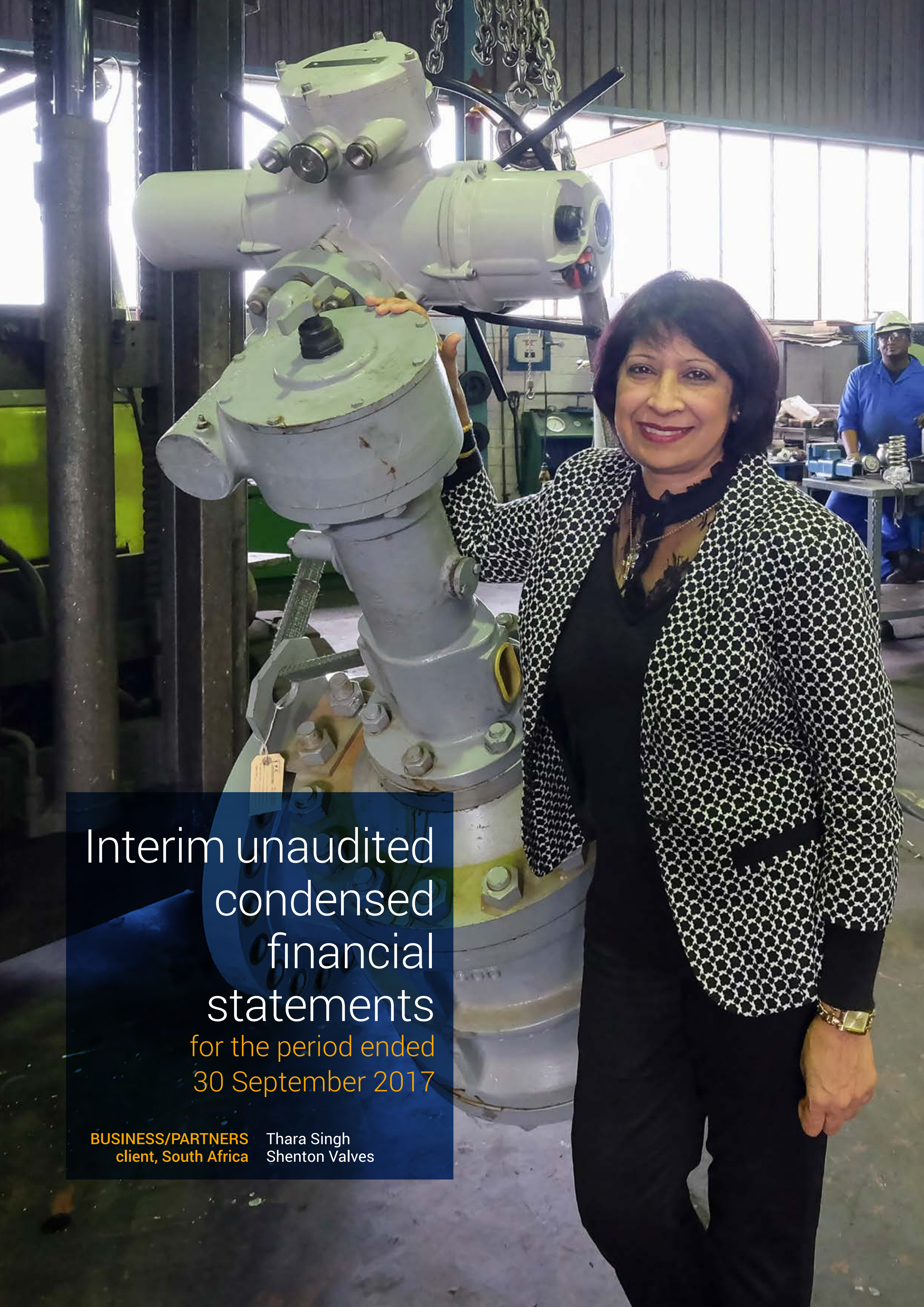
BUSINESS/PARTNERS

Investing in entrepreneurs

INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Contents



Interim unaudited condensed financial statements

for the period ended 30 September 2017

BUSINESS/PARTNERS client, South Africa

Thara Singh
Shenton Valves

Interim consolidated statement of financial position

	Notes	Unaudited results for the period ended 30 September 2017 R000	% Change	2016 R000	Audited 31 March 2017 R000
Assets					
Non-current assets		**4 223 899**	7,2%	3 940 664	4 180 514
Investment properties		**1 386 942**	6,1%	1 307 737	1 360 269
Loans and receivables	4	**2 343 647**	7,3%	2 184 649	2 335 288
Investments in associates		**108 551**	20,5%	90 095	112 671
Property and equipment		**96 462**	–1,2%	97 642	96 908
Deferred tax asset		**113 310**	12,1%	101 116	112 194
Defined benefit pension fund surplus		**174 987**	9,8%	159 425	163 184
Current assets		**598 203**	18,4%	505 131	578 100
Loans and receivables	4	**470 670**	20,4%	390 926	448 011
Assets held for resale		**29 237**	> 100%	2 156	4 508
Accounts receivable		**38 565**	–12,0%	43 834	36 806
Current income tax asset		**–**	–	12 745	–
Cash and cash equivalents	14.2	**59 731**	7,7%	55 470	88 775
Total assets		**4 822 102**	8,5%	4 445 795	4 758 614
Equity and liabilities					
Capital and reserves		**3 244 406**	6,1%	3 057 872	3 177 613
Share capital	6	**173 001**	–	173 001	173 001
Fair value and other reserves		**67 490**	–4,2%	70 440	64 918
Retained earnings		**3 003 915**	6,7%	2 814 431	2 939 694
Non-controlling shareholders' interest		**–141**	–	–141	–141
Total equity		**3 244 265**	6,1%	3 057 731	3 177 472
Non-current liabilities		**1 402 801**	13,6%	1 234 546	1 357 646
Borrowings	7	**1 084 326**	15,7%	937 303	1 051 580
Post-employment medical benefits		**94 889**	–1,4%	96 257	92 849
Deferred tax liability		**223 586**	11,2%	200 986	213 217
Current liabilities		**175 036**	14,0%	153 518	223 496
Borrowings	7	**61 201**	25,1%	48 903	79 862
Accounts payable		**77 276**	10,8%	69 768	70 490
Provisions		**28 066**	–14,9%	32 970	52 413
Current income tax liability		**6 608**	–	–	19 792
Shareholders for dividend		**1 885**	0,4%	1 877	939
Total liabilities		**1 577 837**	13,7%	1 388 064	1 581 142
Total equity and liabilities		**4 822 102**	8,5%	4 445 795	4 758 614

Interim consolidated statement of comprehensive income

	Notes	Unaudited results for the period ended 30 September 2017 R000	% Change	2016 R000	Audited 31 March 2017 R000
Net interest revenue	8	**149 011**	6,0%	140 529	290 776
Interest income		**201 335**	8,6%	185 442	382 807
Interest expense		**(52 324)**	16,5%	(44 913)	(92 031)
Fee revenue		**5 989**	25,7%	4 765	13 454
Investment income and gains	9	**51 985**	32,1%	39 345	141 268
Net property revenue		**69 274**	7,9%	64 198	127 522
Property revenue		**127 979**	5,7%	121 114	244 449
Property expenses		**(58 705)**	3,1%	(56 916)	(116 927)
Management and service fee income		**15 499**	−16,6%	18 579	36 047
Other income		**3 142**	15,5%	2 721	4 288
Total income		**294 900**	9,2%	270 137	613 355
Net credit losses	10	**(42 896)**	12,9%	(37 983)	(80 958)
Staff costs	11	**(82 270)**	−3,4%	(85 145)	(174 191)
Other operating expenses		**(33 571)**	−6,1%	(35 742)	(66 223)
Profit before taxation		**136 163**	22,4%	111 267	291 983
Income tax expense		**(35 612)**	21,1%	(29 399)	(84 852)
Profit for the period		**100 551**	22,8%	81 868	207 131
Other comprehensive income after tax					
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefits		**3 034**	> 100%	(1 388)	2 550
Items that may be subsequently reclassified to profit or loss					
Fair value adjustment of available-for-sale instruments		**8**	−33,3%	12	(6 956)
Foreign currency translation reserve movement		**(77)**	> 100%	63	(2 429)
Share of associates' other comprehensive results		**(393)**	> 100%	(146)	(146)
Other comprehensive income for the period		**2 572**	> 100%	(1 459)	(6 981)
Total comprehensive income for the period		**103 123**	28,2%	80 409	200 150
Profit attributable to:					
Equity holders of Business Partners Limited		**100 551**	22,8%	81 868	207 131
Non-controlling interests		**–**	–	–	–
		100 551	22,8%	81 868	207 131
Total comprehensive income attributable to:					
Equity holders of Business Partners Limited		**103 123**	28,2%	80 409	200 150
Non-controlling interests		**–**	–	–	–
		103 123	28,2%	80 409	200 150

Interim consolidated statement of changes in equity

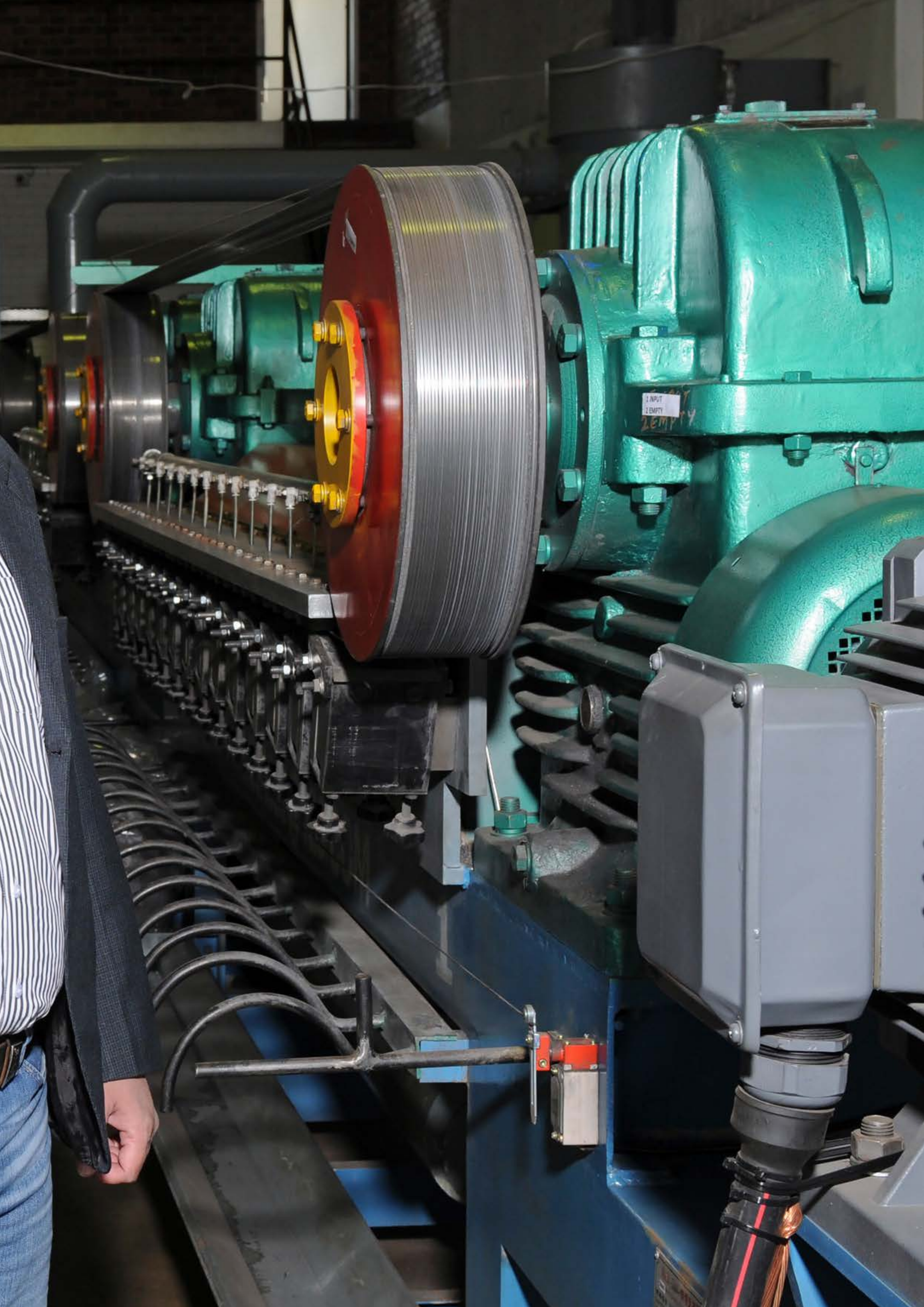
	Notes	Share capital R000	Fair value and other reserves R000	Retained earnings R000	Total R000
Balance at 1 April 2016		173 001	71 899	2 767 163	3 012 063
Total comprehensive income for the period			(1 459)	81 868	80 409
Profit for the period				81 868	81 868
Other comprehensive income for the period			(1 459)		(1 459)
Dividend	13			(34 600)	(34 600)
Balance at 30 September 2016		173 001	70 440	2 814 431	3 057 872
Balance at 1 April 2017		**173 001**	**64 918**	**2 939 694**	**3 177 613**
Total comprehensive income for the period			**2 572**	**100 551**	**103 123**
Profit for the period				**100 551**	**100 551**
Other comprehensive income for the period			**2 572**		**2 572**
Dividend	13			**(36 330)**	**(36 330)**
Balance at 30 September 2017		**173 001**	**67 490**	**3 003 915**	**3 244 406**

Interim consolidated statement of cash flows

	Notes	Unaudited results for the period ended 30 September 2017 R000	% Change	2016 R000	Audited 31 March 2017 R000
Cash flow from operating activities					
Cash received from clients		**328 244**	–2,0%	334 936	697 887
Cash paid to suppliers and employees		**(197 287)**	–5,2%	(208 177)	(362 407)
Cash generated from operating activities	14.1	**130 957**	3,3%	126 759	335 480
Finance cost		**(41 969)**	–1,1%	(42 447)	(92 031)
Taxation paid		**(39 817)**	24,5%	(31 991)	(46 334)
Dividends paid		**(35 384)**	4,6%	(33 817)	(34 755)
Net cash flow from operating activities		**13 787**	–25,5%	18 504	162 360
Cash flow from investing activities					
Capital expenditure on					
• investment properties		**(16)**	–100,0%	(43 643)	(59 314)
• property and equipment		**(954)**	–48,2%	(1 843)	(3 643)
Proceeds from sale of					
• investment properties		**5 871**	–28,5%	8 214	15 755
• property and equipment		**44**	83,3%	24	46
Loans and receivables advanced		**(304 001)**	6,6%	(285 238)	(772 533)
Loans and receivables repaid		**225 825**	–9,7%	249 959	452 634
Proceeds from sale of investments in associates		**11 786**	–61,1%	30 323	62 682
Interest received from other investments		**4 484**	8,1%	4 148	6 859
Dividends received from investments in associates		**10 400**	> 100%	565	1 770
Net cash flow from investing activities		**(46 561)**	24,2%	(37 491)	(295 744)
Cash flow from financing activities					
Utilisation of long-term borrowings		**41 050**	36,8%	30 000	205 000
Repayment of long-term borrowings		**(37 320)**	61,0%	(23 181)	(50 479)
Net cash flow from financing activities		**3 730**	–45,3%	6 819	154 521
Net movement in cash and cash equivalents		**(29 044)**	> 100%	(12 168)	21 137
Cash and cash equivalents at beginning of period		**88 775**	31,3%	67 638	67 638
Cash and cash equivalents at end of period	14.2	**59 731**	7,7%	55 470	88 775

Notes to the interim financial statements

BUSINESS/PARTNERS client, South Africa
Hifzur Rehman
Eazy Brite


1 INPUT
2 EMPTY

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2017 were 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 consolidated annual financial statements for the year ended 31 March 2017, 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 condensed consolidated 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 annual financial statements for the year ended 31 March 2017.

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 2017.

4. Loans and receivables

	Unaudited results for the period ended 30 September			Audited 31 March
	2017 R000	**% Change**	2016 R000	**2017** R000
Investment in *En Commandite* partnerships	**–**	–	–	1 218
Available–for–sale financial assets	**42 620**	45,2%	29 345	33 206
Gross loans and receivables	**3 003 784**	9,3%	2 748 502	2 964 202
Less: Allowance for impairment	**(232 087)**	14,7%	(202 272)	(215 327)
Carrying value of loans and receivables	**2 814 317**	9,3%	2 575 575	2 783 299
Long–term portion	**2 343 647**	7,3%	2 184 649	2 335 288
Short–term portion	**470 670**	20,4%	390 926	448 011
	2 814 317	9,3%	2 575 575	2 783 299
Reconciliation of allowance for impairment:				
Specific impairments				
Balance at the beginning of the period	**159 608**	25,6%	127 055	127 055
Net movement in allowance for specific impairments	**17 669**	–11,3%	19 922	32 553
Balance at the end of the period	**177 277**	20,6%	146 977	159 608
Portfolio impairment				
Balance at the beginning of the period	**55 719**	–1,2%	56 389	56 389
Net movement in allowance for portfolio impairment	**(909)**	–16,9%	(1 094)	(670)
Balance at the end of the period	**54 810**	–0,9%	55 295	55 719
Total	**232 087**	14,7%	202 272	215 327

5. Fair values of assets and liabilities

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 R000	Level 2 R000	Level 3 R000	Total R000
At 30 September 2017				
Available-for-sale financial assets	**285**	**–**	**42 335**	**42 620**
Investment properties	**–**	**–**	**1 386 942**	**1 386 942**
	285	**–**	**1 429 277**	**1 429 562**
At 30 September 2016				
Available-for-sale financial assets	342	–	29 003	29 345
Investment properties	–	–	1 307 737	1 307 737
	342	–	1 336 740	1 337 082
At 31 March 2017				
Available-for-sale financial assets	274	–	32 932	33 206
Investment properties	–	–	1 360 269	1 360 269
	274	–	1 393 201	1 393 475

The above available-for-sale investments comprise listed and unlisted shares, both of which 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 investment properties is performed internally by suitably qualified personnel, based on a capitalised income method. If the yield on the portfolio changes by 0,5 percent, the Group's profit before tax will change by R3,7 million (September 2016 : R3,1 million).

During the six month period to September 2017, 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
	2017 **R000**	**% Change**	2016 R000	**2017** R000
Available-for-sale financial assets				
Fair value — beginning of period	**33 206**	13,2%	29 328	29 328
Disposals	**–**	–	–	–
Acquisitions	**9 403**	–	–	16 089
Fair value adjustments through comprehensive income	**11**	–35,3%	17	(12 211)
Fair value — end of period	**42 620**	45,2%	29 345	33 206
Investment properties				
Fair value — beginning of period	**1 360 269**	8,6%	1 252 104	1 252 104
Acquisitions	**60**	–99,8%	39 256	59 314
Improvements	**135**	–95,9%	3 326	3 901
Disposals	**(3 290)**	–45,5%	(6 034)	(11 145)
Fair value adjustments through profit and loss	**29 768**	56,0%	19 085	56 095
Fair value — end of period	**1 386 942**	6,1%	1 307 737	1 360 269

	Unaudited results for the period ended 30 September			Audited 31 March
	2017 R000	% Change	2016 R000	**2017** R000

6. Share capital

Authorised				
400 000 000 ordinary shares of R1 each	**400 000**	–	400 000	400 000
Issued				
173 000 594 (2016: 173 000 594) ordinary shares of R1 each	**173 001**	–	173 001	173 001

7. Borrowings

Non-current				
Interest-free long-term loans	**–**	–100,0%	173	173
Interest-free Jobs Fund loan	**42 378**	91,7%	22 107	41 831
Interest-bearing long-term loans	**1 041 948**	13,9%	915 023	1 009 576
	1 084 326	15,7%	937 303	1 051 580
Current				
Short-term portion of long-term borrowings	**61 201**	25,1%	48 903	79 862
	61 201	25,1%	48 903	79 862
	1 145 527	16,2%	986 206	1 131 442

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 0,75 percent and prime minus one percent. The loans' repayment terms are five and 10 years.
- 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.

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. Drawdowns will take place over a three year period and the initiative will run for a period of five years. All capital recovered will be distributed in terms of the agreement.

8. Net interest revenue

Interest income	**201 335**	8,6%	185 442	382 807
Interest on loans and receivables	**158 063**	8,3%	145 982	295 628
Royalty fees	**38 788**	9,8%	35 312	80 320
Interest on surplus funds	**4 484**	8,1%	4 148	6 859
Interest expense	**(52 324)**	16,5%	(44 913)	(92 031)
	149 011	6,0%	140 529	290 776

	Unaudited results for the period ended 30 September			Audited 31 March
	2017	**% Change**	2016	**2017**
	R000		R000	R000

9. Investment income and gains

Investment income	**12 312**	−28,6%	17 234	47 829
Surplus on realisation of unlisted investments	**9 551**	−40,5%	16 065	44 251
Surplus on realisation of investment properties	**2 760**	> 100%	1 119	3 526
Dividends received	**1**	−98,0%	50	52
Investment gains	**39 673**	79,4%	22 111	93 439
Income from associated companies	**9 809**	> 100%	4 062	38 327
Fair value movement on investment properties	**29 768**	56,0%	19 085	56 095
Net foreign exchange rate differences	**96**	> 100%	(1 036)	(983)
	51 985	32,1%	39 345	141 268

10. Net credit losses

Loans and receivables written off	**(31 569)**	16,7%	(27 057)	(63 850)
Legal expenses incurred on recovery	**(1 970)**	2,2%	(1 928)	(5 422)
Impairments created	**(16 760)**	−5,6%	(17 759)	(30 813)
Portfolio impairments (created) / released	**909**	−16,9%	1 094	670
Specific impairments (created) / released	**(17 669)**	−6,3%	(18 853)	(31 483)
Recovery of loans and receivables written off	**7 403**	−15,5%	8 761	19 127
	(42 896)	12,9%	(37 983)	(80 958)

11. Staff costs

Remuneration at cost to company	**(71 393)**	2,6%	(69 577)	(135 711)
Bonuses and provisions	**(12 646)**	−23,4%	(16 499)	(36 896)
Post retirement medical aid costs	**(4 436)**	5,2%	(4 215)	(10 579)
Defined benefit pension fund gain	**7 588**	4,8%	7 243	12 990
Indirect staff costs	**(1 383)**	−34,0%	(2 097)	(3 995)
	(82 270)	−3,4%	(85 145)	(174 191)

12. Earnings per share

12.1 Basic earnings per share

Profit attributable to equity holders of Business Partners Limited	**100 551**	22,8%	81 868	207 131
Weighted number of ordinary shares in issue ('000)	**173 001**	–	173 001	173 001
Basic earnings per share (cents)	**58,1**	22,8%	47,3	119,7

	Unaudited results for the period ended 30 September			Audited 31 March
	2017 R000	% Change	2016 R000	**2017** R000

12.2 Headline earnings per share

Determination of headline earnings

	2017 R000	% Change	2016 R000	2017 R000
Profit attributable to equity holders of Business Partners Limited	**100 551**	22,8%	81 868	207 131
Adjustments net of tax				
Capital profit on sale of equipment	**(21)**	> 100%	(2)	(23)
Profit on sale of associates	**(7 412)**	−40,5%	(12 466)	(34 339)
Profit on sale of property investments	**(2 142)**	> 100%	(868)	(2 736)
Fair value movement of investment properties	**(23 100)**	56,0%	(14 810)	(43 530)
Headline earnings	**67 876**	26,3%	53 722	126 503
Headline earnings per share (cents)	**39,2**	26,3%	31,1	73,1

13. Dividend

A dividend in respect of the year ended 31 March 2017 of 21 cents per share (2016: 20 cents per share) was declared on 24 May 2017 and paid on 23 August 2017 to shareholders registered on 16 August 2017.

The dividend was subject to a withholding tax of 20 percent (2016: 15 percent).Tax payable was 4,2 cents per share (2016: 3,0 cents per share). A net dividend of 16,8 cents per share (2016: 17,0 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 interim period, no interim dividend has been declared.

14. Cash flow statement

14.1 Cash generated from operating activities

	2017 R000	% Change	2016 R000	2017 R000
Profit before taxation	**136 163**	22,4%	111 267	291 983
Adjustments for non-cash items	**(32 299)**	40,5%	(22 987)	(46 169)
Income from associated companies	**(9 809)**	> 100%	(4 062)	(38 327)
Dividends received	**(1)**	−98,0%	(50)	(52)
Surplus on sale of assets	**(12 338)**	−28,2%	(17 188)	(47 807)
Fair value adjustment of investment properties	**(29 768)**	56,0%	(19 085)	(56 095)
Fair value adjustment of financial instruments	**(4 002)**	−5,8%	(4 248)	(6 642)
Depreciation	**1 384**	−9,2%	1 525	3 013
Credit losses	**52 207**	5,6%	49 434	109 587
Movement on post-retirement benefits	**(5 548)**	6,6%	(5 203)	(2 411)
Foreign currency movements	**(77)**	> 100%	63	983
Provisions	**(24 347)**	0,7%	(24 173)	(8 418)
Changes in working capital	**(20 747)**	> 100%	(2 286)	4 494
(Increase) / decrease in assets held for resale	**(24 729)**	> 100%	(9)	(2 361)
Decrease / (increase) in accounts receivable	**(2 804)**	> 100%	(1 371)	7 040
(Decrease) / increase in accounts payable	**6 786**	> 100%	(906)	(185)
Net finance cost	**47 840**	17,4%	40 765	85 172
Cash generated from operating activities	**130 957**	3,3%	126 759	335 480

14.2 Cash and cash equivalents

	2017 R000	% Change	2016 R000	2017 R000
Bank current and call accounts	**5 429**	−64,2%	15 180	18 897
Funds held in trust on behalf of third parties (restricted)	**54 302**	34,8%	40 290	69 878
	59 731	7,7%	55 470	88 775

	Unaudited results for the period ended 30 September			Audited 31 March
	2017 R000	% Change	2016 R000	**2017** R000

15. Commitments and contingent liabilities

Commitnents

Capital commitments				
Loans and receivables approved but not advanced	**420 758**	–3,6%	436 356	329 082
Capital committed in respect of purchases of property	**101 913**	> 100%	25 248	5 219
	522 671	13,2%	461 604	334 301
Operating lease commitments				
Unexpired portion of lease agreements	**7 460**	–9,3%	8 221	5 265

Contingent liabilities

On 20 May 2015, the Company received an assessment from the Kenya Revenue Authority relating to a tax audit performed for the period November 2010 to December 2014. The matter is in an objection process with the Tax authorities and the outcome, at the date of approval of these interim financial statements is still unknown. The maximum possible liability that may result from this assessment and its effects on related funds is approximately R6,8 million (2016: R7,7 million) of which approximately R3,4 million (2016: R3,4 million) has been accounted for in the Tax Provison.

16. Related parties

16.1 Loans to / from related parties

Loans to associates	**1 215 440**	7,6%	1 129 806	1 201 084

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

BUSINESS/PARTNERS client, South Africa

Dayne Marais
Gravel Pit Motorcycles

Business Activities

Business Partners Limited (BUSINESS/PARTNERS) is a specialist financial services group offering risk finance, mentorship, and business premises to small and medium enterprises (SMEs). In addition to the South African operations, the company manages SME investment funds on behalf of international investors in East Africa (Kenya, Rwanda and Uganda) and Southern Africa (Malawi, Namibia, and Zambia). BUSINESS/PARTNERS also has an investment property portfolio, consisting of retail and industrial properties, which is managed by a dedicated team that also provides property management services to the market.

Market conditions

While the South African economy has reported some positive developments in the period under review such as a decrease in interest rates, lower reported and expected inflation as well as a better than expected trade surplus, the country's economic outlook remains depressed. Economic growth projections over the medium term have been revised downwards.

SMEs continue to be negatively affected, largely due to weak consumer spending, low growth in private sector capital formation and public sector finances that are under pressure. The current market conditions are not expected to improve significantly over the medium term.

The financial results of the Group over this period has met expectations. The commitment to play a meaningful and supporting role to the SME sector through financial assistance, as well as, the provision of technical assistance program will continue.

Operational Results

The Group approved 154 investments amounting to R584,7 million during the reporting period. The investment activity represents a marginal reduction in value approved compared to the R606,5 million (177 investments), approved during the corresponding period last year.

Investments advanced amounted to R318,6 million, 12,4 percent less than the R364,0 million advanced during the corresponding period ended 30 September 2016. Commitments — investments approved not yet advanced — increased by 13,2 percent, from R461,6 million reported on 30 September 2016 to R522,7 million as at 30 September 2017.

The credit risk in the investment portfolio increased year on year. Investments with repayment obligations in arrear represented 23,2 percent of the investment portfolio in September 2017, compared to 20,6 percent of the investment portfolio a year ago.

Net credit losses increased by 12,9 percent from R38,0 million reported in September 2016 to R42,9 million for the current period. The impairments raised against the portfolio increased to R232,1 million, representing 7,7 percent of the portfolio. (March 2017: R215,3 million, representing 7,3 percent of the portfolio).

The deterioration in credit quality reflects the adverse trading and macro–economic conditions experienced by the SME clients.

Financial Overview

Total income amounted to R294,9 million, an increase of 9,2 percent compared to the same period last year (September 2016: R270,1 million).

Net Interest revenue increased by 6,0 percent from September 2016. Interest income increased by 8,6 percent, due to the growth in the investment portfolio. Borrowings, increasing by 15,7 percent to R1084,3 million, resulted in interest expense increasing by 16,5 percent from R44,9 million to R52,3 million.

Net property revenue increased by 7,9 percent, the result of growth in the investment property portfolio, as well as an increase in rental rates compared to the prior period.

Investment income and gains amounted to R52,0 million, 32,1 percent more than the R39,3 million recorded in the comparative period. The growth is primarily due to the increase in gains resulting from the revaluation of the investment property portfolio in comparison to the previous reporting period.

Other operating expenses and staff costs decreased by 6,1 percent due to prudent expense management and the timing of marketing campaigns. The 3,4 percent reduction in staff costs is attributable to natural attrition and delays in filling vacancies as well as lower bonus provisions at half year due to lower surplus on realisation of assets as compared to September 2016 .

The net profit attributable to equity holders amounts to R100,6 million for the period, an increase of 22,8 percent from the R81,8 million profit reported for the corresponding period last year. Headline earnings increased by R14,2 million (26,3 percent) from R53,7 million in September 2016 to R67,9 million for the period under review.

Prospects

The relatively high level of commitments bodes well for achieving an increased level of advances over the remainder of the year.

The increased credit risk in the investment portfolio remains a concern. Carefully considered and appropriate interventions to minimise possible credit losses will remain a priority, with net credit losses expected to remain at the current levels for the rest of the financial year.

We will continue to apply caution in our investment decision processes and are increasing efforts in debt collection, arrears management and post–investment support. Improved technical assistance resources will be available to clients in the second part of the current year.

In the absence of major disruptions, the outlook for BUSINESS/PARTNERS' profitability remains stable for the balance of the financial year.

On behalf of the board:

T van Wyk
Chairman
15 November 2017

BD Bierman
Managing Director
15 November 2017

The preparation of the Condensed Consolidated Interim Financial Statements was supervised by Mr S Dumeko, Chief Financial Officer.

Notes

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International offices

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Malawi	(+265)
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Namibia	(+264)
Windhoek	T (0)61 273 668 F (0)61 273 669
Rwanda	(+250)
Kigali	T (0)252 585 065
Uganda	(+256)
Kampala	T (0)206 763 346
Zambia	(+260)
Lusaka	T (0)211 843 277

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Entrepreneurs Growth Centre	T (0)861 763 346	
Bellville	T (0)21 919 3242	F (0)21 919 3333
Bethlehem	T (0)58 303 7842	F (0)58 303 6801
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 1525/6/7	F (0)43 721 1528
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
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Polokwane	T (0)15 297 1571	F (0)15 297 1461
Port Elizabeth	T (0)41 367 1082	F (0)41 367 3962 / 4277
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

Directors

T van Wyk (Chairman), BD Bierman (Managing Director)*, C Botes*, F Knoetze, O Kotze, TR Makhuvha, N Martin, F Meisenholl, K Molewa, HE Moliea, D Moshapalo, RSM Ndlovu, SST Ngcobo, NJ Williams.

Honorary Patron: JP Rupert.

Company Secretary: CM Gerbrands

** Executive Director*