



BUSINESS/PARTNERS

# INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2021

## We are Business Partners Limited

There are many business financiers out there. But none like us. We're the company that's been supporting and financing business owners for forty years.

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

We've provided over twenty-one billion rand in tailor-made finance to small and medium businesses. Helped facilitate over six hundred and fifty-eight thousand jobs and counting. Approved over seventy-two 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 to rebuild and sustain their businesses during the COVID-19 pandemic.

We are Business Partners Limited.  
Leaders in Specialised Business Finance.

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# COMMENTS

## TO THE INTERIM FINANCIAL STATEMENTS

## COMMENTS ON BUSINESS OPERATIONS AND 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 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 as a result of more relaxed COVID-19 lockdown regulations has benefited many sectors. However, sectors such as tourism, hospitality and education still face challenges to return to viable activity levels, and their survival is being threatened by the uncertainty caused by the possible of the implementation of restrictions to contain the spread of the virus.

Despite the improvement in gross domestic product (GDP) during the six-month period to end-September 2021, "the period under review", some investee clients and tenants are experiencing a slow recovery from the impact of COVID-19.

The SME market remains vulnerable in the months ahead as businesses recover from the impact of the COVID-19 pandemic and increased interruptions in electricity supply.

### Operational Results

The Group approved 118 investments during the period under review, 31,8 percent fewer than the 173 investments approved during the corresponding prior period. However, the R662,8 million investments approved during the period under review was substantially more than the R206,2 million approved during the corresponding prior period.

During the corresponding prior period, the focus was on extending relief to Business Partners Limited clients and Sukuma beneficiaries. In the period under review, as investment activity normalised, disbursements amounted to R345,5 million. This represents a marked increase in disbursements compared to R211,3 million disbursed during the corresponding prior period.

Commitments – investments approved not yet advanced – increased by 59,5 percent from R385 million reported on 31 March 2021 to R614 million at 30 September 2021.

The credit risk in the investment portfolio at end-September 2021 remained at a similar level to 31 March 2021. Investments with repayment obligations in arrears decreased from R1 145,6 million (35,5 percent of the portfolio) as at end-March 2021 to R1 087,4 million (34 percent of the portfolio) at end-September 2021.

### Financial Overview

The net profit attributable to equity holders amounted to R88,1 million during the period under review, a 66,5 percent increase from the corresponding prior period ending.

Investment income, increased from R14,8 million during in the corresponding prior period last year to R32,0 million during the period under review.

In the corresponding prior period, rental relief of R12,2 million was provided to tenants. Vacancy rates improved from 9,3 percent in the corresponding prior period to 8,5 percent at the end of the period under review. Net property revenue increased by 33,0 percent.

A marginal improvement in credit quality in the period under review resulted in the provision for expected credit losses decreasing from 13,9 percent of the portfolio at the end of March 2021 to 13,5 percent on 30 September 2021. This resulted in a credit loss of R24,9 million during the corresponding prior period, compared to a gain of R10,8 million for the period under review.



Prospects

The global economy is starting to recover from the devastating impact of the COVID-19 pandemic with developed economies relaxing COVID-19 restrictions due to their high vaccination rates. There still is uncertainty around how quickly the pandemic may be overcome considering the threat of the Delta and other new variants. Locally, the low rate of vaccinations, higher levels of unemployment, the July unrest and the uncertainty regarding the outcome and duration of the pandemic, continue to pose a 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- term to medium term. As SME’s navigate through the challenges of COVID-19 recovery and loadshedding, our clients must be supported and assisted with appropriate financial solutions, technical and other assistance.

The outlook for Business Partners’ profitability remains positive for the balance of the financial year and, results are expected to exceed those achieved in the previous year, provided no major systemic economic shocks such as further lockdowns are encountered in the months ahead.

On behalf of the board:

N Martin

N Martin  
Chairman  
18 November 2021

BD Bierman

BD Bierman  
Managing Director  
18 November 2021

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

Directors: N Martin (Chairman), BD Bierman\* (Managing Director), CW Ceasar, R Dolphin\*, O Kotze, J Lang\*, M Lubbe, AM Mahosi, MD Matshamba, F Meisenholl, HE Moliea Tshivhase, D Moshapalo, 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

NOTES	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
<b>Assets</b>			
Cash and cash equivalents	298 085	240 203	370 946
Accounts receivable	29 882	35 682	42 947
Current income tax asset	-	20 236	-
Loans and receivables	5 2 813 842	2 932 934	2 842 627
Other investments	7 64 622	83 029	66 960
Assets held for resale	46 470	49 955	46 770
Investments in associates	93 014	89 764	91 708
Investment properties	8 1 667 109	1 633 218	1 665 470
Property and equipment and right-of-use asset	116 676	128 615	120 714
Deferred tax asset	198 023	183 761	203 584
Defined benefit pension fund surplus	4.1 233 490	199 401	234 370
<b>Total assets</b>	<b>5 561 213</b>	<b>5 596 798</b>	<b>5 686 096</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	9 3 696 972	3 565 081	3 609 603
Fair value and other reserves	173 001	173 001	173 001
Retained earnings	85 177	83 571	86 866
Non-controlling shareholders' interest	3 438 794	3 308 509	3 349 736
	12 288	11 176	13 259
<b>Total equity</b>	<b>3 709 260</b>	<b>3 576 257</b>	<b>3 622 862</b>
<b>Liabilities</b>			
Accounts payable	59 963	63 687	76 276
Current income tax liability	6 973	-	13 210
Provisions	29 811	24 286	47 330
Shareholders for dividends	1 173	2 415	2 320
Lease liabilities	13 089	16 292	16 422
Borrowings	10 1 370 890	1 575 256	1 544 003
Deferred tax liability	277 641	260 571	279 882
Post-retirement medical benefits	4.2 92 413	78 034	83 791
<b>Total liabilities</b>	<b>1 851 953</b>	<b>2 020 541</b>	<b>2 063 234</b>
<b>Total equity and liabilities</b>	<b>5 561 213</b>	<b>5 596 798</b>	<b>5 686 096</b>

INTERIM CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME

NOTES	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
Net interest income	11 124 938	121 971	247 518
Interest income	164 457	169 241	336 748
Interest expense	(39 519)	(47 270)	(89 230)
Fee revenue	961	806	2 022
Investment income and gains	12 37 790	16 230	64 938
Net property revenue	74 201	55 810	130 827
Property revenue	151 278	130 798	295 161
Property expenses	(77 077)	(74 988)	(164 334)
Management and service fee income	8 964	11 740	23 121
Other income	1 111	1 975	2 430
<b>Total income</b>	<b>247 965</b>	<b>208 532</b>	<b>470 856</b>
Net credit losses	13 10 822	(24 895)	(97 268)
Staff costs	14 (101 030)	(80 048)	(174 793)
Other operating expenses	(35 397)	(32 075)	(61 414)
<b>Profit before taxation</b>	<b>122 360</b>	<b>71 514</b>	<b>137 381</b>
Income tax expense	(34 270)	(18 621)	(41 664)
<b>Profit for the period</b>	<b>88 090</b>	<b>52 893</b>	<b>95 717</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	(1 357)	18 753	38 082
Gross amount	(1 885)	26 046	52 892
Tax effect	528	(7 293)	(14 810)
Remeasurement of post-employment medical benefits	-	-	(3 145)
Gross amount	-	-	(4 368)
Tax effect	-	-	1 223
Fair value adjustment on financial assets held at fair value through other comprehensive income	21	9	3 351
Gross amount	27	13	4 319
Tax effect	(6)	(4)	(968)
Foreign currency translation reserve movement	221	(375)	(16 646)
Gross amount	221	(375)	(21 210)
Tax effect	-	-	4 564
Share of associates' other comprehensive income	(574)	-	40
<b>Other comprehensive income for the period</b>	<b>(1 689)</b>	<b>18 387</b>	<b>21 682</b>
<b>Total comprehensive income for the period</b>	<b>86 401</b>	<b>71 280</b>	<b>117 399</b>
<b>Profit attributable to:</b>			
Equity holders of Business Partners Limited	88 090	52 893	94 122
Non-controlling interests	-	-	1 595
	<b>88 090</b>	<b>52 893</b>	<b>95 717</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of Business Partners Limited	86 401	71 280	115 804
Non-controlling interests	-	-	1 595
	<b>86 401</b>	<b>71 280</b>	<b>117 399</b>

INTERIM CONSOLIDATED  
STATEMENTS OF CHANGES IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
NOTES	Share capital R'000	Fair value & other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	Total R'000
<b>Balance at 01 April 2020</b>	173 001	65 184	3 255 561	11 176	3 504 922
Total comprehensive income for the period		18 387	52 948	-	71 335
Profit for the period			52 893	-	52 893
Earning adjustments from associates		-	55	-	55
Other comprehensive income for the period		18 387	-	-	18 387
Dividend 16		-	-	-	-
<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>
<b>Balance at 01 April 2021</b>	173 001	86 866	3 349 736	13 259	3 622 862
Total comprehensive income for the period		(1 689)	89 058	(971)	86 398
Profit for the period			88 090	-	88 090
Earning adjustments from associates		-	968	(971)	(3)
Other comprehensive income for the period		(1 689)	-	-	(1 689)
Dividend 16		-	-	-	-
<b>Balance at 30 September 2021</b>	<b>173 001</b>	<b>85 177</b>	<b>3 438 794</b>	<b>12 288</b>	<b>3 709 260</b>

INTERIM CONSOLIDATED  
STATEMENT OF CASH FLOWS

		Unaudited results for the period ended 30 September		Audited 31 March
NOTES		2021 R'000	2020 R'000	2021 R'000
<b>Cash flow from operating activities</b>				
Profit before taxation		122 360	71 514	137 381
Non-cash adjustments 17.1		(3 279)	27 274	50 042
Dividends received		(14)	(3)	(3)
Payment of principal portion of lease liabilities		3 015	2 890	5 364
Net interest income per income statement 17.2		(124 938)	(121 971)	(247 518)
Net interest received in cash 17.3		95 046	56 013	127 709
Other movements in assets and liabilities 17.4		(20 467)	(15 272)	(17 563)
		71 723	20 445	55 412
Net outflow from borrowed funds		(173 358)	(78 930)	(112 293)
Utilisation of long-term borrowings		-	100 000	104 462
Repayment of short-term portion of long-term borrowings		(173 358)	(178 930)	(216 755)
Net inflow / (outflow) on loans and receivables		28 784	(83 085)	21 524
Loans and receivables advanced		(340 736)	(195 955)	(469 518)
Loans and receivables repaid		360 628	98 662	469 938
Cash recoveries on loans and receivables written off		8 892	14 208	21 104
<b>Cash utilised in operating activities before tax</b>		(72 851)	(141 570)	(35 357)
Taxation (paid) / refunded 17.5		(35 305)	10 731	21 115
<b>Net cash flow utilised in operating activities</b>		<b>(108 156)</b>	<b>(130 839)</b>	<b>(14 242)</b>
<b>Cash flow from investing activities</b>				
Capital investment (in) / flow from				
Investment properties		1 639	-	(14 187)
Property and equipment		(1 130)	(11 419)	(7 451)
Proceeds from sale of				
Property and equipment		18	22	24
Interest received from other investments		4 730	5 210	11 381
Proceeds from sale of investments in associates		34 186	16 231	36 898
Dividends received from investments in associates		14	3	97
<b>Net cash flow generated from investing activities</b>		<b>39 457</b>	<b>10 047</b>	<b>26 762</b>
<b>Cash flow from financing activities</b>				
Dividends paid 17.6		(1 147)	-	(95)
Payment of principal portion of lease liabilities		(3 015)	(2 890)	(5 364)
<b>Net cash flow utilised in financing activities</b>		<b>(4 162)</b>	<b>(2 890)</b>	<b>(5 459)</b>
Movement in cash and cash equivalents		(72 861)	(123 682)	7 061
Cash and cash equivalents at beginning of period		370 946	363 885	363 885
<b>Cash and cash equivalents at end of period</b>		<b>298 085</b>	<b>240 203</b>	<b>370 946</b>





# NOTES

TO THE INTERIM FINANCIAL STATEMENTS



1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2021 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 2021, 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 2021.

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 consolidated annual financial statements as at 31 March 2021.

4. Business Partners Limited defined pension fund and post-retirement medical benefits

The Business Partners Limited Pension Fund ("the Pension Fund") purchased two insurance policies from Sanlam Life Insurance Limited ("Sanlam") in June 2021. Six Retirees opted to purchase individual living annuity insurance policies totalling R4 million in settlement of the post-retirement medical aid subsidy. The purchase of these policies effectively transferred the responsibility to Sanlam and the respective insurer to pay the monthly pensions to beneficiaries of the Pension Fund and retirees entitled to post-retirement medical aid subsidies.

All current employees entitled to a medical aid subsidy on retirement accepted a lumpsum settlement offer on 1 September 2021. The employer surplus of the Pension Fund will be used to settle this liability.

Applications will be submitted to the Financial Sector Conduct Authority ("FSCA") to obtain approval to transfer the ownership of two insurance policies from the Pension Fund to Sanlam. In addition, approval is required to utilise the employer surplus to settle the liability to current employees. It is anticipated that approval will be obtained prior to year-end.

IAS19 Employee Benefits require post-retirement benefits to be recognised until such time as approval is obtained from the FSCA.

On completion of the transfer of the insurance policies to the individual beneficiaries and the settlement of the liability to current employees, the process of liquidating the Pension Fund will commence.

	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
4.1	<b>Defined benefit pension fund surplus</b> <i>Amount recognised in the statement of financial position</i>		
	Market value of assets	327 600	274 600
	Present value of defined benefit obligation	(94 110)	(75 199)
	<b>Defined benefit pension fund surplus</b>	<b>233 490</b>	<b>199 401</b>
4.2	<b>Post-employment medical benefits</b>	<b>(92 413)</b>	<b>(78 034)</b>

5. Loans and receivables

<b>Gross loans and receivables</b>	3 254 713	3 337 261	3 301 831
Less: Allowance for impairment	(440 871)	(404 327)	(459 204)
Stage 1	(25 887)	(22 144)	(21 396)
Stage 2	(22 367)	(42 405)	(24 799)
Stage 3	(392 617)	(339 778)	(413 009)
<b>Carrying value of loans and receivables</b>	<b>2 813 842</b>	<b>2 932 934</b>	<b>2 842 627</b>
Long-term portion	2 308 095	2 289 162	2 324 691
Short-term portion	505 747	643 772	517 936
	<b>2 813 842</b>	<b>2 932 934</b>	<b>2 842 627</b>

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 2020</b>	1 878 379	564 875	787 929	3 231 183
Existing loans transfers between stages	(652 841)	2 619	650 222	-
Transfer from stage 1	-	245 694	407 147	652 841
Transfer (to)/from stage 2	(245 694)	-	243 075	(2 619)
Transfer to stage 3	(407 147)	(243 075)	-	(650 222)
ECL raised on existing loans	18 860	20 054	10 573	49 487
New loan agreements originated	168 556	5 163	306	174 025
Loans written-off and settlements	(39 841)	(12 845)	(100 178)	(152 864)
<b>Gross carrying amount as at 31 March 2021</b>	<b>1 373 113</b>	<b>579 866</b>	<b>1 348 852</b>	<b>3 301 831</b>



## 5. Loans and receivables (cont.)

	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 2021</b>	1 373 113	579 866	1 348 852	3 301 831
Existing loans transfers between stages	142 490	(143 740)	1 250	-
Transfer to stage 1	-	(138 335)	(4 155)	(142 490)
Transfer from stage 2	138 335	-	5 405	143 740
Transfer (to)/from stage 3	4 155	(5 405)	-	(1 250)
ECL raised on existing loans	58 146	(19 128)	(58 644)	(19 626)
New loan agreements originated	73 082	-	2 067	75 149
Loans written-off and settlements	(38 415)	(1 145)	(63 081)	(102 641)
<b>Gross carrying amount as at 30 September 2021</b>	<b>1 608 416</b>	<b>415 853</b>	<b>1 230 444</b>	<b>3 254 713</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 2021	As at 30 September 2020	As at 31 March 2021	Hierarchy of Valuation Technique
Investment properties	1 667 109	1 633 218	1 665 470	Level 3
Listed securities	365	283	337	Level 1
Unlisted shares	64 258	82 745	66 623	Level 3
Call account	-	166 904	-	Level 1
	<b>1 731 732</b>	<b>1 883 150</b>	<b>1 732 430</b>	

### Measurement of assets at Level 3

The fair value of level 3 assets is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the Group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the assets.

A reconciliation of the opening balances to closing balances for all movements on investments at fair value through other comprehensive income is set out in note 7.

The sensitivity analysis applied to the unobservable inputs in the fair value model of the Investment properties is set out in note 8.

A reconciliation of the opening balances to closing balances for all movements on Investment properties is set out in note 8. There have been no transfers between fair value hierarchy levels for investment properties.

During the period ended to September 2021, there were no transfers between the different levels of the fair value measurement hierarchy.

## 7. Other investments

The table below presents the reconciliation of the fair value through other comprehensive income of financial assets:

	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
The movement in fair value through other comprehensive income financial assets is as follows:			
Fair value – beginning of period	66 960	83 017	83 017
Disposals	(2 365)	-	(20 376)
Acquisitions	-	-	65
Fair value adjustments through comprehensive income	27	12	4 254
Fair value – end of period	<b>64 622</b>	<b>83 029</b>	<b>66 960</b>
The fair value through other comprehensive income financial assets include the following:			
Listed securities	365	283	337
Unlisted securities	64 257	82 746	66 623
	<b>64 622</b>	<b>83 029</b>	<b>66 960</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.

## 8. Investment properties

	Industrial Sector	Retail Sector	Office Sector	Other	Total
<b>Fair value – as at 1 April 2020</b>	1 100 876	492 818	54 782	50	1 648 526
Acquisitions	13 924	263	-	-	14 187
Transfer to PPE	-	-	(25 611)	-	(25 611)
Improvements	3 020	1 057	-	-	4 077
Fair value adjustment	7 178	17 530	(417)	-	24 291
<b>Fair value – 31 March 2021</b>	<b>1 124 998</b>	<b>511 668</b>	<b>28 754</b>	<b>50</b>	<b>1 665 470</b>
<b>Fair value – as at 1 April 2021</b>	1 124 998	511 668	28 754	50	1 665 470
Acquisitions	-	-	-	-	-
Improvements	1 585	54	-	-	1 639
Fair value adjustment	-	-	-	-	-
<b>Fair value – 30 September 2021</b>	<b>1 126 583</b>	<b>511 722</b>	<b>28 754</b>	<b>50</b>	<b>1 667 109</b>

### Basis for Valuation

At the interim period a sample of ten properties across geographical locations and sectors were selected for valuation. The purpose of the valuation exercise was to assess the magnitude of change in fair values of the investment property portfolio over the past 6 months, since the last valuation performed at 31 March 2021.

The valuation of the selected investment properties was performed internally by suitably qualified personnel using the discounted cash flow method. The fair values of buildings are estimated using a discounted cash flow approach, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The discount rates were selected with reference to current market information and after a detailed assessment of the respective properties.

8. Investment properties (Cont.)

The estimated rental income stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings. The rental assumption, vacancy factors and property expenses are also informed by actual and historical trends.

There was no significant change in the value of the properties assessed. Accordingly, no fair value adjustment was required for the interim financial period ( 2020: no change in value).

	Unaudited results for the period ended 30 September		Audited 31 March
	2021	2020	2021
Geographical Footprint	R'000	R'000	R'000
Province			
Eastern Cape	207 197	205 242	170 120
Free State	20 644	20 644	20 644
Gauteng	596 055	578 103	696 265
KwaZulu-Natal	374 449	372 950	374 448
Limpopo	80 810	78 150	44 280
Mpumalanga	6 620	7 800	43 150
North West	43 053	42 173	43 053
Northern Cape	5 650	5 650	5 650
Western Cape	332 631	322 506	267 860
	1 667 109	1 633 218	1 665 470

High-Level Portfolio Summary

	Industrial Sector	Retail Sector	Office Sector	Other	Total
As at 31 March 2021					
Number of properties	91	15	10	1	117
GLA m²	329 355	33 883	18 365	140	381 743
Vacancy m²	29 801	3 265	4 563	-	37 629
Vacancy %	9.0%	9.6%	24.8%	-	9.9%
Value/ m²	3 416	15 101	1 566	357	4 363
As at 30 September 2021					
Number of properties	91	15	10	1	117
GLA m²	329 113	33 883	18 365	140	381 501
Vacancy m²	30 154	3 165	5 088	-	38 407
Vacancy %	9.2%	9.3%	27.7%	-	10.07%
Value/ m²	3 423	15 103	1 566	357	4 370
	Unaudited results for the period ended 30 September		Audited 31 March		
	2021	2020	2021		
	R'000	R'000	R'000		

9. Share capital

Authorised			
400 000 000 ordinary shares of R1 each	400 000	400 000	400 000
Issued			
173 000 594 (2020: 173 000 594) ordinary shares of R1 each	173 001	173 001	173 001

10. Borrowings

	Unaudited results for the period ended 30 September		Audited 31 March
	2021	2020	2021
	R'000	R'000	R'000
Non-current			
Interest-bearing long-term loans	842 887	1 162 228	950 523
Interest-free Jobs Fund loan	30 858	41 744	31 651
	873 745	1 203 972	982 174
Current			
Short-term portion of long-term loans	497 145	371 284	561 829
	1 370 890	1 575 256	1 544 003

The nature and terms of the interest-bearing 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 secured by a cession amounting to R2,93 billion of loans and receivables. The first loan incurs interest at prime minus 1,5 percent and the interest rate on the second loan is linked to 3 month JIBAR. Both loans have a 10 year repayment term.

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

The nature and terms of the Interest-free Jobs Fund loan is as follows:

The Group obtained a facility amounting to R48,7 million during the 2014 financial year. This interest free loan has facilitated the establishment of new franchises through the advancement of loans to SMEs. All capital recovered is distributed in terms of the agreement.

11. Net interest income

	Unaudited results for the period ended 30 September		Audited 31 March
	2021	2020	2021
	R'000	R'000	R'000
Interest income	164 457	169 241	336 748
• Interest on loans and receivables	110 160	122 044	224 009
• Royalty fees	49 567	41 986	101 358
• Interest on surplus funds	4 730	5 211	11 381
Interest expense	(39 519)	(47 270)	(89 230)
• Interest on borrowings	(39 519)	(47 270)	(89 230)
	124 938	121 971	247 518



## 12. Investment income and gains

	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
Investment income	32 037	14 842	29 670
• Surplus on realisation of unlisted financial assets	32 023	14 839	29 667
• Dividends received	14	3	3
Investment gains	5 753	1 388	35 268
• Income from associated companies	5 318	2 325	14 057
• Fair value movement on investment properties	-	-	24 191
• Net foreign exchange rate differences	435	(937)	(2 980)
	<b>37 790</b>	<b>16 230</b>	<b>64 938</b>

## 13. Net credit losses

Loans and receivables written off	(11 594)	(12 108)	(35 170)
Legal expenses incurred on recovery	(4 809)	(2 749)	(4 079)
Impairments released / (created)	18 333	(24 246)	(79 123)
• Stage 1	(4 491)	32 131	(32 878)
• Stage 2	2 432	367	(17 973)
• Stage 3 (includes suspended interest)	20 392	(56 744)	129 974
Recovery of loans and receivables written off	8 892	14 208	21 104
	<b>10 822</b>	<b>(24 895)</b>	<b>(97 268)</b>

## 14. Staff costs

Remuneration at cost to company	(75 701)	(76 085)	(150 146)
Bonuses and provisions	(14 774)	(6 972)	(30 695)
Post retirement medical aid costs	(9 585)	(5 237)	(9 498)
Defined benefit pension fund gain	1 005	9 454	17 577
Indirect staff costs	(1 975)	(1 208)	(2 031)
	<b>(101 030)</b>	<b>(80 048)</b>	<b>(174 793)</b>

## 15. Earnings per share

### 15.1 Basic earnings per share

Profit attributable to equity holders of Business Partners Limited	88 090	52 893	94 122
Weighted number of ordinary shares in issue ('000)	173 001	173 001	173 001
Basic earnings per share (cents)	50.9	30.6	54.4

## 15.2 Headline earnings per share

	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
Determination of headline earnings			
Profit attributable to equity holders of Business Partners Limited	88 090	52 893	94 122
Adjustments net of tax			
• Capital profit on sale of equipment	-	(14)	(2)
• Profit on sale of unlisted financial assets	(24 850)	(11 514)	(23 022)
• Fair value movement of investment properties	-	-	(18 772)
<b>Headline earnings</b>	<b>63 240</b>	<b>41 365</b>	<b>52 326</b>
Headline earnings per share (cents)	<b>36.6</b>	<b>23.9</b>	<b>30.2</b>

## 16. Dividend

No dividend was declared in respect of the 2021 financial year.  
Consistent with the prior year interim period, no interim dividend has been declared.

## 17. Cash flow information

### 17.1 Non-cash adjustments

Income from associated companies	(5 318)	(2 325)	(14 057)
Surplus on sale of assets	(32 023)	(14 838)	(29 671)
Fair value adjustment of investment properties	-	-	(24 191)
Fair value adjustment of financial instruments	22 290	6 706	(18 022)
Depreciation	1 890	2 002	11 076
Net credit losses (refer note 13)	(1 930)	39 102	118 372
• Loans and receivables written off	11 594	12 108	35 170
• Legal and other expenses incurred on recovery	4 809	2 748	4 079
• Impairments (released) / created	(18 333)	24 246	79 123
Credit losses - rent debtors	4 195	8 481	14 614
Movement on post-retirement benefits	7 617	(11 854)	(8 079)
	<b>(3 279)</b>	<b>27 274</b>	<b>50 042</b>

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

Interest income (refer note 11)	(164 457)	(169 241)	(336 748)
Interest expense (refer note 11)	39 519	47 270	89 230
	<b>(124 938)</b>	<b>(121 971)</b>	<b>(247 518)</b>

### 17.3 Adjustment for net interest received in cash

Interest income received in cash	127 815	91 417	211 932
Interest expense paid in cash	(32 769)	(35 404)	(84 223)
	<b>95 046</b>	<b>56 013</b>	<b>127 709</b>

## 17. Cash flow information (cont.)

### 17.4 Other movements in assets and liabilities

	Unaudited results for the period ended 30 September		Audited 31 March
	2021 R'000	2020 R'000	2021 R'000
Provisions	(17 519)	(22 174)	(4 839)
Increase in assets held for resale	300	14 067	(10 882)
Increase in accounts receivable	13 065	9 202	1 937
Decrease in accounts payable	(16 313)	(16 367)	(3 779)
	<b>(20 467)</b>	<b>(15 272)</b>	<b>(17 563)</b>

### 17.5 Taxation paid

Taxation asset / (liability) - beginning of the year	(13 210)	47 687	47 730
Tax provision for the period	(34 270)	(18 621)	(41 664)
Deferred tax	3 929	229	(2 975)
Tax paid by associate companies	1 273	1 672	4 814
Taxation liability / (asset) - end of the period	6 973	(20 236)	13 210
	<b>(35 305)</b>	<b>10 731</b>	<b>21 115</b>

### 17.6 Dividends paid

Dividends payable - beginning of the year	(2 320)	(2 415)	(2 415)
Dividends payable - end of the period	1 173	2 415	2 320
	<b>(1 147)</b>	<b>-</b>	<b>(95)</b>

## 18. Commitments

#### Capital commitments

Loans and receivables approved but not advanced	564 020	275 213	385 279
Capital committed in respect of purchases of property	49 820	11 973	6 850
	<b>613 840</b>	<b>287 186</b>	<b>392 129</b>

#### Operating lease commitments

Unexpired portion of lease agreements	<b>14 604</b>	<b>18 829</b>	<b>17 602</b>
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## 19. Related parties

### 19.1 Directors' remuneration

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

## 20. Going Concern

The going concern status is evaluated based on the most relevant and up to date information which includes:

- The more positive economic outlook;
- Budgets, forecast and funding requirements;
- The expected marginal increase in interest rates in the second half of the financial year;
- Credit risk and challenges faced by investee clients and tenants; and
- Uncertainty around the duration of the COVID-19 pandemic.

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.



## BUSINESS/PARTNERS

### 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

**Bellville** T (0)21 464 3600  
F (0)21 461 8720

**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  
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

**Umhlanga** T (0)31 566 5626  
F (0)86 647 9212

**Upington** T (0)54 331 1172  
F (0)54 332 2334