

**Bidvest Services**

Offers a full range of outsourced services including cleaning, laundry, hygiene, security, interior and exterior landscaping, aviation services, industrial supplies, travel, banking and foreign exchange services, office automation, e-procurement, online travel, drinking water, water coolers and indoor plants and flowers.



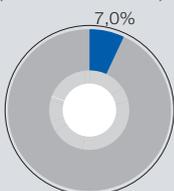
**R7,9 billion**

Revenue 2,2% decrease

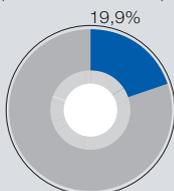
**R1 126,0 million**

Trading profit 4,7% decrease

Revenue  
(Divisional contribution %)



Trading profit  
(Divisional contribution %)



**Health and safety**

Our Sky Crew rises to any occasion with highly specialised cleaning solutions for elevated areas. We take advantage of mountaineering techniques for our rope access work and are skilled in the use of high access ladders, hydraulic lifts, scaffolds, suspended platforms and fall arrest methods. Safety of our staff and everyone within the environment is our primary consideration. Staff are highly trained and all safety procedures are strictly implemented in compliance with the OHS Act.

## Highlights

- ▶ Pleasing results despite challenging conditions for most the year
- ▶ Bidvest Services tops the billion rand trading profit-mark for the first time after the inclusion of McCarthy Fleet Services
- ▶ Strong showing by Steiner, Magnum, MFS, Prestige, Konica Minolta, GPT and the Greens Group
- ▶ Contract-based activities hold up well in challenging environment
- ▶ Teams make the most of fourth-quarter improvement
- ▶ Successful integration of MFS into Bidvest Bank
- ▶ Business ethics awareness campaign launched
- ▶ All major forms of fossil fuel energy reduced
- ▶ Substantial investment in training of unskilled recruits

## Financial indicators

(for the year ended June 30)

	2010 <sup>(1)</sup> R'm	2009 R'm
Revenue	7 927,8	8 105,9
Trading profit	1 126,0	1 181,1
Operating assets	4 935,5	5 850,7
Operating liabilities	2 574,2	2 049,5
Depreciation	575,3	504,6
Amortisation and impairments of intangible assets	23,1	29,7
Goodwill and intangible assets	433,8	371,8

## Sustainable development indicator overview

Employees	62 041	61 470
Total training spend (R'000)	38 928	43 571 <sup>(2)</sup>
Training spend per employee (R)	627	709 <sup>(2)</sup>
Employees attending HIV/Aids training (%)	28,4	22,4
Lost-time injury frequency rate	4,3	3,9
Work-related fatalities (number)	1	7
BEE procurement (R'000)	1 626 536	1 008 526
CSI spend (R'000)	6 383	9 487
Enterprise development spend (R'000)	10 268	18 590
Total water usage (litres '000)	859 826	651 071 <sup>(3)</sup>
Total electricity usage (kWh '000)	27 980	31 662
Petrol (litres)	6 761 242	7 314 778 <sup>(3)</sup>
Diesel (litres)	6 446 160	6 294 981 <sup>(3)</sup>
Total carbon emissions (tonnes)	102 891	106 714 <sup>(3)</sup>
Carbon emissions per employee (tonnes)	1,7	1,7

<sup>(1)</sup> Current year sustainable development figures include McCarthy Fleet Services, transferred from Bidvest Automotive. Other than the number of employees, the 2009 figures in relation to this transfer, have not been restated as the impact is not considered significant

<sup>(2)</sup> Restated to include learnerships

<sup>(3)</sup> Restated



**QUICK LINK: Historic divisional sustainable development data**

[http://www.bidvest.com/bidvest\\_ar2010/012.html](http://www.bidvest.com/bidvest_ar2010/012.html)

### Bidvest Services



Lindsay Ralphs, *chief executive*

#### Positioning and reputation

Bidvest Services businesses are often industry leaders and champions of best practice. A national footprint and substantial resources enable our brands to work as long-term partners of the companies they serve.

#### Macro- and trading environment

The depth of the recession in the first half prompted strategic reappraisals across industry and commerce. The business-to-business trading environment was characterised by deep cost cuts and intense contract negotiation. Volumes dropped sharply in some areas.

Major customers in the resources sector applied rigorous cost controls. Bidvest Services has little direct exposure to the consumer economy, but many customers depend on retail sales. Our businesses felt sometimes severe knock-on effects as consumers tightened their belts and unemployment rose. Trading conditions improved in the third and fourth quarter.

Lower interest rates and rand stability were negative for banking and foreign exchange operations. The World Cup effect was beneficial, but was not as significant as we expected.

#### Performance

Pleasing results were recorded in the face of challenging trading conditions for most of the year. Trading profit of R1,1 billion was

4,7% down (2009: R1,2 billion). Revenue dipped 2,2% to R7,9 billion (2009: R8,1 billion).

Bidvest Services exceeded the billion rand trading profit-mark for the first time thanks to the inclusion of our new acquisition, McCarthy Fleet Services from Bidvest Automotive. The business is being integrated into Bidvest Bank.

Particularly pleasing was that we almost achieved our Bidvest conference stretch target set in February of R1,120 billion trading profit, despite underperformance at Bidvest Bank and TMS.

Good performances were recorded by Steiner Group, Magnum in our cluster of security businesses, MFS, Prestige Group, Konica Minolta, Global Payment Technologies and Green Services.

Improved asset management, stronger cash flow and progress on our BEE scorecards contributed to the satisfactory result.

The World Cup was generally positive, particularly at Prestige and TopTurf. Bidtravel disappointed.

Rationalisation and restructuring proved necessary in several businesses and regrettably some jobs were lost.

Debtors collections were ahead of budget and record cash flow was also achieved.

No major capital expenditure projects were initiated. However, return on funds employed fell from 46,1% to 36,7%, though year-on-year results are not directly comparable. Once the fleet services/Bidvest Bank effect is stripped out, ROFE moves to 48,1% – a pleasing result in challenging conditions.

The system of sustainability committees and constant sustainability measurement and reporting has bedded in and became part of our culture. A comprehensive energy audit was carried out.

#### Strategic and industry dynamics

Bidvest Services is active in many sectors. The common factor is the cost sensitivity of clients and intense focus on expense management. This led to renegotiation of rates. Many of our businesses are labour intensive. Wages therefore are a major cost component and became more so as annual wage negotiations resulted in pay awards above prevailing inflation. Some clients were unwilling to agree to increases or tried to keep rates unrealistically low. On occasion, we walked away from contracts rather than agree to terms that delivered zero value.

Travel and banking businesses were severely affected by much-reduced levels of corporate travel and lower transaction values. Operations serving the tourism industry were affected by lower inflows of visitors and belt-tightening by domestic consumers. In some areas, hotel occupancy fell to as low as 25%.

Contract-based activities held up remarkably well and annuity income was maintained at pleasing levels by businesses such as Steiner Hygiene Services, Prestige and Magnum.

Some smaller competitors were severely affected by the harsh economic climate. Industry casualties occurred. In this tough trading environment many of our operations increased market share.

Our cleaning and banking businesses had major exposure to the World Cup and new infrastructure was added to maximise revenue opportunities in the fourth quarter.

### Efficiencies

Every business re-examined costs and pursued savings. In many cases, sales, administration and management teams were trimmed. Various retrenchment programmes were carried out. Rightsizing of various businesses in the previous financial year and the first six months of the current year paid dividends in the second half of the year. Konica Minolta is a good example of these successes.

Replacement cycles were reviewed. Where there was no risk to safety and customer service levels could be maintained, equipment replacement was deferred.

The result was a significant improvement in asset management and cash generation.

### Benchmarks

Target achievement was a major challenge in the face of a severe first-half downturn. However, our teams derived maximum advantage from the second-half improvement in trading conditions.

Individual benchmarks are set for each business. Every business is measured monthly and quarterly. ROFE, cash flow and asset management goals are set as well as profit targets.

Transformation progress is a business imperative and measured constantly, as is workplace safety.

### Brand and operational dynamics

Our businesses are industry leaders in their respective sectors. Positioning is supported by a customer-centric philosophy, high quality standards and reliable delivery.

Service quality was underlined when Bidvest Bank won the Acsa Feather Award as the best provider of airport-based financial services at both OR Tambo International Airport and Cape Town International Airport. Category honours were won in the face of competition from the Big Four high street banks and specialist foreign exchange bureaux.

The bank opened its flagship branch at ORT's new central terminal building and won Acsa tenders for foreign exchange and banking services at Cape Town International Airport and the new Durban International Airport which opened at year-end.

Our security brands had a good year thanks in part to their ability to offer several security solutions from a single source.

Research has confirmed that bizhub, Konica Minolta's flagship product, is South Africa's favourite brand in its category. Strong awareness is supported by sustained sports marketing.

### New initiatives

McCarthy Fleet Services was successfully integrated into Bidvest Bank, a realignment from Bidvest Automotive that significantly expands Bidvest Services. Consolidation widens the bank's previously narrow base as the fleet services operation is a strong player in the market for asset-based finance.

Bidvest Bank has become a high profile brand in a little over a year after strong TV advertising. The bank pioneered the use of the Bidvest name at operational level in South Africa and showed that the Group's name could be successfully leveraged by individual businesses.

Bidvest Prestige Group, Magnum, Steiner, TMS and TopTurf are being rebranded to

emphasise the Bidvest link. It is likely that other brands will follow suit.

Prestige, our cleaning services arm, acquired NICE Equipment, a nationally represented toilet hire and waste management company and a leader in the provision of portable executive toilet solutions. The deal strengthened Prestige's toilet hire capabilities ahead of the World Cup.

Our securities business acquired Bandit, a vehicle-tracking company. Vehicle tracking is seen as a growth area that offers opportunities for synergies with Bidvest Automotive's interests. Rebranding of Bandit to Bidtrack is under way.

We merged our Puréau Water business with Nestlé Water Coolers, maintaining 82% ownership overall.

### Business risks

The risk of reliance on labour in sometimes heavily unionised environments was highlighted in a year when wage awards were sometimes significantly above inflation. The risk is managed by focused attention on industrial relations. There is also broad acknowledgement that Bidvest Services is a socially responsible employer that respects industry agreements.

Credit risk heightens in uncertain trading conditions. Debtors departments showed they were up to the risk-management challenge by consistently meeting their targets.

There is no risk of a World Cup hangover. Some infrastructure was added to maximise the opportunity and the NICE Equipment acquisition widened our service offering. However, all expansion was in areas in which we see long-term opportunity. The World Cup did not lead to overcommitment on our part.

Many of our services are vulnerable to corporate cutbacks as quantities or frequency of service can be curtailed. The

### Bidvest Services

risk is addressed by remaining flexible and retaining the ability to rightsize our businesses when volumes fall.

Agency risk is ever present as local distribution can be affected by changes affecting an overseas brand principal. Our broad national footprint and reputation for quality service help manage the risk.

#### Sustainable development

Bidvest Services is one of the oldest Bidvest divisions. Core Bidvest values are deeply embedded. The proudly Bidvest attitude brings unity and shared purpose to a diversified business.

**Economic performance** – While Bidvest Services is a level 4 contributor under the DTI Codes, Prestige, with half the division's employees, achieved a level 2 rating. We focus on empowering historically disadvantaged black citizens in our workforce and the supply chain to improve our qualification for major public and private sector business.

**Environment** – Bidvest Services is responsible for 36% of the Group's water consumption and 15% of carbon emissions (largely from coal-fired heating of water) through its laundry services. New initiatives involving heat exchange technology are reducing this environmental impact.

**Human resources** – Bidvest Services is in negotiations with various unions on the establishment of a national bargaining council for the cleaning sector. No significant strike action affected our businesses or employees. Staff turnover at Prestige is half that of the cleaning industry as a whole. We invest heavily in the training of unskilled recruits, setting the industry standard for excellence.

**Health and safety** – A strong focus on training helps keep work-related injuries below industry norms. Unfortunately, we suffered one fatality at Magnum Shield Security when an employee died of natural causes during working hours.

**Labour disputes** – CCMA cases brought against Bidvest Services dropped 41% to 1 189, with 61% of findings in favour of the division. No Department of Labour fines were incurred for non-compliance.

**Society** – No significant incidents of fraud, corruption or anti-competitive behaviour were recorded. We embarked on an internal awareness campaign.

**QUICK LINK: Divisional sustainability report**  
[http://www.bidvest.com/bidvest\\_ar2010/013.html](http://www.bidvest.com/bidvest_ar2010/013.html)

#### Future

Recessionary pressures eased toward year-end, suggesting that a return to pre-recession trading patterns is under way. Our businesses put in a strong fourth-quarter performance and are well positioned to maintain momentum.

Some industry consolidation has occurred, but no major groupings have emerged. Over the year, Bidvest Services businesses improved their competitive position relative to their industry peers and will seek further gains in market share.

#### PRESTIGE CLEANING SERVICES

The team once again produced an excellent set of results, growing sales and trading profit in a difficult market. Margins remained under pressure, largely as a result of resistance to price rises that reflected increased labour costs. Stringent expense management kept the return on funds employed at pleasing levels. NICE

Equipment was successfully integrated into the business and after a slow start helped Prestige to maximise the World Cup opportunity.

#### TMS GROUP INDUSTRIAL SERVICES

TMS had a disappointing year. Some large clients mothballed projects on the run-in to the World Cup, severely impacting the volume of shutdown and maintenance work. Revenue remained flat and trading profit fell significantly. Expansion into Saudi Arabia was unsuccessful. The offshore operation made a loss and has been closed. Further restructuring is under way.

#### LAUNDRY SERVICES

The laundry operation achieved a small trading profit increase off marginally lower revenue – a highly satisfactory result in view of low hotel occupancies for most of the year. The Garment Rental division continued to perform well, as did Montana Laundries, the specialist provider of on-premise laundries to major clients in the healthcare and mining industries.

#### STEINER GROUP

The business realised the benefits of a more streamlined management structure and put in a highly commendable performance. Good revenue growth, further improvement in margin management and reduced expenses led to pleasing growth in trading profit. ROFE reached a new high. Steiner is positioned for renewed gains following further improvement in the quality of regional and branch management. The company has disposed of the Steinmed business.

#### BIDSERV INDUSTRIAL PRODUCTS

A strong fourth quarter lifted overall results, but could not offset the impact of nine months of difficult trading conditions.

Recessionary effects were severe in the first half and teams did well to make the most of their opportunities later in the year. The Giant Clothing operation in Malawi was closed and relocated to Swaziland, impacting profitability favourably.

### **GREEN SERVICES**

The overall result was extremely pleasing. Puréau and Execuflorella excelled and Hotel Amenities performed well. TopTurf optimised its World Cup opportunity but was impacted by a dramatic scaling back of major contracting work.

### **AVIATION SERVICES**

Depressed conditions in the aviation industry resulted in lower revenue and much lower trading profit. A restructure is under way to significantly reduce costs. Acsa's appointment of a third ground handler impacted the ramp-handling business and led to depressed pricing and the loss of some contracts. Premier lounges and Express Air Services performed well.

### **SECURITY GROUP (Magnum and Bidtrack)**

Our cluster of security businesses showed continued growth. A more streamlined management structure and several contract gains drove the recovery. Magnum continues to gain market share and enhance its reputation. Provicom Risk Solutions was merged into Magnum.

Bandit – now Bidtrack – continues to perform well.

### **GLOBAL PAYMENT TECHNOLOGIES**

The team performed well and in line with budget, despite pressure early in the year when major clients in the financial services industry scaled back on capital expenditure. However, the business is cyclical and the order book showed significant improvement in the fourth quarter.

### **OFFICE AUTOMATION**

Konica Minolta and Océ had an outstanding year in a recessionary market

and recorded strong growth in trading profit. Rationalisation resulted in significant cost savings and took the return on funds employed to a new high. Market share gains were achieved and bizhub entrenched its leadership position. Internationally, Océ was acquired by Canon. However, our distribution agreement was renewed.

### **BIDTRAVEL**

The travel business came under continued pressure as travel remained a key target for businesses looking to curb spending. Trading profit fell, as did revenue. Volume improvements were apparent toward year-end. The flagship Rennie's Travel business came under sustained pressure. The mymarket.com travel booking engine (and platform for Group-wide buying synergies) has been integrated into Bidtravel and showed continued growth in volumes.

### **BANKING SERVICES**

Falling interest rates and a strong rand were negative for banking business and both revenue and trading profit fell significantly. In challenging conditions, the Bidvest Bank team continued to innovate, launching new products while growing the national footprint. Transaction volumes were maintained, though transaction values fell. The bank was strongly positioned as "the foreign exchange specialist".

Deposit-taking activities showed pleasing growth, cash flows were strong and expenses well managed despite accelerating growth. The bank suffered no bad debts and there are no impairment issues to manage.

The acquisition of MFS received Reserve Bank approval and was effective from June 1. This asset-finance business is being integrated into Bidvest Bank. MFS achieved a measure of trading profit growth, a significant improvement in a challenging market.

The bank assumed management responsibility for Master Currency and obtained its first rating, an A3.za/P2.za rating from Moody's.

Three core pillars now sustain the business: retail travel foreign exchange, corporate foreign exchange and asset-based lending. The previously narrow base of operations has been widened significantly by the MFS acquisition and the opportunity for ongoing lending at acceptable margins.