



BUSINESS PARTNERS LIMITED

# **INTERIM FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

## Who is Business Partners Limited?

Business Partners Limited (BUSINESS/PARTNERS) was established in 1981 with the prime objective of fostering entrepreneurship in South Africa by assisting business owners with business finance, mentorship, technical assistance and affordable business premises that many of them need to grow their businesses. From the outset, the company recognised that its own sustainability is an essential requirement if it were to increasingly “partner” small and medium owner–managed businesses over the long term.

To this end, the company has continuously developed and improved its business model and business processes to

ensure that its product and service offerings assist small and medium owner–managed businesses to achieve growth and job facilitation objectives. Simultaneously, the business model seeks to ensure a sound and strong balance sheet, delivering growth and returns which enhances the company's capacity to finance and serve viable small and medium owner–managed businesses.

In recent years, the company's proven South African business model has been successfully tested and deployed in selected Eastern and Southern African countries, viz. Kenya, Malawi, Namibia, Rwanda, Uganda and Zambia.



## Contents

Interim unaudited condensed financial statements	3
Notes to the Interim Financial Statements	8
Comments to the Interim Financial Statements	20

### Our purpose

At Business Partners Limited, we are passionate about entrepreneurs, entrepreneurship and entrepreneurial development. We create value for our shareholders by meeting the needs and requirements of entrepreneurs operating in the SME sector. We support, sustain and grow these businesses to positively impact on the broader economy, while we remain profitable and sustainable.

### Our vision

Our vision is to be the premier business partner for SMEs, supporting growth and development, facilitating entrepreneurial wealth formation and stimulating job creation.

### Our mission

Our mission is to invest capital, skill and knowledge into viable entrepreneurial enterprises in South Africa, and other markets in Africa where we have a presence.

### Our goal

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

# Interim consolidated statement of financial position

		Unaudited Results for the period ended 30 September		Audited 31 March
Notes	2019 R'000	% Change	2018 R'000	2019 R'000
<b>Assets</b>				
<b>Non-current assets</b>	<b>4 600 648</b>	2,2%	4 501 405	4 657 664
Deferred tax asset	133 591	11,7%	119 647	133 306
Property and equipment	95 775	-0,6%	96 361	97 083
Investment properties	1 546 489	3,4%	1 495 818	1 519 679
Right-of-use assets	22 465	> 100%	-	-
Loans and receivables	2 379 120	-1,1%	2 405 574	2 496 989
Investments in associates	116 311	-5,8%	123 450	112 363
Other investments	84 049	47,5%	56 971	75 686
Assets held for resale	35 561	19,8%	29 680	34 978
Defined benefit pension fund surplus	187 287	7,7%	173 904	187 580
<b>Current assets</b>	<b>589 347</b>	-1,2%	596 794	544 930
Loans and receivables	477 159	-3,6%	494 866	443 975
Accounts receivable	37 132	-15,6%	43 974	52 697
Current income tax asset	6 614	-39,4%	10 909	-
Cash and cash equivalents	68 442	45,5%	47 045	48 258
<b>Total assets</b>	<b>5 189 995</b>	<b>1,8%</b>	<b>5 098 199</b>	<b>5 202 594</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>	<b>3 547 794</b>	4,5%	3 394 392	3 498 667
Share capital	173 001	-	173 001	173 001
Fair value and other reserves	77 088	22,1%	63 156	83 362
Retained earnings	3 297 705	4,4%	3 158 235	3 242 304
<b>Non-controlling shareholders' interest</b>	<b>197</b>	> 100%	(141)	337
<b>Total equity</b>	<b>3 547 991</b>	<b>4,5%</b>	<b>3 394 251</b>	<b>3 499 004</b>
<b>Non-current liabilities</b>	<b>1 313 727</b>	-11,8%	1 490 282	1 490 480
Deferred tax liability	243 425	-3,0%	250 875	254 665
Borrowings	963 485	-15,7%	1 142 328	1 148 102
Lease liabilities	16 704	> 100%	-	-
Post-employment medical aid obligation	90 113	-7,2%	97 079	87 713
<b>Current liabilities</b>	<b>328 277</b>	53,6%	213 666	213 110
Shareholders for dividends	2 740	22,7%	2 233	1 925
Borrowings	223 245	> 100%	77 715	82 195
Lease liabilities	6 341	-	-	-
Accounts payable	62 933	-31,4%	91 719	77 060
Provisions	33 018	4,9%	31 469	46 604
Current income tax liability	-	-	-	4 060
Bank overdraft	-	-100,0%	10 530	1 266
<b>Total liabilities</b>	<b>1 642 004</b>	-3,6%	1 703 948	1 703 590
<b>Total equity and liabilities</b>	<b>5 189 995</b>	<b>1,8%</b>	<b>5 098 199</b>	<b>5 202 594</b>

# Interim consolidated statement of comprehensive income

		Unaudited Results for the period ended 30 September		Audited 31 March	
	Notes	2019 R'000	% Change	2018 R'000	2019 R'000
Net interest income	8	139 248	-6,9%	149 593	298 247
Interest income		192 207	-5,5%	203 461	406 659
Interest expense		(52 959)	-1,7%	(53 868)	(108 412)
Fee revenue		703	-85,9%	4 980	2 018
Investment income and gains	9	64 585	20,2%	53 743	113 330
Net property revenue		72 201	-7,2%	77 834	158 730
Property revenue		142 725	1,9%	140 069	284 558
Property expenses		(70 524)	13,3%	(62 235)	(125 828)
Management and service fee income		9 971	-29,6%	14 164	30 693
Other income		3 182	-0,8%	3 208	6 658
<b>Total income</b>		<b>289 890</b>	<b>-4,5%</b>	<b>303 522</b>	<b>609 676</b>
Net credit losses	10	(25 414)	-36,2%	(39 863)	(51 618)
Staff costs	11	(90 429)	2,1%	(88 541)	(177 401)
Other operating expenses		(45 991)	7,1%	(42 936)	(93 521)
<b>Profit before taxation</b>		<b>128 056</b>	<b>-3,1%</b>	<b>132 182</b>	<b>287 136</b>
Income tax expense		(32 866)	-6,3%	(35 062)	(74 255)
<b>Profit for the period</b>		<b>95 190</b>	<b>-2,0%</b>	<b>97 120</b>	<b>212 881</b>
<b>Other comprehensive income after tax:</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of defined benefit pension fund		(6 559)	16,1%	(5 652)	(397)
Gross Amount		(9 109)	16,0%	(7 850)	(551)
Tax effect		2 550	16,0%	2 198	154
Remeasurement of post-employment medical benefits		-	0,0%	-	7 836
Gross Amount		-	0,0%	-	10 883
Tax effect		-	0,0%	-	(3 047)
Fair value adjustment on financial assets held at fair value through other comprehensive income		-	0,0%	-	(2 175)
Gross Amount		-	0,0%	-	(2 803)
Tax effect		-	0,0%	-	628
Foreign currency translation reserve movement		285	0,0%	-	9 916
Gross Amount		396	0,0%	-	13 001
Tax effect		(111)	0,0%	-	(3 085)
Share of associates' other comprehensive income		-	0,0%	-	1 762
Sale of investments held at fair value through other comprehensive income		-	0,0%	-	(53)
		(6 274)	11,0%	(5 652)	16 889
<b>Items that may be subsequently reclassified to profit or loss</b>					
Fair value adjustment of available-for-sale instruments			-100,0%	6	
Gross Amount			-100,0%	8	
Tax effect			-100,0%	(2)	
Foreign currency translation reserve movement			-100,0%	2 382	
Gross Amount			-100,0%	3 308	
Tax effect			-100,0%	(926)	
<b>Other comprehensive income for the period</b>		<b>(6 274)</b>	<b>-189,0%</b>	<b>(3 264)</b>	<b>16 889</b>
<b>Total comprehensive income for the period</b>		<b>88 916</b>	<b>-5,3%</b>	<b>93 856</b>	<b>229 770</b>
<b>Profit attributable to:</b>					
Equity holders of Business Partners Limited		95 330	-1,8%	97 120	212 403
Non-controlling interests		(140)	-	-	478
		<b>95 190</b>	<b>-2,0%</b>	<b>97 120</b>	<b>212 881</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of Business Partners Limited		89 056	-5,1%	93 856	229 292
Non-controlling interests		(140)	-	-	478
		<b>88 916</b>	<b>-5,3%</b>	<b>93 856</b>	<b>229 770</b>

## Interim consolidated statement of changes in equity

		Attributable to equity holders of the parent				
	Notes	Share capital R'000	Fair value and other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	Total R'000
<b>Balance at 1 April 2018</b>		173 001	66 420	3 099 175	(141)	3 338 455
Total comprehensive income for the period			(3 264)	97 120		93 856
Profit for the period				97 120		97 120
Other comprehensive income for the period			(3 264)			(3 264)
Dividend	13			(38 060)		(38 060)
<b>Balance at 30 September 2018</b>		<b>173 001</b>	<b>63 156</b>	<b>3 158 235</b>	<b>(141)</b>	<b>3 394 251</b>
<b>Balance at 1 April 2019</b>		173 001	83 362	3 242 304	337	3 499 004
Total comprehensive income for the period			(6 274)	95 190	(140)	88 776
Profit for the period				95 190	(140)	95 050
Other comprehensive income for the period			(6 274)			(6 274)
Dividend	13			(39 789)		(39 789)
<b>Balance at 30 September 2019</b>		<b>173 001</b>	<b>77 088</b>	<b>3 297 705</b>	<b>197</b>	<b>3 547 991</b>

## Interim consolidated statement of cash flows

		Unaudited Results for the period ended 30 September		Audited 31 March	
	Notes	2019 R'000	% Change	2018 R'000	2019 R'000
<b>Cash flow from operating activities</b>					
Profit before taxation		128 056	-3,1%	132 182	287 136
Non-cash adjustments	14.1.1	(18 617)	> 100%	(3 788)	(25 709)
Dividends received		(3)	0,0%	(3)	(6)
Net interest income per income statement	14.1.2	(139 248)	-6,9%	(149 593)	(298 247)
Net interest received in cash	14.1.3	136 386	6,9%	127 638	233 251
Other movements in assets and liabilities	14.1.4	(16 794)	> 100%	(4 372)	(15 533)
		89 780	-12,0%	102 064	180 892
Net (outflow) / inflow from borrowed funds		(43 960)	> 100%	(19 636)	15 337
• Utilisation of long term borrowings		-	-100,0%	50 000	100 000
• Repayment of short term portion of long term borrowings		(43 960)	-36,9%	(69 636)	(84 663)
Net inflow / (outflow) on loans and receivables		41 200	> 100%	11 011	(125 354)
• Loans and receivables advanced		(233 004)	-19,7%	(290 345)	(722 924)
• Loans and receivables repaid		258 771	-11,8%	293 419	579 136
• Cash recoveries on loans and receivables written off		15 433	94,4%	7 937	18 434
<b>Cash generated from operating activities before tax</b>					
		87 020	-6,9%	93 439	70 875
Taxation paid	14.1.5	(50 274)	22,1%	(41 166)	(60 245)
<b>Net cash flow generated from operating activities</b>		<b>36 746</b>	<b>-29,7%</b>	<b>52 273</b>	<b>10 630</b>
<b>Cash flow from investing activities</b>					
Capital investment in					
• Investment properties		(5 673)	53,2%	(3 704)	(31 652)
• Property and equipment		(3 625)	> 100%	(539)	(2 926)
Proceeds from sale of					
• Investment properties		7 750	-5,9%	8 238	28 463
• Property and equipment		52	> 100%	5	38
Interest received from other investments		3 917	> 100%	1 829	4 934
Proceeds from sale of investments in associates		25 079	-8,7%	27 468	85 534
Dividends received from investments in associates		3	-99,7%	863	2 197
<b>Net cash generated from investing activities</b>		<b>27 503</b>	<b>-19,5%</b>	<b>34 160</b>	<b>86 588</b>
<b>Cash flow from financing activities</b>					
Repayment of lease liability		(3 824)	0,0%	-	-
Dividends paid	14.1.6	(38 975)	4,6%	(37 276)	(37 584)
<b>Net cash flow utilised in financing activities</b>		<b>(42 799)</b>	<b>14,8%</b>	<b>(37 276)</b>	<b>(37 584)</b>
Movement in cash and cash equivalents		21 450	-56,4%	49 157	59 634
Cash and cash equivalents at beginning of period		46 992	> 100%	(12 642)	(12 642)
<b>Cash and cash equivalents at end of period</b>		<b>68 442</b>	<b>87,4%</b>	<b>36 515</b>	<b>46 992</b>







# NOTES

TO THE INTERIM FINANCIAL STATEMENTS

# Notes to the interim financial statements

## 1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2019 were prepared in accordance with IAS 34, 'Interim financial reporting', and the Companies Act 71 of South Africa. The condensed consolidated interim financial statements should be read in conjunction with the consolidated Annual Financial Statements for the year ended 31 March 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies applied are consistent with those of the previous financial year, except for the adoption of IFRS 16 Leases (IFRS 16), as detailed below.

### Adoption of new and amended standards effective for the current financial period

IFRS 16 Leases, issued by the IASB in January 2016, is effective for reporting periods beginning on, or after, 1 January 2019 and has become effective for the Group on 1 April 2019.

IFRS 16 is a single, on-balance sheet accounting model for lessees. On adoption of IFRS 16, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets. The lease liabilities represent its obligation to make lease payments. Consequently, the Group recognised a depreciation expense on the right-of-use assets, an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased as it includes the interest portion of the lease liability payments. The capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The Group has adopted IFRS 16 from 1 April 2019, but has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in the Standard. The Group has elected the modified retrospective approach in applying IFRS 16.

### The Group's leasing activities and significant accounting policies

The Group's leases consist mainly of property rental contracts. Rental contracts are typically entered into for fixed periods varying between two to five years but may have renewal periods.

As a lessee, the Group previously classified leases as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, the Group recognises right-of-use assets and lease liabilities for the first time. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases; i.e. leases that at commencement date have remaining contract periods of 12 months or less. The Standard defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US\$5 000 or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relates to rental properties. The lease liability is initially measured at the present value of variable lease payments from 1 April 2019 onwards. The lease payments are discounted using the Group's incremental borrowing rate, being the rate that lessees would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest expense on the lease liability and decreased by the lease payments made. Interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in rate, or, changes in the assessment of whether a option will or will not be exercised.

The right-of-use assets are initially measured at an amount equal to the initial measurement of the lease liability. The right-of-use assets are subsequently measured at cost less any accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight line basis.

#### **Renewal and termination options**

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle of three to five years and past history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occur which affects this assessment and is within the control of the lessee.

A number of leases entitle the Group to terminate the lease without a termination penalty. In determining whether the Group has an economic incentive to not exercise the termination option, the Group considers the broader economics of the contract and not only contractual termination payments.

#### **Transition**

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates, for the remaining lease terms. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments.

The Group used the following practical expedients as permitted by the Standard, when applying IFRS 16 to existing leases:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounted for leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Relied on previous assessments on whether leases are onerous contracts as opposed performing an impairment review on 1 April 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its arrangement made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease (IFRIC 4).

## Impact on financial statements

Impact on the Group's summarised statement of financial position on 1 April 2019 and 30 September 2019 is as follows:

	Group IFRS 16 as at 30 Sep 2019	Group IFRS 16 as at 1 Apr 2019
	R'000	R'000
Right-of-use asset	22 465	25 809
Non-current prepayments	-	45
Deferred tax asset	6 463	6 735
<b>Total of impacted assets</b>	<b>28 928</b>	<b>32 589</b>
Non-current lease liabilities	16 704	20 259
Deferred tax liability	5 881	6 735
Current — lease liabilities	6 341	5 537
<b>Total of impacted liabilities</b>	<b>28 926</b>	<b>32 531</b>

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 April 2019 of 9,25 percent.

As a result of applying IFRS 16, in relation to leases that were previously classified as operating leases, the Group recognised R25,8 million of right-of-use assets and R25,8 million of lease liabilities as at 1 April 2019.

Further expanded disclosure for IFRS 16 will be included in the Annual Financial Statements for the year ending 31 March 2020.

## Impact for the period

As a result of applying IFRS 16, the Group recognised R22,5 million of right-of-use assets and R23,0 million of lease liabilities as at 30 September 2019.

The Group has recognised depreciation and interest cost, instead of operating lease expenses of R3,8 million that would have been recognised under IAS 17. During the six months ended 30 September 2019, the Group recognised R3,3 million of depreciation charges and R1,1 million of interest costs from these leases. Foreign exchange losses of R6,9 million were recognised on foreign denominated lease liabilities.

Cash from operating activities included interest paid on lease liabilities of R1,1 million and cash used in financing activities includes R2,7 million for the capital portion of lease liability repayments. The cash flows were previously recognised as net cash generated from operations.

## 2. Estimates

The preparation of the condensed consolidated interim financial statements requires judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made and the key sources of estimation uncertainty were similar to those that applied in preparing the consolidated Annual Financial Statements for the year ended 31 March 2019. The only changes resulted from the adoption of IFRS 16, and is reflected under Note 1.

### 3. Financial risk management

The Group's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk (which includes interest rate risk and foreign currency risk). There have been no material changes in the risk management systems nor in any risk management policies since year-end.

For a comprehensive overview of the Group's risk management practices, the interim financial statements should be read in conjunction with the Group's Annual Financial Statements as at 31 March 2019.

	Unaudited Results for the period ended 30 September		Audited 31 March	
	2019 R'000	% Change	2018 R'000	2019 R'000

### 4. Loans and receivables

Gross loans and receivables	3 202 908	1,3%	3 160 635	3 256 125
Less: effective interest rate (EIR) adjustment	(16 801)	-	-	(18 663)
Loans and receivables net of EIR adjustment	3 186 107	0,8%	3 160 635	3 237 462
Less: Allowance for impairment	(329 828)	26,8%	(260 195)	(296 498)
• Stage 1	(56 164)	70,9%	(32 864)	(54 759)
• Stage 2	(13 970)	-64,5%	(39 376)	(15 915)
• Stage 3	(259 694)	38,2%	(187 955)	(225 824)
<b>Carrying value of loans and receivables</b>	<b>2 856 279</b>	<b>-1,5%</b>	<b>2 900 440</b>	<b>2 940 964</b>
Long-term portion	2 379 120	-1,1%	2 405 574	2 496 989
Short-term portion	477 159	-3,6%	494 866	443 975
	<b>2 856 279</b>	<b>-1,5%</b>	<b>2 900 440</b>	<b>2 940 964</b>

## 5. Assets and liabilities held at fair value

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

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

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

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
<b>At 30 September 2019</b>				
Investment properties	-	-	1 546 489	1 546 489
Listed securities	312	-	-	312
Unlisted shares	-	-	83 737	83 737
Call account	29 732	-	-	29 732
	<b>30 044</b>	<b>-</b>	<b>1 630 226</b>	<b>1 660 270</b>
<b>At 30 September 2018</b>				
Investment properties	-	-	1 495 818	1 495 818
Listed securities	320	-	-	320
Unlisted shares	-	-	56 656	56 656
Call account	-	-	-	-
	<b>320</b>	<b>-</b>	<b>1 552 474</b>	<b>1 552 794</b>
<b>At 31 March 2019</b>				
Investment properties	-	-	1 519 679	1 519 679
Listed securities	322	-	-	322
Unlisted shares	-	-	75 364	75 364
Call account	29 345	-	-	29 345
	<b>29 667</b>	<b>-</b>	<b>1 595 043</b>	<b>1 624 710</b>

The above listed securities and unlisted shares are both measured at fair value. The fair value of listed shares is determined with reference to quoted prices on the relevant securities exchange. The fair value of unlisted shares is determined internally with reference to recognised valuation techniques performed by suitably qualified personnel. The directors approve the valuation techniques annually on the full year results. While some of the investment techniques require the use of unobservable inputs, changing these inputs would not have a significant impact on the value of the investments.

The valuation of property investments is performed internally by suitably qualified personnel and uses a capitalised income valuation method. If the capital yield of 1,8 percent (September 2018: 1,2 percent) during the period changed by 50 basis points, the Group's profit before tax would have changed by R7,5 million (September 2018 : R7,4 million).

During the period ended to September 2019, there were no transfers between the different levels of the fair value measurement hierarchy.

	Unaudited Results for the period ended 30 September		Audited 31 March	
	2019 R'000	% Change	2018 R'000	2019 R'000

The table below presents the reconciliation of the fair value of assets from the beginning to the end of the period:

**The movement in fair value through other comprehensive income financial assets is as follows:**

Fair value — beginning of period	75 686	32,9%	56 967	56 967
Disposals	-	-	-	(8)
Acquisitions	-	-	-	21 582
Fair value adjustments through comprehensive income	(10)	> 100%	9	(2 855)
<b>Fair value — end of period</b>	<b>75 676</b>	<b>32,8%</b>	<b>56 976</b>	<b>75 686</b>

**Investment properties**

Fair value — beginning of period	1 519 679	2,8%	1 478 948	1 478 948
Acquisitions	112	-78,5%	522	31 652
Improvements	5 560	69,2%	3 286	5 345
Disposals	(5 960)	25,4%	(4 752)	(20 520)
Fair value adjustments through profit and loss	27 388	53,7%	17 814	24 372
Depreciation on leasehold property	(290)	-	-	(118)
<b>Fair value — end of period</b>	<b>1 546 489</b>	<b>3,4%</b>	<b>1 495 818</b>	<b>1 519 679</b>

## 6. Share capital

**Authorised**

400 000 000 ordinary shares of R1 each	400 000	-	400 000	400 000
--	---------	---	---------	---------

**Issued**

173 000 594 (2018: 173 000 594) ordinary shares of R1 each	173 001	-	173 001	173 001
--	---------	---	---------	---------

**Unaudited Results  
for the period ended 30 September**

**Audited  
31 March**

	<b>2019 R'000</b>	<b>% Change</b>	<b>2018 R'000</b>	<b>2019 R'000</b>
--	-----------------------	-----------------	-----------------------	-----------------------

## 7. Borrowings

### Non-current

Interest-bearing long-term loans	<b>921 930</b>	-16,5%	1 104 234	1 107 462
Interest-free Jobs Fund loan	<b>41 555</b>	9,1%	38 094	40 640
	<b>963 485</b>	-15,7%	1 142 328	1 148 102

### Current

Short-term portion of long-term loans	<b>223 245</b>	> 100%	77 715	82 195
	<b>223 245</b>	> 100%	77 715	82 195
	<b>1 186 730</b>	-2,7%	<b>1 220 043</b>	<b>1 230 297</b>

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

- Loans secured by bonds over properties and incurring interest at rates between prime minus 0,6 percent and prime minus one percent. The loans' repayment terms are five and 10 years respectively.
- A loan secured by a cession of the loans and receivables and incurring interest at prime minus 1,5 percent. The loan's repayment term is 10 years from April 2012.
- All covenants were adhered to during the period and as at the balance sheet date.

The nature and terms of the interest-free Jobs Fund loan are as follows:

- The Group obtained a facility amounting to R48,7 million during the 2014 financial year, which is used to facilitate the establishment of new franchises. The project will run for a period of five years. All capital recovered will be distributed in terms of the agreement.

## 8. Net interest income

Interest income	<b>192 207</b>	-5,5%	203 461	406 659
• Interest on loans and receivables	<b>148 618</b>	-6,8%	159 385	307 624
• Royalty fees	<b>39 672</b>	-6,1%	42 247	94 101
• Interest on surplus funds	<b>3 917</b>	> 100%	1 829	4 934
Interest expense	<b>(52 959)</b>	-1,7%	(53 868)	(108 412)
• Interest-bearing borrowings	<b>(51 981)</b>	-3,5%	(53 868)	(108 412)
• Interest on lease liabilities	<b>(978)</b>	0,0%	-	-
	<b>139 248</b>	-6,9%	<b>149 593</b>	<b>298 247</b>



	Unaudited Results for the period ended 30 September		Audited 31 March
	2019 R'000	% Change	2018 R'000
			2019 R'000

## 9. Investment income and gains

Investment income	24 853	29,9%	19 136	53 391
• Surplus on realisation of unlisted financial assets	23 060	48,4%	15 543	45 442
• Surplus on realisation of investment properties	1 790	-50,1%	3 590	7 943
• Dividends received	3	0,0%	3	6
Investment gains	39 732	14,8%	34 607	59 939
• Income from associated companies	12 512	-18,8%	15 418	33 851
• Fair value movement on investment properties	27 388	53,7%	17 814	24 371
• Net foreign exchange rate differences	(168)	> 100%	1 375	1 717
	<b>64 585</b>	<b>20,2%</b>	<b>53 743</b>	<b>113 330</b>

## 10. Net credit losses

Loans and receivables written off	(21 924)	-69,0%	(70 746)	(104 969)
Legal expenses incurred on recovery	(1 254)	7,2%	(1 170)	(3 873)
Impairments (created) / released	(17 669)	> 100%	24 116	38 790
• Stage 1	(1 405)	48,2%	(948)	10 863
• Stage 2	1 945	> 100%	(3 289)	(1 660)
• Stage 3 (includes suspended interest)	(18 209)	> 100%	28 353	29 587
Recovery of loans and receivables written off	15 433	94,4%	7 937	18 434
	<b>(25 414)</b>	<b>-36,2%</b>	<b>(39 863)</b>	<b>(51 618)</b>

## 11. Staff costs

Remuneration at cost to company	(75 335)	3,0%	(73 144)	(145 337)
Bonuses and provisions	(16 313)	4,2%	(15 652)	(32 076)
Post retirement medical aid costs	(5 107)	3,3%	(4 946)	(9 098)
Defined benefit pension fund gain	8 816	19,0%	7 410	13 786
Indirect staff costs	(2 490)	12,7%	(2 209)	(4 676)
	<b>(90 429)</b>	<b>2,1%</b>	<b>(88 541)</b>	<b>(177 401)</b>

	Unaudited Results for the period ended 30 September		Audited 31 March	
	2019 R'000	% Change	2018 R'000	2019 R'000
<b>12. Earnings per share</b>				
<b>12.1 Basic earnings per share</b>				
Profit attributable to equity holders of Business Partners Limited	95 330	-1,8%	97 120	212 403
Weighted number of ordinary shares in issue ('000)	173 001	-	173 001	173 001
Basic earnings per share (cents)	55,1	-1,8%	56,1	122,8
<b>12.2 Headline earnings per share</b>				
Profit attributable to equity holders of Business Partners Limited	95 330	-1,8%	97 120	212 403
Adjustments net of tax				
• Capital profit on sale of equipment	(31)	> 100%	(3)	(5)
• Profit on sale of unlisted financial assets	(17 895)	48,4%	(12 061)	(6 164)
• Profit on sale of property investments	(1 389)	-50,1%	(2 786)	(35 263)
• Fair value movement of investment properties	(21 253)	53,7%	(13 824)	(18 912)
<b>Headline earnings</b>	<b>54 762</b>	<b>-20,0%</b>	<b>68 446</b>	<b>152 059</b>
Headline earnings per share (cents)	31,7	-20,0%	39,6	87,9

## 13. Dividend

A dividend in respect of the year ended 31 March 2019 of 23 cents per share (2018: 22 cents per share) was declared on 30 May 2019 and paid on 23 August 2019 to shareholders registered on 15 August 2019.

The dividend is subject to a dividend withholding tax at 20 percent (2018: 20 percent). Tax payable is 4,6 cents per share, which results in a net dividend of 18,4 cents per share payable to shareholders who are not exempt from dividends withholding tax, or subject to a reduced rate.

Consistent with the prior year interim period, no interim dividend has been declared.

	Unaudited Results for the period ended 30 September		Audited 31 March	
	2019 R'000	% Change	2018 R'000	2019 R'000

## 14. Cash flow information

### 14.1.1 Non-cash adjustments

Income from associated companies	(12 512)	-18,8%	(15 418)	(33 851)
Surplus on sale of assets	(24 890)	30,1%	(19 136)	(53 392)
Fair value adjustment of investment properties	(27 388)	53,7%	(17 814)	(24 371)
Fair value adjustment of financial instruments	(4 686)	> 100%	2 698	16 290
Depreciation	5 208	> 100%	1 488	3 173
Net credit losses (refer note 10)	40 847	-14,5%	47 800	70 052
• Loans and receivables written off	21 924	-69,0%	70 746	104 969
• Legal and other expenses incurred on recovery	1 254	7,2%	1 170	3 873
• Impairments created / (released)	17 669	> 100%	(24 116)	(38 790)
Credit losses – rent debtors	11 220	> 100%	1 604	1 078
Movement on post-retirement benefits	(6 416)	28,1%	(5 010)	(4 688)
<b>Total</b>	<b>(18 617)</b>	<b>&gt; 100%</b>	<b>(3 788)</b>	<b>(25 709)</b>

### 14.1.2 Adjustment for net interest income per income statement

Interest income (refer note 8)	(192 207)	-5,5%	(203 461)	(406 659)
Interest expense (refer note 8)	52 959	-1,7%	53 868	108 412
<b>Total</b>	<b>(139 248)</b>	<b>-6,9%</b>	<b>(149 593)</b>	<b>(298 247)</b>

### 14.1.3 Adjustment for net interest received in cash

Interest income received in cash	181 921	3,7%	175 365	366 161
Interest expense paid in cash	(45 535)	-4,6%	(47 727)	(132 910)
<b>Total</b>	<b>136 386</b>	<b>6,9%</b>	<b>127 638</b>	<b>233 251</b>

### 14.1.4 Other movements in assets and liabilities

Provisions	(13 587)	-14,3%	(15 847)	(5 893)
Increase in assets held for resale	-	-100,0%	27	(5 271)
Decrease / (increase) in accounts receivable	4 345	> 100%	(2 229)	(9 348)
(Decrease) / increase in accounts payable	(7 552)	> 100%	13 677	4 979
<b>Total</b>	<b>(16 794)</b>	<b>&gt; 100%</b>	<b>(4 372)</b>	<b>(15 533)</b>

	Unaudited Results for the period ended 30 September		Audited 31 March	
	2019 R'000	% Change	2018 R'000	2019 R'000

#### 14.1.5 Taxation paid

Taxation (liability) / asset — beginning of the year	(4 060)	-36,1%	(6 352)	(6 352)
Tax provision for the period	(32 866)	> 100%	(35 062)	(74 255)
Deferred tax	(8 972)	> 100%	8 159	11 511
Tax paid by associate companies	2 238	-25,4%	2 998	4 791
Taxation (asset) / liability — end of the period	(6 614)	-39,4%	(10 909)	4 060
	<b>(50 274)</b>	<b>22,1%</b>	<b>(41 166)</b>	<b>(60 245)</b>

#### 14.1.6 Dividends paid

Dividends payable — beginning of the year	(1 925)	32,9%	(1 449)	(1 449)
Dividends declared	(39 790)	4,5%	(38 060)	(38 060)
Dividends payable — end of the period	2 740	22,7%	2 233	1 925
<b>Dividends paid during the period</b>	<b>(38 975)</b>	<b>4,6%</b>	<b>(37 276)</b>	<b>(37 584)</b>

### 15. Commitments

#### Capital commitments

Loans and receivables approved but not advanced	455 241	2,4%	444 597	282 898
Capital committed in respect of purchases of property	50 789	> 100%	24 810	24 887
	<b>506 030</b>	<b>7,8%</b>	<b>469 407</b>	<b>307 785</b>

#### Operating lease commitments

Unexpired portion of lease agreements	26 615	> 100%	7 484	6 046
---------------------------------------	--------	--------	-------	-------

### 16. Related parties

#### 16.1 Loans to related parties

Loans to associates	1 296 297	2,7%	1 262 333	1 292 724
---------------------	-----------	------	-----------	-----------

All other loans to and from related parties (subsidiaries) were eliminated on consolidation to determine the Group's interim results.

#### 16.2 Directors' remuneration

Directors' remuneration will be disclosed in the Annual Financial Statements.



# COMMENTS

TO THE INTERIM FINANCIAL STATEMENTS

# Comments to the interim financial statements

## Business activities

Business Partners Limited is a specialist financial services group offering risk finance, mentorship and business premises to small and medium enterprises (SMEs). In addition to operating in South Africa, the Group manages SME investment funds for international investors in East Africa (Kenya, Rwanda and Uganda) and Southern Africa (Malawi, Namibia, and Zambia).

The Group's property investment portfolio, consisting of retail and industrial properties, is managed by an in-house property management team which also offers property management services to the market.

## Market conditions

The uncertainty associated with global developments such as Brexit and the trade disputes between the United States and China, together with a general slowdown in global demand for goods and services, have dampened current and anticipated global economic growth prospects. The unfavourable global economic climate has adversely impacted on South Africa's economy and its growth prospects. Furthermore, South African "own goals", such as economic policy uncertainty and the disruptions to economic activity caused by an intermittent electricity supply, have adversely impacted on business confidence and prospects for economic growth.

In general, current South African macro-economic conditions are not conducive to the setting-up, survival and growth of SME businesses. Consumer spending remains under pressure, unemployment continues to rise and economic growth rates are anticipated to remain at negligible to low levels. The prospects for South African SMEs seem bleak over the short to medium term, limiting opportunities and growth prospects for SME investors and financiers.

## Operational results

The investment activity of the Group declined relative to the comparative prior period. 150 SME investments were approved amounting to R652,3 million (September 2018: 200 investments were approved amounting to R705,8 million). Investments disbursed amounted to R346,1 million, 4,6 percent less than the R362,7 million disbursed in the corresponding prior period. However, the level of deal commitments (investments approved but not yet disbursed) increased from R414,5 million as at 31 March 2019 to R591,3 million as at 30 September 2019, which augurs well for an improved disbursement performance in the second half of the current financial year.

The credit risk in the South African business investment portfolio deteriorated year on year. Investments with repayment obligations in arrear represent 28,3 percent of the investment portfolio as at 30 September 2019, compared to 23,9 percent as at 30 September 2018.

The property investment portfolio yielded satisfactory results, despite rising property vacancies and increased credit risk experienced nationally across this asset class. Vacancies increased from 4,8 percent of the portfolio as at 30 September 2018 to 5,6 percent as at 30 September 2019, a deterioration of 17 percent, compared to the 40 percent industry average deterioration for vacancies in industrial space.

## Financial overview

The Group's net profit amounted to R95,2 million, a decrease of 2,0 percent from the comparative prior period. Total income amounted to R289,9 million, a decrease of 4,5 percent to comparative prior period total income of R303,5 million.

The IFRS9 accounting standard does not allow interest income on impaired investments to be recognised as revenue which contributed to the 5,5 percent decrease in interest revenue for the period. Interest expense decreased by 1,7 percent to R53,1 million largely due to a 5,5 percent decrease in borrowings to R1 118,3 million. Net property revenue decreased by 7,2 percent, driven by property expenses increasing by 13,3 percent to R70,5 million (September 2018: R 62,2 million).

Investment income and gains amounted to R64,6 million, a 20,2 percent increase from the R53,7 million reported in the comparative prior period. The year on year improved performance is primarily the result of an increased surplus on the realisation of unlisted financial assets and an improvement in the fair value re-measurement on investment properties.

As at 30 September 2019, the provision for expected credit losses amounted to R329,8 million or 10,3 percent of the portfolio, an increase from the R296,5 million or 9,2 percent reported as at 31 March 2019. The increase in expected credit losses is symptomatic of the challenging economic and trading environment faced by SMEs.

Operating expenses, including staff costs, increased by 3,8 percent from R131,5 million in the comparative prior period to R136,4 million in the period under review.

## Prospects

Improvements in the economic environment in South Africa and in the rest of the African continent, should they materialise, are not expected to positively impact the prospects for SMEs in the short to medium term. Credit risk will remain high and credit losses are expected to increase during the remainder of the current financial period.

Returns from the property investment portfolio are expected to be adversely affected by the weak demand for and the oversupply of business premises, especially in retail and industrial units.

Investment activity for the Group during the second half of the financial year is expected to improve, exceeding the performance of the period under review. Similarly, the profit for the full financial year is expected to marginally exceed that of the previous financial year.

The Group remains well positioned to play a significant role in assisting SMEs through customised financial solutions, affordable technical assistance and well-located business premises. The Group has adequate financial resources and a well-oiled operational platform, ready to seize investment and growth opportunities emanating from improvements in market sentiment and trading conditions.

### On behalf of the board



**N Martin**  
Chairman  
14 November 2019



**BD Bierman**  
Managing Director  
14 November 2019

*The Condensed Consolidated Interim Financial Statements have been reviewed by the Acting Chief Financial Officer, S Masumbe.*

*Directors: N Martin (Chairman), BD Bierman\* (Managing Director), O Kotze, M Lubbe, AM Mahosi, F Meisenholl, HE Moliea Tshivhase, D Moshapalo, RSM Ndlovu, SST Ngcobo, NJ Williams. \*Executive*

*Honorary Patron: JP Rupert.*

*Company Secretary: CM Gerbrands*

*Registration number: 1981/000918/06 ISO 9001 certified.*

## Business Partners Limited Registered office

37 West Street  
Houghton Estate  
Johannesburg  
2198  
South Africa

PO Box 7780  
Johannesburg  
2000

T +27 (0)11 713 6600  
F +27 (0)11 713 6650  
enquiries@businesspartners.co.za

businesspartners.co.za  
smetoolkit.businesspartners.co.za  
eoy.co.za

Company Registration Number: 1981/000918/06

## International offices

businesspartners.africa

Kenya (+254)  
Nairobi: T (0)20 280 5000/1  
enquiries@businesspartners.co.ke

Malawi (+265)  
Blantyre T (0)1 811 769  
T (0)212 248 563/564  
F (0)1 873 768  
enquiries@businesspartners.mw

Namibia (+264)  
Windhoek T (0)61 273 668  
F (0)61 273 669  
enquiries@businesspartners.com.na

Rwanda (+250)  
Kigali T (0)252 585 065  
enquiries@businesspartners.rw

Uganda (+256)  
Kampala T (0)414 505 236  
enquiries@businesspartners.co.ug

Zambia (+260)  
Lusaka T (0)211 843 390  
enquiries@businesspartners.co.zm

## National offices

South Africa	(+27)
Entrepreneurs Growth Centre	T (0)861 763 346 F (0)11 713 6650
Bellville	T (0)21 919 3242 F (0)21 919 3333
Bloemfontein	T (0)51 430 9846 F (0)51 430 9847
Cape Town	T (0)21 464 3600 F (0)21 461 8720
Durban (Westville)	T (0)31 240 7700 F (0)31 266 7286
East London	T (0)43 721 1525 F (0)43 726 0317
East London (Arcadia)	T (0)43 743 5485 F (0)43 743 0596
East Rand (Boksburg)	T (0)11 395 4150 F (0)11 395 2565
George	T (0)44 873 6112 F (0)44 873 3397
Johannesburg	T (0)11 713 6600 F (0)11 713 6650
Kimberley	T (0)76 879 9402 F (0)86 655 0617
Pietermaritzburg	T (0)33 347 0120 F (0)33 347 1001
Polokwane	T (0)15 297 1571 F (0)15 297 1461
Port Elizabeth	T (0)41 367 1082 F (0)41 367 3962
Pretoria	T (0)12 347 3208 F (0)12 347 2198
Richards Bay	T (0)35 789 7301 F (0)35 789 6727
Stellenbosch	T (0)21 809 2160 F (0)21 887 2001
Umhlanga	T (0)31 566 5626 F (0)86 647 9212
Upington	T (0)54 331 1172 F (0)54 332 2334