

## Business review

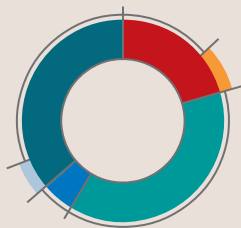
# strategic investments



Above left: Craig Lyons

Above right: Tshakalisa Matiwaza

### Composition of intrinsic NAV 30 June 2009 (R/ordinary share)



■ Absa – 1,89
■ Avusa – (0,69)
■ Life Healthcare – 3,49
■ Group Five – 0,45
■ Vox Telecom – (0,50)
■ Others – 3,26

#### PERFORMANCE REVIEW

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Batho Bonke financing successfully raised with effect from 1 September 2009

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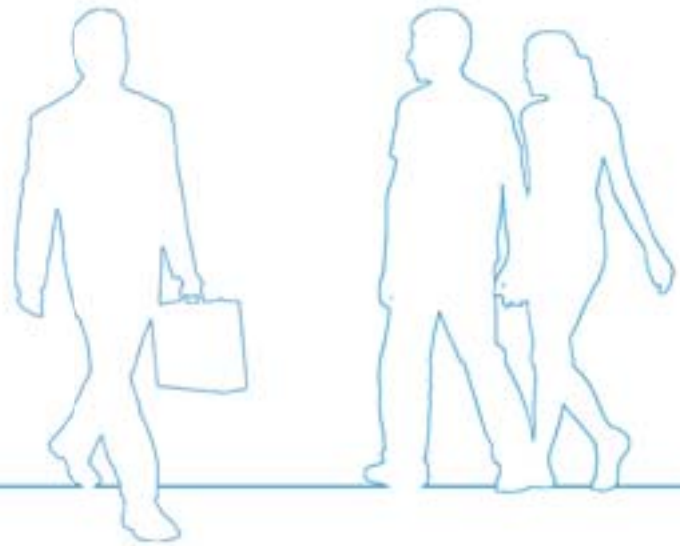
Batho Bonke will distribute R146 million to shareholders of which Mvelaphanda Group's share is R65 million

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Cash of R195 million received from investments

# Business review continued

## Investments continued



### Investment in Absa Group Limited

Mvelaphanda Group has an effective 44,7% interest in Batho Bonke, which until 1 June 2009 owned option-holding redeemable preference shares in Absa Group Limited ("Absa") (Absa call options), equating to an effective 10% shareholding in Absa. In terms of the agreement reached in July 2004, 1 June 2009 was the last option exercise date.

On the last option exercise date, being 1 June 2009, the final strike price of the Absa call options was determined with reference to the 30-day volume-weighted average price ("VWAP") of Absa ordinary shares. At the close of business on 31 March 2009, with the 30-day VWAP of Absa ordinary shares being R99,78, the strike price of the Absa options was R68,30 per share and at this strike price the net value to Batho Bonke translated to a pretax value of approximately R2 300 million.

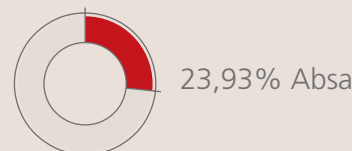
As part of a series of transactions to exercise the Absa call options on the last option exercise date, Absa repurchased and cancelled 49,9% or 36,50 million of the option-holding redeemable preference shares and Batho Bonke issued a notice to Absa to exercise the remaining 50,1% or 36,65 million Absa call options. From the repurchase of the option-holding redeemable preference shares Batho Bonke received total cash proceeds of R988 million, with an amount of R818 million being used to exercise a portion of the remaining options, resulting in 11,97 million fully paid Absa ordinary shares being issued to Batho Bonke. The rest of the cash proceeds were used to settle transaction costs, with an amount of R146 million being earmarked for distribution to Batho Bonke shareholders by 1 September 2009 should certain conditions be met by Batho Bonke.



#### HIGHLIGHTS

- Batho Bonke issued a notice to Absa to exercise 50,1% of the options.
- 49,9% of the options were repurchased and cancelled by Absa.
- R988 million in cash proceeds received from the repurchase.
- R818 million of the cash proceeds received was used to purchase 33,7% of the remaining options.
- R146 million earmarked for distribution to Batho Bonke shareholders.
- Batho Bonke financing successfully raised.

Composition of intrinsic NAV  
30 June 2009




Absa share price performance



In order to finance the exercise of the remaining portion of 24,68 million Absa call options, Absa provided Batho Bonke with a three-month back-up funding facility of R1 686 million by subscribing for preference shares in Batho Bonke ("back-stop funding"). In turn Batho Bonke going to source funding from third-party institutions in order to redeem the back-stop funding. In terms of the subscription agreement, the back-stop funding needs to be

# Business review continued

## Investments continued

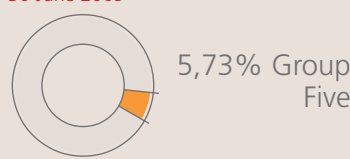


### HIGHLIGHTS

- Revenue increased 36% to R1 200 million.
- 25% increase in operating profit for the year ended 30 June 2009.
- Solid project pipeline.
- Mvelaphanda Group will continue to strengthen its relationship with Group Five.

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Composition of intrinsic NAV  
30 June 2009



5,73% Group Five

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Group Five share price performance



redeemed by 1 September 2009, using funding raised from third parties.

The back-stop funding has been replaced by permanent funding of R1 700 million from a consortium of institutions from 1 September 2009.

Batho Bonke holds 36,6 million Absa ordinary shares, with total debt obligation of R1 860 million. The net value of 36,6 million Absa ordinary shares held by Batho Bonke, as per the price of Absa ordinary shares on the JSE of R110 per share on 30 June 2009, was R2 000 million after netting off debt funding of R1 860 million and capital gains tax. During Mvelaphanda Group's financial year to 30 June 2009 the intrinsic value of Mvelaphanda Group's investment in Absa increased from an option value figure of R716 million at 30 June 2008 to Absa ordinary shares with a net value after CGT of R901 million at

30 June 2009. At 30 June 2009 the intrinsic net asset value of the investment in Absa made up 23,93% of Mvelaphanda Group's intrinsic net asset value.

The Absa ordinary shares held by Batho Bonke remain subject to selling restrictions in accordance with the terms of the Batho Bonke shareholders and other agreements, which selling restrictions prohibit the sale of such Absa ordinary shares other than to approved BEE parties until March 2011.

Absa, listed on the JSE, is one of South Africa's largest financial services groups offering a complete range of banking, assurance and wealth management products and services. Absa conducts its business primarily in South Africa, with equity holdings in banks in Mozambique, Angola and Tanzania. Absa is a subsidiary of Barclays Bank PLC ("Barclays"), which has a controlling shareholding of 58,8% in the Group. Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an extensive international presence in Europe, the USA, Africa and Asia.

At 30 June 2009 Absa had 718,2 million shares in issue and a market capitalisation of R7 900 million. The bank had assets of R7 543 million, 11,3 million customers, 9 211 automated teller machines and 36 920 permanent employees, making it one of the biggest banks in Africa in all respects. For more details on Absa visit the Group website on [www.absa.co.za](http://www.absa.co.za).

In Mvelaphanda Group's view, in the long term, the fundamentals of the banking industry in South Africa remain solid and the banks remain good long-term investments. In this regard, Absa remains a strategic investment for Mvelaphanda Group.

### Group Five Limited

The investment in Group Five continues to deliver satisfactory returns to Mvelaphanda Group owing to the solid performance of Group Five and their ability to manage a difficult trading environment. The company is well poised to continue its annualised year-on-year growth of 25% in HEPS. The intrinsic net asset value

# Business review continued

## Investments continued

of Mvelaphanda Group's investment in Group Five shares is R211 million at end of June 2009 (R34,70), less than June 2008 (R44,50). Mvelaphanda Group held 13,5 million Group Five ordinary shares, equivalent to an effective 10,7% interest in Group Five.

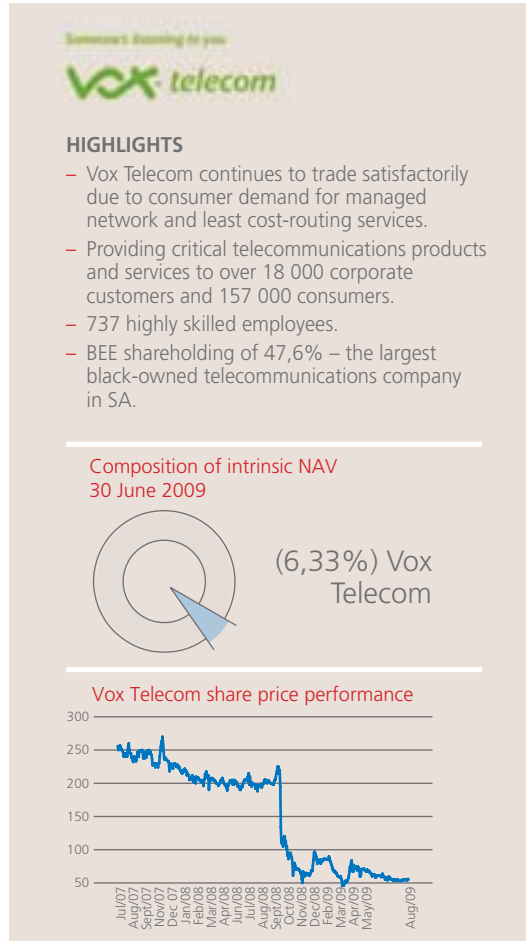
The company produced excellent results for the year ended June 2009, with operating profit increasing by 25% to R797 million and the Group posting a pleasing operating profit margin of 6,6% for the year. Fully diluted earnings per share increased by 28% to 486 cents per share. The company has a strong forward order book at an acceptable margin and thus management focusing on delivering a professional service on these contracts. Prospects for the company remain good with all of Group Five's markets showing growth. Group Five is expected to benefit from exploration, mining and related infrastructure spend throughout Africa and has a R72 billion project pipeline.

Mvelaphanda Group and Group Five have focused on developing a closer working relationship. These have centred on generating mutually beneficial revenue-sharing arrangements namely co-venturing on projects and cross-selling of services. For more details on Group Five visit their website on [www.group5.co.za](http://www.group5.co.za).

### Vox Telecom

Vox Telecom is a leading alternative, independent telecom operator, providing voice and data services to the southern African market. Vox Telecom competes through its primary brands, namely DataPro, Vox, Orion Telecoms and @Lantic Internet Services. Vox Telecom provides cost-effective and innovative telecommunications solutions to consumer and corporate customers, whilst ensuring the delivery of services to customers is outstanding.

Mvelaphanda Group acquired 12,3% of Vox Telecom in two transactions in November 2007




and January 2008 at an average price of 212,6 cents per share. The cost of the investment of R299 million was funded by internal Mvelaphanda Group resources and third-party debt. The Vox Telecom share price on the JSE AltX at 30 June 2009 was 55 cents per share resulting in a negative intrinsic value of R235 million net of debt.

For more details on Vox Telecom visit their website on [www.voxtelecom.co.za](http://www.voxtelecom.co.za).

# Business review continued

## Investments continued




**HIGHLIGHTS**

- 14,4% EBITDA growth in continuing businesses.
- R178 million in capital distributions to be paid out to Mvelaphanda Group.

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Composition of intrinsic NAV  
30 June 2009



44,18% Life Healthcare

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Healthcare index



### Life Healthcare

Life Healthcare operates 60 acute-care facilities across South Africa and enjoys the support of over 2 700 doctors and specialists.

Mvelaphanda Group's interest in Life Healthcare continues to increase in value year-on-year, due to performance ahead of budget owing to a professional management team focused on internal operating performance. Although the equity markets have rerated and thus we have reduced the applicable EBITDA multiple, the increase in operating profits has resulted in a value of R1 626 million net of all funding and taxes to Mvelaphanda Group.

Financial highlights for the 12 months to June 2009 showed an increase in EBITDA from continuing businesses of 14,4%.

Paid patient day's, a key metric in the business, was an impressive 4,3% above last year. Occupancies at 67% are more than acceptable for the period under review.

The company continues to focus on managing its hospitals more efficiently and a comprehensive working capital management programme is starting to deliver results. Owing to the cash flow generative nature of the company the shareholders resolved to pay out capital distributions to Mvelaphanda Group of R178 million (dividends and loan repayment).

Life Healthcare has a healthy balance sheet. It is well positioned to grow through the expected increased demand for healthcare services in the years ahead and will benefit from the defensive nature of the business.

Life Healthcare is of the opinion that although the healthcare services industry is experiencing negative publicity surrounding regulatory issues, pricing and margins, the demise of the public healthcare services provides Life Healthcare with numerous opportunities, specifically PPPs, which will lead to additional revenue streams at acceptable margins. Prospects for the company remain good, with new opportunities being investigated both locally and internationally.

The company continues to focus on managing its hospitals more efficiently and a comprehensive management programme is starting to deliver results. Mvelaphanda Group communicates with management on an ongoing basis and is spending time with the balance of the shareholders to ensure the value of Life Healthcare is continually increased. The value of Mvelaphanda Group's investment is expected to continue to perform well over the medium term as a result of the anticipated growth of Life Healthcare's business and the gearing of the company.

# Business review continued

## Investments continued

### Investment in Avusa Limited

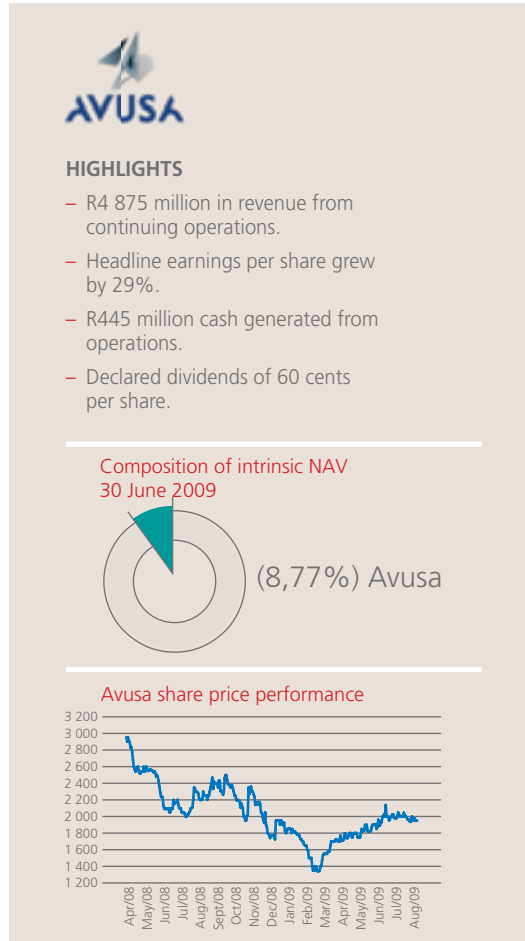
Mvelaphanda Group has a 25,5% shareholding in Avusa Limited. Avusa is listed on the JSE and is one of the leading media and entertainment companies in South Africa, with leading brands in its sectors. At 30 June 2009 Avusa had a market capitalisation of R2 100 million on the JSE.

Avusa has a 31 March financial year-end and it reported its annual results for the year to 31 March 2009 on 23 June 2009. The results were credible despite the sharp downturn in the economy, which resulted in a soft advertising market in the second half of the financial year.

Revenues from continuing operations were up 8% to R4 875 million and profit after tax from continuing operations was up 7% to R290 million. The net profit for the period was 58% higher than the prior year, with a positive contribution from the disposal of the loss-making African business, which was sold for a profit of R62 million. The company benefited from cost-savings initiatives implemented group-wide by management, including a 22% reduction in corporate costs and reduced share-based payments.

Avusa remained strongly cash generative, with cash generated by operations of R445 million. The balance sheet of the company remains strong with minimal gearing. Cash at the end of the financial year totalled R416 million and the company declared and paid a dividend of 60 cents per share.

Avusa's strategy is to continue to invest in the businesses with future profitable growth, including the digital business, where revenues



increased by 20%. The digital businesses are ideally positioned for increased bandwidth. The company will continue to pursue long-term strategies, prudently investing in change, whilst transforming into a multimedia operation. Whilst trading conditions remain challenging, Avusa management will focus on cash and operational efficiencies.

More information on Avusa can be obtained from the company's website on

[www.avusa.co.za](http://www.avusa.co.za).

# Business review

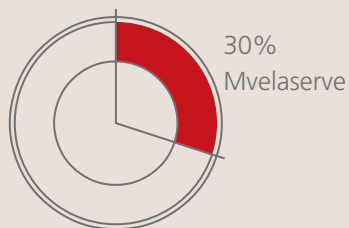


## mvelaserve

Above: Jorge Ferreira

### Intrinsic net asset value

(%)



### Revenue performance over five years\*

(R million)

2009	3 600
2008	3 126
2007	2 912
2006	2 603
2005	2 202

Compound annual growth rate = 13%

\*On a comparable basis

### PERFORMANCE REVIEW

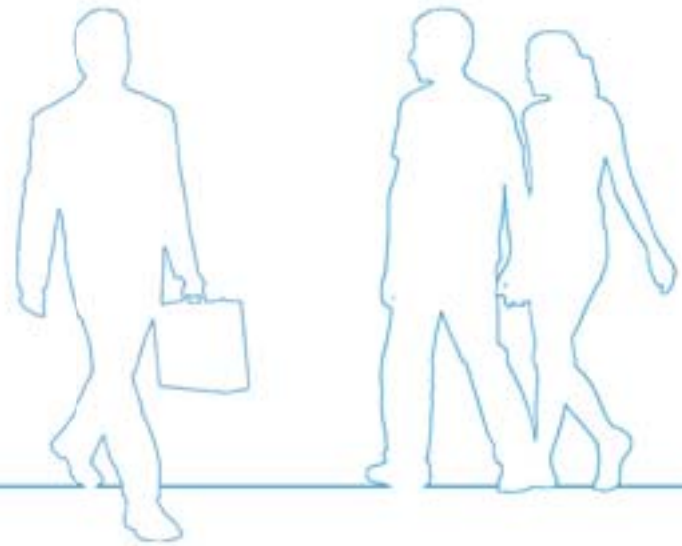
Revenue increased by 6% year-on-year and strengthened by 15% on a comparable basis

Operating profit increased by 11% to R274 million or by 28% on a comparable basis

Cash generated from operations increased by 34%

# Business review continued

## Mvelaserve continued



KEY MEASURES	2009	2008		Change %
Revenue (Rm)	3 746	3 539	▲	6
Operating profit (Rm)	274	247	▲	10
Operating margin (%)	7,3	7,0	○	4
Employees (number)	26 812	25 958	○	3

▲ Increase ○ In line/no material change

### Introduction

Mvelaserve is one of the leading providers of support services in South Africa through its portfolio of operating subsidiaries, employing around 27 000 people. We are able to offer a range of services in our core areas of facilities management, security, catering and cleaning, while also providing unique growth opportunities through our exposure to the gambling and quick-service restaurant markets.

Mvelaserve has four primary business units, namely:

- » **Facilities management**, where TFMC is the largest facilities management company in South Africa.
- » **Security**, with Protea Coin Group as a market-leading provider of integrated security solutions.
- » **Catering and cleaning** consisting of RoyalSechaba which focuses on contract food solutions, infrastructure project support services, and central kitchen facilities; Berco focusing on contract cleaning, Mediguard for specialised healthcare cleaning, and industrial cleaning services.
- » **Diversified services** consisting of Khuseti Holdings for franchising and manufacturing, Zonke Monitoring Systems for the monitoring of limited payout machines in the gambling industry, and Contract Forwarding, a freight forwarding business.

All of the above provide unique growth opportunities in response to the expected upturn in the economy, with due consideration to improved exposure to the service industry. The development and exploitation of these opportunities form the basis for the overall Mvelaserve strategy that focuses on stabilisation, growth and expansion, followed by sustained improvement of all facets of Mvelaserve.

### Scope of the report

The following matters will be addressed in this report:

- » Group review for the reporting year.
- » Business unit review for the reporting year.
- » Strategic intention and goals for the short and medium term.

### Group review

#### Financial review

Revenue for the year increased by 6% to R3 746 million (2007: R3 539 million), while on a comparable basis revenue increased by 15%. EBITDA for the year was R392 million, in line with the prior year EBITDA and an increase of 21% on a comparable basis. Operating profit increased to R274 million in the current year from R247 million in the prior year with current year operating profit increasing by 28% on a comparable basis. Operating margin was 7,3%, 4% stronger than the prior year and 10% stronger on a comparable basis.

Cash generated from operations amounted to R363 million compared to R271 million generated in the previous year. This is attributable to working capital improvement in Protea Coin and Contract Forwarding, as well as the improvement, on a comparable basis, in earnings.

# Business review continued

## Mvelaserve continued

Capital expenditure on property, plant and equipment, and manufacturing rights (net of proceeds from the disposal of property, plant and equipment) amounted to R220 million for the year (2008: R288 million). The year-on-year variance is attributable to the inclusion of Trollope Mining Services, a capital-intensive business, in the prior year, as well as the capital investment in Khuseti Holdings in the prior year. Approximately R50 million of capital expenditure was attributable to the replacement of assets, with the balance being used to expand and grow Mvelaserve. Protea Coin has continued to invest in their vehicle fleet as their business continues to experience substantial organic growth. The net outflows from asset financing were R75 million.

### Intrinsic net asset value

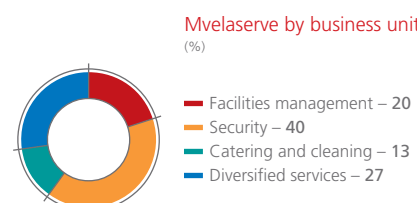
	Intrinsic net asset value at 30 June 2009 Rm	Intrinsic net asset value at 30 June 2008* Rm		Change %
Facilities management	210	213	○	(1)
Security	418	514	▼	(19)
Catering and cleaning	133	192	▼	(31)
Diversified services	278	455	▼	(39)
	<b>1 039</b>	1 374		
NAV per ordinary share	<b>R2,23</b>	R2,96	▼	(25)

○ In line/no material change    ▼ Decline

\*Includes Trollope Mining Services at net realisable value

The intrinsic net asset value per ordinary share attributable to Mvelaserve decreased to R2,23 per share at 30 June 2009 from R2,96 per ordinary share at 30 June 2008. The decrease in the valuation is mainly influenced by facilities management being valued on a discounted cash flow basis to reflect the remaining duration of the current Telkom contract. In line with depressed equity markets, lower earnings multiples were applied to the other business units.

The composition of Mvelaserve's intrinsic NAV at 30 June 2009, by business unit, is shown below:



TFMC is valued on a discounted cash flow basis with forecasted earnings as its base. For Security and Catering and cleaning we use the forward PE method on a sustainable earnings base. Diversified services is valued using forward EBITDA multiples and a base of forecasted earnings. PE multiples used are derived from ruling prices on the JSE for listed entities in similar sectors. The bases used are either forecasted earnings derived from 2010 budgets or sustainable earnings derived from management's view of probable operating margins to be achieved over 2 to 3 years. The valuation is stated net of minorities and operating debt.

### Human capital

In line with the ongoing Mvelaphanda Group strategy to establish Mvelaserve as a separate operating entity, there were significant additions to senior executive management during the year. Jorge Ferreira (previously the CEO of Protea Coin Group) was appointed as CEO of Mvelaserve and Pauline Mahlangu-Armstrong was appointed as human capital executive. In July 2009 Martin Schermers was appointed as financial director.

At a business unit level we welcomed the appointment of Petrus van Niekerk as CEO of Protea Coin Group.

### Corporate activity

Corporate activity over the year was centred on streamlining the portfolio of Mvelaserve by disposing of non-cash-generative or non-core businesses. Trollope Mining Services was sold to a consortium of management and BEE investors in October 2008. We also disposed of our 40% interest in Resolution

# Business review continued

## Mvelaserve continued

Insurance in June 2009 and our 50% interest in Cash Access Corporation (Proprietary) Limited in August 2009.

### Business unit review

During the reporting year the emphasis was still largely on the respective subsidiaries functioning as autonomous business units within the Group. To this effect, all the companies within the Group had their own goals and objectives related to their own business flavours. These were finalised and executed in terms of the plans and budgets for the period reported on. In short, the performance in response to the objectives can be summarised as follows for each company within Mvelaserve:

### Facilities management

KEY MEASURES	2009	2008	Change %	
Revenue (Rm)	1 110	1 014	▲	10
Operating profit (Rm)	151	131	▲	15
Operating margin (%)	13,6	12,9	▲	5
Employees (number)	1 650	1 629	○	1

▲ Increase ○ In line/no material change

TFMC aims to selectively grow differentiated businesses to build a portfolio of strong client partnerships in the private and the public sectors yielding sustainable profits and cash by using systems and expertise developed from first-order facilities management ("FM") outsourcing in the telecommunications industry.

TFMC is the largest FM company in South Africa, providing comprehensive FM services in respect of 6 500 properties, 14 000 masts and all ancillary telecommunications infrastructure, totalling in excess of 2,5 million square metres. Many of these facilities are mission critical to their clients and are maintained on a 24-hour, 365-days per year basis. The business has a national footprint across 32 regional offices.



### HIGHLIGHTS

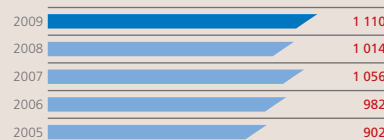
- Significant capital project work for Telkom.
- Development of a promising sales pipeline in Customised Solutions.

% of Mvelaserve operating profit at 30 June 2009



55% Facilities management

Revenue performance over five years (R million)



Compound annual growth rate = 5%

TFMC divides its business into two divisions, namely the Telkom Contract and Customised Solutions:

- » **Telkom Contract** – TFMC provides integrated FM to Telkom, as well as property management, professional engineering, capital projects management and maintenance services.
- » **Customised Solutions** – Smaller FM contracts are grouped under Customised Solutions.

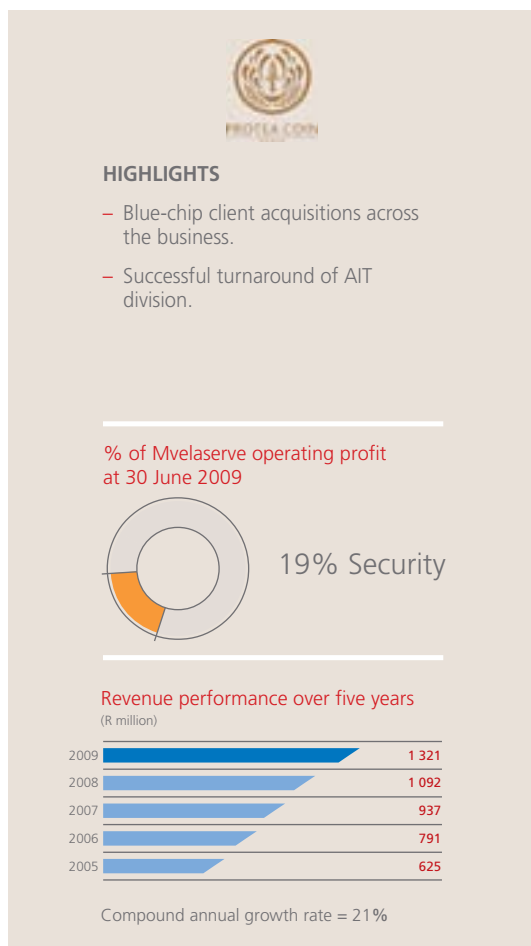
### Review of the year

FM has shown growth in revenue of 10% and operating profit of 15% arising primarily from increased project management by TFMC of capital expenditure undertaken by Telkom.

The extension of the Telkom Contract for a further five years from 2011 (the existing contract expires in March 2011) continues to be under negotiation.

# Business review continued

## Mvelaserve continued



Contracts in Customised Solutions performed ahead of expectations. In line with the Mvelaserve strategy to use the existing contract base to grow new business, the Customised Solutions pipeline is full of opportunities. A focus on these opportunities should enable us to reduce our reliance on the Telkom Contract.

Skills development within TFMC remains a critical ongoing process, especially in light of the technical nature of its core competencies. The renewed focus on talent management during the year has resulted in staff turnover declining compared to the prior year.

Major IT system improvements during the year included the development of a customer-facing internet portal, the roll-out of hand-held devices to the field and the upgrading of disaster recovery plans.

### Security

KEY MEASURES	2009	2008	Change %
Revenue (Rm)	1 321	1 092	▲ 21
Operating profit (Rm)	53	20	▲ 165
Operating margin (%)	4,0	1,8	▲ 122
Employees (number)	14 529	13 699	▲ 6

▲ Increase

Protea Coin partners their customers by offering market-leading integrated security solutions. The competitive advantage from being one of three national assets in-transit (“AIT”) providers, combined with a track record in mining security and a large base of contracts in the guarding division has facilitated the seamless integration of security solutions to a portfolio of blue-chip groups in South Africa and higher operating margin from growth.

Protea Coin has four primary divisions:

- » **AIT** – services include bulk cash transportation, daily banking and deposit services, ATM management and valuable assets transportation.
- » **Armed reaction** – the installation of modern, reliable electronic alarm systems backed by highly trained security specialists.
- » **Technical** – entails the design, installation and monitoring of high-technology surveillance security solutions, monitored by a national control centre facility.
- » **Guarding** – manned guarding services to the private and public sector with value-added services such as a specialised reaction unit, a canine unit, an equestrian unit, and a cargo risk management solution.
- » In addition to these core offerings, Protea Coin offers investigations and intelligence services, close protection, aviation security and fleet monitoring services. Protea Coin also acts as a security service provider and consultant in the United Arab Emirates with Al-Jaber Coin Security Group L.L.C.

# Business review continued

## Mvelaserve continued

### Review of the year

The Security business unit recorded a pleasing turnaround during the year, driven by growth in all divisions and new contract wins across the transport, mining and public sectors. Revenue and operating profit increased by 21% and 165% respectively.

The primary challenge of the merger process between Coin Security Group and Protea Security Services was addressing the ex-Coin AIT division which was incurring significant losses as a result of its increased vulnerability to asset-in-transit heists relative to its competition. This division has turned around during the year with the posting of positive operating results in the final quarter.

The operating margin improvement is particularly pleasing, especially as the margins of the flagship ex-Protea mining division have remained in line with prior years. We expect the overall margin to exceed market norms over the course of time as new business is introduced into the higher margin offerings of AIT and technical security.

The employee base of the security business unit has grown by 6% over the year. This growth demonstrates the demand in the market for an integrated security solution, and we look forward to continued growth in operating profit in the next financial year.

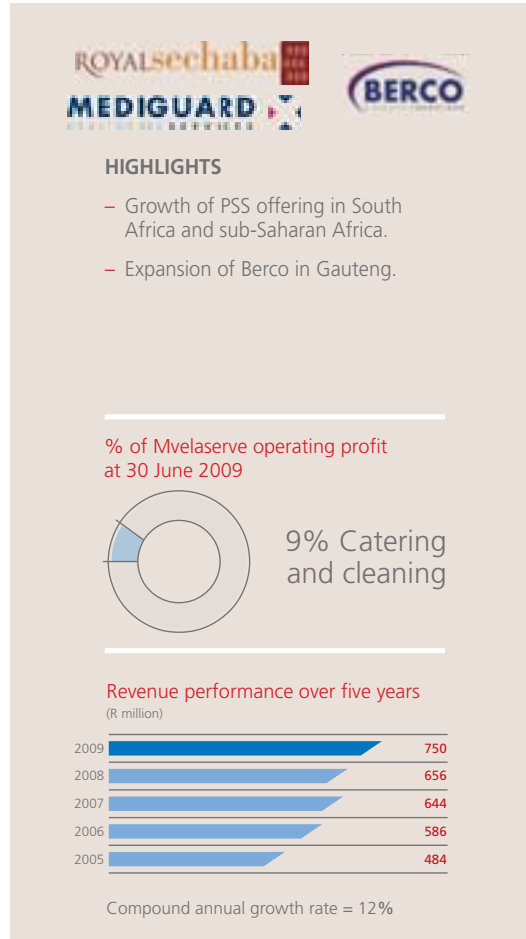
### Catering and cleaning

KEY MEASURES	2009	2008	Change %	
Revenue (Rm)	750	656	▲	14
Operating profit (Rm)	24	24	○	—
Operating margin (%)	3,2	3,7	▽	(14)
Employees (number)	10 307	9 329	▲	10

▲ Increase   ○ In line/no material change   ▽ Decline

### Catering and cleaning

The strategy of this business unit is consistent with the Mvelaserve strategy of using the existing revenue base as a platform to strengthen partnerships and



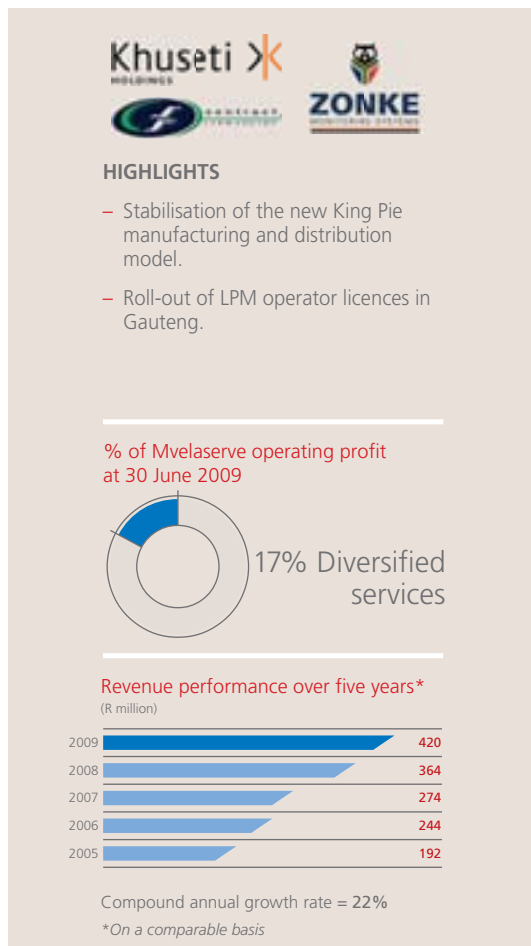
accelerate operating margin growth through the development of higher margin offerings. The division has a strong market position and we intend to use our existing base of public and private clients on a national footprint, to increase the market share of this business unit.

The business unit has six main offerings from RoyalSechaba and Mvelaserve Cleaning:

- » **Contract food solutions** – outsourced food solutions to workforces across all market sectors from high-end executive dining to factory worker catering. This division also specialises in the education and healthcare sectors.
- » **Project support services (“PSS”)** – supply of catering and facilities management services to clients in remote sites, and to clients requiring catering and village management services in support of major infrastructure projects.

# Business review continued

## Mvelaserve continued



- » **Central kitchen** – The company has invested in a state-of-the-art food production kitchen in Centurion to service the flagship Gautrain contract and to service contract food solutions and PSS clients.
- » **Berco** – provides cleaning services to commercial, retail, education and industrial facilities. Berco also provides integrated solutions to the hospitality and leisure industry including front-of-house, housekeeping and back-of-house functions.
- » **Mediguard** – specialised cleaning services to hospitals, clinics, doctors’ rooms, frail-care centres and retirement homes.
- » **Industrial** – operates high-pressure blasting machines to facilitate the cleaning of plant and equipment that cannot be cleaned by conventional cleaning methods.

### Review of the year

The Catering and cleaning business unit demonstrated an improvement in revenue of 14% during the year attributable to growth in the PSS and Berco offerings and a continued strong performance by RoyalSechaba’s healthcare catering business.

Operating profit was in line with the prior year, principally as a result of wage and food price inflation. The overhead base in this business unit remains out-of-balance to its productive capacity and will be reviewed and restructured in the following year.

The integration of the business unit has proceeded at a slower pace than anticipated, with limited cross-selling across the divisions. We intend to accelerate this integration in the new financial year, especially with respect to overhead rationalisation.

### Diversified services

KEY MEASURES	2009	2008	Change %
Revenue (Rm)	564	777	∇ (27)
Operating profit (Rm)	46	72	∇ (36)
Operating margin (%)	8,2	9,3	∇ (12)
Employees (number)	326	1 301	∇ (75)

∇ Decline

Note: The 2008 figures include the disposed Trollope Mining Services business.

### Diversified services

The strategy of this business unit is to generate free cash flow in order to increase capital available for the further growth of Mvelaserve. Entrepreneurial management and small to medium businesses in high-growth sectors characterise this business unit. The companies in this business unit are as follows:

- » **Khuseti Holdings (“Khuseti”)** – franchisor of the King Pie brand, and owner of BMO Food Services which manufactures the King Pie product range. There are over 300 King Pie outlets throughout South Africa.

# Business review continued

## Mvelaserve continued

### » Zonke Monitoring Systems (“Zonke”)

– monitors the limited payout machine (“LPM”) industry in South Africa in terms of a contract signed with the National Gambling Board.

» **Contract Forwarding** – freight forwarding and customs clearance agents for the import and export markets with branches in Johannesburg, Cape Town and Durban.

» **Novare Holdings (“Novare”)** – niche actuarial consultancy and asset management company based in Cape Town and Johannesburg.

### Review of the year

**Khuseti** was adversely affected by the slowdown in consumer spending towards the end of 2008 and into 2009, which has negatively impacted the entire quick-service restaurant market; however, we remain optimistic that we will be able to expand the BMO product range into the wholesale market.

**Zonke** delivered a solid result for the year under review. The LPMs monitored by Zonke at 30 June 2009 stood at 5 351, 22% higher than the 4 400 machines being monitored at 30 June 2008. The roll-out of LPM operator licences in Gauteng commenced in July 2009 and we expect this to further improve profitability.

**Contract Forwarding** declined on the prior year as air and sea imports decreased on a year-on-year basis. The tough trading conditions are expected to persist for the next few months. However, import volumes may improve as inventory levels and capital investment across the economy respond positively to the impact of lower interest rates.

**Novare’s** weakened performance on the prior year stems from lower performance fees following the contraction in capital markets.

### Strategic intention and goals for the short and medium term

Our strategy is to build Mvelaserve into the leading provider of sustainable outsourced value-adding services in partnership with our clients. We aim to achieve this strategy through organic growth in our existing portfolio and, from time to time, value-accretive acquisitions.

We intend to expand our footprint across the rest of the African continent. South Africa benefits from a relatively sophisticated services industry and therefore its companies are the logical partners to accompany local and international expansion on the African continent.

As primarily business-to-business outsourced support service providers, we are well positioned to take advantage of economic growth in South Africa and the rest of Africa. We seek to partner our clients in the management of their assets, affording them the room to concentrate on their core business while we deliver a value-for-money basket of services.

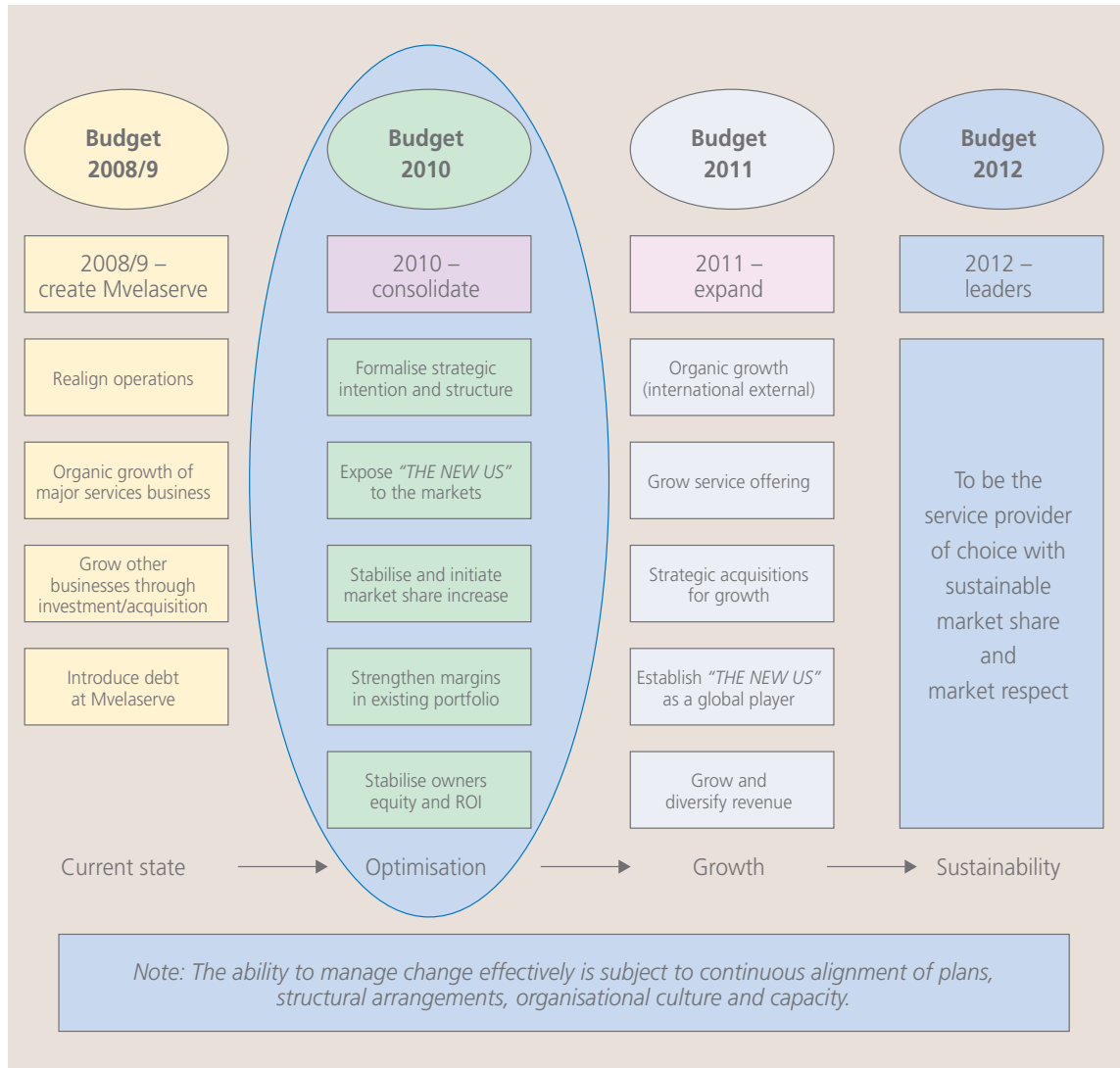
### Strategy map

To ensure sustainable growth of Mvelaserve, the main imperatives will centre on consolidation and stabilisation, followed by a growth and expansion phase that happens by design, and will result in sustainable growth over the long term. The primary consideration for the optimisation programme is a progressive approach that recognises the fact that all of the subsidiaries might not be at the same level of structural maturity. Structural maturity in this instance refers to issues related to the sustainability of governance, organisational arrangements, organisational culture, and capacity. All of these elements will be subject to dynamic leadership that recognises innovation as an essential characteristic to ensure alignment with the Mvelaserve strategy.

# Business review continued

## Mvelaserve continued

To ensure that the relationship between leadership and management can be sustained, both of these will be confirmed as disciplines and skills during the optimisation process. The strategic intention of Mvelaserve can be presented as follows:



# Business review continued

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### Goals of the optimisation programme (First phase)

With due consideration of the importance of strategic leadership within the organisation, the following goals will guide the optimisation programme. With the primary objective being to stabilise and establish firm baselines for continuously improving the profitability of Mvelaserve, the following goals are appropriate to all subsidiaries in line with corporate strategy:

- » Standardise management processes and practice with due consideration of the uniqueness of each company towards realising its strategic objectives (goals) within a framework of appropriately structured governance.
- » Ensure structural (organisational) “balance” between the respective functions within each company and within the Group, whilst at the same time optimising corporate management arrangements and mechanisms.
- » Develop a common culture of continuous improvement with characteristics such as ownership and collaboration that operates around a common set of values with appropriate transparency.
- » Facilitate continuous improvement and alignment of all activities and organisational capacity within the governance framework.

All of the above will be done with due consideration of status and activities, changes in the business environment and the strategic intention of Mvelaserve.

### Guiding principles for optimisation

To ensure a formalised process for optimisation, the following guiding principles will be considered at all times. The focus is to provide clear and transparent guidelines for each organisation that will be subject to robust control measures and are focused on continuous improvement. This will be achieved by:

- » establishing ownership, collaboration and transparency to empower the management team of each subsidiary;

- » ensuring strategic alignment with the Group and within the subsidiary;
- » developing organisational culture that is conducive to managing risk with due considerations of the imperatives for performance and compliance;
- » placing emphasis on expanding and improving each business area within the subsidiary according to formalised plans;
- » developing and sustaining company identities and brands with due consideration of the Mvelaserve identity and brand;
- » appropriate centralisation of transversal functions such as procurement; and
- » continuously improving the bottomline.

### Mvelaserve – operating principles

The following operating principles will apply to ensure the success of the intended strategy:

- » Autonomy of individual subsidiaries under strong, entrepreneurial, experienced and decentralised operational management.
- » Leadership and support from a small team of corporate executives.
- » Strong financial management and operating systems at subsidiary level, with a focus on corporate governance.
- » Take advantage of cross-selling opportunities and maximise Group procurement savings.

### Conclusion

Under the current economic situation, with the size of the cake remaining constant, we have been successful in increasing our market share. This was achieved by optimising the functioning of the Group as a whole to decrease cost and increase revenue. This occurred in parallel with the continuous improvement of quality and the diversification of our value-added services. This puts us in a position where the competitive advantage can be sustained and the strategic intention realised.