium term strategic plan — are predicated on the following assumptions:

- Continuation of the moderate economic recovery in the United States of America and the slow recovery in Western Europe and Japan;
- Economic growth in sub-Saharan Africa will remain robust at more than five percent;
- Painfully slow economic growth in South Africa, within a band between 1,8 percent and 2,5 percent;
- A volatile South African currency, averaging between R12,00 and R13,00 to the US dollar for the year;
- Anticipated South African government infrastructural investments and expenditure gaining traction in the latter half of 2015 and accelerating over the course of the following two years;
- The implementation of the South African National Development Plan commencing in earnest;
- Traditional financial institutions, such as banks, softening their lending criteria in supporting SMEs; and
- Interest rates rising slightly during the latter half of the year.

Based on these assumptions and BUSINESS/PARTNERS' stated business purpose, the key pillars which define the company's growth strategy are as follows:

- The provision of risk finance, technical assistance/mentorship and consulting services, and business premises to SMEs in South Africa, on a sustainable basis (and on scale as and when economic conditions become conducive).
- Investments into the company's three primary asset classes will continue — with up to 50 percent of new

capital invested in real-estate-backed assets, up to 10 percent in high impact venture capital transactions and the remainder (about 40 percent) into lifestyle, often family-owned, SME businesses. The allocation of new capital to the property investment asset class will be reduced as conditions for SMEs in South Africa improve substantially.

- The company's Venture Capital Fund aimed at funding high impact SMEs — those with exceptional growth potential — will continue. Ambitious, growth-oriented clients whose businesses have the potential for fast, profitable and cash-generating growth, as well as for job creation, will be targeted.
- Non-financial assistance will remain a vital offering to ensure sustainable SMEs. The raising of a technical assistance fund in South Africa is a priority, to mirror the successes achieved by BPI in its Africa operations.
- The growth of the company's statement of financial position will be funded through a prudent increase in gearing, with a short term maximum gearing limit of 30 percent of the asset value.
- The management of third party funds will be pursued to extend the company's reach and increase investment activity.
- Expansion into Africa will continue apace. The BPI East Africa SME investment company is expected to become operational within the 2015/16 financial year.
- Innovation and service excellence, in everything we do, will continue to underpin the BUSINESS/PARTNERS business strategy.
- Repositioning the BUSINESS/PARTNERS brand was, and remains, much more than just a change in brand imagery. We will continue to ensure that our people are brand champions — living the brand, and delivering on its promise and values.

Risk identification and management

BUSINESS/PARTNERS undertakes a regular and comprehensive risk assessment and management process. The results of this process are reported to the Audit and Risk Committee and, in turn, the committee reports to the board.

The objective is to have a clear understanding of the internal and external levels and contexts of risks affecting each area of the business, and to develop and apply appropriate risk mitigating measures to ensure acceptable risk levels where possible.

Major risks identified include the following:

- The relevance of the business model;
- Client repayment risks;
- Internal liquidity risk;
- The level of gearing;
- Reputational risk;
- Country risk;
- External macroeconomic risk; and
- Succession.

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



Prospects for 2015/16

BUSINESS/PARTNERS is well positioned for the 2015/16 year.

Since the 2008 global financial crisis and the 2009 recession, we have spent much time, energy and effort on improving the quality of our investment book and our property investments, as well as on our ability to make more value-adding interventions in support of our investee clients. The measures we've implemented and the fruits borne by the investment strategy we've pursued over the past six years give us confidence that we will maintain the returns posted in the past year.

A relatively benign interest rate environment is good for SMEs and the anticipated small increases in interest rates toward our year-end should not materially affect our business, or our clients' businesses. Research evidence indicates that SMEs still have a healthy appetite for growth. As a result, we anticipate strong deal flow and disbursements, especially as our competitors continue to tread cautiously in the current uncertain and low growth economic environment.

Sourcing funding at optimal prices, ensuring a healthy inflow of funds from existing clients, making progress on the stated objective of raising a substantial technical assistance fund for South African clients, and creating independent investment funds that we can manage with our best-of-breed process are all crucial initiatives that will enhance the growth in our South African business.

On the BPI front, the expected finalisation and establishment of the East Africa SME investment company during the course of the year will enhance our ability to build a sustainable team in the region and to reduce our cost of doing business.

The Southern African SME Fund is also poised to become entrenched in its Namibian, Malawian and Zambian markets during the 2015/16 year. We anticipate that BUSINESS/PARTNERS will experience sustained growth in the sub-Saharan region, off a sound base created since we first ventured outside South Africa more than nine years ago.

Thanks

The 2014/15 financial year was a good year for BUSINESS/PARTNERS despite significant social and economic challenges within South Africa.

Good operational results and exceptional financial results, as well as a significant positive developmental impact in the countries where BUSINESS/PARTNERS operates, were made possible by:

- The company's shareholders, who remain committed in their support for the square pegs in an effort to bring about social and economic change for the benefit of the region and all its people;
- Investors in the funds that the company manages, who recognise the value and sustainability of the company's model to deliver risk finance and technical assistance to SMEs at scale;
- The chairman and board of BUSINESS/PARTNERS, who approve and hold management accountable for the implementation of the company's strategy, ensure adherence to the highest standards of good corporate governance, and continuously support, challenge and encourage management to accomplish more;
- Our incredible team of people — the inspired enthusiasts from our African neighbours and within our borders — who labour for the cause of proving that SME financing is profitable, sustainable and, above all, worthwhile; and
- Our clients — our square pegs — self-starting champions of the economy who have the potential to change so very much for so very many people.

We thank you all for a job well done!

Nazeem Martin
Managing Director

Statement of financial position as at 31 March 2015

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Assets				
Non-current assets	3 490 050	3 289 247	3 243 078	3 097 182
Investment properties	1 079 355	958 943	746 835	695 839
Loans and receivables	1 962 457	1 947 356	1 968 440	1 952 502
Investments in associates	105 249	82 139	87	151
Investments in subsidiaries			286 927	238 059
Property and equipment	98 116	86 498	4 563	4 878
Deferred tax asset	94 973	90 119	86 326	81 561
Defined benefit pension fund surplus	149 900	124 192	149 900	124 192
Current assets	523 020	460 912	503 444	435 152
Loans and receivables	360 612	326 790	359 915	326 967
Assets held for resale	2 438	5 316	2 438	5 316
Accounts receivable	26 981	26 037	19 753	27 758
Current income tax asset				806
Cash and cash equivalents	132 989	102 769	121 338	74 305
Total assets	4 013 070	3 750 159	3 746 522	3 532 334
Equity and liabilities				
Capital and reserves*	2 868 292	2 706 018	2 650 517	2 531 596
Share capital	173 001	173 001	173 001	173 001
Fair value and other reserves	81 577	72 300	75 836	67 346
Retained earnings	2 613 714	2 460 717	2 401 680	2 291 249
Non-controlling shareholders' interest	1 286	1 006		
Total equity	2 869 578	2 707 024	2 650 517	2 531 596
Non-current liabilities	995 334	917 084	976 910	898 585
Borrowings	747 850	691 289	747 850	691 289
Post-employment medical benefits	84 837	77 143	84 837	77 143
Deferred tax liability	162 647	148 652	144 223	130 153
Current liabilities	148 158	126 051	119 095	102 153
Borrowings	33 790	26 680	33 790	26 680
Accounts payable	54 008	50 748	29 848	29 283
Provisions	52 962	48 197	50 551	46 089
Current income tax liability	6 983	325	4 491	
Shareholders for dividend	415	101	415	101
Total liabilities	1 143 492	1 043 135	1 096 005	1 000 738
Total equity and liabilities	4 013 070	3 750 159	3 746 522	3 532 334

* Attributable to equity holders of the parent

Statement of comprehensive income for the year ended 31 March 2015

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Net interest revenue	240 910	231 233	242 426	232 815
Interest income	302 604	274 744	304 112	276 326
Interest expense	(61 694)	(43 511)	(61 686)	(43 511)
Fee revenue	12 758	10 785	12 744	10 774
Investment income and gains	136 001	122 380	98 691	87 447
Net property revenue	94 094	83 552	80 391	69 753
Property revenue	181 617	170 938	141 460	135 392
Property expenses	(87 523)	(87 386)	(61 069)	(65 639)
Management and service fee income	26 252	17 311	10 308	13 235
Other income	3 314	4 851	3 262	4 701
Total income	513 329	470 112	447 822	418 725
Net credit losses	(36 119)	(46 770)	(35 431)	(46 276)
Staff costs	(172 504)	(162 626)	(159 106)	(149 725)
Other operating expenses	(66 089)	(54 474)	(76 299)	(64 444)
Profit before taxation	238 617	206 242	176 986	158 280
Income tax expense	(55 912)	(51 405)	(37 145)	(32 281)
Profit for the year	182 705	154 837	139 841	125 999
Other comprehensive income after tax:				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit pension fund	11 082	17 658	11 082	17 658
Remeasurement of post-employment medical benefits	(2 604)	15 018	(2 604)	15 018
Remeasurement of post-employment benefits	8 478	32 676	8 478	32 676
Items that may be subsequently reclassified to profit or loss				
Fair value adjustment of available-for-sale instruments	12	14	12	14
Foreign currency translation reserve movement	31	1 041		
Share of associates' other comprehensive income	756	(90)		
	799	965	12	14
Other comprehensive income for the year	9 277	33 641	8 490	32 690
Total comprehensive income for the year	191 982	188 478	148 331	158 689
Profit attributable to:				
Equity holders of Business Partners Limited	182 486	154 850	139 841	125 999
Non-controlling interests	219	(13)		
	182 705	154 837	139 841	125 999
Total comprehensive income attributable to:				
Equity holders of Business Partners Limited	191 763	188 491	148 331	158 689
Non-controlling interests	219	(13)		
	191 982	188 478	148 331	158 689

Cash flow statement for the year ended 31 March 2015

	Group		Company	
	2015	2014	2015	2014
	R000	R000	R000	R000
Cash flow from operating activities				
Cash received from clients	529 686	493 229	481 889	447 282
Cash paid to suppliers and employees	(316 885)	(288 985)	(292 089)	(271 259)
Cash generated from operating activities	212 801	204 244	189 800	176 023
Finance cost	(59 486)	(41 374)	(59 478)	(41 374)
Taxation paid	(32 247)	(29 749)	(25 845)	(25 371)
Dividends paid	(29 096)	(25 932)	(29 096)	(25 932)
Net cash flow from operating activities	91 972	107 189	75 381	83 346
Cash flow from investing activities				
Capital expenditure on				
• investment properties	(81 723)	(110 896)	-	-
• property and equipment	(5 041)	(2 225)	(1 947)	(1 799)
Proceeds from sale of				
• investment properties	22 761	4 600	5 261	4 600
• property and equipment	77	1 838	76	88
Loans and receivables advanced	(555 093)	(674 043)	(555 093)	(674 043)
Loans and receivables repaid	442 784	394 800	453 510	399 830
Interest received from other investments	11 423	5 337	10 443	4 435
Loans from subsidiaries repaid			(43 658)	(90 861)
Proceeds from sale of investments in associates	35 024	40 359	35 024	40 359
Dividends received from investments in associates	6 573	10 262	6 573	10 262
Net cash flow from investing activities	(123 215)	(329 968)	(89 811)	(307 129)
Cash flow from financing activities				
Utilisation of long-term borrowings	95 540	251 721	95 540	251 721
Repayment of long-term borrowings	(34 077)	(26 019)	(34 077)	(26 017)
Net cash flow from financing activities	61 463	225 702	61 463	225 704
Net movement in cash and cash equivalents	30 220	2 923	47 033	1 921
Cash and cash equivalents at beginning of year	102 769	99 846	74 305	72 384
Cash and cash equivalents at end of year	132 989	102 769	121 338	74 305

Five year summary

	2014 – 2015 % change	2015	2014	2013	2012	2011
Consolidated statement of financial position (R000)						
Investment properties	12,6%	1 079 355	958 943	787 609	679 940	569 232
Loans and receivables	2,2%	2 323 069	2 274 146	2 060 799	2 038 719	1 886 947
Cash and cash equivalents	29,4%	132 989	102 769	99 846	35 853	25 411
Total assets	7,0%	4 013 070	3 750 159	3 368 984	3 148 538	2 884 516
Capital and reserves	6,0%	2 868 292	2 706 018	2 543 477	2 440 513	2 367 550
Consolidated statement of comprehensive income (R000)						
Net profit		182 705	154 837	136 400	100 046	107 296
Net profit attributable to equity holders		182 486	154 850	136 347	100 079	107 147
Adjustments		(71 802)	(76 704)	(47 362)	(59 949)	(45 763)
Headline earnings		110 684	78 146	88 985	40 130	61 384
Change in net profit		18,0%	13,5%	36,3%	-6,8%	12,3%
Change in net profit attributable to equity holders		17,8%	13,6%	36,2%	-6,6%	13,3%
Change in headline earnings		41,6%	-12,2%	121,7%	-34,6%	2,6%
Share statistics						
Earnings per share (cents)	18,0%	105,6	89,5	78,8	57,8	62,0
Headline earnings per share (cents)	41,6%	64,0	45,2	51,4	23,2	35,5
Dividends per share (cents)	11,8%	19	17	15	13	12
Dividend cover (times)	5,7%	5,6	5,3	5,3	4,4	5,2
Net asset value per share (cents)	6,0%	1 658,0	1 564,2	1 470,2	1 410,7	1 368,5
Ratios						
Effective tax rate	-6,0%	23,4%	24,9%	26,3%	27,5%	22,8%
Return on opening shareholders' interest	9,8%	6,7%	6,1%	5,6%	4,2%	4,7%
Return on average assets	6,8%	4,7%	4,4%	4,2%	3,3%	3,9%
Operating expenditure/total income	1,0%	35,9%	35,6%	38,0%	39,8%	39,8%
Net profit per employee (R000)	15,2%	678,4	588,8	514,5	370,7	385,4
Net profit/employee cost	10,0%	1,1	1,0	1,0	0,7	0,9

The full set of annual financial statements for the 2014/2015 financial year is available on our website at businesspartners.co.za, or by request from the company secretary, Marjan Gerbrands, at mgerbrands@businesspartners.co.za or 011 713 6600.

Corporate governance

Compliance with corporate governance standards

During the 2014/15 financial year, BUSINESS/PARTNERS continued to inculcate a culture that prizes, above all, integrity, transparency, accountability and compliance with all the laws that govern our business activities. This culture requires the highest standards of good corporate governance which in turn will vouchsafe the sustainability of our business.

BUSINESS/PARTNERS applies the principles of good governance and recommendations as set out by the King Report on Governance for South Africa 2009 (King III), using it as a tool to measure performance and actions against best practice and standards. By applying these principles the board strikes a balance between creating accountability and bolstering entrepreneurial spirit.

Board of Directors


Board structure

BUSINESS/PARTNERS' unitary board structure ensures that the roles of the chairman and managing director are separate and not vested in one individual. As per the King III requirement, the chairman is a non-executive director who holds office for a maximum period of one year.

The unitary board structure ensures the high degree of independence required to maintain objectivity as well as 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 is elected by shareholders, as per the requirement of the Companies Act, 2008.

As per article 20.1.2 of the company's Memorandum of Incorporation (MOI), up to six directors may be elected by the majority of shareholders. Of those directors at least one third 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 10 percent of issued share capital held, or collectively held, in the company.



By applying these principles the board strikes a balance between creating accountability and bolstering entrepreneurial spirit.

These appointed directors cease to hold office 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.

In addition to the managing director, the directors may appoint, until confirmed in an election by shareholders, up to two additional executive directors. Once the employment contract of any executive director terminates, he/she shall be deemed to have resigned his/her position.

The directors elected by majority of shareholders in terms of article 20.1.2 of the MOI are Dr Links, Ms Matlala (served until 30 March 2015), Mr Meisenholl, Mr Moshapalo, Mr Ngcobo and Ms Sebotsa. The directors appointed by shareholder(s) who hold at least 10 percent of the issued share capital in terms of article 20.1.3 of the MOI are Mr van Wyk (chairman), Mr Knoetze, Dr Rustonjee, Mr Twala and Mr Williams.

The executive directors appointed by the board and confirmed through election by shareholders in terms of article 20.2 of the MOI are Mr Martin (managing director), Mr Botes and Mr van Biljon.

Roles and responsibilities

As the company's highest decision-making body, corporate governance is ultimately the responsibility of the Board of Directors.

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

The managing director has been delegated the authority to achieve corporate objectives and manage the business affairs of the group, subject to statutory parameters and the limits imposed by the board.

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

The board meets four times per annum. The board and its committees are timeously provided with relevant, complete, accessible and accurate information to enable them to reach objective and well-informed decisions and effectively discharge their responsibilities.

Remuneration of non-executive board members

Non-executive directors receive fees, approved by stakeholders at the preceding annual general meeting, for their services as directors on the board and as members of board committees.

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 full financial statements appearing on our website.

Committees of the Board of Directors

The board has established committees to provide in-depth focus and make recommendations in specific areas.

In line with best practice, committees of the board function within written charters or terms of reference. Each committee chairman provides the board with feedback on committee matters, and the minutes of committee meetings are distributed to all board members.

Audit and Risk Committee

The Audit and Risk Committee meets four times per annum. Its members are Mr Williams (chairman), Ms Matlala (deputy chairman; served until 30 March 2015), Mr Meisenholl, Dr Rustonjee (alternate to Mr Twala) and Mr Twala.

The Audit and Risk Committee report for the 2014/15 financial year appears in the financial statements.

As stipulated by good corporate governance principles, the chairman of the Audit and Risk Committee is not the chairman of the board or the managing director.

During the year under review, the external and internal auditors attended meetings as standing invitees and were given an audience with the committee.

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

The board mandates the Audit and Risk Committee to raise any finance and risk-related concerns, and the committee performs a key role in 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.

National Investment Committee

The National Investment Committee has two scheduled meetings per month and holds additional meetings if required.

The committee held 20 meetings during the financial year to consider investments within its mandate.

The committee members are Mr Geeringh (a former director), Mr Knoetze, Mr Martin (ex officio), Mr Meisenholl,

Mr Moshapalo, Mr Ngcobo, Dr Rustomjee, Mr van Wyk and Mr Williams. The committee elects a chairman for each meeting.

Nominations Committee

The Nominations Committee meets twice per annum and its members are Mr van Wyk (chairman), Mr Knoetze (alternate to Mr Williams), Mr Martin (ex officio), Mr Moshapalo, Dr Rustomjee (alternate to Mr Twala), Mr Twala and Mr Williams.

As part of its duty to oversee a succession plan for the board, the committee occasionally identifies suitable potential candidates to serve as directors. This is done with due regard to the circumstances of the company, the skills and knowledge of the incumbent board and the continued independence of the board.

Eligible candidates will be presented to shareholders for election or re-election to the position of director in terms of article 20.1.2 of the company's MOI at the company's forthcoming annual general meeting.

Personnel Committee

The Personnel Committee meets at least three times per annum, with special meetings arranged as required. The members are Mr van Wyk (chairman), Mr Knoetze (alternate to Mr Williams), Mr Martin (ex officio), Mr Moshapalo, Dr Rustomjee (alternate to Mr Twala), Mr Twala and Mr Williams.

The company's monetary remuneration processes focus on rewarding performance on the achievement of corporate goals aligned to the business strategy.

Social and Ethics Committee

The Social and Ethics Committee meets twice per annum and its members are Mr Moshapalo (chairman), Dr Links, Mr Martin (ex officio) and Mr van Wyk. The chairman of the committee will report to shareholders at the forthcoming annual general meeting on the matters within its mandate.

During the 2014/15 financial year, 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 B-BBEE legislative environment, the new Financial Sector Code and its implications on the company.

Because the functions of the Social and Ethics Committee overlap with those of the Audit and Risk Committee, internal auditors attend Social and Ethics Committee meetings by invitation.

The internal auditors are tasked with providing assurance to the committee as part of their combined assurance process. 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.

Transactions Committee

The Transactions Committee meets when required and has no permanent members. The committee ensures full transparency and independent decision making on all investments and transactions in which a director or employee – or a person related to a director or employee – has a personal financial interest.

The chairman of the board or of the Audit and Risk Committee elects a disinterested quorum for a meeting, which consists of two non-executive directors and the managing director (ex officio), or any three non-executive directors. During the 2014/15 financial year no matters required consideration by the committee.

Company secretary and compliance governance

The board-appointed company secretary's role is to guide the board on discharging its duties and responsibilities. The company secretary assists the chairman and managing director with the orientation and induction of new directors.

Because of the frequent amendments to South Africa's regulatory framework, regulatory awareness is important. As such, 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 also monitors dealings in securities and ensures adherence to closed periods for share trading.

As the company's highest decision-making body, corporate governance is ultimately the responsibility of the Board of Directors.

Shareholder information as at 31 March 2015

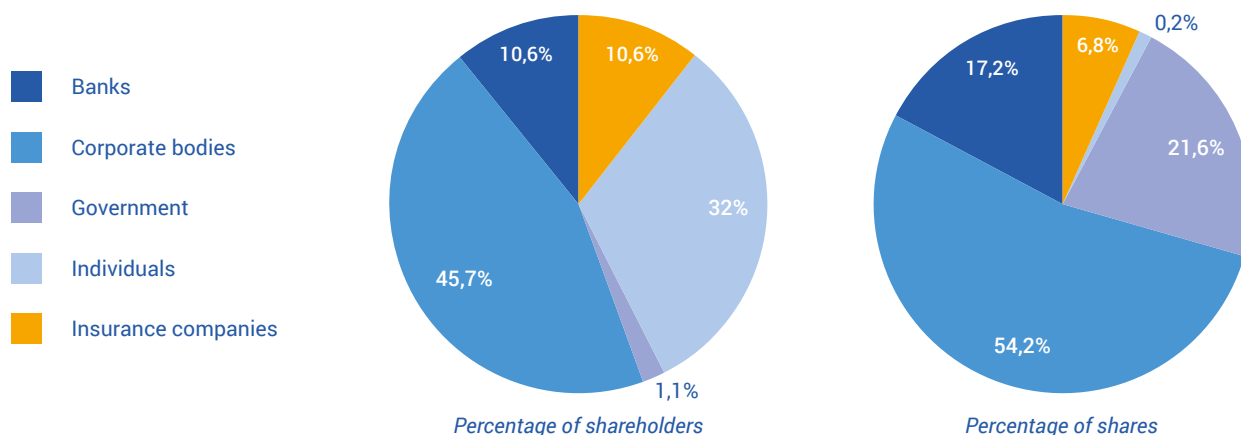
Distribution of shareholding

	Number of holders	% of holders	Number of shares	% of shares
0 – 10 000	27	28,7%	87 425	0,1%
10 001 – 100 000	19	20,2%	695 163	0,4%
100 001 – 1 000 000	30	31,9%	8 769 537	5,1%
1 000 001 – 10 000 000	16	17,0%	52 359 547	30,3%
10 000 000 and above	2	2,2%	111 088 922	64,1%
	94	100,0%	173 000 594	100,0%

Major Shareholders

	Number of shares	% of shares
Eikenlust (Pty) Limited (Remgro Limited)	73 794 623	42,7%
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 & Wines (SA) Limited	2 149 323	1,2%
Other shareholders' holding	19 890 328	11,5%
	173 000 594	100,0%

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



BUSINESS/PARTNERS
Corporate Services

37 West Street
Houghton Estate
Johannesburg
2198
South Africa

PO Box 7780
Johannesburg
2000

T +27 11 713 6600
F +27 11 713 6650
enquiries@businesspartners.co.za
businesspartners.co.za

Company Registration Number: 1981/000918/06

International offices

Kenya (+254)
Nairobi: T 20 280 5000/1
F 20 273 0589

Malawi (+265)
Blantyre T 187 3761
T 021 224 8564

Namibia (+264)
Windhoek T 061 273 668
F 061 273 669

Rwanda (+250)
Kigali T 252 585 065

Zambia (+260)
Lusaka T 976 768 853

National offices

South Africa (+27)

Bellville T 021 919 3242
Bethlehem T 058 303 7842
Bloemfontein T 051 430 9846
Cape Town T 021 464 3600
Durban (Westville) T 031 240 7700
East London T 043 721 1525/6/7
East London (Arcadia)* T 043 743 5485
East Rand (Boksburg) T 011 395 4150
George T 044 873 6112
Johannesburg T 011 713 6600
Kuruman T 076 879 9402
Nelspruit T 013 752 3185
Pietermaritzburg T 033 342 1410
Polokwane T 015 297 1571
Port Elizabeth T 041 367 1082
Pretoria T 012 347 3208
Richards Bay T 035 789 7301
Stellenbosch T 021 809 2160
Upington T 054 331 1172

F 021 919 3333
F 058 303 6801
F 051 430 9847
F 021 461 8720
F 031 266 7286
F 043 721 1528
F 043 743 0596
F 011 395 2565
F 044 873 3397
F 011 713 6650
F 086 655 0617
F 013 752 4669
F 086 764 3137 / 033 342 1405
F 015 297 1461
F 041 367 3962 / 4277
F 012 347 2198
F 035 789 6727
F 021 887 2001
F 054 332 2334

*Property management services only

I do not choose to be a common man.
It is my right to be uncommon... if I can.
I seek opportunity... not security.
I want to take the calculated risk;
To fail and to succeed.
To dream and to build.
I will never cower before any master,
Nor bend to any threat.
It is my heritage to stand
Proud and unafraid;
To think and act for myself,
To enjoy the benefit of my creations
And to face the world boldly and say:
This, I have done.
I am an entrepreneur.

Thomas Paine, 1776