



About Royal Bafokeng Holdings

April 2012

Royal Bafokeng Holdings (Pty) Limited (RBH) is the primary investment vehicle of the Royal Bafokeng Nation (RBN), a community of approximately 300 000 Tswana-speaking people with substantial, minerals-rich land holdings in South Africa's North West Province.

Established to manage and develop the commercial assets of the RBN, RBH was created in 2006, a result of the merger between Royal Bafokeng Resources (established in 2002) and Royal Bafokeng Finance (established in 2004). RBH functions as a community-based investment company whose investment activities are aimed at generating the income required for the funding of sustainable projects that will benefit the Bafokeng community.

RBH has assets spread across the mining, telecommunications, services, infrastructure, financial and manufacturing sectors.

Significant events during the 2011 financial year include:

- The cumulative acquisition, in two separate tranches, of 15% interests in RMB Holdings (RMBH) (banking) and RMI Holdings (RMIH) (insurance). These transactions, totalling some R8 billion, have had a dramatic impact on the size and composition of RBH.
- As a result of these acquisitions, gross assets rose year-on-year by 6% to R35.3 billion, despite the decline in the value of investments held at the beginning of the year.
- Mining investments as a percentage of total gross assets fell from 80% to 57% over the period. When RBH was formed, mining assets comprised 93% of total portfolio value.

All the shares are held by the Royal Bafokeng Nation Development Trust (RBNDT), which also has social delivery entities: the Royal Bafokeng Administration which serves as a municipality, providing utility and social services to the community; Royal Bafokeng Enterprise Development (RBED), which promotes local economic development; and the Royal Bafokeng Institute, which concentrates on education.

Income generated from RBH's commercial interests is invested in the infrastructural development and in the members of the RBN. In the past decade, more than R4 billion has been spent on roads, utilities, schools, clinics and other public amenities. This has benefited not only the Bafokeng, but other people living in the North West Province.



Financial highlights 2011

81% increase in dividend income

6% increase in gross asset portfolio

Diversification strategy received a major boost through the increased stakes in RMB Holdings and Rand Merchant Insurance Holdings

Sale of Senwes and SACMH investments

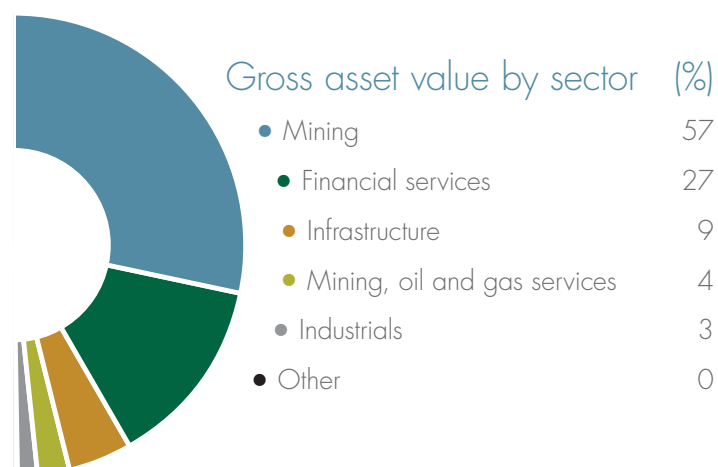
Gearing levels increased to more optimal levels

RBH underperformed the ALSI during 2011 due to high exposure to mining shares

Long-term performance remains well ahead of the market

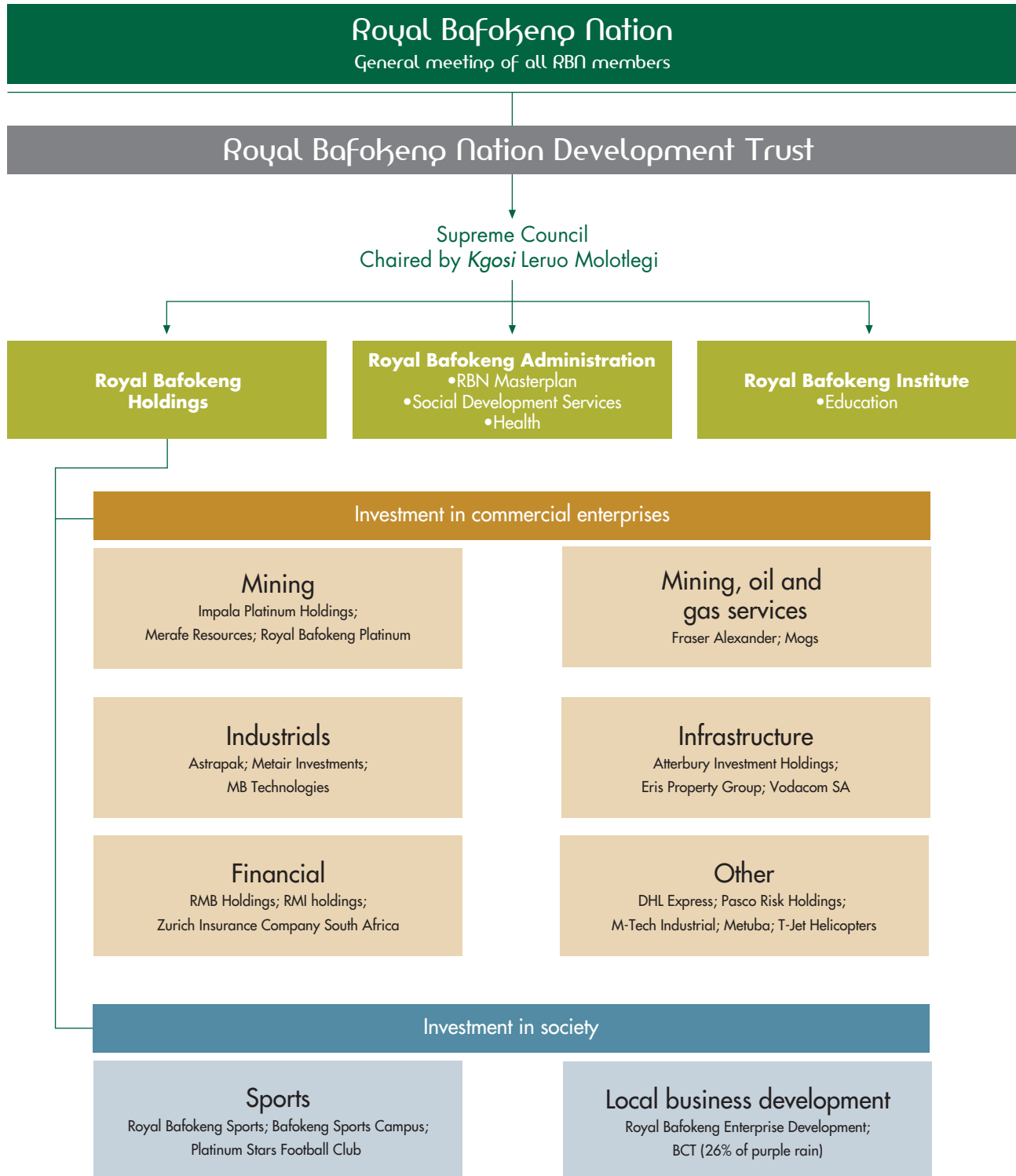


Commercial investments





Corporate structure



RBH's investment philosophy

RBH seeks to acquire interests in well-run businesses that will generate superior returns over time. These superior returns on investment are generated in a number of ways:

- buying in at a discount to fair value;
- participating in the growth of the business during the holding period;
- selling the investment at fair value/premium to fair value;
- investing in good quality assets in selected sectors that will produce growth and yield over the long term;
- encouraging partnerships;
- supporting management;
- providing fundamental analysis; and
- refusing undervalued, over-priced assets.

The RBH investment team spends considerable time analysing the fair value of potential targets, as well as their long-term growth prospects. We would rather pay a fair price for a wonderful business than a wonderful price for a fair business. Over time, the higher compound return generated by the wonderful business will more than compensate for the initial discount on buying into a business that has an average growth rate.

Because the future is uncertain, we take refuge in value; that is, we buy into businesses at prices that do not factor in high future earnings growth rates. We therefore generally avoid buying assets that are trading on high P/E ratios.

Notwithstanding our unwillingness to predict the future, we believe in trends and cycles. We recognise the importance of cycles in economic

growth, commodities, interest rates and other macro drivers on company profits and share prices. We try to invest in a contrarian manner – buying out-of-favour assets which are at the bottom of their profit cycles and are therefore most undervalued. Similarly, should we seek to sell non-core assets we would aim to do so when they are 'hot', near the top of their profit cycle and relatively overvalued. Timing cycles, however, is tricky – we would rather buy into businesses that we can hold through cycles.

The terms of purchase can be further enhanced through securing BEE discounts, mispriced options on follow-on purchases and the judicious use of debt funding.

Ultimately, RBH's investment activities are opportunistic. We need to move around seeking out undervalued asset classes, industries and companies. We can identify sectors of strategic relevance, but must then ensure we do not overpay for specific investments. Finally, we must position RBH to maximise our access to relevant deal flow so that we can have the greatest possible choice.

An essential element of past success has been RBH's approach of partnership and abundance. All stakeholders have a role to play in RBH's drive to create value and all need to share fairly in that value.

This approach starts with RBH's shareholder, which has historically treated the RBH executive team as its partner in value creation. The RBN provides the capital, brand and credentials and the executive provides the experience and skills to generate financial and social returns from the RBN asset base.

In turn, the RBH executive seeks to support and encourage the management teams and co-shareholders of RBH's investments in creating value for all stakeholders, irrespective of the size of our shareholding.

RBH's mandate and objectives

RBH has been mandated by its shareholder, the Supreme Council, to manage the commercial assets of the RBN.

RBH's primary responsibility is the generation of financial returns. We seek to generate sufficient yield to fund the needs of the current generation, while also protecting and growing the asset base for the benefit of future generations. Although the primary focus is on value creation, diversification of the portfolio over time is also an important consideration, given the high exposure to platinum mining assets. Income generated from the investment portfolio is the primary source of funding of the RBN's social expenditure budget.

A secondary responsibility is to assist more directly in the generation of social returns. This has been an area of increased scrutiny over the past three years due to RBH's increased profile within the community, as well as the uneven record of delivery by some of the other RBN entities. RBH currently adds value to this process in three ways – through the operations of its wholly owned subsidiaries, RBS and RBED, through the activities funded by its R10 million per annum corporate social investment (CSI) programme, and through encouraging its investee companies and other third parties to bring funding and skills to bear on programmes that are part of or are aligned with the RBN's focus areas.

Corporate social investment

RBH's CSI objective is to contribute towards the social and economic development of the RBN people through structured sustainable initiatives. In implementing its community projects, RBH enters into partnerships, including those with specialist service providers.

In 2008, RBH invested in a Strategic Environmental Assessment, which was concluded in 2010. The assessment established the current state of the environment, particularly with regard to land owned by the RBN, as well as determining key social and environmental issues of concern that required management.

Based on the outcomes of this assessment, it is RBH's intention to focus its CSI spend on issues relating to community health, education and employment opportunities. Identified projects include:

- An environmental monitoring programme for water and air quality since these are factors that may affect community health; and
- Investment in a mobile clinic service to provide basic primary health care services to Bafokeng communities.

These initiatives will include opportunities for skills transfer and the training of local community members to manage these programmes, thus promoting the principle of education and the creation of employment opportunities. The investment cost for these projects will amount to approximately R 5.5 million.

Partnerships established with investee companies and other strategic partners ensure that the community receives both financial and non-financial support. The combined financial contribution for 2011 was R38 million (2010: R27 million), enabling RBH to assist in increasing the quality of life of beneficiaries and empowering communities.

A spirit of volunteerism is fundamental to the success of this portfolio and RBH's employees once again donated their time and skills to help others throughout the year under review.

Investment

RBH allocated R15 million to its CSI programme in 2011. Of this, 25% was allocated to non-RBN projects. The table and pie chart below set out 2011 expenditure according to areas of focus.

Focus area	Amount R
Health and social development	3,154,430
Education	2,112,788
Donations	1,209,065
Music and arts	1,205,000
Other	1,894,000
Total	9,575,283

Projects in 2011

Health and social development (33%)

Phokeng Trauma Centre

The Phokeng Trauma Centre is a centralised rape and trauma support centre that assists victims and survivors of crime, domestic violence, child neglect and physical and sexual assault, including rape. It has received funding from RBH for the past two years and continues to play a critical role in the RBN community. The centre has increased its capacity to deliver more services to the community and reach out to both RBN and non-RBN communities. The organisation has partnered with government, communities, business and international organisations, such as the UN, who have been providing financial and non-financial support. The organisation reached 14,931 people through field work programmes and 1,204 through in-house intervention programmes during the reporting period.

Godisanang Orphans and Vulnerable Children (OVC) Programme

This programme continues to provide a much needed service to affected children in the community. The Godisanang model of care and support ensures children receive comprehensive care which improves their quality of life. Assistance measures include shelter, nutrition, general health care, education, vocational training and psychosocial and spiritual support. The services are rendered from seven OVC centres and in 2011 reached 716 children, assisted by 59 child care co-ordinators and support staff.

NGO/CBO Capacity Building Project

This project is designed to develop community organisations operating in the RBN so they can function effectively, efficiently and independently and thus become sustainable organisations. The training organisation, Siyakhula Trust, has implemented year one of the Capacity Building Project. The focus of the training was organisational development to enable non-governmental organisations (NGOs) and community-based organisations (CBOs) to put systems in place for their smooth running. The organisations have been trained to develop their profiles, and business and project plans. This training intervention has increased confidence levels, resulting in the independent submission of documents to the Non-Profit Organisation (NPO) Directorate and to SARS. A total of 28 organisations with 126 members are active participants in the project.

The NGO Forum has also been established and members have been elected to various positions. The forum will provide ongoing institutional support to NGOs and CBOs in the RBN. Additional support will be required for many members to assist them to serve in high level positions.

Education (22%)

Nkanyiso schools' vegetable gardens and nutrition

This project is designed to increase gardening and nutrition knowledge among learners, educators, school food handlers and parents, and to increase the nutritional value of school lunches through the use of fresh produce from school gardens. A further aim of the project is to empower community members with skills that will enable them to supply fresh produce to feeding programmes and to run food production businesses. The first year of the project has been completed, with five primary schools being beneficiaries of the project. A total of 42 educators, 39 community members and 87 learners have been trained in permaculture gardening and nutrition. Training provided to community members has been accredited by the Health and Welfare Sector Education and Training Authority (HWSETA). The project has had a far-reaching impact, with vegetables grown by the schools being sold to school feeding programmes as well as the community; community members starting their own gardens at home; and a marked increase in the nutritional value of learners' food. The project has succeeded in attracting other stakeholders, including the UN Food and Agricultural Organisation which have donated gardening equipment and education and health departments in the province which have assisted with funding.





Molteno Institute

The Molteno Institute's literacy project focuses on empowering foundation phase educators with the skills necessary to teach literacy in the learners' mother tongue in order to develop learners' basic cognitive skills. The project supports and mentors educators through demonstrations and other strategies and provides resources. As a result of the project, confidence levels of educators have increased and children's reading and writing skills have improved drastically.

This initiative has trained 15 educators from 14 schools and 593 learners have benefited.

13th Year Project

The 13th Year Project aims to improve the level of mathematics and English learning in Bafokeng schools by using motivated and talented graduates of Grade 12 as classroom assistants and tutors. These former learners are in the process of applying for admission to tertiary education or studying to improve their pass marks for tertiary education entrance. A total of 40 Grade 12 graduates participated in the project in 2011. Not only have the learners benefited but so have the classroom assistants: their higher order thinking skills have been developed, their communication, reading, writing and presentation skills have improved significantly and they have extended their interest in and awareness of the arts and current affairs. The project has managed to holistically develop each participant and prepare them for the tertiary environment.

Palaeontological Scientific Trust (PAST) Walking Tall Project.

Some 7,500 learners and 85 educators from 33 schools benefited from this project, the objective of which is to create awareness and excitement about paleo-sciences and evolution in particular.

Donations (13%)

In 2011, donations were made to the following projects:

- Reach for a Dream;
- Associated Country Women of the World;
- Sisters of Mercy;
- RBH Employee Volunteering Programme;
- Gift of the Givers;
- Room 13; and
- Pearl Edu Vision.

Music and arts (12%)

Bafokeng Field Band

The Bafokeng Field Band caters for young people from the age of seven to secondary school leavers. Band members are taught twice weekly to read music, play marimba, steel band, trumpet, drums and to dance. The Bafokeng Field Band has gained popularity, with a steady increase in the number of young people showing an interest in its activities. In addition to providing music and dance training, the organisation also runs a social programme which provides support to vulnerable band members. A total of 36 band members has been assisted in this way, and help has included the acquisition of ID documents and school uniforms as well as the donation of food parcels.

Royal Bafokeng Youth Choir

Through the Royal Bafokeng Youth Choir, outstanding singers in the Bafokeng region between the ages of 15 and 25 are exposed to excellence in choral singing. The choir is made up of 60 members who receive music theory and vocal training twice a week, provided by professional music directors. From time to time, the choir participates in music master classes and workshops where external music directors help members to understand the dynamics of choral singing.

In 2011, the choir was invited to attend a workshop and master classes with the Drakensberg Boys School choir, considered to be one of South Africa's best choirs. This was a great opportunity to hone skills and also provided exposure for the choir.

Employee volunteering programme

Twice a year, a mandatory employee volunteering day takes place. In 2011, the following activities were undertaken:

- Making vegetable gardens in four primary schools in Kana, Moremogolo, Bobuanja and Seolo;
- Preparing meals for OVCs in the three centres in Lefarakgathe, Masosobane and Salema villages;
- Building jungle gyms in two early childhood development (ECD) centres in Kgale and Lesung villages; and
- Painting of OVC centres in Robega and Mafenya villages.

RBH's corporate partners

When entering into investment agreements with investee companies, RBH ensures that the community benefits by securing commitment from these companies to provide both financial and non-financial support through various means.

ZICSA

ZICSA's expenditure was R7 million and the following initiatives were funded:

- RBI's literacy project;
- RBI's mathematics and science project;
- Godisanang OVC Programme;
- Phokeng Trauma Centre;
- Tapologo Outreach Project; and
- RBS's Sports Development Project.

RB Platinum

A total of R18,281,000 was spent by RBPlat on the following community projects:

- Community gardens in Rasimone and Mafenya;
- Hatchery in Robega;
- Kgotla offices in Chaneng and Rasimone;
- Support to Rasimone Intermediary School;
- Capacity development for SMMEs;
- Building of five houses in Rasimone;
- Provision of medical equipment to Chaneng Clinic;
- Portable (artisan) skills training; and
- Robega Police Station.

Merafe Resources

Merafe Resources' CSI expenditure was R1,740,851 and this funded the following initiatives in the RBN:

- Tapologo Hospice; and
- Phokeng Trauma Centre

Fralex

Fralex's expenditure was R1,223,000. This was used to support various community projects including:

- Associated Country Women of the World;
- waste and recycling plant in Phokeng;
- greenhouse for Chaneng Society for the Blind;
- Queen Mother's Polo Charity Cup;
- Best of Life charity dinner;
- RBI Career Day;
- Ntlhokomele MoAfrika;
- Bolokeng Koketso; and
- RBS.

Metair

Metair's expenditure was R100,000. This was used to support a school gardening project in Serutube Primary. The project targets single and unemployed parents of children who attend the school. A total of 13 community members and four educators have received initial training.

MB Technologies

MB Technologies donated IT equipment and consumables to NGOs working in the RBN to the value of R631,490. They also hosted a Christmas party for 110 children from the Godisanang OVC programme.

Partnerships

ABSA

Financial literacy training, including the National Credit Act, was provided by ABSA. Some 1,500 people including the Dikgosana, have benefited from this training. The project aims to reach 17,000 people by the end of 2012. Planning is under way to provide permaculture gardening training to 15 ECD centres in the RBN.





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