

Sometimes fertilizer just isn't enough

Providing SMEs with the finance and the know-how to flourish

Interim unaudited condensed financial statements for the period ended 30 September 2012

Interim consolidated statement of financial position

Notes	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
Assets				
Non-current assets				
	2 669 806	7,3%	2 488 956	2 636 163
	Investment properties	21,6%	611 736	679 940
4	1 674 754	3,4%	1 619 244	1 707 519
	Loans and receivables	-10,2%	84 063	77 143
	Investments in associates	1,2%	88 287	88 830
	Property and equipment	0,6%	85 626	82 731
	Defined benefit pension fund surplus			
Current assets				
	434 054	18,7%	365 695	394 930
4	328 233	5,8%	310 178	327 882
	Loans and receivables	>100%	2 081	5 621
	Assets held for resale	3,9%	24 704	25 574
	Accounts receivable	-	-	-
	Current income tax asset	>100%	28 732	35 853
	Cash and cash equivalents			
Total assets	3 103 860	8,7%	2 854 651	3 031 093
Equity and liabilities				
Capital and reserves				
	2 469 333	3,5%	2 384 993	2 440 513
5	178 835	-	178 835	178 835
	Share capital	-	(15 292)	(15 292)
5	(15 292)	-		
	Treasury shares	-0,6%	48 311	49 552
	Fair value and other reserves	3,9%	2 173 139	2 227 418
	Retained earnings			
Non-controlling interest				
	1 159	-42,1%	2 003	1 000
Non-current liabilities				
	540 827	83,6%	294 493	294 407
6	430 987	>100%	211 363	195 014
	Borrowings	11,4%	69 639	75 631
	Provision for post-retirement medical aid	>100%	13 491	23 762
	Deferred tax liability			
Current liabilities				
	92 541	-46,6%	173 162	295 173
6	29 611	-70,1%	98 917	216 616
	Borrowings	-5,0%	38 149	36 017
	Accounts payable	-19,2%	31 261	36 645
	Provisions	-	4 050	5 824
	Current income tax liability	81,7%	785	71
	Shareholders for dividend			
Total equity and liabilities	3 103 860	8,7%	2 854 651	3 031 093

Interim consolidated statement of comprehensive income

	Notes	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
Net interest income	7	110 702	0,8%	109 853	218 996
Interest income		127 104	5,6%	120 357	241 776
Interest expense		(16 402)	56,2%	(10 504)	(22 780)
Fee revenue		2 297	-37,2%	3 657	8 484
Investment income and gains	8	22 747	-28,6%	31 861	90 049
Net property revenue		39 540	21,8%	32 464	63 993
Property revenue		72 784	17,5%	61 959	130 017
Property expenses		(33 244)	12,7%	(29 495)	(66 024)
Management and service fee income		10 377	49,3%	6 949	16 521
Other income		4 802	14,4%	4 197	5 251
Total income		190 465	0,8%	188 981	403 294
Net credit losses	9	(23 973)	-18,5%	(29 424)	(65 045)
Staff costs	10	(67 926)	-3,5%	(70 392)	(147 585)
Other operating expenses		(27 928)	0,6%	(27 748)	(52 763)
Profit before taxation		70 638	15,0%	61 417	137 901
Income tax expense		(17 657)	13,6%	(15 542)	(37 855)
Profit for the period		52 981	15,5%	45 875	100 046
Other comprehensive income after tax					
Net actuarial loss on post retirement benefits		(1 811)	-80,6%	(9 330)	(7 734)
Fair value adjustment of available for sale instruments		(2)	-88,2%	(17)	(2)
Foreign currency translation reserve movement		210	-51,5%	433	443
Share of other comprehensive income of associates		91	-	-	(380)
Total comprehensive income for the period		51 469	39,3%	36 961	92 373
Profit attributable to:					
Equity holders of Business Partners Limited		52 822	15,3%	45 800	100 079
Non-controlling interests		159	>100%	75	(33)
		52 981	15,5%	45 875	100 046
Total comprehensive income attributable to:					
Equity holders of Business Partners Limited		51 310	39,1%	36 886	92 406
Non-controlling interests		159	>100%	75	(33)
		51 469	39,3%	36 961	92 373
Earnings per share					
Basic earnings per share (cents)	11.1	30,5	15,1%	26,5	57,8
Headline earnings per share (cents)	11.2	24,4	60,2%	15,2	24,1

Interim consolidated statement of changes in equity

	Notes	Share capital R000	Fair value and other reserves R000	Retained earnings R000	Total R000
Balance at 1 April 2011		163 543	57 225	2 146 782	2 367 550
Total comprehensive income for the period			(8 914)	45 800	36 886
Profit for the period				45 800	45 800
Other comprehensive income for the period			(8 914)		(8 914)
Movement in retained earnings of associates				1 317	1 317
Dividend	12			(20 760)	(20 760)
Balance at 30 September 2011		163 543	48 311	2 173 139	2 384 993
Balance at 1 April 2012		163 543	49 552	2 227 418	2 440 513
Total comprehensive income for the period			(1 512)	52 822	51 310
Profit for the period				52 822	52 822
Other comprehensive income for the period			(1 512)		(1 512)
Dividend	12			(22 490)	(22 490)
Balance at 30 September 2012		163 543	48 040	2 257 750	2 469 333



Interim consolidated statement of cash flow

	Notes	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
Cash flow from operating activities					
Cash received from customers		215 053	4,7%	205 391	412 281
Cash paid to suppliers and employees		(140 938)	17,7%	(119 700)	(246 122)
Cash generated from operating activities	13.1	74 115	-13,5%	85 691	166 159
Interest paid		(13 781)	28,0%	(10 766)	(23 055)
Income tax paid		(15 029)	>100%	(5 740)	(14 240)
Dividend paid		(21 135)	3,9%	(20 347)	(21 061)
Net cash flow resulting from operating activities		24 170	-50,5%	48 838	107 803
Cash flow from investing activities					
Capital expenditure on					
– investment properties		(62 856)	>100%	(28 812)	(96 864)
– property and equipment		(1 985)	>100%	(803)	(3 324)
Proceeds from sale of					
– investment properties		8 300	>100%	2 405	27 388
– property and equipment		87	40,3%	62	129
Loans and receivables advanced		(188 940)	-27,8%	(261 582)	(599 705)
Loans and receivables repaid		190 393	7,5%	177 137	364 704
Proceeds from sale of unlisted investments		4 490	-43,8%	7 991	46 260
Interest received from other investments		2 104	>100%	798	1 068
Dividends received from other investments		7 721	54,4%	5 001	8 150
Net cash flow resulting from investing activities		(40 686)	-58,4%	(97 803)	(252 194)
Cash flow from financing activities					
Long-term borrowings: capital drawdown		250 000	-	-	-
Long-term borrowings repaid		(15 349)	30,2%	(11 785)	(25 825)
Net cash flow resulting from financing activities		234 651	>100%	(11 785)	(25 825)
Movement in cash and cash equivalents		218 135	>100%	(60 750)	(170 216)
Cash and cash equivalents - beginning of period		(152 451)	>100%	17 765	17 765
Cash and cash equivalents - end of period	13.2	65 684	>100%	(42 985)	(152 451)

Notes to the interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2012 was prepared in accordance with IAS 34, 'Interim financial reporting', and the Companies Act 71 of 2008. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2012, 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

The preparation of the interim financial statements requires management to make 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 by management and the key sources of estimation uncertainty were similar to those that applied in preparing the consolidated financial statements for the year ended 31 March 2012.

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 2012.

	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
Investment in <i>En Commandite</i> partnerships	10 746	-34,5%	16 395	13 562
Available-for-sale financial assets	317	5,7%	300	320
Gross loans and receivables	2 150 660	3,4%	2 080 296	2 189 324
Less: Allowance for impairment	(158 736)	-5,3%	(167 569)	(167 805)
Less: Short-term portion	(328 233)	5,8%	(310 178)	(327 882)
	1 674 754	3,4%	1 619 244	1 707 519
Reconciliation of allowance for impairment:				
<i>Specific impairments</i>				
Balance at the beginning of the period	131 677	-8,1%	143 343	143 343
Net movement in allowance for specific impairments	(9 408)	18,4%	(7 944)	(11 666)
Balance at the end of the period	122 269	-9,7%	135 399	131 677
<i>Portfolio impairment</i>				
Balance at the beginning of the period	36 128	19,6%	30 199	30 199
Net movement in allowance for portfolio impairment	339	-82,8%	1 971	5 929
Balance at the end of the period	36 467	13,4%	32 170	36 128
Total	158 736	-5,3%	167 569	167 805

4. Loans and receivables

Notes to the interim financial statements

	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
5. Share capital				
Authorised				
400 000 000 ordinary shares	400 000	-	400 000	400 000
Issued				
178 834 594 ordinary shares	178 835	-	178 835	178 835
5 834 000 treasury shares	(15 292)	-	(15 292)	(15 292)
173 000 594 ordinary shares	163 543	-	163 543	163 543
6. Borrowings				
Non-current				
Interest-free long-term borrowings	173	-92,4%	2 277	173
Interest-bearing long-term borrowings	430 814	>100%	209 086	194 841
	430 987	>100%	211 363	195 014
Current				
Short-term portion of long-term borrowings	29 611	8,9%	27 200	28 312
Bank overdraft	-	-100,0%	71 717	188 304
	29 611	-70,1%	98 917	216 616
	460 598	48,4%	310 280	411 630

During the six month period ended 30 September 2012, the Group received R250 million in funding from a loan facility made available by the Public Investment Corporation amounting to R400 million.

7. Net interest revenue

Interest income	127 104	5,6%	120 357	241 776
Interest on loans and receivables	99 042	2,8%	96 382	192 371
Royalty fees	25 958	12,0%	23 177	48 336
Interest on surplus funds	2 104	>100%	798	1 069
Interest expense	(16 402)	56,2%	(10 504)	(22 780)
Interest bearing borrowings	(16 402)	59,4%	(10 287)	(20 132)
Bank overdraft	-	-100,0%	(217)	(2 648)
	110 702	0,8%	109 853	218 996

8. Investment income and gains

Investment income	4 408	-32,2%	6 503	35 651
Surplus on realisation of unlisted investments	2 995	-50,1%	5 998	28 159
Surplus on realisation of investment properties	1 410	>100%	502	7 488
Dividends received	3	0,0%	3	4
Investment gains	18 339	-27,7%	25 358	54 398
Income from associated companies	9 624	8,0%	8 914	20 388
Fair value movement of investment properties	12 526	-22,0%	16 059	33 892
Impairment of investment property: insured loss	(3 928)	-	-	-
Net foreign exchange rate differences	117	-69,6%	385	118
	22 747	-28,6%	31 861	90 049

Notes to the interim financial statements

	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
9. Net credit losses				
Loans and receivables written off	(39 225)	-6,8%	(42 072)	(84 880)
Legal expenses incurred on recovery	(2 076)	94,9%	(1 065)	(3 239)
Impairments released	9 069	>100%	5 973	5 737
Portfolio impairments	(339)	-82,8%	(1 971)	(5 929)
Specific impairments	9 408	18,4%	7 944	11 666
Written off loans and receivables recovered	8 259	6,7%	7 740	17 337
	(23 973)	-18,5%	(29 424)	(65 045)
10. Staff costs				
Salaries	(51 165)	6,5%	(48 020)	(95 094)
Bonuses and provisions	(13 809)	17,1%	(11 794)	(24 216)
Defined benefit pension fund costs	-	-100,0%	(3 796)	(14 675)
Return on defined benefit pension fund surplus	5 808	-	-	-
Retirement fund contributions	(4 637)	>100%	(2 080)	(4 491)
Post retirement medical aid costs	(2 752)	3,7%	(2 654)	(5 383)
Indirect staff costs	(1 371)	-33,1%	(2 048)	(3 726)
	(67 926)	-3,5%	(70 392)	(147 585)
11. Earnings per share				
11.1 Basic earnings per share				
Profit for the period	52 822	15,3%	45 800	100 079
Weighted number of ordinary shares in issue ('000)	173 001	-	173 001	173 001
Basic earnings per share (cents)	30,5	15,1%	26,5	57,8
11.2 Headline earnings per share				
Profit for the period	52 822	15,3%	45 800	100 079
Adjustments net of tax				
Surplus on sale of property and equipment	(47)	>100%	(52)	(107)
Surplus on realisation of unlisted investments	(2 436)	>100%	(432)	(6 456)
Surplus on realisation of investment properties	(1 147)	>100%	(5 158)	(24 217)
Fair value movement of investment properties	(10 190)	-26,2%	(13 811)	(27 608)
Impairment of investment property: insured loss	3 196	-	-	-
Headline earnings	42 198	60,2%	26 347	41 691
Headline earnings per share (cents)	24,4	60,2%	15,2	24,1

12. Dividend

A dividend in respect of the year ended March 2012 of 13 cents per share (2011:12 cents per share) was declared on 23 May 2012 and paid on 24 August 2012 to shareholders registered on 14 August 2012. The dividend was subject to a withholding tax of 15 percent or 1,7 cents per share. A net dividend of 11,3 cents per share was paid to shareholders who are not exempt from dividends withholding tax or subject to a reduced rate. Consistent with the prior year's interim period, no interim dividend has been declared.

Notes to the interim financial statements

	2012 R000	Unaudited 30 September % Change	2011 R000	Audited 31 March 2012 R000
13. Cash flow statement				
13.1 Cash generated from operating activities				
Profit before taxation	70 638	15,0%	61 417	137 901
Adjustments	8 829	-58,5%	21 268	31 792
Interest on surplus funds	(2 104)	>100%	(798)	(1 069)
Interest expense	16 402	52,3%	10 766	23 055
Movement in fair value of financial instruments	(4 700)	>100%	(1 545)	(7 678)
Surplus on realisation of assets	(4 464)	-32,0%	(6 560)	(35 771)
Dividends received	(3)	0,0%	(3)	(4)
Income from associated companies	(9 624)	8,0%	(8 914)	(20 388)
Fair value movement investment properties	(12 526)	-22,0%	(16 059)	(33 938)
Impairment of investment property: insured loss	3 928	-	-	-
Unrealised net foreign exchange rate differences	210	-51,5%	433	444
Fair value adjustment of assets held for resale	-	-	-	46
Depreciation	1 898	21,4%	1 564	3 270
Provisions and write-offs	19 812	-53,3%	42 384	103 826
Changes in working capital	(5 352)	>100%	3 006	(3 535)
(Increase) / decrease in assets held for resale	(5 510)	>100%	(885)	(4 425)
(Increase) / decrease in accounts receivable	(85)	-94,5%	(1 532)	(2 402)
Increase / (decrease) in accounts payable	243	-95,5%	5 423	3 292
	74 115	-13,5%	85 691	166 159

13.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement includes deposits, bank current accounts and bank overdrafts.

14. Commitments and contingent liabilities

Loans and receivables approved not yet advanced	377 702	-3,1%	389 631	237 078
Capital committed to <i>En Commandite</i> partnerships	15	7,1%	14	35
Capital committed in respect of purchase of building	15 250	-	-	-
Unexpired portion of lease agreements	4 528	-51,6%	9 358	7 037
Guarantees	-	-100,0%	400	4 040

15. Related parties

15.1 Loans to / from related parties

Loans to associates	797 447	6,1%	751 919	800 603
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All other loans to and from related parties (subsidiaries) were eliminated on consolidation to determine the Group's interim results.

15.2 Directors' remuneration

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

16. Reclassifications

During the period under review, the statement of comprehensive income was reclassified to reflect the operating activities of the Group more appropriately. Comparative information was reclassified to be consistent with the current period disclosure. The reclassification did not affect Total Comprehensive Income for the prior periods as previously disclosed.

Comments

Business Activities

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

Operational Results

During the period under review, 164 investments, amounting to R510,0 million, were approved. (September 2011: 183 investments amounting to R504,0 million). The marginal improvement in investment volumes is satisfactory considering the difficult market conditions prevailing over the period.

Investments advanced amounted to R268,6 million, 10,3 percent less than the R299,6 million advanced for the period ended September 2011. Advances have been disappointing at 37,0 percent less than targeted levels, but lower advances resulted in commitments – investments approved, but not yet advanced – increasing to R374,9 million at the end of September 2012. The growth of 58,1 percent from the R237,1 million under commitment at the end of March 2012 should result in stronger levels of investment advances during the latter half of the financial year. The credit risk in the investment portfolio has also improved significantly over the past 12 months.

Financial Overview

Total income increased marginally to R191,6 million for the period (September 2011: R190,3 million). Net interest income remained stable despite the 50 basis points decrease in the prime interest rate. Net property revenue increased by 20,4 percent, largely due to growth in the investment property portfolio.

The decrease of 23,6 percent in net credit losses to R25,2 million for the period is encouraging and reflects the improvement in the credit quality of the investment portfolio. Investments written off during the period decreased by 4,7 percent and amounted to R40,1 million (September 2011: R42,1 million). The total allowance for impairment of loans and receivables amounted to R158,7 million (7,3 percent of the portfolio) in September 2012, a decrease from the R167,6 million (7,6 percent of the portfolio) reported in March 2012.

Staff costs amounted to R67,9 million, a 3,5 percent decrease compared to the period ended September 2011. The decrease in total staff costs resulted primarily from a R5,8 million net return on the defined benefit pension fund surplus. Salaries amounted to R51,1 million for the period, an increase of 6,5 percent compared to the same period last year.

The net profit attributable to shareholders amounts to R52,8 million for the six months ended September 2012, a R7,0 million (15,3 percent) improvement on the R45,8 million profit reported for the same period last year. The adjustment made to profit in arriving at headline earnings relates to the re-measurement and the disposal of assets. This adjustment amounted to R10,6 million for the period, 45,4 percent less than the comparable period last year. Headline earnings therefore increased by R15,9 million from R26,3 million in September 2011 to R42,2 million for the current period, a 60,2 percent year on year increase in headline earnings.

Future prospects

International developments, such as the sovereign debt challenges in Europe, increases in oil prices and low growth expectations in first world economies, continue to have a negative effect on the South African economy. Recent local developments, such as the labour unrest and political uncertainty, have negatively impacted South Africa's credit rating, as well as short-term economic growth prospects. The achievement of social and economic objectives such as the Government's job creation initiatives, the expanded public works programme and infrastructure development programmes may be adversely affected. All of these factors contribute to uncertainty and lack of business confidence, especially amongst SME entrepreneurs.

The lending and investment environment remains challenging with deal flow levels declining year on year. In addition, a higher than normal level of investments approved are withdrawn by SME entrepreneurs before the disbursement of funds. The targeted investment levels for the financial year ending March 2013 remains under pressure.

Business Partners has continued with focussed programmes to improve efficiency and cost effectiveness and has carefully managed the cost structures without compromising the capacity to invest. The Company is well positioned to take advantage of increases in deal flow should the economic environment improve.

The risk profile of the investment portfolio has improved, and despite the still high level of non-performing investments, debt collection and turnaround initiatives are gaining traction in improving the credit quality of the investment portfolio. SMEs will always be vulnerable to broader economic adversity, and much of any anticipated improvement will be dependent on the absence of further deterioration in broad economic developments and an improvement in business confidence.

Profit realised during the second half of the financial year usually exceeds the profit realised during the period under review. It is reasonable to expect that, based on the results of the period under review, the profit for the full financial year ending March 2013 should exceed the profit realised for the financial year ended March 2012.

On behalf of the board



T van Wyk
Chairman



N Martin
Managing Director

13 November 2012

The Interim Condensed Financial Statements have been reviewed by the Chief Financial Officer, BD Bierman.

Directors: T van Wyk (Chairman), N Martin (Managing Director)*, C Botes*, JW Dreyer, DR Geeringh, Dr P Huysamer, Dr E Links, ZJ Matlala, F Meisenholl, D Moshapalo, SST Ncgobo, Dr ZZR Rustomjee, VO Twala, G van Biljon*, NJ Williams.

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