

Chairman's Statement



Decentralised management

The successful Bidvest management model encourages owner-managers to seek returns in open competition with their peers. Each business runs as an independent, decentralised unit, focusing on its specific area of activity as a niched part of a bigger picture. Each business has access to substantial resources and strategic input.



Cyril Ramaphosa

Non-executive Chairman

Cyril is the past Chairman of the Black Economic Empowerment Commission and Vice Chairman of the Global Business Coalition on HIV/Aids. He has received honorary doctorates from the University of Natal, the University of Port Elizabeth, the University of Cape Town, and the University of the North, the University of Lesotho and the University of Massachusetts (USA).



In line with international norms and the requirements of the JSE Securities Exchange South Africa (JSE), the roles of chairman and chief executive have been separated and readers will therefore find a separate chairman's and chief executive's report.

It is an honour to be part of this dynamic team and serve as Chairman of such a progressive group. Change at the top of the corporate structure will not change Bidvest's entrepreneurial DNA. We remain a decentralised, entrepreneurially led organisation. The owner-manager mindset still drives us forward. Entrepreneurs do not sit on wealth, they grow it. This is the Bidvest ethos and it won't change.

Financial and corporate highlights

Bidvest maintained its record for sustained growth, registering its sixteenth consecutive year as a creator of real shareholder value.

Revenue grew by 8,9% and trading income by 13,9%. Headline earnings increased by 14,8% and headline earnings per share by 17,7%.

Significantly the black component of our top management profile in South Africa increased to 29,7%, well above the national average of 18,0%. The Group's total training spend of R73,3 million (R58,3 million in South Africa) increased significantly and in South Africa targets our middle management. Our total Corporate Social Investment (CSI) spend was R13,0 million.

Macro environment

In an environment of political stability and prudent fiscal management, as found in democratic South Africa, it is possible to show such gains. At the close of our first democratic decade, a strong acknowledgment from business is due: Today's policy environment permits the

pursuit of business opportunities on a scale few thought possible a few years ago. The current combination of political stability and economic opportunity has no precedent in South Africa. We owe a considerable debt to those who have led our democratic transformation. A stable environment is essential for business. Entrepreneurs accept business risks. Political policy risks are a reality, but a complication business would prefer to avoid.

Our entrepreneurial culture

Bidvest's decentralised, entrepreneurial culture does well in contemporary South Africa. Today, the Group sustains 82 000 jobs while consistently generating value for stakeholders – thanks to managers and workers who think and behave like entrepreneurs. Our people come from many different cultures and socio-economic groups, yet they all embrace a common set of Bidvest values. This is one of the keys to our consistent success.

Analysts often seek a single area of focus in a globally diversified services, trading and distribution group such as ours. Our core focus is the single-minded creation of value for stakeholders and opportunities for employees.

Empowerment – a business imperative

Personal empowerment drives Bidvest. It is the key to our corporate DNA and explains our early embrace of black economic empowerment (BEE) in 1996. We see BEE as an extension of established Bidvest practice rather than a new departure. For us, empowerment is evolution not revolution.

Last year's BEE alliance with the broad-based empowerment consortium, Dinatla Investment Holdings, evolved from longstanding and successful partnerships. We knew who we were dealing with and we shared similar philosophies and priorities.

Chairman's Statement (continued)

- Roles of Bidvest **Chairman** and **Chief Executive** have been **separated**
- Acquisition of a **15%** stake in Bidvest by Dinatla, a broad-based black economic empowerment consortium
- **McCarthy** acquisition a major strategic opportunity
- Acquired **minority shareholders** in internationally listed Bidvest plc and Bidcorp plc
- **Rand strength** obscured significant success by offshore operations



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Bidvest will remain focused on the quest for real growth without forcing the pace of expansion

Dinatla's acquisition of a 15% equity stake in the Group was finalised at the end of 2003. This substantial BEE initiative was structured to create the right fit for Bidvest. The challenge was not how best to meet outside expectations, but how best to meet our own objectives.

Empowerment is a national and business imperative and the best long-term method of maintaining the social cohesion that is essential for business growth.

More BEE means less risk

As a service business, Bidvest depends on people. To manage "people risk" you have to hire and inspire people with the talent and energy to grow the business. Unsurprisingly, people development has always been a Bidvest priority.

Alignment of our Group with the markets and communities we serve is crucial if success is to be sustained. BEE components within our Corporate Social Investment Programme remind us that we have to be relevant if we want to stay profitable.

BEE underlines these longstanding Bidvest themes. It's an opportunity not an imposition.

The McCarthy transaction

The acquisition of the McCarthy Group, South Africa's second largest automotive retailer, proved to be a

major strategic opportunity. The purchase included the car rental business Budget Rent-A-Car and Yamaha Distributors, the exclusive South African distributors of Yamaha products.

The acquisition creates new opportunities for growth and synergies will be energetically pursued.

Offshore developments

Bidvest has acquired the minority shareholding in Bidvest plc and subsequent to year-end Bidcorp plc. Bidvest plc had a dual listing in Australia and Luxembourg while Bidcorp plc was listed in London.

These transactions are in line with our stated policy of full ownership in order to control cash flows and avoid any potential conflicts of interests arising from part-ownership. The strength of the rand and the relaxation of exchange controls have made offshore acquisitions much easier to implement.

New board directors

It gives me great pleasure to welcome several new directors to our board following the Dinatla and McCarthy transactions. These directors bring new insight and diverse experience to board deliberations. I look forward to working with the team.

The global dimension

Internationally, the results of Bidvest companies in the United Kingdom, continental Europe, Australia and New Zealand are good, especially when seen in the context of extremely competitive trading conditions.

Currency conversion obscured offshore operational success. Our international foodservice businesses achieved 25% growth in pounds sterling. Yet conversion to the stronger rand creates the illusion of mediocre growth. We continue to measure business performance in local currency terms.

In summary

The Group experienced a generally satisfactory year despite challenges posed by volatile currency movements and an increasingly competitive environment. I extend sincere appreciation to all members of the Bidvest team, our management and people, our suppliers, associates and customers.

Bidvest will remain focused on the quest for real growth without forcing the pace of expansion. The Big Picture will be coloured by greater cohesion and new synergies while opportunities flowing from BEE transformation will be actively pursued.