Royal Bafokeng Holdings (Pty) Limited (RBH) is the primary investment vehicle of the Royal Bafokeng Nation (RBN), a community of approximately 150,000 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, financial services; infrastructure, oil and gas services; and industrial sectors. Significant events during 2012 include:
- a gross assets increase of 13% to R39.6 billion
- dividend income growing by 10%
- mining exposure being reduced to approximately 50% of the portfolio due to the outperformance of financial services assets

During 2013, RBH sold its investments in MB Technologies, Astrapak and Pasco Risk Holdings.

All shares are held by the Royal Bafokeng Nation Development Trust (RBNDT) which also oversees 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; Royal Bafokeng Sports (RBS), active in a broad spectrum of sports development activities; and the Royal Bafokeng Institute (RBI), which concentrates on education.

Income generated from RBH’s commercial interests is invested in infrastructural development and in the members of the RBN. In the past decade, approximately 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.
Key features for 2012 - 2013

10% increase in dividend income

13% increase in gross asset portfolio

Mining exposure reduced to approximately half of the portfolio due to outperformance of non-mining assets, especially the financial services assets.

Sale of Eris, ZICSA, MB Technologies, Astrapak and Pasco Risk Holdings investments

Gearing reduced due to asset appreciation and sale of highly geared investment

RBH underperformed the All Share Index (ALSI) of the Johannesburg Stock Exchange (JSE) by 9% during 2012 due to a high exposure to mining shares

Long-term performance remains well ahead of the market
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; and
• providing fundamental analysis.

The RBH investment team spends considerable time analysing the fair value of potential targets, as well as their long-term growth prospects. Over time, the higher compound return generated by a thriving 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. Therefore, we generally avoid buying assets that are trading on high price to earnings 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 can hold through cycles.

The terms of purchase can be further enhanced through securing black economic empowerment (BEE) discounts, mispriced options and follow-up 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, the RBN, which has historically treated the RBH executive team as its partner in value creation. The RBN provides the capital, brand and credentials and the RBH 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 RBN – through the RBNDT – to manage the RBN’s commercial assets to ensure long-term sustainable returns for the benefit of our shareholders, the people of the RBN and their children’s children.

Our primary responsibility is the generation of financial returns and 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 current high exposure to platinum group metal mining assets. Income generated from the investment portfolio is the primary source of funding for 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 few years due to RBH’s increased profile within the community, as well as the uneven record of delivery by some RBN entities. RBH currently adds value to this process in three ways through the activities funded by its R15 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 area.

Corporate social investment

RBH’s CSI objective is to contribute towards the social and economic development of the RBN through structured, sustainable initiatives. In implementing its community projects, RBH enters into partnerships with relevant stakeholders as well as specialist service-providers.

The main focus of RBH’s CSI spend has been on issues relating to:
- community health;
- social development; and
- education.

Identified projects include:
- the Non-Governmental Organisation (NGO) and Capacity Building Organisation (CBO) Capacity Building Project, the aim of which is to empower community institutions to effectively and efficiently run and manage their projects; and
- investment in a mobile clinic service to provide basic primary health care services to Bafokeng communities.

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 2012 was R138 million (2011: R38 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 continue to donate their time and skills to help others.

RBH allocated R15 million to its CSI programme in 2012. The table below sets out the 2012 expenditure according to areas of focus:

<table>
<thead>
<tr>
<th>Focus area</th>
<th>R amount</th>
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<tbody>
<tr>
<td>Health</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Social development</td>
<td>3,798,171</td>
</tr>
<tr>
<td>Donations and memberships</td>
<td>3,030,055</td>
</tr>
<tr>
<td>Education</td>
<td>1,941,337</td>
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<tr>
<td>Sports</td>
<td>1,103,575</td>
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<tr>
<td>Music and arts</td>
<td>807,980</td>
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<tr>
<td>Entrepreneurship development</td>
<td>118,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,799,918</strong></td>
</tr>
</tbody>
</table>

Projects in 2012

Health (32% of spend)

RBN Mobile Clinics Project

The RBN Mobile Clinics Project is an initiative of the Health and Social Development Services (HSDS), supported by RBH and the provincial
health department. The objective is to take basic health services to communities in outlying areas of the RBN. Two fully-equipped mobile clinics have been bought and these service four villages – Mamerotse, Tantanana, Maile and Tlapa. Through this initiative, some 2,500 people per month are reached.

Smile Foundation
The Smile Foundation is an organisation which was established to assist underprivileged young children suffering from a rare syndrome which causes facial nerve paralysis, to secure corrective surgery. The organisation brings together teams of medical specialists and other professionals who provide their services free of charge. The project reaches an estimated 1,500 children each year.

The Smile Foundation, together with the Department of Plastic and Reconstructive Surgery at the Dr George Mukhari Academic Hospital, located at the University of Limpopo, Medunsa Campus, is in the process of establishing a burns unit to treat burns cases as well as to provide surgical assistance to patients requiring such reconstructive surgery.

The project will benefit the North West Province, including the RBN, and will also provide RBN medical professionals with invaluable experience.

Planning for this refurbishment of the hospital is under way and this is due for completion in the second quarter of 2013.

Social development (24% of spend)

Phokeng Trauma Centre
The Phokeng Trauma Centre operates from four centres in the RBN, namely Phokeng police station, Botekong clinic, Mfidikwe clinic and Lefarakgatlhe community centre, serving people in and around the RBN community.

Since the beginning of 2012, the Centre has provided trauma and counselling services to 1,078 victims of rape, domestic violence and human trafficking. The Centre also conducted advocacy and awareness programmes reaching 11,706 people.

Godisanang Orphans and Vulnerable Children Programme
The Godisanang Orphans and Vulnerable Children (OVC) Programme is the only organisation within the RBN providing a holistic service to orphans and vulnerable children, and meeting their psychosocial and physiological needs. The following villages – Mafunya, Chaneng, Robega, Rasimone, Dithabaneng, Lefarakgatlhe, Salema and Massosobane – have care centres which are used for activities such as counselling, educational support, health care support, food parcel distribution and provision of clinical nutrition. In 2012, the programme assisted 796 children with the support of 60 care-givers.

NGO and CBO Capacity Building Project
RBH has funded the NGO and CBO Capacity Building Project since 2010 and during this time, 28 NGOs and CBOs have transformed from organisations without clear direction to organisations that are fully registered and which have proper organisational development processes, defined strategies and operational plans in place.

NGO Forum
The Royal Bafokeng NGO Forum is a community structure aimed at coordinating NGO and CBO activities at grassroots level for villages within the RBN. The Forum has been registered as a non-profit organisation with the Department of Social Development and has a membership of 30 organisations operating in the RBN.

Community Answer Home Based Care
The main objective of this organisation is to provide care, support and counselling programmes and services to HIV/AIDS-infected people and their affected families as well as orphaned and vulnerable children. The project has 120 beneficiaries and funds donated have enabled the organisation to provide a better quality of service to beneficiaries.

Pholontle Home Based Care
The objective of Pholontle Home Based Care is to provide support to the 130 people infected and affected by HIV/AIDS located in the surrounding areas of Mounong, Lekgalong, Rankelenyane and part of Tlapa villages. Activities include HIV/AIDS awareness, food parcel distribution, and home based caring.

Donations and memberships (19% of spend)

Donations:
- Associated Country Women of the World
- Dirang Ka Thata
- United Cerebral Palsy Association of South Africa
- Pearl Edu Vision
- Kurwanong School for the Deaf
- Itshemba Children’s Project
- PSG School Uniform
- Employee Volunteering Programme
- Van Zyl Slabbert Education Trust
- Camp La Thu-so

Memberships:
- UNGC
- UNPRI

Education (12% of spend)
Education is the key to breaking the poverty cycle and RBH and the RBI, responsible for education in the RBN, continue to play a vital role in eradicating poverty through education.

Nkanyiso Schools Vegetable Gardens and Nutrition
Nkanyiso Schools Vegetable Garden and Nutrition was developed as a comprehensive food programme beginning where it all starts: with gardening and growing. One of the main objectives of the project is to increase knowledge of and enthusiasm for gardening among participants, learners, educators and communities. Another is to highlight the importance of nutrition. By encouraging schools to grow fresh produce which can then be used for school lunches, both objectives are met.
Using the gardening, nutrition and environmental education curriculum developed by Nkanyiso, educators will also incorporate gardening and basic nutrition topics into the classroom. In its second year of operation, the project has been rolled out to additional primary schools while continuing to provide support to the five schools currently participating in the project, to ensure their sustainability.

Additionally, this CSI initiative strives to empower the community members working in the gardens with skills to enable them to supply fresh produce beyond the project, and ultimately run their own profitable food-production businesses.

During 2012, 220 learners, 42 educators and 78 community members participated in the project.

Lebone II Youth Leadership Festival
The inaugural Lebone II (College of the Royal Bafokeng) Youth Leadership Festival took place in July 2012. The objective of the festival is to stimulate an appreciation of leadership as a service and a collaborative pursuit, to stretch participants by enhancing their life experience and raising their aspiration levels, and ultimately engaging in practical projects to experience leadership in action.

Festival activities include a range of group exercises as well as conversations with current leaders. The 72 participants at the Festival were drawn primarily from Grades 11 and 12.

University of Cape Town School of Engineering
The objective of the School of Engineering is to produce high-quality engineering and built environment professionals as well as to build a diverse staff and student body that reflect the demographics of South African society.

Funds donated were used towards the construction of a new engineering building with 7,200m² of teaching studios, computer laboratories, and project facilities that can accommodate at least 3,500 undergraduate and 1,200 post-graduate students a year.

Sports (7% of spend)
Special Olympics
Special Olympics is an international organisation that is involved in changing the lives of people with intellectual disabilities through the power of sport, by encouraging and empowering them, promoting acceptance, and fostering communities with understanding and respect worldwide.

Special Olympics in partnership with RBS and other RBN entities hosted the Special Olympics Africa Unity Cup 2012. Through the concept of Unified Sports, Special Olympics athletes and Unified partners of the same ability level formed Unified teams which competed against each other, demonstrating the power of sport to promote tolerance and acceptance.

The Unity Cup 2012 was made more special as it was a qualifier for the Special Olympics Unified Football Cup in Rio, Brazil in 2013. The RBN male team, which is part of the South African team, was the tournament winner and will go to Brazil in 2014 to represent South Africa.

RBS Karate
Karate is one of the development programmes run by RBS that has been performing well in major competitions. It currently has 800 junior members in the mass programme and the RBN team, comprising 78 individuals, recently participated in the 2012 JKA Championships at which a total of 87 medals were won by RBN: 34 gold, 30 silver and 23 bronze.

Music and arts (5% of spend)
Bafokeng Field Band
The Bafokeng Field Band, which currently has 135 members, continues to play a critical role amongst the youth of the RBN. The project not only teaches the youth music (marimba, steel band, trumpet and drums) and dance skills but also, through its social programme, has been providing support to its members who are identified as children-in-distress. Services provided include provision of food parcels and assistance with the process of getting support grants, birth certificates and identity documents and medical referrals.

Royal Bafokeng Youth Choir
The Royal Bafokeng Youth Choir (RBYC) is gaining momentum. RBN and the North West Province have been represented in the National Schools Choir Competition for the first time by Sizakele Zitha, a young boy from Tlaseng village who went as far as the Nationals and won the title in the tenor section of the competition.
The choir performed for the first time on 11 June 2012 at Sun City and as a result of the exposure, more requests for performances are being received. RBYC has also had exposure on radio station 702 FM. The choir has been invited to participate in a choir competition to be held in Wales in 2013 and will continue to raise funds for the trip.

Room 13
The objective of the Room 13 project is to unlock children’s imagination by developing their artistic expression across various art forms, in particular visual arts and literature. It also aims, through the running of its own studio as a business, to teach children essential business skills.

In 2012, funding was used to open a Room 13 studio in Moremogolo Primary School. This benefited learners in Grades 5, 6, and 7.

Entrepreneurship development (1% of spend)
The aim of entrepreneurship development projects conducted in the RBN is to instill an entrepreneurship culture in communities, through learning of skills that will lead to the establishment of viable businesses and, in turn, the creation of sustainable employment.

Mphe Bophelo
Mphe Bophelo is a bakery and brickmaking co-operative operating in Maile village. It produces and sells bread and bricks to the community and has created 12 jobs. Funds donated were used to buy a brick-making machine to supplement the old, outdated machine, so as to meet the increased demand for bricks in the community.

Thusanang Leuba
Thusanang Leuba is a soap- and candle-making co-operative which operates in Chaneng village and 12 members of the community are involved in the project. Funds were used to purchase a candle-making machine in order to meet demand.

Employee Volunteering Programme
Once again in 2012, the RBH and RBED teams spent three days with the community and engaged in various volunteering activities.

One day was spent at the Kutlwanong Old Aged Centre which looks after 137 elderly people. RBH and RBED staff members were involved in cooking, ironing, cleaning and hair-cutting activities. Another day was spent with 377 learners from the Kutlwanong Centres for the Deaf and Hard of Hearing. The learners were put through their paces in fun activities such as soccer, face-painting and water slides.

RBH’s corporate partners
RBH’s investee companies continue to provide support to the RBN. A total of R137,677,290 was donated to the RBN to support community initiatives in 2012.

RBPlat
RBPlat spent R126.9 million in projects which benefited both the RBN and non-RBN community members, including:

- Chaneng Association for the Blind
- The Enterprise Development Hub
- Provision of IT health support at Chaneng Clinic
- Charora High School e-Library
- Sports facilities at all five schools within the Macharora villages
- Rasimone Intermediate School classroom upgrade
- Kgqola offices in Rasimone and Chaneng
- Construction of a road in Chaneng
- Upgrading of the Phokeng police station

Merafe Resources
Merafe Resources spent R4,854,428 on projects around the RBN, including:

- Bar-leema, Meriti and Boitekong schools
- Tapologo Hospice
- Boshoek crop and hydroponic garden
- Mfidikwe Trauma Centre
- Protec

ZICSA
ZICSA spent R4,978,200 on a mobile library project. All RBN schools – 29 primary, eight middle and six high schools – benefited from this donation.

Fraser Alexander
Fraser Alexander donated R391,952 to support the following projects:

- Bafokeng Arts
- Stakeholder dialogue
- Queen Mother’s Polo Charity Cup
- Itireleng Poultry and Vegetables
- Tirafalo IT solutions

MB Technologies
MB Technologies donated computers and IT consumables to the value of R349,410 and these were distributed among organisations operating in the RBN.

M-Tech Industrial
M-Tech Industrial donated R160,000 to support the following RBN projects:

- Tshwaragana Prayer Women
- Itireleng Poultry and Vegetables
- Bana Ba Kgotso Home Based Care
- Baakanyang Bagodi for the Aged

DHL Express
DHL donated school sports equipment containers to the value of R28,300 to the Sports Development Programme.

Praxima Africa Payroll Systems
Praxima Africa Payroll Systems donated R15,000 to the Godisanang OVC programme.
Our Board and management

Monhla Hlahla  
Independent non-executive director and Chairman

Tom Boardman  
Independent non-executive director

Fran du Plessis  
Independent non-executive director

Tshidi Nyama  
Independent non-executive director

Obakeng Phetwe  
Non-executive director

Steve Phiri  
Non-executive director

Albertinah Kekana  
Chief Executive Officer

Refiloe Nkadimeng  
Finance Director

Brett Nagle  
Head of Investments: South Africa

Siza Majola  
Senior Manager: Stakeholder Relations

Ditiro Kwele  
Manager: Human Capital

Company secretary: Buyi Mlangeni

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