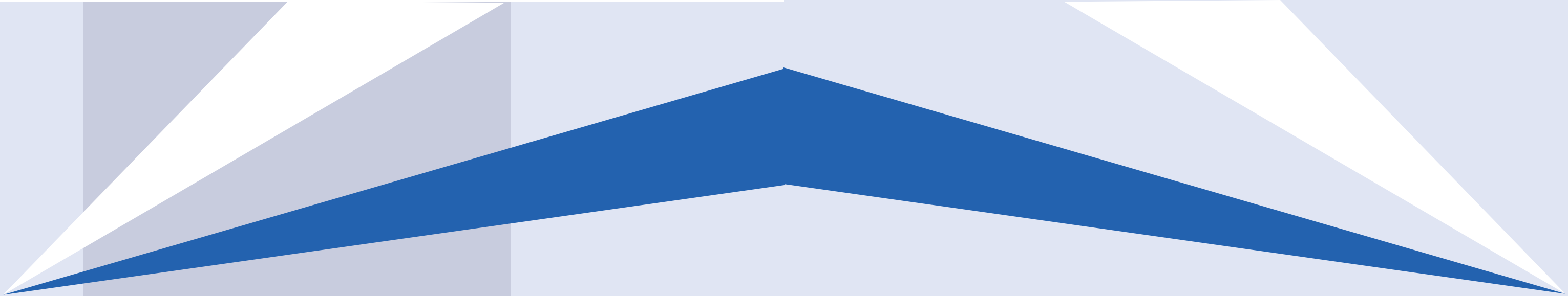


BUSINESS/PARTNERS

# INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2020



**We are BUSINESS/PARTNERS.**

There are many business financiers out there. But none like us. We're the company that's been supporting and financing business owners, with loans from five hundred thousand rand and up, for over thirty-nine years.

That's longer than some of Africa's largest banks have existed.

We've provided over nineteen point five billion rand in tailor-made finance to small and medium businesses. Helped facilitate over six hundred and fifty-one thousand jobs and counting. Approved over seventy-one thousand business finance transactions.

It's not surprising that over forty percent of our business each year is with existing clients.

So, who are we?

We're the company that works with business owners to unlock the potential of their businesses. The company that is assisting business owners rebuild their businesses in the new normal.

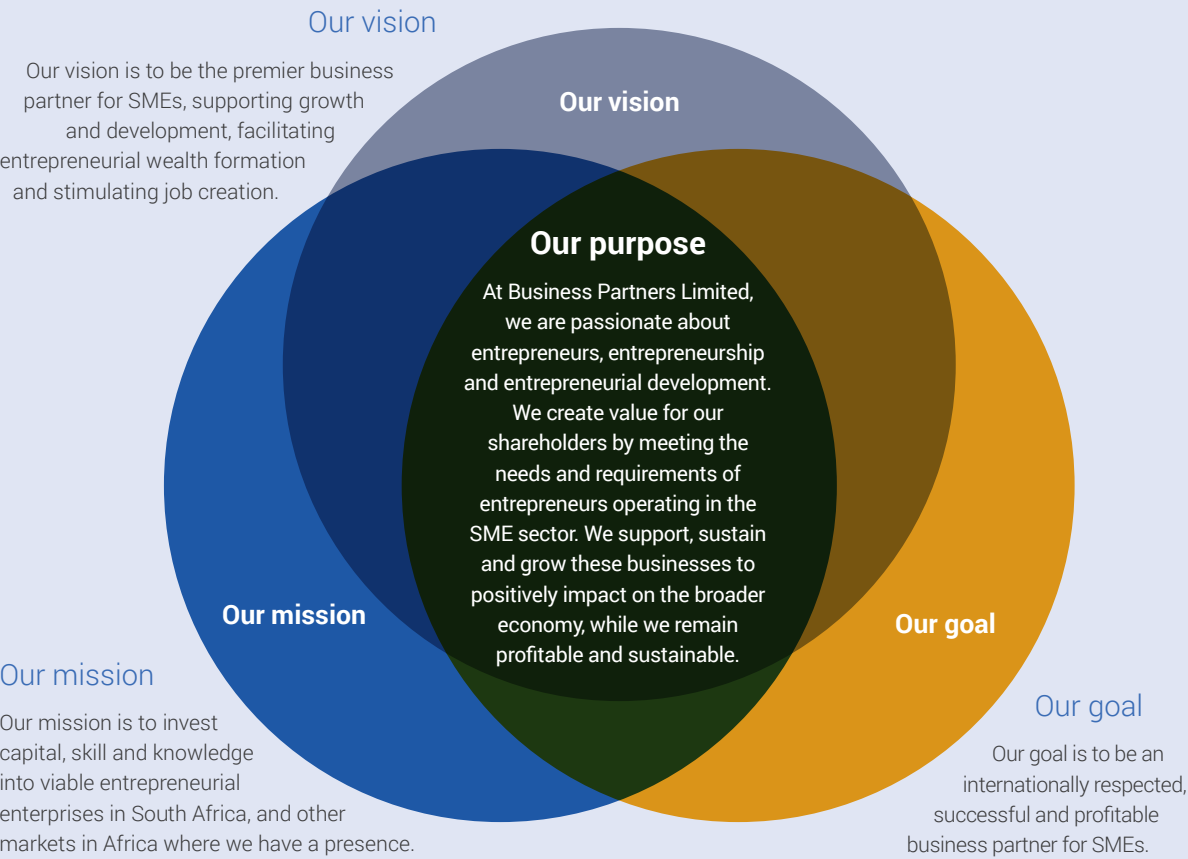
**We are BUSINESS/PARTNERS.**

Leaders in Specialised Business Finance.

[www.businesspartners.co.za](http://www.businesspartners.co.za)  
[www.businesspartners.africa](http://www.businesspartners.africa)

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# COMMENTS

## TO THE INTERIM FINANCIAL STATEMENTS

## Comments on business operations and 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 on behalf of international investors in East Africa (Kenya, Rwanda and Uganda) and Southern Africa (Malawi, Namibia, and Zambia).

The Group's investment property portfolio, consisting of retail and industrial properties, is managed by a dedicated property management team that also offers property management services to the market.

### Market Conditions

The resumption of economic activity after the easing of the Covid-19 lockdown regulations has seen many sectors benefiting from a degree of pent-up demand. There are however sectors such as the hospitality and education sectors that will continue to face challenges to return to viable activity levels, especially if further restrictions to contain the spread of the virus are implemented.

The decline in economic activity during the first quarter of the period under review has materially impacted a number of our investee clients as well as tenants. Relief was extended to assist clients in this period by providing additional financial assistance, repayment and rental holidays and reductions.

SMEs remain vulnerable in the months ahead and business may require support in restarting and capacitating their operations to ensure previous activity levels are reached or even exceeded as the economic environment returns to normal.

### Operational Results

The Group approved 173 investments amounting to R206,2 million during the period. This includes 140 investments amounting to R68,3 million that were approved as part of the relief program that provided financial assistance to clients. The total value approved is markedly down from the R586,9 million approved in the corresponding period last year, but represents a pleasing increase of 30,0 percent in the number of transactions from the 133 investments approved in the corresponding period last year.

Investments disbursed amounted to R211,3 million, 18,2 percent less than the R258,4 million disbursed during the corresponding period last year.

Commitments – investments approved not yet advanced – decreased by 12,7 percent, from R330 million reported at 31 March 2020 to R288 million at 30 September 2020.

The credit risk in the investment portfolio deteriorated materially from the credit risk reported on 31 March 2020. Investments with repayment obligations in arrears increased from R719,5 million in March 2020 (22,6 percent of the portfolio) to R1 172,5 million in September 2020 (35,5 percent).

### Financial Overview

The net profit attributable to equity holders amounted to R52,9 million, a decrease of 44,4 percent from September 2019.

Net interest income declined by 12,4 percent, primarily a consequence of the Prime Interest rate decreasing from an average of 10,2 percent in the corresponding period to an average of 8,0 percent for the period ended 30 September 2020.

Net property revenue decreased by 22,7 percent, primarily a consequence of the rental relief provided to clients in the reporting period as well as a marked increase in vacancy rates. Vacancies increased from 5,5 percent in September 2019 to 9,3 percent in September 2020.

Investment income and gains amounted to R16,2 million, a decrease of 74,9 percent compared to the corresponding period last year. Investment Income – consisting of the surpluses realised on the disposal of unlisted investments and investment properties - declined from R24,9 million recorded in the previous year corresponding period to R14,9 million in the current period.

Investment gains were negligible. No movement in the fair value measurement of the investment property portfolio was recorded in the current period compared to a value appreciation of R27,4 million recorded in the corresponding period. The Group's share of income from associated companies declined from R12,5 million in the corresponding period last year to R2,3 million in the current period.

Net credit losses for the period increased when compared to the corresponding period last year due to the deterioration in credit risk. The provision for expected credit losses recognised amounted to R431,7 million at 30 September 2020 (13,1 percent of the portfolio), a marked increase from the R329,8 million (10,3 percent of the portfolio) recognised at the end of September 2019. The expected credit loss recognised at March 2020 anticipated the decline in the credit quality and provided for R396,4 million (12,4 percent of the portfolio value) in expected losses at 31 March 2020.

Prospects

The global economy has been severely impacted by the COVID-19 pandemic. Some developed economies are currently battling a second wave of infection. Locally, the response to the pandemic has placed pressure on the fiscal framework that was already under strain. Higher levels of unemployment, the decline in GDP and the continued uncertainty regarding the outcome and duration of the pandemic, continue to pose risk to fiscal frameworks and a sustainable economic recovery. SMEs are expected to continue being negatively affected over the short to medium term.

The credit risk in our portfolio is expected to remain at current levels over the short to medium term, despite the expected increase in economic activity. Despite the estimations of a positive GDP growth rate of 3,1 percent in 2021, and the actual economic output in 2021 is expected to be below 2019 levels.

The Group has played a significant role in providing much needed relief to SME clients during the past six months. Much work still needs to be done to ensure SME clients are supported and assisted with appropriate financial solutions and technical assistance.

Business Partners Limited administers the Sukuma Relief Programme, a R 1 billion-rand SME relief initiative funded by donations from the Rupert Family, Remgro Limited and other donors. Sukuma provides financial assistance through grants and low-interest loans to qualifying SMEs. The Group launched the Sukuma Fund on 3 April 2020, just a few days after the national lockdown was announced. To date, more than 6 000 completed applications have been assessed and relief funding to the value of R796,2 million has been provided to more than 1280 Sukuma beneficiaries.

The outlook for Business Partners Limited's profitability remains positive for the balance of the 2021 Financial Year, with results expected to exceed those achieved in the 2020 Financial Year, provided no major systemic economic shocks - such as further lockdowns - are encountered during the months ahead. The return to profitability levels experience before the outbreak of COVID-19 will however not be achieved for this financial year.

On behalf of the board:

*N Martin*

N Martin  
Chairman  
19 November 2020

*BD Bierman*

BD Bierman  
Managing Director  
19 November 2020

The Condensed Consolidated Interim Financial Statements have been reviewed by the Chief Financial Officer, R Dolphin.

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

## Interim consolidated statement of financial position

		Unaudited results for the period ended 30 September		Audited 31 March	
	Notes	2020 R'000	% Change	2019 R'000	2020 R'000
<b>Assets</b>					
Cash and cash equivalents		240 203	> 100%	68 442	363 885
Accounts receivable		35 682	-3,9%	37 132	44 884
Current income tax asset		20 236	> 100%	6 614	47 730
Loans and receivables	5	2 932 934	2,7%	2 856 279	2 851 101
Other investments		83 029	-1,2%	84 049	83 017
Assets held for resale		49 955	40,5%	35 561	35 888
Investments in associates		89 764	-22,8%	116 311	90 449
Investment properties		1 633 218	5,6%	1 546 489	1 648 526
Property and equipment		128 615	8,8%	118 240	122 446
Deferred tax asset		183 761	37,6%	133 591	173 818
Defined benefit pension fund surplus		199 401	6,5%	187 287	163 901
<b>Total assets</b>		<b>5 596 798</b>	<b>7,8%</b>	<b>5 189 995</b>	<b>5 625 646</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>		<b>3 565 081</b>	<b>0,5%</b>	<b>3 547 794</b>	<b>3 493 746</b>
Share capital	7	173 001	0,0%	173 001	173 001
Fair value and other reserves		83 571	8,4%	77 088	65 184
Retained earnings		3 308 509	0,3%	3 297 705	3 255 561
<b>Non-controlling shareholders' interest</b>		<b>11 176</b>	<b>&gt;100%</b>	<b>197</b>	<b>11 176</b>
<b>Total equity</b>		<b>3 576 257</b>	<b>0,8%</b>	<b>3 547 991</b>	<b>3 504 922</b>
<b>Liabilities</b>					
Accounts payable		63 687	1,2%	62 933	80 054
Provisions		24 286	-26,4%	33 018	46 460
Shareholders for dividends		2 415	-11,9%	2 740	2 415
Lease liabilities		16 292	-29,3%	23 045	19 266
Borrowings	8	1 575 256	32,7%	1 186 730	1 653 794
Deferred tax liability		260 571	7,0%	243 425	243 101
Post-employment medical aid obligation		78 034	-13,4%	90 113	75 634
<b>Total liabilities</b>		<b>2 020 541</b>	<b>23,1%</b>	<b>1 642 004</b>	<b>2 120 724</b>
<b>Total equity and liabilities</b>		<b>5 596 798</b>	<b>7,8%</b>	<b>5 189 995</b>	<b>5 625 646</b>

## Interim consolidated statement of comprehensive income

		Unaudited results for the period ended 30 September		Audited 31 March	
	Notes	2020 R'000	% Change	2019 R'000	2020 R'000
Net interest revenue	9	121 971	-12,4%	139 248	298 899
Interest income		169 241	-11,9%	192 207	416 104
Interest expense		(47 270)	-10,7%	(52 959)	(117 205)
Fee revenue		806	14,7%	703	1 142
Investment income and gains	10	16 230	-74,9%	64 585	11 070
Net property revenue		55 810	-22,7%	72 201	157 747
Property revenue		130 798	-8,4%	142 725	307 309
Property expenses		(74 988)	6,3%	(70 524)	(149 562)
Management and service fee income		11 740	17,7%	9 971	21 953
Other income		1 975	-37,9%	3 182	4 408
<b>Total income</b>		<b>208 532</b>	<b>-28,1%</b>	<b>289 890</b>	<b>495 219</b>
Net credit losses	11	(24 895)	-2,0%	(25 414)	(147 833)
Staff costs	12	(80 048)	-11,5%	(90 429)	(179 276)
Other operating expenses		(32 075)	-30,3%	(45 991)	(88 481)
<b>Profit before taxation</b>		<b>71 514</b>	<b>-44,2%</b>	<b>128 056</b>	<b>79 629</b>
Income tax expense		(18 621)	-43,3%	(32 866)	(24 201)
<b>Profit for the period</b>		<b>52 893</b>	<b>-44,4%</b>	<b>95 190</b>	<b>55 428</b>
<b>Other comprehensive income after tax</b>					
Remeasurement of post-employment benefits		18 753	> 100%	(6 559)	(28 925)
Gross amount		26 046	> 100%	(9 109)	(40 173)
Tax effect		(7 293)	> 100%	2 550	11 248
Remeasurement of post-employment medical benefits		-	-	-	11 326
Gross amount		-	0,0%	-	15 730
Tax effect		-	0,0%	-	(4 404)
Fair value adjustment on financial assets held at fair value through other comprehensive income		9	>100%	-	2 456
Gross amount		13	100,0%	-	3 165
Tax effect		(4)	100,0%	-	(709)
Foreign currency translation reserve movement		(375)	> 100%	285	(3 035)
Gross amount		(521)	> 100%	396	(3 977)
Tax effect		146	> 100%	(111)	942
<b>Other comprehensive income for the period</b>		<b>18 387</b>	<b>&gt; 100%</b>	<b>(6 274)</b>	<b>(18 178)</b>
<b>Total comprehensive income for the period</b>		<b>71 280</b>	<b>-19,8%</b>	<b>88 916</b>	<b>37 250</b>
<b>Profit attributable to:</b>					
Equity holders of Business Partners Limited		52 893	-44,5%	95 330	53 484
Non-controlling interests		-	-100,0%	(140)	1 944
		52 893	-44,4%	95 190	55 428
<b>Total comprehensive income attributable to:</b>					
Equity holders of Business Partners Limited		71 280	-20,0%	89 056	35 306
Non-controlling interests		-	-100,0%	(140)	1 944
		71 280	-19,8%	88 916	37 250



## Interim consolidated statement of changes in equity

Notes	Attributable to equity holders of the parent				Total R'000
	Share capital R'000	Fair value and other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	
<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	14		(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>
<b>Balance at 1 April 2020</b>	<b>173 001</b>	<b>65 184</b>	<b>3 255 561</b>	<b>11 176</b>	<b>3 504 922</b>
Total comprehensive income for the period		18 387	52 948	-	71 335
Profit for the period			52 893	-	52 893
Adjustments from associates			55		55
Other comprehensive income for the period		18 387		-	18 387
Dividend	14		-		-
<b>Balance at 30 September 2020</b>	<b>173 001</b>	<b>83 571</b>	<b>3 308 509</b>	<b>11 176</b>	<b>3 576 257</b>

## Interim consolidated statement of cash flows

Notes	Unaudited results for the period ended 30 September		Audited 31 March	
	2020 R'000	% Change	2019 R'000	2020 R'000
<b>Cash flow from operating activities</b>				
Profit before taxation	71 514	-44,2%	128 056	79 629
Non-cash adjustments	27 274	> 100%	(18 617)	168 267
Dividends received	(3)	19,2%	(3)	(6)
Payment of principal portion of lease liabilities	2 890	100,0%	-	5 610
Net interest income per income statement	(121 971)	-12,4%	(139 248)	(298 899)
Net interest received in cash	56 013	-58,9%	136 386	240 446
Other movements in assets and liabilities	(15 272)	-9,1%	(16 794)	4 299
	20 445	-77,2%	89 780	199 346
Net (outflow) / inflow from borrowed funds	(78 930)	79,5%	(43 960)	423 498
Utilisation of long term borrowings	100 000	100,0%	-	506 097
Repayment of short term portion of long term borrowings	(178 930)	> 100%	(43 960)	(82 599)
Net inflow / (outflow) on loans and receivables	(83 085)	> 100%	41 200	(108 627)
Loans and receivables advanced	(195 955)	-15,9%	(233 004)	(753 411)
Loans and receivables repaid	98 622	-67,8%	258 771	611 332
Cash recoveries on loans and receivables written off	14 208	-7,9%	15 433	33 452
Cash generated from operating activities before tax	(141 570)	> 100%	87 020	514 217
Taxation refunded / (paid)	10 731	> 100%	(50 274)	(117 704)
Net cash flow (utilised in) / generated from operating activities	(130 839)	> 100%	36 746	396 513
<b>Cash flow from investing activities</b>				
Capital investment in				
Investment properties	-	-100,0%	(5 673)	(119 895)
Property and equipment	(11 419)	> 100%	(3 625)	(6 950)
Proceeds from sale of		0,0%		
Investment properties	-	97,5%	7 750	12 400
Property and equipment	22	-57,7%	52	172
Interest received from other investments	5 210	33,0%	3 917	9 771
Proceeds from sale of investments in associates	16 231	-35,3%	25 079	64 091
Dividends received from investments in associates	3	19,2%	3	5 701
<b>Net cash flow generated from/ (utilised in) investing activities</b>	<b>10 047</b>	<b>-7,8%</b>	<b>27 503</b>	<b>(34 710)</b>
<b>Cash flow from financing activities</b>				
Dividends paid	-	-100,0%	(38 975)	(39 300)
Payment of principal portion of lease liabilities	(2 890)	-24,4%	(3 824)	(5 610)
<b>Net cash flow (utilised in) / generated from financing activities</b>	<b>(2 890)</b>	<b>-93,2%</b>	<b>(42 799)</b>	<b>(44 910)</b>
Net movement in cash and cash equivalents	(123 682)	> 100%	21 450	316 893
Cash and cash equivalents at beginning of period	363 885	> 100%	46 992	46 992
<b>Cash and cash equivalents at end of period</b>	<b>240 203</b>	<b>&gt; 100%</b>	<b>68 442</b>	<b>363 885</b>



# NOTES

TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2020 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 2020, which were prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies applied are consistent with those of the previous financial year.

2. Estimates

In preparing the condensed consolidated interim financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets, liabilities, income and expenses within the next financial year. Estimates and judgments are continually evaluated and are based on factors such as historical experience and current best estimates of future events.

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 2020.

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 2020.

4. BPL Covid-19 Relief Programme

Measures to contain the spread of the Corona virus significantly impacted the South African economy and SME operations. The Covid-19 restrictions implemented in many countries across the world are expected to result in a 3% decrease in global output. The South African economy is expected to contract by 7,8 percent in 2020, recovering to real GDP growth of 3,1 percent in 2021.

The Group developed a range of relief measures that were extended to qualifying clients which are summarised below:

Business Investments clients

Qualifying business investment clients were offered the following relief:

- Qualifying clients were provided with a four-month payment holiday where the client was not required to pay the monthly instalment. The monthly instalments continued to be raised but were accumulated in a separate loan facility which had no repayment obligations for a period of 6 months after which instalments become due over a 12 month period. Clients that were in a position to meet the monthly instalments, or a portion thereof over a four month period, were incentivised by an interest rebate that became effective at the end of the four month period provided that obligations were paid over the payment holiday period.
- Financial assistance was offered to clients that indicated a need for working capital to meet their operational demands. This facility would attract no interest for the first 12 months and interest at the prime rate would be incurred thereafter.

As at 30 September 2020, Covid-19 relief provided by BPL totalled R 199,0 million. This amount can be analysed as follows:

- R139,4 million in re-payment relief
- R6,6 million in interest rebate for continued repayments
- R53,0 million in relief funds disbursed

Property tenants

Tenants were assessed in terms of their operations and categorised into non-essential, restricted and essential suppliers. Based on the categorisations different relief measures were offered to tenants as follows:

- 50% discount on the rental income for non-essential suppliers;
- 25% discount on the rental income for restricted suppliers; and
- Essential services providers and tenants that were in default prior to March 2020 were not offered any relief.

As at 30 September 2020, Covid-19 relief provided by the Company to property clients amounted to R11,4 million, in rental concessions.

4. Loans and receivables

	Unaudited results for the period ended 30 September		Audited 31 March	
	2020 R'000	% Change	2019 R'000	2020 R'000
Gross loans and receivables	3 337 261	4,7%	3 186 107	3 231 183
ALess: Allowance for impairment	(404 327)	22,6%	(329 828)	(380 082)
Stage 1	(22 144)	-60,6%	(56 164)	(54 275)
Stage 2	(42 405)	> 100%	(13 970)	(42 772)
Stage 3	(339 778)	30,8%	(259 694)	(283 035)
Carrying value of loans and receivables	2 932 934	2,7%	2 856 279	2 851 101
Long-term portion	2 289 162	-3,8%	2 379 120	2 257 745
Short-term portion	643 772	34,9%	477 159	593 356
	2 932 934	2,7%	2 856 279	2 851 101

Loss allowance

The extent of the loss allowance recognised in the period is sensitive to a variety of factors which includes:

- Movements in the risk classification between Stage 1, 2 and 3 due to the financial instruments indicating or reporting significant changes in credit risk i.e becoming credit-impaired or cured in the period. The consequence of which will be either a step up or step down in risk which results in 12-month or Lifetime expected credit losses ("ECL") being recognised.
- Additional allowances for new financial instruments recognised during the period;
- Impact on the measurement of ECL due to changes in probability of default ("PDs"), exposure at the time of default "EADs" and loss given default "LGDs" in the period, arising from updated inputs to the model;
- Adjustments to the ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period due to write-offs and adjustment in the allowance related to those assets that were written off.



The following table further explains changes in the gross carrying amount:

	Stage 1 12- month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Total R'000
<b>Gross carrying amount as at 1 April 2019</b>	2 004 837	579 925	656 273	3 241 035
Existing loans transfers between stages	(305 752)	(58 069)	363 821	-
Transfer (to)/from stage 1	-	146 260	159 492	305 752
Transfer (to)/from stage 2	(146 260)	-	204 329	58 069
Transfer (to)/from stage 3	(159 492)	(204 329)	-	(363 821)
ECL raised on existing loans	(7 373)	(30 031)	(81 807)	(119 211)
New loan agreements originated	308 496	94 241	2 215	404 952
Loans written-off and settlements	(92 569)	(21 191)	(152 573)	(266 333)
<b>Gross carrying amount as at 31 March 2020</b>	<b>1 907 639</b>	<b>564 875</b>	<b>787 929</b>	<b>3 260 443</b>
<b>Gross carrying amount as at 1 April 2020</b>	1 907 639	564 875	787 929	3 260 443
Existing loans transfers between stages	(496 270)	189 196	307 074	-
Transfer (to)/from stage 1	-	314 733	181 537	496 270
Transfer (to)/from stage 2	(314 733)	-	125 537	(189 196)
Transfer (to)/from stage 3	(181 537)	(125 537)	-	(307 074)
ECL raised on existing loans	68 273	75 837	10 279	154 389
New loan agreements originated	4 594	-	-	4 594
Loans written-off and settlements	(13 033)	(6 151)	(24 729)	(43 913)
<b>Gross carrying amount as at 30 Sept 2020</b>	<b>1 471 203</b>	<b>823 757</b>	<b>1 080 553</b>	<b>3 375 513</b>

## 6. 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; and
- 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:

	As at 30 September 2020	As at 30 September 2019	As at 31 March 2020	Hierarchy of Valuation Technique
Investment properties	1 633 218	1 546 489	1 648 526	Level 3
Listed securities	283	312	272	Level 1
Unlisted shares	82 745	83 737	82 745	Level 3
Call account	166 904	29 732	257 360	Level 1
Fair value — end of period	<b>1 883 150</b>	<b>1 660 270</b>	<b>1 988 903</b>	

The above listed securities and unlisted shares are 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. Adjustments to the fair value of the investment property portfolio was not required for the 2021 interim financial period due to no observable changes in the key assumptions used in performing the valuation of the portfolio at 31 March 2020. This valuation assessed and quantified the effects of the Covid-19 pandemic on cash flows and expense structures for the portfolio and the capitalization rate, quantified as a consequence of the changes, was deemed sufficient for the current value measurement.

During the period ended 30 September 2020, there were no transfers between the different levels of the fair value measurement hierarchy.

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

	Unaudited results for the period ended 30 September		Audited 31 March	
	2020 R'000	% Change	2019 R'000	2020 R'000
<b>Listed securities and unlisted shares</b>				
Fair value — beginning of period	83 017	9,7%	75 686	75 686
Disposals	-	0,0%	-	(52)
Acquisitions	-	0,0%	-	4 167
Fair value adjustments through comprehensive income	11	> 100%	(10)	3 216
Fair value — end of period	<b>83 028</b>	9,7%	<b>75 676</b>	<b>83 017</b>
<b>Investment properties</b>				
Fair value — beginning of period	1 648 526	8,5%	1 519 679	1 519 679
Acquisitions	8 618	> 100%	112	119 895
Initial recognition	-			73 951
Improvements	-	-100,0%	5 560	6 926
Disposals	-	-100,0%	(5 960)	(7 410)
Fair value adjustments through profit and loss	-	-100,0%	27 388	(63 073)
Depreciation on leasehold property	-	-100,0%	(290)	-
Transfer to property, plant and equipment	-	0,0%	-	(1 442)
Transfer to assets held for sale	(23 926)	100,0%	-	-
Fair value — end of period	<b>1 633 218</b>	5,6%	<b>1 546 489</b>	<b>1 648 526</b>

The transfer of property to assets held for sale relates to the reclassification of a building which was previously owner-occupied. The carrying amount of the building is now expected to be recovered through sale rather than from future cashflows.

## 7. Share capital

<b>Authorised</b>				
400 000 000 ordinary shares of R1 each	400 000	0,0%	400 000	400 000
<b>Issued</b>				
173 000 594 (2019: 173 000 594) ordinary shares of R1 each	173 001	0,0%	173 001	173 001

## 8. Borrowings

<b>Non-current</b>				
Interest-bearing long-term loans	1 162 228	26,1%	921 930	1 384 628
Interest-free Jobs Fund loan	41 744	0,5%	41 555	41 665
	<b>1 203 972</b>	25,0%	<b>963 485</b>	<b>1 426 293</b>
<b>Current</b>				
Short-term portion of long-term borrowings	371 284	66,3%	223 245	227 501
	<b>371 284</b>	66,3%	<b>223 245</b>	<b>227 501</b>
	<b>1 575 256</b>	32,7%	<b>1 186 730</b>	<b>1 653 794</b>

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

- Loans secured by bonds amounting R645 million over properties and incurring interest at rates between prime minus 0,6 percent and prime minus one percent. The loans' repayment terms are 5 and 10 years respectively.
- Two loans are secured by a cession of loans and receivables amounting to R2,93 billion. The first loan incurs interest at prime minus 1,5 percent and the interest rate on the second loan is linked to 3 months JIBAR. The loans have a 10 year and 6 year repayment term respectively.
- The Group obtained a facility amounting to R48,7 million during the 2014 financial year from the Jobs Fund. This interest free loan was intended to facilitate the establishment of new franchises through the advancement of loans to SMEs. Drawdowns took place over 3 year period and the term of the program was initially 5 years. Capital recovered will be distributed in terms of the agreement.

All covenants were adhered to during the period and at the balance sheet date.

	Unaudited results for the period ended 30 September			Audited 31 March
	2020 R'000	% Change	2019 R'000	2020 R'000
<b>9. Net interest income</b>				
Interest income	169 241	-11,9%	192 207	416 104
Interest on loans and receivables	122 044	-17,9%	148 618	318 748
Royalty fees	41 986	5,8%	39 672	87 585
Interest on surplus funds	5 211	33,0%	3 917	9 771
Interest expense	(47 270)	-10,7%	(52 959)	(117 205)
Interest-bearing borrowings	(46 448)	-10,6%	(51 981)	(117 877)
Interest on lease liabilities	(822)	-15,9%	(978)	672
	<b>121 971</b>	<b>-12,4%</b>	<b>139 248</b>	<b>298 899</b>
<b>10. Investment income and gains</b>				
Investment income	14 842	-40,3%	24 853	55 724
Surplus on realisation of unlisted investments	14 839	-35,7%	23 060	50 728
Surplus on realisation of investment properties	-	-100,0%	1 790	4 990
Dividends received	3	19,2%	3	6
Investment gains	1 388	-96,5%	39 732	(44 645)
Income from associated companies	2 325	-81,4%	12 512	16 339
Fair value movement on investment properties	-	-100,0%	27 388	(63 073)
Net foreign exchange rate differences	(937)	> 100%	(168)	2 080
	<b>16 230</b>	<b>-74,9%</b>	<b>64 584</b>	<b>11 070</b>
<b>11. Net credit losses</b>				
Loans and receivables written off	(12 109)	-44,8%	(21 924)	(94 303)
Legal expenses incurred on recovery	(2 748)	> 100%	(1 254)	(3 398)
Impairments (created) / released	(24 246)	37,2%	(17 669)	(83 584)
Stage 1	32 131	> 100%	(1 405)	(484)
Stage 2	367	-80,9%	1 925	26 858
Stage 3 (includes suspended interest)	(56 744)	> 100%	(18 209)	57 210
Recovery of loans and receivables written off	14 208	-7,9%	15 433	33 452
	<b>(24 895)</b>	<b>-11,5%</b>	<b>(25 414)</b>	<b>(147 833)</b>

	Unaudited results for the period ended 30 September		Audited 31 March	
	2020 R'000	% Change	2019 R'000	2020 R'000
<b>12. Staff costs</b>				
Remuneration at cost to company	(76 085)	1,0%	(75 335)	(148 598)
Bonuses and provisions	(6 972)	-57,3%	(16 313)	(31 701)
Post retirement medical aid costs	(5 237)	2,5%	(5 107)	(9 106)
Defined benefit pension fund gain	9 454	7,2%	8 816	16 494
Indirect staff costs	(1 208)	-51,5%	(2 490)	(6 365)
	<b>(80 048)</b>	<b>-11,5%</b>	<b>(90 429)</b>	<b>179 276</b>

## 13. Earnings per share

### 13.1 Basic earnings per share

Profit attributable to equity holders of Business Partners Limited	52 893	-44,5%	95 330	53 484
Weighted number of ordinary shares in issue ('000)	173 001	0,0%	173 001	173 001
Basic earnings per share (cents)	30,6	-44,5%	55,1	30,9

### 13.2 Headline earnings per share

#### Determination of headline earnings

Profit attributable to equity holders of Business Partners Limited	52 893	-44,5%	95 330	53 484
Adjustments net of tax				
Capital loss / (profit) on sale of equipment	14	> 100%	(31)	(120)
Profit on sale of associates	11 514	> 100%	(17 895)	(39 365)
Profit on sale of property investments	-	-100,0%	(1 389)	(3 872)
Fair value movement of investment properties	-	-100,0%	(21 253)	48 945
Headline earnings	<b>64 421</b>	<b>17,6%</b>	<b>54 762</b>	<b>59 072</b>
Headline earnings per share (cents)	37,2	17,6%	31,7	34,1

## 14. Dividend

No dividend was declared in respect of the 2020 financial year (2019: 23 cents per share).

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

## 15. Cash flow statement

### 15.1 Non-cash adjustments

	Unaudited results for the period ended 30 September			Audited 31 March
	2020 R'000	% Change	2019 R'000	2020 R'000
Income from associated companies	(2 325)	-81,4%	(12 512)	(16 339)
Surplus on sale of assets	(14 838)	-40,4%	(24 890)	(55 873)
Fair value adjustment of investment properties	-	-100,0%	(27 388)	63 073
Fair value adjustment of financial instruments	6 706	> 100%	(4 686)	(13 339)
Depreciation	2 002	-61,6%	5 208	10 510
Net credit losses (refer note 11)	39 102	-4,3%	40 847	181 285
Loans and receivables written off	12 108	-44,8%	21 924	94 303
Legal and other expenses incurred on recovery	2 748	> 100%	1 254	3 398
Impairments created	24 246	37,2%	17 669	83 584
Credit losses - rent debtors	8 481	-24,4%	11 220	6 338
Movement on post-retirement benefits	(11 854)	84,8%	(6 416)	(7 388)
	<u>27 274</u>	<u>&gt; 100%</u>	<u>(18 617)</u>	<u>168 267</u>

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

Interest income (refer note 9)	(169 241)	-11,9%	(192 207)	(416 104)
Interest expense (refer note 9)	47 270	-10,7%	52 959	117 205
	<u>(121 971)</u>	<u>-12,4%</u>	<u>(139 248)</u>	<u>(298 899)</u>

### 15.3 Adjustment for net interest received in cash

Interest income received in cash	91 417	-49,7%	181 921	357 650
Interest expense paid in cash	(35 404)	-22,2%	(45 535)	(117 204)
	<u>56 013</u>	<u>-58,9%</u>	<u>136 386</u>	<u>240 446</u>

### 15.4 Other movements in assets and liabilities

Provisions	(22 174)	63,2%	(13 587)	(5 598)
Increase in assets held for resale	14 067	100,0%	-	(910)
Decrease / (increase) in accounts receivable	9 202	> 100%	4 345	7 813
(Decrease) / increase in accounts payable	(16 367)	> 100%	(7 552)	2 994
	<u>(15 272)</u>	<u>-9,1%</u>	<u>(16 794)</u>	<u>4 299</u>

### 15.5 Taxation paid

Taxation (liability) / asset - beginning of the year	47 687	> 100%	(4 060)	(4 060)
Tax provision for the period	(18 621)	-43,3%	(32 866)	(24 201)
Deferred tax	229	> 100%	(8 972)	(44 999)
Tax paid by associate companies	1 672	-25,3%	2 238	3 286
Taxation (asset) / liability - end of the period	(20 236)	> 100%	(6 614)	(47 730)
	<u>10 731</u>	<u>&gt; 100%</u>	<u>(50 274)</u>	<u>(117 704)</u>

	Unaudited results for the period ended 30 September		Audited 31 March
	2020 R'000	% Change	2019 R'000

### 15.6 Dividends paid

Dividends payable - beginning of the year	(2 415)	25,5%	(1 925)	(1 925)
Dividends declared	-	-100,0%	(39 790)	(39 790)
Dividends payable - end of the period	2 415	-11,9%	2 740	2 415
	<u>-</u>	<u>-100,0%</u>	<u>(38 975)</u>	<u>(39 300)</u>

## 16 Commitments

### Capital commitments

Loans and receivables approved but not advanced	275 213	-39,5%	455 241	309 718
Capital committed in respect of purchases of property	11 973	-76,4%	50 789	20 593
	<u>287 186</u>	<u>-43,2%</u>	<u>506 030</u>	<u>330 311</u>

### Operating lease commitments

Unexpired portion of lease agreements	18 829	-29,3%	26 615	20 971
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## 17. Related parties

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

## 18. Going Concern

The going concern status is evaluated based on the most relevant and up to date information which included the effects of the Covid-19 pandemic on the economy and on the SME clients.

It is the directors' opinion that the Group is and will continue to be a going concern for the foreseeable future and that the going concern basis is therefore appropriate for the preparation of these interim financial statements.

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