Condensed Unaudited Group Results

for the six months
ended 30 September 2010

Business PARTNERS
Investing in Entrepreneurs

Statement of financial position
as at
(Amounts in R'000)

	Notes	Unaudited 30 September 2010	% Change	2009	Audited 31 March 2010
Assets					
Non-current assets		**2 302 143**	4,9%	2 195 243	2 297 850
Investment properties		**533 892**	12,0%	476 862	517 120
Business investments		**1 498 977**	0,6%	1 490 087	1 518 331
Investments in associates		**78 150**	21,8%	64 174	73 910
Property and equipment		**84 178**	-4,1%	87 813	85 272
Defined benefit pension fund surplus		**106 946**	78,2%	60 009	103 217
Deferred tax asset		**-**	-100%	16 298	-
Current assets		**359 707**	8,7%	330 833	357 665
Inventories and assets held for resale		**1 271**	11,3%	1 142	1 346
Short-term portion of business investments		**299 828**	-2,0%	305 848	314 396
Accounts receivable		**17 244**	39,0%	12 403	18 348
Current tax asset		**6 536**	983,9%	603	-
Deposits and bank balances		**34 828**	221,4%	10 837	23 575
Total assets		**2 661 850**	5,4%	2 526 076	2 655 515
Equity and liabilities					
Capital and reserves		**2 317 922**	4,8%	2 212 764	2 297 341
Share capital	2	**178 835**	-	178 835	178 835
Treasury shares	2	**(15 292)**	-4,3%	(15 978)	(15 978)
Fair value and other reserves		**79 341**	42,3%	55 768	75 579
Retained earnings		**2 075 038**	4,1%	1 994 139	2 058 905
Minority interest		**1 940**	97,0%	985	1 880
Non-current liabilities		**216 889**	42,7%	152 005	226 252
Borrowings	3	**142 020**	41,9%	100 116	159 336
Provision for post-retirement medical aid		**56 301**	8,5%	51 889	54 661
Deferred tax liability		**18 568**	-	-	12 255
Current liabilities		**125 099**	-22,0%	160 322	130 042
Short-term borrowings	3	**66 080**	-27,2%	90 787	58 564
Accounts payable		**32 807**	-10,2%	36 542	33 413
Provisions		**25 652**	-16,3%	30 643	37 152
Current tax liability		**-**	-	-	873
Shareholders for dividend		**560**	-76,2%	2 350	40
Total equity and liabilities		**2 661 850**	5,4%	2 526 076	2 655 515

Statement of comprehensive income
for the period ended
(Amounts in R'000)

	Notes	Unaudited 30 September 2010	% Change	2009	Audited 31 March 2010
Revenue		**179 239**	-6,6%	191 971	363 493
Profit from operations		**49 774**	11,8%	44 510	125 158
Finance cost		**(8 686)**	70,5%	(5 093)	(14 392)
Income from associated companies		**7 118**	0,9%	7 054	15 711
Profit before tax	4	**48 206**	3,7%	46 471	126 477
Tax expense		**(12 702)**	-12,3%	(14 483)	(30 975)
Net profit		**35 504**	11,0%	31 988	95 502
Fair value adjustment of financial instruments		**(6)**	-119,4%	31	59
Foreign currency translation reserve movement		**(118)**	-87,8%	(968)	(1 077)
Other comprehensive income: Associates		**1 201**	-	-	729
Actuarial gains/(losses) on employee benefits		**2 685**	-93,0%	38 276	57 439
Other comprehensive income net of tax		**3 762**	-89,0%	37 339	57 150
Total comprehensive income		**39 266**	-43,4%	69 327	152 652
Profit attributable to:					
Equity holders of the parent		**35 403**	10,8%	31 964	94 583
Minority interest		**101**	320,8%	24	919
		35 504	11,0%	31 988	95 502
Total comprehensive income attributable to:					
Equity holders of the parent		**39 165**	-43,5%	69 303	151 733
Minority interest		**101**	320,8%	24	919
		39 266	-43,3%	69 327	152 652
Determination of headline earnings:					
Net profit		**35 403**	10,8%	31 964	94 583
Profit on sale of equipment		**(22)**	4,0%	(22)	(96)
Profit on sale of associates		**(2 798)**	31,5%	(2 127)	(9 612)
Profit on sale of investment property		**-**	-	-	(1 825)
Fair value adjustment of investment property		**(6 130)**	-	-	(23 229)
Headline earnings		**26 453**	-11,3%	29 816	59 821
Weighted number of ordinary shares in issue ('000)		**172 872**	0,1%	172 730	172 731
Earnings per share (cents)		**20,5**	10,8%	18,5	54,8
Headline earnings per share (cents)		**15,3**	-11,6%	17,3	34,6
Dividends per share (cents)	6	**-**	-	-	11,0

Statement of changes in equity

(Amounts in R'000)

	Notes	Share capital	Fair value and other reserves	Retained earnings	Total
Balance at 1 April 2010		162 857	75 579	2 058 905	2 297 341
Share options taken up		686			686
Total comprehensive income for the period			3 762	35 403	39 165
Profit for the year				35 403	35 403
Other comprehensive income for the year			3 762		3 762
Movement in retained earnings of associates				(269)	(269)
Dividend				(19 001)	(19 001)
Balance at 30 September 2010		163 543	79 341	2 075 038	2 317 922

Statement of cash flows

for the period ended

(Amounts in R'000)

	Notes	Unaudited 30 September 2010	% Change	2009	Audited 31 March 2010
Cash flow from operating activities		**81 341**	-3,9%	84 601	162 057
Finance cost		**(8 686)**	70,5%	(5 093)	(14 392)
Tax paid		**(14 383)**	-7,6%	(15 558)	(20 270)
Dividend paid	6	**(18 480)**	-21,7%	(23 609)	(25 921)
Net cash flow resulting from operating activities		**39 792**	-1,4%	40 341	101 474
Net cash flow resulting from investing activities		**(19 425)**	-89,5%	(185 029)	(260 299)
Net cash flow resulting from financing activities		**(14 284)**	-111.0%	130 388	189 876
Movement in cash and cash equivalents		**6 083**	-142,5%	(14 300)	31 051
Cash and cash equivalents - beginning of period		**(2 983)**	-91,2%	(34 034)	(34 034)
Cash and cash equivalents - end of period		**3 100**	-106,4%	(48 334)	(2 983)

Cash and cash equivalents for the purposes of the cash flow statement includes deposits and bank balances and current borrowings (see note 3)

Notes to the financial statements

for the period ended

(Amounts in R'000)

	Notes	Unaudited 30 September 2010	% Change	2009	Audited 31 March 2010

1. Basis of preparation

These Consolidated Interim Financial Statements for the period ended are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, as well as the accounting policies set out in the Consolidated Annual Financial Statements for the year ended 31 March 2010.

During the period ended 30 September 2010, an interim valuation of the investment properties was performed. Although consistent with the Annual Financial Statements for the year ended 31 March 2010, such a fair value adjustment was not performed for the comparative interim period ended 30 September 2009. Had the fair value adjustment for the current period not been performed the results would have been as follows:

	2010	% Change	2009
Net profit as reported	**35 504**	11.0%	31 988
Fair value adjustment of investment property net of tax	**(6 130)**	100.0%	-
Restated net profit	**29 374**	-8.2%	31 988

The preparation of the Consolidated Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date. If in future such estimates and assumptions deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

2. Share capital

	2010	% Change	2009	31 March 2010
Authorised				
400 000 000 ordinary shares of R1 each	**400 000**	-	400 000	400 000
Issued				
178 834 594 ordinary shares of R1 each	**178 835**	-	178 835	178 835
6 102 300 treasury shares held by the employee share trust			(15 978)	(15 978)
5 834 000 treasury shares held by the employee share trust	**(15 292)**	-4,3%		
172 732 294 ordinary shares	**163 543**	0,4%	162 857	162 857

3. Borrowings

	2010	% Change	2009	31 March 2010
Non-current				
Interest free loans repayable by rebates on petrol purchases	**173**	-40,1%	289	173
Interest bearing long term loans:				
Medium and long term loans	**140 831**	43,3%	98 273	158 669
Other long term loans	**1 016**	-34,6%	1 554	494
	142 020	41,9%	100 116	159 336
Current				
Short-term portion of long-term borrowings	**34 352**	8,7%	31 616	32 006
Bank overdraft	**31 728**	-46,4%	59 171	26 558
	208 100	9,0%	190 903	217 900

4. Profit before tax

	2010	% Change	2009	31 March 2010
Profit before tax is stated after accounting for the following:				
Depreciation on property and equipment	**2 144**	18,5%	1 810	4 014
Interest paid	**8 686**	70,5%	5 093	14 392
Net bad debts	**42 739**	36,2%	31 390	59 940
Impairment released/created	**(2 105)**	-130.9%	6 802	18 928
Surplus on realisation of assets	**(3 279)**	31,3%	(2 498)	(13 410)

5. Commitments and contingent liabilities

	2010	% Change	2009	31 March 2010
Business investments approved but not yet advanced	**281 619**	-2,4%	288 438	149 128
Capital committed to *En Commandite* partnerships	**4 474**	-64,1%	12 476	9 163
Unexpired portion of lease agreements	**5 612**	-35,5%	8 706	8 212
Guarantees	**405**	-11,4%	457	5

6. Dividend

A dividend in respect of the year ended March 2010 of 11 cents per share (2009: 15 cents per share) was declared on 19 May 2010 and paid on 13 August 2010 to shareholders registered on 3 August 2010. No interim dividend has been approved.

Comments

Business Activities
Business Partners Ltd is a specialist investment group providing risk finance, mentorship and property management services to small and medium enterprises (SMEs) in South Africa. In addition, investment funds – earmarked for the risk-based financing of SMEs – are managed in African and Indian Ocean countries on behalf of international investors. Over the past five years, an operational presence has been established in Nairobi, Kenya and Antananarivo, Madagascar. The establishment of similar operations in Rwanda and Mozambique are nearing completion.

Net Profit
The net profit attributable to shareholders amounts to R35,5 million for the six months ended September 2010, a R3,5 million (11,0 percent) improvement on the R32,0 million profit reported for the same period last year.

Revenue declined by 6,6 percent to R179,2 million for the period ended September 2010 (September 2009: R192,0 million) primarily due to decreases in the prime interest rate. The average prime interest rate during the period under review was more than 175 basis points lower if compared to the average of the same period last year, resulting in a decrease in interest revenue of more than R15 million.

Profit from operations increased by 11,8 percent, largely due to a decrease in operating expenses of 6,4 percent amounting to R8,2 million. Total operating expenses amounted to R119,1 million (September 2009: R127,3 million).

Bad debts and impairment charges increased marginally to R40,6 million for the period under review (September 2009: R38,2 million). A fair value increase in the value of the property portfolio – amounting to R6,1 million net of tax and representing 1,1 percent of the carrying value – was accounted for. The policy of adjusting the carrying value of the property portfolio to fair value is consistent with the accounting policies applied in the audited results for the financial year ended March 2010, but was not applied in the comparative period ended September 2009 (refer note 1 to the financial statements).

Operational Results
226 investments, amounting to R440,4 million, were approved in the period under review (September 2009: 269 investments amounting to R490,9 million). Investments advanced amounted to R188,4 million over the period under review, a decrease of 49,9 percent compared to advances for the period ended September 2009 of R376,2 million.

The decrease in investment activity resulted primarily from a decrease in investment opportunities as SMEs have been very hesitant to fund growth and expansion with debt in the recent adverse economic conditions. Business Partners has also applied caution in its investment decisions in recognition of the prevailing uncertainty in the broader economic environment.

The commitments – investments approved, but not yet advanced – increased marginally from R305,4 million at the end of September 2009 to R305,8 million at the end of September 2010.

The exposure to non-performing investments increased from 22,4 percent of the investment portfolio in September 2009 to 27,4 percent of the portfolio in September 2010. The impairment of the carrying value of the portfolio amounts to R160,7 million (8,2 percent of the portfolio) in September 2010 (September 2009: R150,2 million or 7,1 percent of the portfolio).

Future prospects
The South African economy's post recession recovery has been slower than anticipated. It is expected that the lending and investment environment will remain difficult. Business Partners has however consciously retained its capacity to invest and is ready to take advantage of increases in quality deal flow as the economic environment improves.

The risk profile of the investment portfolio remains a concern. The post investment value adding services (PIVAS) initiative – established in 2009 – is expected to improve the risk profile of the investment portfolio and positively affect our clients' businesses. We anticipate that the PIVAS initiative will increasingly contribute to Business Partner's financial results.

It is customary that profits realised during the second half of the financial year exceed the profits realised during the period under review. The net profit for the financial year ending March 2011 is expected to marginally exceed the profit realised for the financial year ended March 2010.

On behalf of the board.

T van Wyk
Deputy Chairman

N Martin
Managing Director

25 October 2010

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