

Chairman's Address

Business Partners Limited 32nd Annual General Meeting

13 August 2013

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

... Good morning and welcome to the 32nd Annual General Meeting of Business Partners Limited.

The environment confronting Business Partners Limited during the last financial year continued to be influenced by global, African, and local South African economic trends. The adverse impact of the 2008 global financial crisis and the 2009 recession was (and is) still being felt in much of the world, including South Africa. This is despite the efforts and policies of governments in the "developed" world (Europe, North America and Japan) aimed at restoring economic growth to pre-recession levels. These efforts have been met with mixed success – as evidenced by the low growth in North America and no growth in Europe. Economic growth in the emerging economies (China, India, Brazil, Russia and Africa) continued, albeit at a slower pace.

Growth rates in Africa have been impressive, averaging at more than five percent over the last decade – largely driven by commodity exports and consumption funded by rising per capita income levels. Economists are predicting that these rates could be sustained during the next decade, lifting much of Africa's population into the middle income group.

South Africa, the Company's primary market, remained the African exception with an economic growth rate of 2,5 percent. This muted economic growth was primarily caused by the slow to no growth environment experienced by its major trading partners (North America and Europe) which still account for close to 50 percent of exports. Business confidence was also adversely impacted by ...

- the global economic environment,
- policy uncertainty leading up to the ANC's policy conference in December 2012,
- the muted growth in consumer spending,
- inflationary increases in administered prices, and
- labour unrest in the mining sector which started to spread to other sectors and resulted in above inflation wage settlements – a trend which seems to be continuing as we have been witnessing more unrest during the wage-negotiation period this year.

Interest rates in South Africa remained at their lowest levels for more than 30 years. Ordinarily, this would encourage businesses to borrow to finance expenditure to fund growth. However, the low economic growth prospects meant that entrepreneurs – especially from the SME sector – remained

reluctant to take on debt to finance growth, acquisitions or the establishment of new businesses. The demand for business finance, our core business, therefore remained muted.

On the other hand, the low interest rate environment meant improved cash flows for many SMEs and hence their ability to service contractual obligations. As a result the number of Business Partners Limited's clients experiencing distress significantly decreased during the last financial year. Unfortunately this also meant that the Company's earnings, which have traditionally been largely interest based, were adversely affected. The Business Partners Limited Management team has, over the past few years, redoubled their efforts to reduce the Company's reliance on interest as the major source of revenue. These efforts have met with considerable success and will continue unabated in the years ahead.

Business Partners Limited also embarked on a business process improvement project during the last financial year. This should result in streamlining the Company's business processes so that the Company may better serve its clients – in the most productive, efficient and cost effective manner possible – by halving the time to approve and implement an investment by March 2014. The successful execution of this project will ensure that the Company takes a huge step towards its goal - having an even greater development impact whilst, simultaneously, making even more profits and therefore enhancing its sustainability.

Notwithstanding all the challenges, Business Partners Limited posted a pleasing performance for the 2012/ 2013 financial year:

- The financial results were good. Profit after tax increased by 36,2 percent to R136,3 million for the year ended 31 March 2013 – a significant achievement within the context of a lower interest rate and sluggish economic growth environment.
- The operational results were somewhat mixed:
 - New business concluded declined somewhat compared to the previous financial year:
 - 331 new business investment deals to the value of R891,7 million were approved during the 2012/13 financial year, compared to 361 deals to the value of R935,2 million approved in the previous financial year; and
 - 251 deals to the value of R600,8 million were disbursed compared to 307 deals valued at R803,4 million disbursed in the previous financial year; but
 - On a more positive note, the R341,1 million deals approved but not yet advanced at the end of the 2012/13 year should augur well for disbursements in the 2013/14 year.

- The post investment team, aided by a low interest rate environment, met with considerable success in managing existing clients:
 - The outstanding balances of clients in distress decreased significantly from 21,1 percent to 17,9 percent; and
 - Net credit losses declined by 31,0 percent compared to the previous year.
- The Company's development impact remained significant:
 - With 11,900 jobs facilitated during the 2012/13 financial year, the cumulative number of jobs facilitated since the Company's inception in 1981 now stands at 557,500;
 - The Business Partners Limited team will endeavour to meeting the challenge of Mr Johann Rupert, former chairman of the board and current Honorary Patron, for the Company to reach the one million jobs facilitated mark by 2033.

In summary, Business Partners Limited posted good financial results and made a healthy profit. Operationally, the Company did not meet its own high expectations on the volume of new business concluded. However, the improved operational performance of the post investment team, with some assistance from the low interest rate environment, meant that the Company ended the financial year with a healthier investment finance book.

While most economists and economic commentators predicted that 2013 would be challenging, the appropriate strategies have been identified and the right people are in place to ensure that Business Partners Limited succeeds. As a result, we have earmarked R1 billion for financing SMEs during the 2013/2014 financial year.

In conclusion, I would like to convey my sincere appreciation to:

- The Business Partners Limited shareholders for providing the equity to make a positive contribution towards job creation in the countries where the Company operates;
- The investors in the SME Risk Capital Funds which the Company manages, both in South Africa and in selected African countries;
- The Business Partners Limited Board and Board Committees for their guidance and diligent work, ensuring that the Company continues to adhere to world class corporate governance standards;
- The Management Team and Staff in all offices, in South Africa, Kenya, Madagascar and Rwanda, for relentlessly pursuing the Company's vision with energy, passion and great care; and
- Lastly, the clients who, despite the challenging economic climate and other hurdles, continue to utilise the Company's advice and finance to pursue wealth for themselves and to create jobs for many.