KGOTHAKGOTHE | 24 November 2018

ROYAL BAFOKENG NATION

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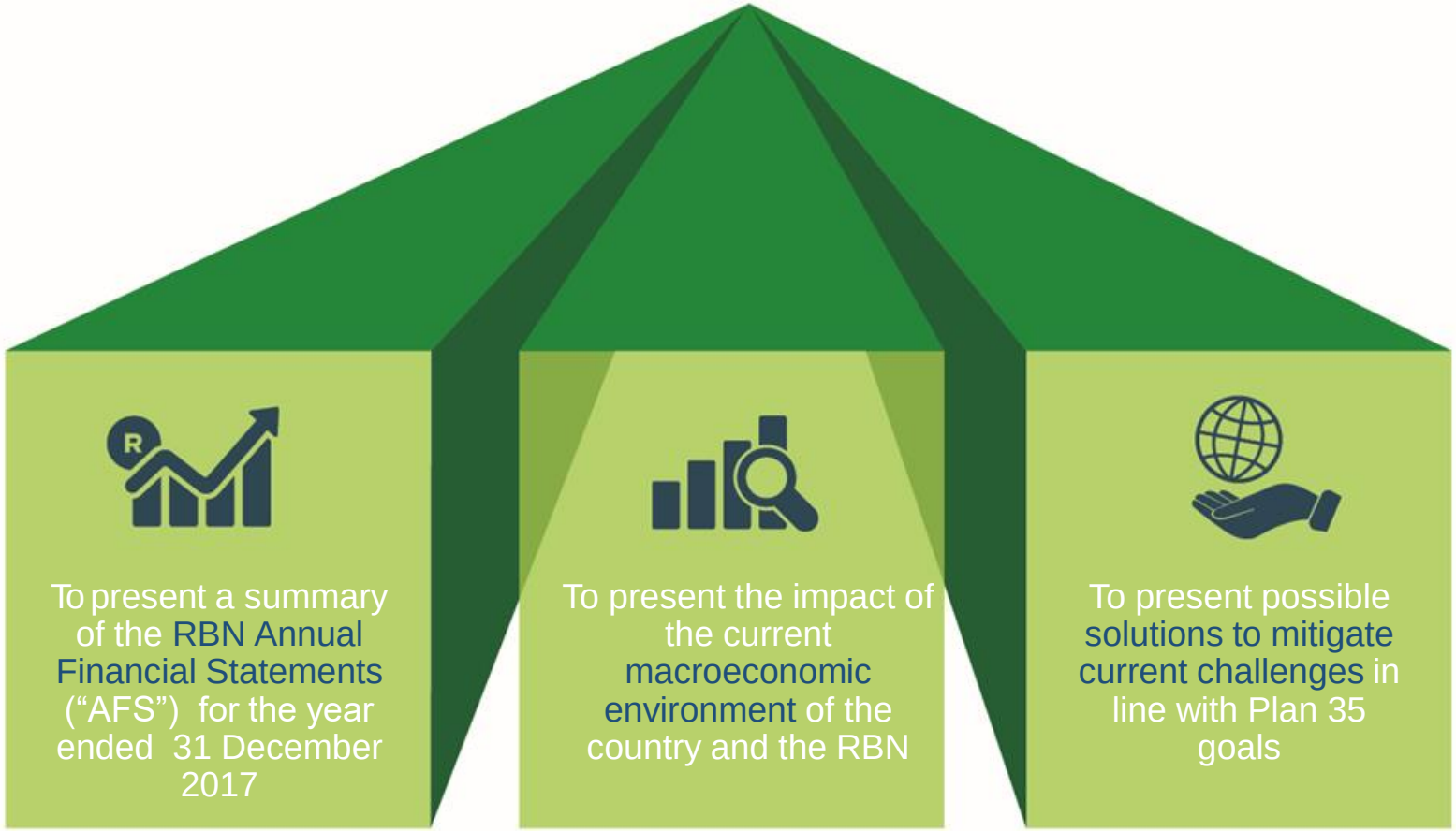
Introduction and **Purpose**



Vision 2035

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Vision 2035

To be an innovative and relevant traditional African community in a changing world.

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Plan’35 Themes

In striving to be a relevant and innovative African community, our aspiration for intergenerational economic independence and social development for Baagi by 2035 is embodied through our Plan 35. In order to achieve these plans, accountability and transparency in how we invest, administer our plans and allocate funds will be an important step towards achieving these goals.

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RBN Social and Commercial Entities

Summary of the RBN Audited Annual Financial Statements for the year ended

31 December 2017

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RBN Annual Financial Statements ("AFS") for the year ended 31 December 2017

- The AFS, as presented have been audited by an independent audit firm 'PWC'
- An unqualified audit opinion (Clean report) has been expressed on the RBN Group Annual Financial Statements by 'PWC'
- This set of financial statements has been approved by Supreme Council.
- A detailed and complete set of AFS are available at the civic centre for inspection.

Group Income vs Group Spending for the period

31 December 2017

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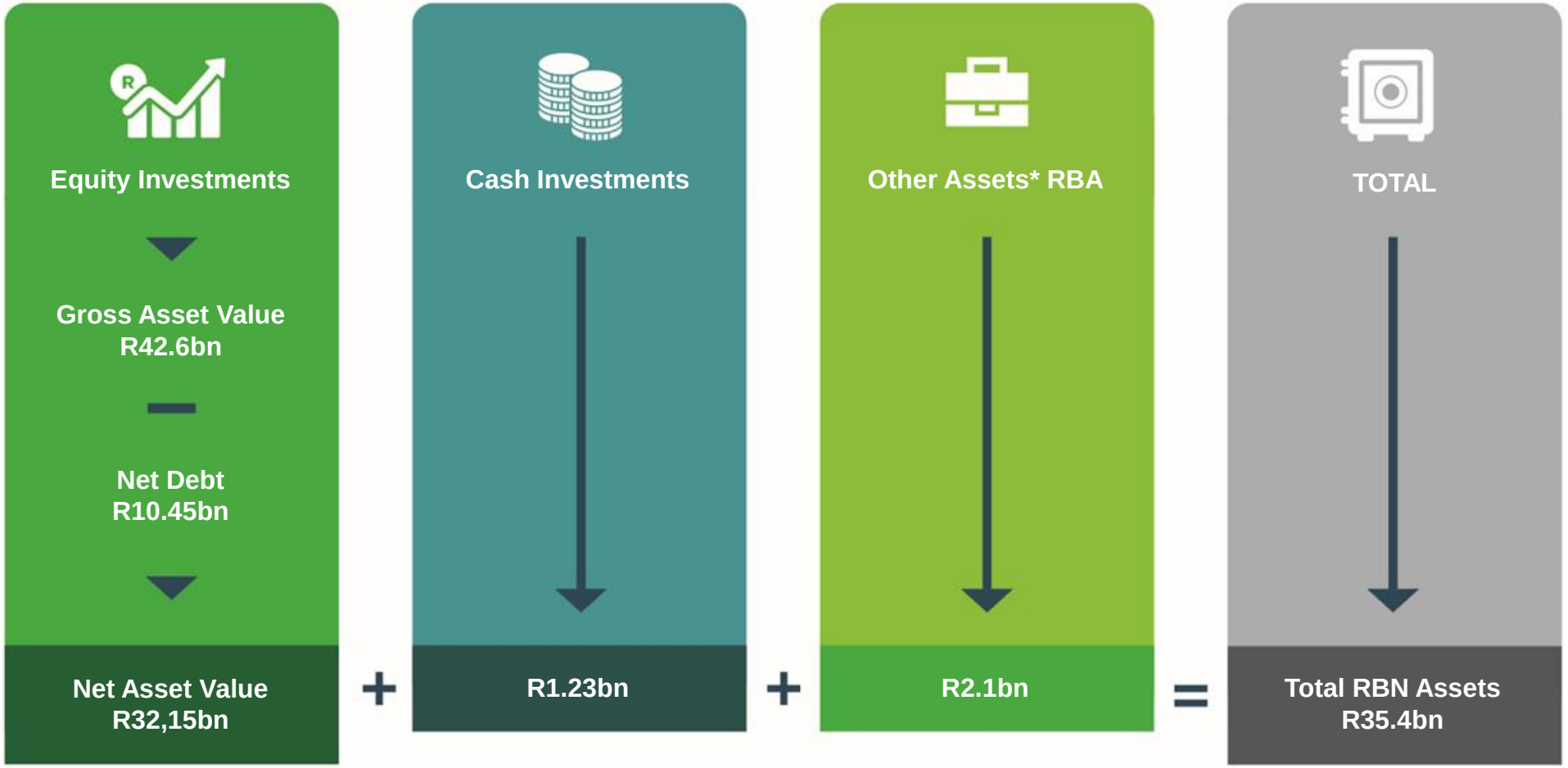
	INCOME		SPENDING		
RBN	R 621m	−	R 548m	=	Surplus Cash Fund: R 73m
External	R 15m	−	R 15m	=	Deficit Cash: R 0m
Sub-total cash	R 636m	−	R 563m	=	Total Cash Surplus: R 73m
SLP & IDP	R 83m	−	R 83m	=	Deficit: R 0m
Total	R 719m	−	R 646m	=	Total Surplus: R 73m

- The total surplus was committed to fund the 2018 budget overall shortfall.
- Income includes dividends, interest, royalties and rental income.
- SLP & IDP represents value of services received from RLM as well as various mines (Impala and Anglo Platinum)
- External Funding; was received from CETA, RBPlat, MOGS, RBH, Sunrise Energy, Tridant SA, Battery Electric among others.

Summary of RBN's Assets (in R' Billions)



*Other assets mainly include land and buildings owned by the RBN.

2017 Portfolio Highlights

Achievements

12.9%

Increase in our portfolio net return

Increased our telecoms portfolio with the acquisition of an effective 10.3% interest in Liquid Telecom.

10.3% interests

Financial close on acquisition of two energy assets, achieving a 53% increase in the return on our infrastructure portfolio

53% increase

Opened officially

MOGS, officially opened Sunrise Energy, Africa's largest open access liquid petroleum gas import terminal, and is on track with the OTMS oil storage and tank farm facility project at Saldanha Bay. MOGS' **Ghana Petroleum Mooring Systems (GPMS) project completed its first full year of operation in Ghana.**

Improvements

22.2% return

22.2% return on our financial services portfolio

Mogs Mining Services (MMS) achieved a considerable **improvement in its financial performance in 2017.**

Disappointments

22.% in value

Poor performing platinum market impacted our resources portfolio which declined by 22%.

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RBH Portfolio Clusters

R 37.2 Billion (2016) vs R42.6 Billion (2017)

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Financial Services and Consumer Goods

	2016	2017
RMI HOLDINGS	R14,06b	R16,76b
RMB HOLDINGS	R 8,87b	R 10,22b
ROYAL	R 50m	R 91m
zenPROP	R 581m	R 697m

	2016	2017
NEPI ROCKCASTLE	R 821m	R 1,10b
ATTACQ	R 953m	R 825m
BIG YELLOW SELF STORAGE	R 343m	R 427m

RBH Portfolio Clusters

R 37.2 Billion (2016) vs R42.6 Billion (2017)

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Resources, Industrials and Other

	2016	2017
IMPALA PLATINUM	R 1,98b	R 1,50b
ROYAL BAFOKENG PLATINUM	R 3,61b	R 2,84b
vodacom	R 3,53b	R 3,46b
DHL	R 43m	R 47m
JCDecaux	R 356m	R 310m

Infrastructure

	2016	2017
mogs	R 1,65b	R 1,53b
STANLIB	R 256m	R 247m
enel	R 40m	R 172m
LIQUID	-	R 1.5bn
acciona	-	R693m

Local and macroeconomic **overview**

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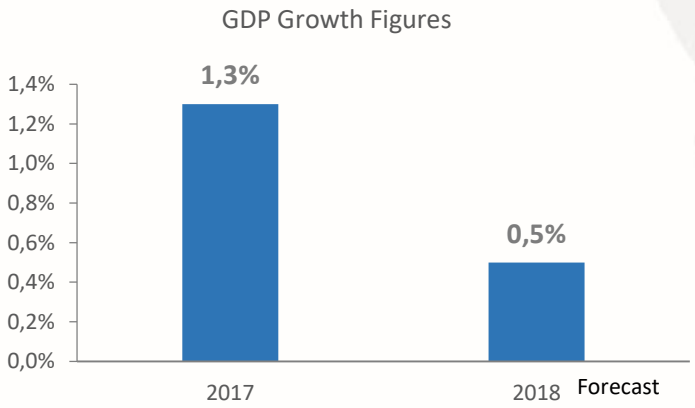
Macroeconomic Climate South Africa (2018)

Gross Domestic Product

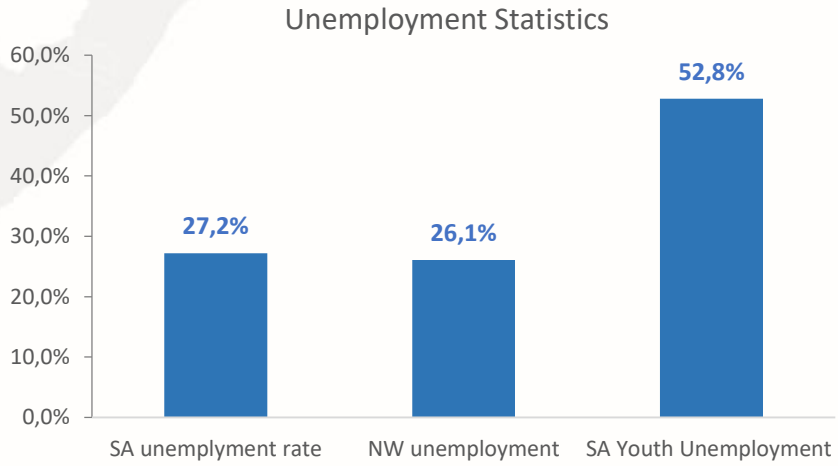
- The South African economy slipped into a technical recession, with the economy contracting by 2.6% in the first quarter and by 0.7% in the second quarter.
- The South African Reserve Bank revised its forecast from 1% down to 0.5%.



Source: Stats SA

Unemployment

South Africa shed 69 000 jobs in the second quarter of 2018. In response, the government hosted a jobs summit in a bid to find ways to increase employment and stimulate the economy.



Source: Stats SA

Macroeconomic Climate South Africa (2018)

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Rand Dollar Exchange

Local currency traded above the R13/$ mark for 2018, and reaching its lowest when it fell to R15.42/$, following disappointing GDP growth figures.

Consumer Inflation

Inflation remained within the 3% - 6% target range, but remains under pressure as a result of high fuel price.

Land Expropriation without compensation

There has been uncertainty about how government plans to implement this and whether it will adversely impact traditional authorities.

Mining Charter

The Minister of Mineral Resources Gwede Mantashe announced on 23 September 2018, that the third iteration of the Mining Charter has been gazetted.

Fuel price increase

Fuel increased persistently during 2018, reaching the highest levels ever in South Africa, breaching the R17.00/ litre mark.

Struggling Platinum Sector

Price of platinum has dropped in comparison to 2017. This continues to contribute to the rising cost of mining.

This has negatively affected Impala Platinum, which is intending to shed 12 600 jobs over a 3 year period.

The job losses are expected to increase the unemployment rate in the RBN with 58% of people in the RBN currently working in the mining sector

Youth Unemployment

The Royal Bafokeng Nation's dependence on the mining sector poses a significant risk for the nation because the platinum miners are looking to cut jobs.

Youth unemployment is a huge concern as it has been recorded at 52.8% in the first quarter of 2018.

Impact of Macroeconomic Challenges on the RBN

The following captures some scenarios of the likely impact of current macroeconomic factors on the RBN

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Declining Net Asset Value of Portfolio

- No dividends have been received from the mines since 2012
- To date, the portfolio has shown a decline (R32bn:2017) vs (R29bn:Sept.2018)

Increasing unemployment

General unemployment, particularly youth unemployment is at risk of rising

Reduced business opportunities

- 90% of SMMEs attain business opportunities from the mines, which are currently struggling from the current environment

Security

With a decline in opportunities, crime is likely to increase

Non-payment of basic services

- Bulk water purchases have increased by more than 50% since 2014. (R48m:2014 vs (R101m:2018)
- Water accounts for 20% of RBA budget and non-payment will impact the Nation's ability to invest in other areas

Health

- With the risk of widening unemployment in the Nation, there may be over-reliance on free healthcare by community-members.
- This will put strain on RBN clinics to deliver more services with limited resources

Education

The poor macroeconomic outlook may worsen academic performance.

Impact of Macroeconomic Challenges on Mofokeng

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Poor macroeconomic conditions

Leads to

Increased price of basic goods & transport

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Less disposable income for Mofokeng

Initiatives to address macroeconomic challenges

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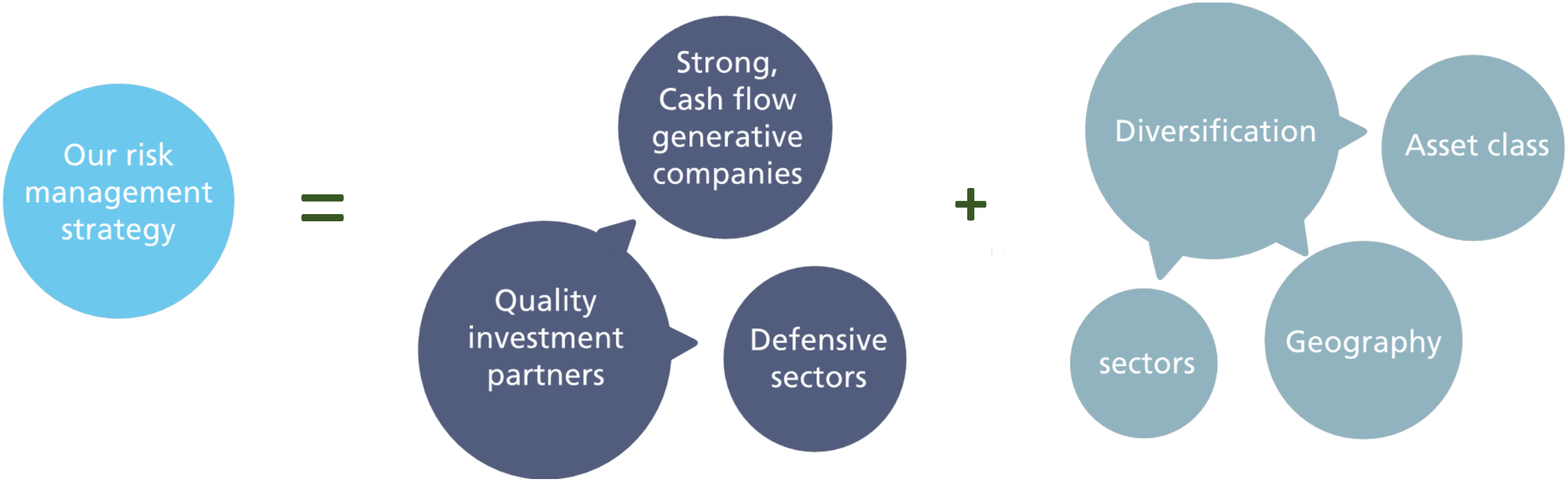
Key Initiatives to Address the Challenges

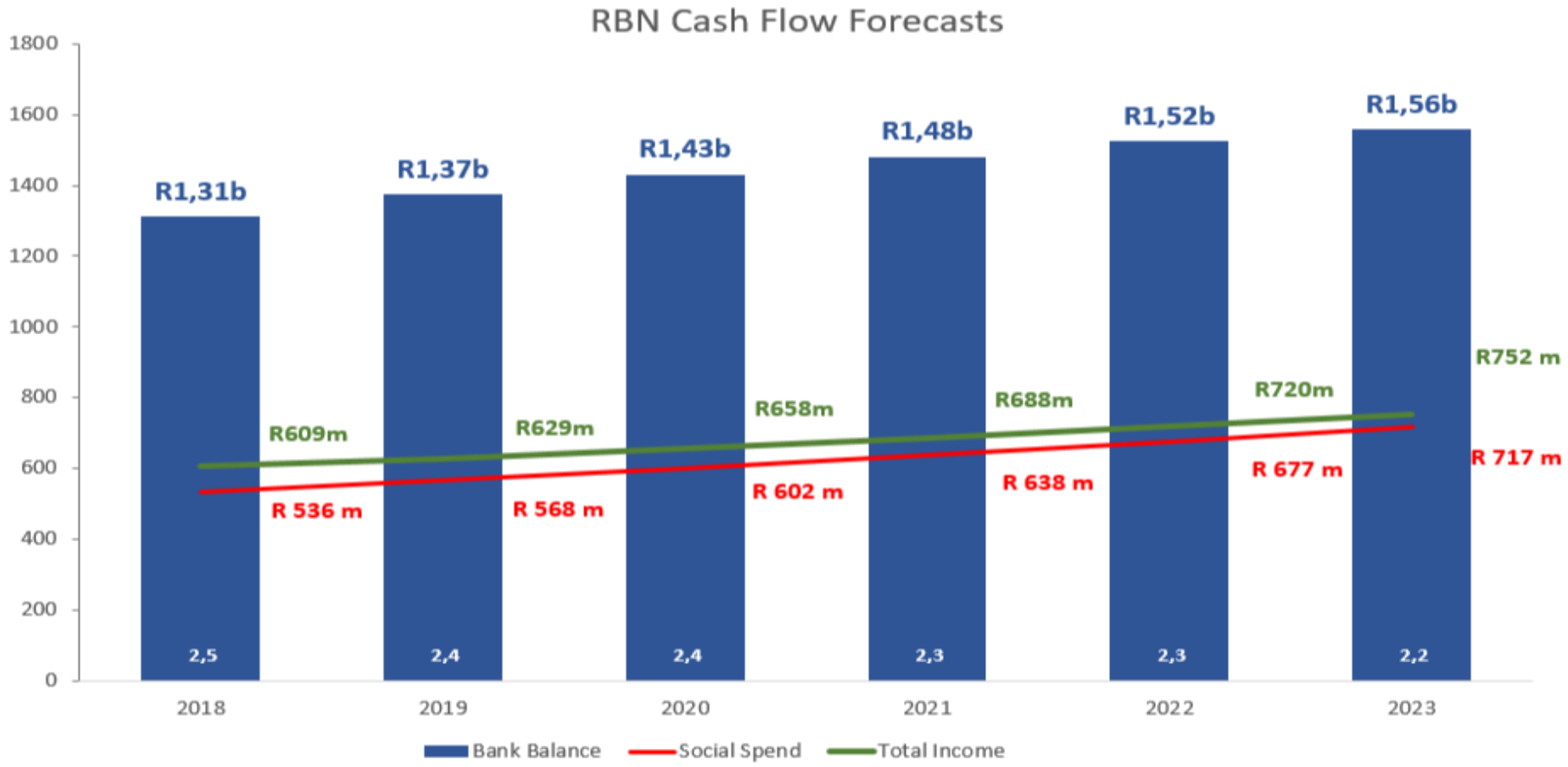


RBN/Implats Committee

A committee has been jointly formed by the RBN and Implats to discuss initiatives aimed at mitigating the impact of the announced job cuts by Implats. The committee seeks to reduce the reliance on the mining sector by identifying innovative solutions that can create job opportunities in areas such as industrialisation, renewable energy and agriculture.

Key Initiatives to Address the Challenges

- RBN reduced its debt from R10bn (2017) to R6.36bn (2018)
- In order to mitigate the current macroeconomic challenges, the RBN will continue to manage spending and cash resources sustainably.



Key Initiatives to Address the Challenges

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Grow economy by use of land

- Finalising the land tenure policy
- Creation of other economic sector; Agriculture, Education, Leisure and Sports Tourism, Manufacturing, health and financial services
- Improve Household income per capita;
- Improve the SMMEs linkage and growth more into youth;

Improve education quality and relevancy

- Improve education at ECD levels (Mofokeng born today will be doing matric in 2035)
- Improve our mathematics and science performance at school level;
- Support and guide tertiary students to enroll into courses which are aligned to scare skills and Plan 35 requirements

Service delivery

- Improve access to water and quality
- Improve on recovery of services (water and any other services);
- Continue to engage Rustenburg local municipality
- Strengthen the security force

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PROPOSED BILLING IMPLEMENTATION PROCESS

CONTENTS

1. RBN water consumer Billing.
2. Allocation of Billing stages.
3. Water consumption.

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RBN Water Consumer Billing

- The current financial position of the RBN can no longer afford to sustain non-recovery of cost for services provided by RBA to consumers where there is no reason why collection has not been done.

- The position of Council is that billing of water should be implemented as of November 2018, this implementation will take into account the presentation on study by RBA for Sustainable water management in the RBN.

- The number of aspects in this presentation remain to be interrogated further, however in order to move forward the following approach will be undertaken:
  - **Billing stage 1:** Refers to Non-residential homestead
  - **Billing Stage 2:** All homestead with backyard dwellers that's for commercial purposes.
  - **Billing Stage 3:** All homestead are not mentioned in stage 1 and 2 above.

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Allocation of areas in the Billing Stages

Stage 1 Categories

- Formal businesses
- Informal businesses
- Schools
- Crèches
- Police Stations
- Hospitals/Clinics
- Churches
- Stadium
- Entertainment Centres
- Post Offices
- Water vendors(water sales to informal settlements and water purifications processors)

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Allocation of areas in the Billing Stages

Stage 2 Categories

- All homestead with backyard dwellers that's for commercial purposes.

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Allocation of areas in the Billing Stages

Stage 3 Categories

- Ordinary homesteads

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water consumption

- **The assumption on consumption is that;**
  - **Stage 1** constitutes approximately 68% of the cost water to RBN.
  - **Stage 2** constitutes approximately 5%, Bafokeng building facilities such as Civic centre constitutes approximately 2%.
  - **Stage 3** ordinary homestead constitutes approximately 10%
  - Water Unaccounted for constitutes approximately15%.

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Implementation process

❑ The implementation of Stage 1

- INFRACO to determine number of all units mentioned for billing purposes
- INFRACO to assess the status of meters in each of these units.
- INFRACO to assess cost replacement of meters and make necessary request for funding to get all meters functional by end of October 2018.
- Treasury to develop a billing system and payment method convenient to the consumer. In the previous meeting Treasury indicated that the banking and Post office route would be possible methods to use.
- Treasure to apply the tariffs in line with RLM schedule of Tariffs.

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Implementation process

- **The implementation of Stage 2**
  - Assess number of homesteads with backyard dwellers and the condition under which they were built.
  - Determine the metering system to install.
  - Commence with billing from January 2019.

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Implementation process

- **The implementation of Stage 3**
  - Determine the number of indigents in each homestead.
  - Determine a fair tariff to be applied.
  - Replace meters where possible.
  - Commence with the billing from February 2019.

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Implementation process

Further to all above, it is important to establish the following:

- Treasury to develop a contractual agreement document between RBA and the consumers.
- Treasury to establish enforcement policy for collection of debts.
- Treasury to develop a billing policy and procedures.
- INFACO to develop a system that will ensure that meters are functional and meet the correct standards.
- It is upon all of us at RBN to ensure that usage of water is adopted as a critical element that provides a Stable life support and Drives our economy. If not taken care of, it could open a deep hole in our RBN purse.

Conclusion

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Conclusion

In order to successfully meet the objectives set out by Plan ’35 and overcome the current challenges, all stakeholders (Morafe, RBN Entities, Local and National Government and the Private sector) need to work together to find sustainable and innovative solutions.

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A E WELE METSING • LET PEACE REIGN IN OUR LAND