



Chairman's Address and Notes  
Business Partners Ltd 30<sup>th</sup> Annual General Meeting  
2 August 2011

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**1 PRELIMINARY REMARKS**

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

Welcome to the 30<sup>th</sup> Annual General Meeting of Business Partners Limited, South Africa's leading risk financier for small and medium enterprises (SMEs).

I declare this meeting duly constituted.

**2 CHAIRMAN'S ADDRESS**

At last year's Annual General Meeting, I said the 2009/2010 financial year was one of the toughest years in the history of Business Partners. I also predicted that the environment in the next year was unlikely to be easier and, sadly, I was right.

Despite governments in Europe and the USA literally “printing money” in an attempt to remedy the recessionary conditions which have been around since 2008, economic growth in the developed world remains pedestrian, job losses seem to be continuing or, at best, only a few new jobs are being created. In 2008, I predicted that it would take 2 Rugby World Cups for the global economic problems to be resolved. This year is the 1<sup>st</sup> World Cup since my prediction. Hopefully, I was wrong and it won’t take us another four years to solve the economic woes of the developed world.

Thankfully, economic growth in the emerging countries of the world – led by China and India – seems to be continuing unabated. South Africa too has weathered the storm reasonably well – as indeed have most African countries – largely due to their export of commodities to the booming Chinese and Indian markets.

It is therefore pleasing for me to report to you that, despite the still tough and choppy economic environment in the 2010/2011 financial year, at Business Partners we managed to:

- Increase after-tax profits by 13,3% to R107,1 million; and
- Increase operational assets by 4,1% to R2,68 billion.

These achievements were not arrived at by accident. They may be directly attributed to a concerted effort over the past two years to manage and control expenses, improve efficiency and productivity, as well as instilling a culture of innovation throughout the company. The results speak for themselves, for example:

- The absolute level of overhead costs was curtailed to below that of the prior year, for the second year in a row.
- Assets per employee grew by 10%.
- Investments approved grew 31,9% to a near record R1 009 million.
- Jobs facilitated directly by our activities increased by 17,6% over last year's 9 492 – bringing the number of jobs facilitated to more than 530 000 since inception.

Interest rates throughout the world remained at near record low levels. In South Africa, prime lending rates remained at the lowest levels in more than 30 years. Usually, when interest rates are low, individuals, entrepreneurs and corporates borrow to finance better lifestyles, in the case of individuals; and new business creation or expansions, in the case of entrepreneurs and corporates. In the last year, individuals, entrepreneurs and corporates seemed reluctant to take on board debt to finance their lifestyles, new businesses and expansions, respectively. This was due to financial institutions' stricter lending criteria, possible over-indebtedness, as well as uncertainty about the economy's growth prospects.

Of course, within a Business Partners' context, a low interest rate environment is a bit of a double-edged sword. It is good for the health and liquidity of our clients, but it negatively affects our earnings which have traditionally been largely interest based.

Therefore, at Business Partners, we have redoubled our efforts to reduce our reliance on interest as the major source of income.

Interest as a percentage of total revenue has declined over the past two years from 52,5% to 42,9% – partly due to the low and declining interest rate level, but also due to the successful diversification of income strategy.

While lower interest rates adversely affect our revenue, they are good for our clients. Low interest rates have helped them to ride out what for most have been challenging times.

Deal flow-wise, 2010/2011 was a year of two very different halves. The first half saw a continuation of the muted demand for financing from SMEs, as well as tight credit conditions from traditional financiers. The second half saw credit conditions remain tight, but SMEs seemed to have regained their appetite for growth capital.

With conventional funders retaining their strict credit policies, we have seen an increase in good quality applications. The overall result is that we had growth in investments approved, but many of these approvals were still in the commitment phase at year end. Our deal advances order book was R319 million at the end of March 2011, up from R161 million at end March 2010, which augers well for the South African business in 2011/2012.

Last year, our international business came of age. Business Partners International was established in 2004 with the objective of using the already proven South African business methodology to boost the plight of SMEs in other parts of Africa.

The initial forays were into Kenya and Madagascar, and these country funds have been supplemented with the establishment of

funds in Rwanda and Mozambique, where we are currently busy establishing operations.

Africa has been hailed as the last frontier for global growth. Internationally, socially aware funders see Business Partners as an excellent vehicle to help them achieve their SME impact investment objectives in Africa. Our methodologies are now proven in the African context and, whilst we are aware of the risks of over-extending our management resources, we are acutely aware of the opportunity we have to facilitate jobs, foreign investment and knowledge in the countries that we touch.

We have, since early 2011, been raising a \$40 million regional SME risk finance fund for deployment in Namibia, Malawi, Zimbabwe and Zambia. The response to our prospectus has been pleasing and we are targeting a first close to this fund before the end of 2011. Shortly thereafter, we should begin with the establishment of operations in these countries.

Balancing the pursuit of profit with the pursuit of positive development impact has been at the core of the Business Partners philosophy since its inception. Our ability to return capital, at a premium, to investors and funders whilst we sustainably support SMEs in an African context 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. It also means that back home, in South Africa, we are well placed to continue making a positive contribution to the SME sector where much wealth and jobs must be created.

In summary then, we have emerged from an extremely difficult period with our financial record intact and our reputation enhanced. Our

business model has been challenged and has been found to be robust and portable. We have learned much from the recession and have become a more streamlined, productive and flexible organisation seeking to meet the risk financing needs of SMEs. Equally importantly, we have not simply hunkered down until the worst of the recession is over. We have improved our processes and systems, and we continue our efforts to build our capacity so that we may be favourably positioned for the brighter opportunities that lie ahead.

I would like to thank ...

- our Shareholders and Investors who have, over more than 30 years, provided the equity for us to make a positive contribution to the society in which we operate;
- our Deputy Chairman, Theo van Wyk, the Business Partners Board and Board Committees for their advice and guidance, as well as for ensuring that we practice and adhere to world class corporate governance standards;
- our Management Teams and Staff in all our offices in South Africa, Kenya and Madagascar for relentlessly pursuing our vision with energy, passion and great care in a challenging and uncertain economic environment; and
- our Clients – the true heroes of economic society who, despite the often insurmountable odds, utilise our finance and advice to pursue wealth for themselves and create jobs for many.

Finally, I have, over the last few years, indicated that my schedule does not always allow me to do full justice to the position of Chairman. Thankfully, we've had Theo van Wyk in the position of Deputy Chairman. He has done a great job in steering the boat whenever I have not been available. Sadly though, I can now confirm that this will indeed be my last Annual General Meeting as Chairman of the Board. Later this afternoon, the Board will elect a new Chairman. I look forward to handing over the baton to the new Chairman. I wish the new Chairman great wisdom, strength and success in leading our company to even greater heights during the challenging times that still lie ahead.