



Chairman's Address

Business Partners Limited 31st Annual General Meeting

14 August 2012

Honourable Guests, Shareholders, Members of the Business Partners Limited's Board, Management and Staff ...

Welcome to the 31st Annual General Meeting of Business Partners Limited, South Africa's leading risk financier for small and medium enterprises (SMEs).

At last year's Annual General Meeting, Mr Johann Rupert, our Chairman for the previous 16 years, announced his retirement from the Board. Our business was started by Mr Johann Rupert and his visionary father, Dr Anton Rupert. Before we proceed with the business of this meeting, I want to highlight some of the achievements of this Rupert-led initiative:

- Business Partners has, since inception in 1981, assisted over 69 000 small and medium businesses with direct financial assistance of over R12,5 billion.
- These small businesses directly facilitated and maintained more than 545 000 jobs.
- Business Partners has recently established funds to support small businesses in Kenya, Madagascar and Rwanda.
- Business Partners' business has continued on a three decades-long journey of self-improvement that resulted in its reputation of being one of the leading exponents of risk-based lending to SMEs.

We'd like to use this opportunity to thank Mr Johann Rupert for the role he and his family played in this business on behalf of the country, its SMEs and all the people whose jobs were created or sustained under their watch.

In South Africa, SMEs have to deal with a difficult business environment. On the one hand, they are experiencing the lowest interest rate environment for three decades. On the other hand, they are experiencing patchy economic growth. SMEs, for instance, who service the construction

sector, are struggling while the government still has to make much of its long promised infrastructure development programme a reality. And while banks are sitting on record levels of corporate deposits, they are reluctant to lend to the SME sector without significant collateral cover.

Despite the tough and often volatile economic conditions that our SME clients have had to deal with, Business Partners posted satisfactory operational and financial results for the year ended 31 March 2012.

Revenue remained stable for the year despite a lower interest rate environment. These numbers were buoyed by increases in the realisation of unlisted investments and by a reduction in net bad debts, which reflects an improvement in our underlying risk.

On the cost side, operational expenses were responsibly managed and restrained to an increase of 6,4 percent.

Overall, we can report that profits from operations increased by 4,2 percent to R140,6m for the year.

The balance sheet reflects some of the strategic asset adjustments we made over the past year. The year has seen a 19,4 percent increase in property investment to R679,9m and a 7,9 percent increase in business investment to R2 035,4m.

The increase in business investment reflects an improved demand for our services from SMEs and our policy of moderately growing our exposure to this sector. The stronger growth of our property portfolio reflects our strategic intent to increase investment in 'real' assets that are not interest rate-linked.

This adjustment to our investment strategy is accompanied by a strategic decision to pursue a higher growth path in sub-Saharan Africa. Since 2005, we have managed funds in Kenya and Madagascar and we have shown that the Business Partners financing model is sustainable in other African environments. Our decision to expand our African footprint is based on the following precepts:

- The knowledge that we can apply our methodology successfully in these environments.
- The expectation that growth levels on the continent will be higher than in South Africa in the short to medium term.
- The need for risk-based finance for SMEs in sub Saharan Africa.
- Our proven ability to mobilise 3rd party funds to finance these activities.

As a result of our strategic decision to increase our African activity, Business Partners now also has operations in Rwanda and will soon be open for business in Mozambique, Namibia, Malawi, Zambia and, in time, also in Zimbabwe. The business model for these operations is that Business Partners effectively uses its best of breed financing products to manage funds for investors who want to achieve sustainable developmental objectives in Africa.

Business Partners is working towards engaging with the South African government and State-owned enterprises to facilitate SME growth and developmental objectives, and to advance a 3rd party fund concept in South Africa that more fully utilises our proven capability. This would allow Business Partners to enhance its social and economic impact without unduly gearing its balance sheet.

Balancing a financial return for investors with the achievement of a positive developmental impact has been at the core of the Business Partners philosophy since its inception. The ability of Business Partners to return capital with a premium to investors and funders, sustainably supporting SMEs to create wealth and jobs on the scale that we do, is unique and admired by investors in and funders of development throughout the world. With the support and investment of international investors in our African funds, Business Partners is now able to positively impact on the region on a similar level as we have done and continue to do back home in South Africa.

In summary then, Business Partners has endured what have been a challenging four years whilst keeping its capital base intact and enhancing its reputation to create both social and financial returns.

Business Partners expects that the world's developed economies have some way to go in resolving their economic problems, and, that this unstable economic state of affairs will continue to have repercussions for emerging economies which are dependent, for their own levels of growth, on exports. Indeed, our proximity to and activity in Africa, which is emerging as a consumptive market of some size, is a positive factor for Business Partners Limited and for its invested clients.

Business Partners is confident that its business model is robust enough to withstand moderate economic uncertainty.

In conclusion I would like to thank ...

- Our Shareholders and Investors who have for over three decades provided the equity for us to make a positive contribution to the society in which we operate;
- The Business Partners Limited Board and Board Committees for their hard work and guidance and for ensuring that we adhere to world class corporate governance standards;
- The Management Teams and Staff in all our offices in South Africa, Kenya, Madagascar, and Rwanda for relentlessly pursuing our vision with energy, passion and great care in what are not always easy environments;
- Our Clients who are the true heroes of economic society. Despite seemingly insurmountable odds, they utilise our finance and advice to pursue wealth for themselves and create jobs for many; and
- Last but certainly not least, Mr Johann Rupert for the incredible investment in time and energy he has devoted to the building of Business Partners thus far. Business Partners is indeed honoured by having him as our honorary patron going forward.

Thank you.