

Sustainability report

Our approach to sustainability

At Mvelaphanda Group, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability has three pillars – the needs of people, the ability to fulfil these needs in the future and ensuring that these are not in conflict with economic growth (profit). These three pillars are not of equal standing. The needs of people are clearly at the core of the definition, and in this respect economic growth can only be seen as a means to this end. Mvelaphanda Group therefore does not promote business practices which give preference to short-term gain at the expense of future generations' well-being.

The Group's sustainability reporting focuses on the activities of Mvelaphanda Group and its whollyowned subsidiaries. Detailed sustainability information for the companies in which Mvelaphanda Group holds investments (strategic investments) can be obtained from their own annual reports or that of the companies concerned.

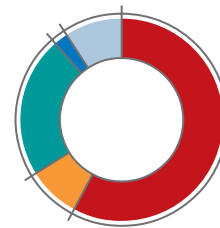
The Group has identified the following major groups as stakeholders in the Group:

- » Our shareholders.
- » Our community.
- » Our customers.
- » Our suppliers.
- » Our people.

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The value added statement measures performance in terms of value added by the Group through the collective efforts of management, employees, and the providers of capital. The statement shows how added value has been distributed to those contributing to its creation.

	2009	2008
at 30 June	R'000	R'000
Revenue	3 745 662	3 538 918
Cost of materials, services and other expenses	(1 260 626)	(1 405 123)
Value added	2 485 036	2 133 795
Investment income	393 753	(2 049 315)
BEE costs	(16 175)	(16 175)
Goodwill impaired	—	(11 486)
Wealth created	2 862 614	56 819
Applied as follows:		
Employees (excluding employee taxes)	1 660 680	1 295 953
Providers of capital	234 754	53 934
Providers of debt	204 792	23 918
Providers of equity	29 962	30 016
Government:		
Taxation	642 644	274 702
Reinvested in the Group	63 471	463 177
Depreciation, amortisation and impairment	118 399	147 439
Minority interest	57 512	(182 420)
Net (loss)/profit attributable to equity holders before fair value adjustments and impairment losses	(112 440)	498 158
Fair value adjustments and impairment losses (net of tax and minority interest)	261 065	(2 030 947)
Wealth distribution	2 862 614	56 819
Money exchanges with the government:		
Taxation on profit/(loss)	253 539	(184 960)
PAYE	140 379	191 203
VAT	194 805	214 724
RSC levies	160	160
Rates and licences	2 215	1 892
Skills and development levy	12 981	13 014
UIF and WCA	38 565	38 669
	642 644	274 702

Distribution of wealth 2009 (R'000)

- Employees (excluding employee taxes) – 1 660 680
- Providers of capital – 234 754
- Government – 642 644
- Reinvested in the Group – 63 471
- Fair value adjustments and impairment losses (net of tax and minority interest) – 261 065

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Our shareholders

The major shareholders in Mvelaphanda Group comprise Mvelaphanda Holdings, the BEE trusts, large financial institutions, asset managers in South Africa and overseas, pension funds, public investment bodies and the general public. Details of the composition of these shareholders are set out on page 117.

Regular presentations are made to institutional shareholders and other members of the investment community, particularly following the publication of the Group's interim and year-end financial results, and as might otherwise be required in the context of corporate actions or other developments within the Group.

On 19 June 2007 Mvelaphanda Group implemented a broad-based BEE ownership initiative to secure Mvelaphanda Group's black shareholding in the medium term. In terms of the BEE transaction, 124 425 055 redeemable option-holding shares (BEE shares) were issued, in equal proportions, to the BEE trusts. Details on the BEE shares are set out in the financial report on page 90.

The BEE transaction has achieved the following objectives:

- » Securing Mvelaphanda Group's BEE shareholding as a competitive advantage in attracting BEE deal flow, acting as a consolidator of BEE transactions and participating in the "secondary trade" in BEE transactions.
- » Ensuring that the level of Mvelaphanda Group's BEE shareholding is maintained above 50% in the short to medium term, in line with the requirements of certain of Mvelaphanda Group's investment mandates.
- » Minimising the impact of the dilution of Mvelaphanda Group's BEE credentials as a result of the conversion of the Mvelaphanda Group preference shares into Mvelaphanda Group ordinary shares.
- » Maximising the BBBEE scorecard points achieved by Mvelaphanda Group for equity ownership in terms of the BEE Codes.
- » Facilitating further participation in Mvelaphanda Group's share capital by broad-based BEE participants.
- » Allowing employees and management of the Group to become shareholders in Mvelaphanda Group and participate in the anticipated continued growth of Mvelaphanda Group.

The profile of the beneficiaries of the BEE trusts demonstrates Mvelaphanda Group's commitment to ensuring that grassroot communities benefit from its assets and investments and reflects a broad base of historically disadvantaged South Africans, including women's groups and broad-based non-profit, community-orientated and charitable organisations.

Mvelaphanda Group believes that these organisations can improve their income by participating directly in the investment and other opportunities obtained by Mvelaphanda Group. In this manner, these organisations and the communities they serve benefit directly from the investment gains achieved by Mvelaphanda Group, rather than only from the charitable donations which may be made to them from time to time. This direct participation improves the sustainability of these organisations and should provide greater benefits than if they were solely dependent on donations.

Our community

As a diversified Group with interests in a range of investments and operations, the corporate social investment ("CSI") initiatives of the Group extend countrywide and seek to improve the lives of numerous communities across South Africa. Most of the CSI activities of the Group are found in the projects undertaken by the Group's businesses and investment companies. CSI activities of the Group's businesses provide financial and non-financial support to benefit organisations and associations. These worthy initiatives are mostly in the areas of education, skills training and job creation, caring for children and abused women and HIV/Aids support. Highlighted below are some of the initiatives showing how the Group gave back to the community.

Mpelega Pre-Primary, a school based in Sishen, provides day care and education to black pre-schoolers from the mining community. The Vastfontein community project, based in Pretoria North, aims to uplift social and moral decline in the community which is exposed to poverty, substance abuse and serious neglect and abuse of children. A primary school was established offering courses in life skills in the townships. The school is registered with the Department of Education and the target is to add one classroom to the school each year. Ditshego House of Laughter is an Aids orphanage which at present houses five black orphan children either

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affected or infected by HIV/Aids. These are just some of the projects supported by RoyalSechaba, who contributes by providing lunch packs, full meals and, in some instances, contributes to the remuneration of the teachers.

Eersterus Secondary School is situated in the far east of Pretoria. It accommodates 1 100 learners and 35 educators. The ablution block for both female and male learners was in a very bad condition and a health hazard for the learners. TFMC renovated the ablution blocks and painted the walls and floors.

Sunshine Hospice is situated in the North West province area called Ga-Rankuwa. It was established in 1998 by Johanna Thloaele. The Hospice provides a programme of remedial care which includes holistic care for patients whose disease no longer responds to curative treatment. TFMC has so far provided or rendered the following services: supplied bed linen, built a wall fence, painted bedrooms and kitchen walls, remodelled the kitchen, renovated the bathrooms, rewired the building's electricity supply and built an extra room which caters for six beds.

Molalatladi Higher Primary School is situated at Ga-Sekororo village, 72 kilometres from Tzaneen, in the Limpopo province. The school accommodates learners from Grade 1 to Grade 7. Matome Magoro, a TFMC employee at NER, identified a dire need for renovations at this school and approached the Polokwane team with a request. TFMC painted the walls both inside and outside the classrooms, partitioning of classrooms, floor patching, and redid other floors in the classrooms and repaired window handles.

Sidlubhedu Early Childhood Development Centre, based at Inanda, west of Durban in KwaZulu-Natal, was originally set up by Mrs Thokozani Mbatha, to provide much-needed shelter for vulnerable children who had nowhere to go whilst their parents were at work. TFMC took up this challenge in response to the impact poverty has caused within this township. Originally the centre operated from a one-roomed house, which was only a squalid mud and reed hut where many poor children of Inanda were educated. There was no ablution system, no kitchen, and no room for the children to sleep and there was no fence. When the work began, Mrs Thokozani Mbatha had to be moved from the site into a new temporary house, a Park-home that TFMC rented for her. TFMC built three new classrooms, an

office for the Principal, a kitchen, ablution block, play area, provided a Wendy house and installed a fence. A new fridge was donated, as well as a kitchen unit, urn, geyser, television, mattresses, blankets, toys and many more items.

"Rally to Read" is one of the projects participated in by TFMC and Novare whose employees drove to remote areas and delivered books to schools.

"Give them wheels" began when TFMC employees participated in the Rally to Read campaign. The learners in the rural areas daily walk to school for 15 to 30 km. They are hardly discouraged as long as they can get to school, where they will be educated and provided with a meal for the day by the feeding scheme at the school. The TFMC employees felt it would be a good idea for the company to make a difference in the lives of those learners, and it was them that the "Donate a Bike" campaign started at TFMC. Our motto "Give them wheels" really made a difference to the lives of those learners. The bicycles were donated to Ntokozo and Jikantathu school in Mpumalanga and Luipaardskop Primary School in KwaZulu-Natal (Durban).

King Pie holdings supported Reach for a Dream Foundation by granting the wish of a five-year old boy of having a "Winnie the Pooh" inspired tree house.

Child Welfare Tshwane held its annual soccer day on 27 September 2008, the purpose of which was to introduce the children to new activities and broaden their vision of what is out there for them. Children from Itumeleng, Streetwise, Crossroads and various other shelters around the Tshwane area competed in friendly soccer matches. Every child received a medal to acknowledge their own success and the winning team took home the trophy which they will defend at the next annual soccer day. King Pie assisted in making this event a day to remember for these children by delivering 250 pies.

Our customers

The Group is committed to providing all of its customers with a range of services and products in accordance with agreed specifications, service levels and delivery times, at market-related prices in line with sound business principles; providing all of its customers with high standards of customer care and technical support and maintaining, in respect of its services and products, world-class systems and programmes. The Group's operations provide services to a large number of

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customers. These customers cover businesses in most industry sectors and are located in most of the major centres in South Africa. In certain instances, services are provided to customers outside South Africa, mainly in southern Africa and the Middle East.

TFMC provides a comprehensive range of facilities management services to Telkom SA Limited in terms of a 10-year contract which was concluded in August 2000 and ends in March 2011. TFMC and Telkom are currently engaged in negotiations regarding the possible extension of this contract beyond 2011. The renewal of the Telkom contract remains a key focus area for TFMC. Telkom is the major client of TFMC, accounting for nearly all of TFMC's profit from operations, and the only customer of the Group which represents more than 10% of the Group's turnover or profit from operations. Senior directors and executives of Mvelaphanda Group and TFMC are responsible for managing the Group's relationship with Telkom. Specific forums have been established for this purpose, including a strategic management forum between TFMC and Telkom. These forums are supplemented with regular meetings between directors of TFMC and Telkom, and the CEOs of TFMC and Telkom and senior directors of Mvelaphanda Group.

In all other operating businesses, customer relationships and service levels are managed in terms of specific strategies and/or contracts between the service provider companies and the customers.

Our suppliers

The Group is committed to affording suppliers of goods, services and capital fair opportunity to compete for the Group's business on the grounds of capability, competitive pricing, quality and service, and dealing with suppliers and potential suppliers in accordance with transparent sourcing policies and ethical procurement practices.

In complying with the above principles, appropriate consideration is given to the Group's policies on BEE and support of small, medium and micro-enterprises ("SMMEs") wherever possible. Given the nature of Mvelaphanda Group's operations and the services they provide, the largest suppliers of services to the Group are its employees. Other suppliers provide a variety of goods

and services to be used by employees in the delivery of services to the Group's customers. None of the Group's suppliers are individually material to any of the operating companies to which they supply goods or services, or the Group as a whole. Procurement policies and standards are determined by the individual operating companies, with due consideration being given to security of supply, quality of goods or services, price and the use/availability of alternative suppliers.

Targeted procurement from BEE suppliers is equally important, and is a powerful and immediately effective tool for creating and sustaining BEE business opportunities, particularly among SMMEs. As part of each operating company's procurement strategy, consideration is given to utilising BEE suppliers where possible.

Our people

Mvelaphanda Group strives to be an employer of choice among workers and a leader in the development of human resources and human capital. This drive is underpinned by the development and training of employees from previously disadvantaged backgrounds so as to ensure that, over time, the Group's workforce, at all levels, will become representative of the demographics of South Africa.

Black economic empowerment (BEE)

The Group believes it has a leading role to play in the ongoing transformation of the South African economy through the participation of black people and black organisations in the Group, and that broad-based community and employee participation in the Group is critical to its future success.

Mvelaphanda Group is addressing the Group's BEE credentials and initiatives to maximise the BBEE scorecard points achieved by the Group, including maximising the "bonus points", in terms of the BEE Codes. Maximising the BBEE scorecard points is a clear indication of Mvelaphanda Group's commitment to BEE, and is an important element in securing new business and contracts for Mvelaphanda Group's subsidiaries and to position Mvelaphanda Group as the BEE partner of choice for companies who wish to conclude BEE investment transactions.

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Employment equity

The Group remains committed to the principles and spirit of the Employment Equity Act and firmly endorses the four key areas of employment equity identified by the Employment Equity Act, namely:

- » elimination of discrimination in decision-making;
- » promotion of employee diversity;
- » reduction of barriers to advancement of the disadvantaged; and
- » introduction of measures and procedures for transformation.

All Group subsidiaries are required to maintain up-to-date employment equity plans that include specific goals for training and staff development, with compliance being monitored and reported on regularly. The companies in which the Group holds investments are encouraged to do the same.

Particular emphasis is placed on the identification and accelerated development of previously disadvantaged individuals ("PDIs") with the potential to rise to management and executive levels. Mvelaphanda Group is proud of its track record in developing and promoting its own employees, including employees from previously disadvantaged backgrounds, to senior positions within the Group. The profile of the Group's approximately 26 860 employees is represented in the table below:

Category	Black males		Black females		Non-black		Total
	Number	Per-centage	Number	Per-centage	Number	Per-centage	
Board of directors	5	50	2	20	3	30	10
Executive management	7	22	1	3	25	75	33
Senior and middle management	355	33	156	14	570	53	1 081
Skilled employees	671	63	518	28	629	35	1 818
Semi-skilled employees	11 522	78	2 559	17	799	5	14 880
Unskilled employees	2 402	27	6 496	72	14	1	9 038

"Black" means "black" as defined in the BBBEE Act.

Skills development

Having the appropriately skilled people at all levels of our organisation is crucial to the Group's long-term success, while comprehensive and effective training also supports the fast-tracking of PDI employees up the management ladder.

The majority of Mvelaphanda Group companies and investments offer vocational and specific skills-based training to their staff. This training is essential to maintaining the high quality of service and expertise that has made many of the Group's operating businesses leaders in their industries.

To facilitate skills training, each of the businesses have established formal structures. These include, amongst others, the operation of in-house training facilities, on-site training programmes, participation in Group and industry training programmes and learnership programmes. Details of the specific training initiatives of the Group's largest operations (measured by number of employees) are set out below:

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Protea Coin Group has its own specialised training facilities to provide training to the security officers employed in these businesses. This training includes the grading of security officers in terms of SIRA regulations, training for the specialist divisions such as the VIP protection unit, canine and equestrian units, the critical situation unit, special investigations unit, asset-in-transit vehicle crews and armed reaction officers.

Mvelaserve Cleaning operates its own dedicated training teams. These teams provide on-site training to cleaners, supervisors and managers on subjects such as the use and operation of cleaning equipment, use of alternative cleaning materials and solvents and specialised cleaning techniques (particularly in the Mediguard division which provides cleaning services to hospitals).

TFMC provides comprehensive training programmes for its employees. These programmes range from competency training for technicians involved in the delivery of services to Telkom and other clients of TFMC, health and safety training for Occupational Health and Safety representatives, as well as functional training in a range of subjects, including computer systems and industrial relations. Adult basic education and life-skills training is also offered to employees. A management development programme, which provides training to middle management on business management techniques for problem-solving, communications, teambuilding, business processes and human behaviour in organisations has also been developed.

RoyalSechaba provided a wide range of training courses for its staff during the current year. These training courses covered a wide range of subjects, including manager and supervisor development, occupational health and safety, customer service, hazard analysis and critical control point procedures ("HACCP") compliance, and a range of functional training courses specific to their contract catering business such as basic cooking skills, and nutrition and dietary-related courses. In addition, basic life-skills courses as well as HIV/Aids awareness courses are run frequently.

The HIV/Aids challenge

As a large-scale employer, the Group recognises that the HIV/Aids pandemic is likely to have an impact on the Group. Certain of the Group's businesses are reporting

increased levels of staff illness, absenteeism and employee deaths. This has a negative impact on occupational health/safety and employee productivity, employee benefit costs and staff morale.

The Group has accordingly adopted a life-threatening diseases policy aimed at preventing discrimination against HIV-positive employees in the workplace, who will be assisted to remain healthy and productive for as long as possible. This policy lays down universally accepted guidelines regarding HIV testing, confidentiality of medical information and disclosure of HIV status. All employees are briefed on the rights of those suffering from HIV/Aids or other life-threatening diseases, and sufferers of these illnesses are referred to independent medical and counselling service providers when needed.

Environment, health and safety

The Group is committed to achieving high standards of environmental care and to providing a safe and healthy workplace for employees, contractors and other affected persons; to implement accepted safety, occupational health and environmental management systems and complying with all applicable environment, health and safety legislation as a minimum requirement, as well as implementing programmes and processes to achieve greater protection, where appropriate.

Mvelaphanda Group's businesses and investments operate in a variety of industry sectors, and as such the responsibility for compliance with general and industry-specific environment, health and safety legislation has been devolved to individual Group companies. The Group encourages and supports compliance with all such legislation, which includes the Occupational Health and Safety Act, the Mine Health and Safety Act and the implementation of HACCP.

Training for the appointed Occupational Health and Safety representatives is provided by the individual Group companies. Mvelaphanda Group is not currently actively involved in operating businesses which have responsibility for the direct negative impact on the natural environments in which they operate. These responsibilities are largely retained by the clients of the Group's operating companies.