

MEDIA STATEMENT

SLUG: Luminance

26 July 2013

NEF upholds Luminance as a prudent investment

Leading black development financier, the National Empowerment Fund (NEF), asserts that its funding of Ndalo Luxury Ventures (NLV) is a perfectly legitimate and praiseworthy investment that accords with its mandate and policies as it supports a company that is owned and managed by black women in an untransformed sector.

Established by the National Empowerment Fund Act No 105 of 1998, the NEF is a driver and a thought-leader in promoting and facilitating black economic participation through the provision of financial and non-financial support to black empowered businesses, as well as by promoting a culture of savings and investment among black people.

NLV is a start-up business that was approved for funding by the NEF in August 2012 under its New Ventures Finance, a product that provides capital of between R5 million and R75 million for black entrepreneurs seeking to participate in medium-sized greenfields projects, with an investment horizon of between 5 and 10 years. While applications are assessed on a case-by-case basis, key criteria for NEF funding include direct operational involvement by investees in the day-to-day running of the funded business, a precondition that is being met fully by NLV.

Compelling features

Other compelling aspects of the NLV transaction include:

- The NEF approved a total R34,1 million in loan finance to NLV for the construction of the Luminance store, the procurement of stock from local and international suppliers, and the local manufacture of a clothing range for the Luminance brand.
- NLV's shareholders collectively contributed in excess of R15 million.
- Over 58% of the total investment will remain in SA and support the local economy.
- The clothing factory that will manufacture the Luminance brand is women-owned and managed, and employs primarily women who will benefit as a result of this venture.
- Also on sale at Luminance will be clothes and accessories by South African designers like David Tlale, Stoned Cherry and many others.
- Local designers linked to Luminance will also acquire additional skills from the likes of fashion doyenne Oscar De La Renta, who has dressed most of the United States' first ladies since Jackie Onassis.
- Side by side with the celebrated international brands that are available from Luminance is a wide array of arts and crafts comprising bead work and a range of other products that are made by black women from the most remote and rural areas of South Africa.
- The investees are black women, who constitute a key component of the NEF's target market. NLV is 100% owned and managed by black women.
- Black rural women own a 10% stake in NLV.
- The staff and management of NLV own 10% of the business.
- The above qualifies NLV to be a truly broad-based economically empowered transaction with elements of the Codes of Good Practice.
- Luminance has a planned staff compliment of 51 employees, and 91% of the staff comprises women and youth.

- As the Luminance brand grows, the locally-produced clothing, arts and crafts will have access to international markets, an important breakthrough for South African textiles, fashion and cultural industries.
- A game-changer, the Luminance store is unique in the local exclusive retail industry because it seeks to transform a sector that is primarily white and foreign-owned. It is estimated that the retail sector contributes 5,7% to South Africa's GDP of R1,9 trillion. Black people in general and black women in particular constitute the majority of consumers in the sector, yet have a negligible share in its ownership and control. With the NLV transaction the NEF is laying the building-blocks of black participation in this sector, and asserts the moral right of black entrepreneurs, in particular women, to participate in all sectors and at all levels of South Africa's economy.
- While the NEF has funded other black women entrepreneurs before, the NLV transaction is the biggest by the NEF in respect of black women entrepreneurs. Since inception to date, over 70% of NEF funding of more than R5 billion has gone to businesses that are owned and managed by black men. Some of these transactions far exceed the R34,1 million that has been approved for the NLV.

The NEF notes with appreciation that since the pop-up store opened in April 2013, the anticipated consumer demand for Luminance products has grown steadily, resulting in NLV already meeting its repayment obligations to the NEF. The bigger store opened to the public in the third week of July, and the NEF is confident that sales should continue to grow as public awareness increases.

Good corporate governance

For the record, the NEF asserts that the NLV transaction is above reproach. The application for funding by NLV succeeded exclusively on merit. The NEF is run in full compliance with good corporate governance, and all applications for funding are assessed in conjunction with approved policies. Any insinuation to the contrary is regrettable and deplorable as it can only seek to impugn the dignity and integrity of officials who collectively and individually are irreproachable.

In accordance with the applicable thresholds, the NLV transaction was approved by the NEF's Board Investment Committee (BIC) on 29 August 2012, following rigorous interrogation and recommendation for approval by the Fund Management Investment Committee and the Executive Committee, and the same to the BIC. In accordance with the NEF's investment processes, proper due diligence was conducted by the NEF. The NEF is emphatic in its assertion that the NLV transaction is progressive, prudent and far-sighted.

NEF capitalisation and milestones

The NEF has not approved any new funding since the moratorium that was declared by the Board of Trustees in May 2013. The moratorium will remain in force until the NEF is capitalised by Government, a prospect about which the NEF is confident.

The NEF was capitalised in 2005 by Government to the value of R2.4 billion, all of which was fully disbursed by 2010. Since then, the NEF has been self-financed with proceeds from dividends and interests from its investments and proceeds from the sale in 2007 through the Asonge Share Scheme of a portion of the NEF's holding in MTN Group. This arrangement resulted in 87,000 black South Africans becoming investors in one of the country's leading cellular operators.

The NEF has achieved a litany of historic and significant milestones since operational inception in 2005 to date, having approved over 500 transactions worth more than R5 billion for black-empowered businesses across the country, with R3,6 billion committed to 417 of these companies. Over 60% of the NEF's beneficiaries are SMEs, and these are in virtually all sectors of the economy. As a well-run organisation the NEF has consistently secured an

unqualified external audit opinion. The NEF focuses on sustainable black enterprises and job creation, and is constantly striving for transactions in employment-intensive sectors, as identified by IPAP and the New Growth Path. To date the NEF has supported in excess of 40 000 jobs.

A patriot in good standing

As a longstanding champion of black economic empowerment and the emancipation of women in South Africa, the CEO of the NEF, Ms Philisiwe Mthethwa, enjoys professional and social acquaintance with many other professionals, black and white, including entrepreneurs across many sectors of the economy. Ms Mthethwa is not a shareholder in Luminance or any of the businesses that have received funding from the NEF.

A mentor to many young black entrepreneurs and an acclaimed leader in her own right, Ms Mthethwa subscribes to and advocates the highest values of personal probity, and has been acknowledged both locally and internationally as a visionary leader, a patriot and a woman of integrity.

“At a personal level I have been deeply saddened and taken aback by some of the questions that have been unduly raised regarding my integrity. I am fully conscious of the fact that any ethical transgression by a leader whose vocation impacts on the hopes and aspirations of society, has the potential to damage the foundations and sinews of the cause entrusted in their hands. I have given my life and talents to the quest for a growing and inclusive economy, and will continue to serve society with honour and clean hands. I look forward to the day when the work of black people will be greeted with trust and appreciation, and not with the instinctive suspicion of wrong-doing and impropriety that has come to characterise reaction to endeavours by black people. That day must soon arrive,” says Ms Mthethwa.

Below are some of the acknowledgements that Ms Mthethwa has received:

No	Year	Award Name	Institution
1	2005	Presidential Award	Black Management Forum
2	2008	Investment Specialist Award	Black Business Quarterly - BBQ
3	2008	Public Sector Visionary	BBQ
4	2010	Top Woman in the Public Sector	Top Women in Business & Government (Topco)
5	2010	Public Sector Visionary	BBQ
6	2010	Platinum Award	BBQ
7	2011	Corporate Business Woman of the Year	Busines Womens' Association of South Africa
8	2011	African Business Woman of the Year	Africa Investor
9	2011	<i>Chevalier de la Legion d'Honneur</i> (Knight of the National Order of Merit)	Former President of the French Republic, H.E. Mr Nicolas Sarkozy

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