



IMPAHLA CLOTHING

PUMA World Cat Strategic Supplier

INTEGRATED ANNUAL REPORT 2012
For the period 1 January 2011 to 29 February 2012



Spring Romance properties 34 (Pty) Ltd T/A Impahla Clothing

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Request for feedback

Should you have any questions about our company, or comments about anything contained within this report, please contact William via email at william@impahla.co.za.



Scope and boundary

We produced our **first sustainability report five years ago**, and this is our **first integrated annual report**. In the process, we have shifted our reporting period from the calendar year ending December, to the financial year ending February. This report therefore covers the **14-month period from 1 January 2011 to 29 February 2012**, with the sustainability reporting covering 14 months but our **financial statements** are for the **12-month** period from 1 March 2011 to 29 February 2012. Most of the figures will consequently need to be **deflated by 14%** in order to make a comparison with figures in the previous reporting period. **All figures with a superscript¹⁴ count the full 14 months**. We have indicated in the report when figures have been restated to assist with comparisons, e.g. "on a monthly comparison basis production increased by 28%." Throughout this report **2012** refers to the **2011/2012 financial year**, and 2011 refers to the 2010/2011 financial year.

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IMPAHLA AT A GLANCE



Turnover was **31%** up from 2011. NPBT increased 132% from R1.6 million in 2011, to **R3.7 million** in 2012. After-tax return on investment increased from 25% in 2011 to **41%** in 2012.



Produced exclusively for our one customer, **PUMA**, for the first year in our history.



Retained our A-grade **PUMA S.A.F.E. rating**, increasing our overall score from 96.54% to **98.02%**.



Purchased production **planning programme** (Fast React) and workflow **barcode** tracking system (Styleman) Quality and on-time delivery increased to **100%** since November 2010.



By controlling our **supply chain** we can provide better service going forward.



Increased production floor space by 20% (300 m²) and spent **R4.7 million** on new machinery and equipment.



Strengthened the management team by **hiring four** and **promoting one** to take responsibility for key functions, and **promoted six machinists** to supervisor level. **Zero** turnover of management staff.



Local procurement of fabrics fell to **9%** from 36% in 2011.



Employees increased from 192 to **234**. Non-director employee salary and wages increased **12%** from R8.54 million in 2011 to **R9.57 million** in 2012.



Absenteeism improved from 2.67% last year to **1.4%** in the year under review, with average absenteeism bonuses now at **R774 per employee** compared with R442 per employee earned in 2011.



Safety: TRIFR **maintained** at **115**, but not as good as our best year in 2009 (TRIFR: 100)



Carbon footprint: CO₂e intensity improved **52%** from 0.79 kg CO₂e per garment to **0.52 kg CO₂e** per garment manufactured.



Installed an IDC-funded **30 kWp solar** photovoltaic (PV) plant, supplying approximately **25%** of our electricity requirement.



Water efficiency was worse at **3.81 litres of water** per garment produced (2011: 3.51 litres), **15% higher** than the 3.31 litres per garment produced in our benchmark year of 2008.



“ I love working here. We get enough time for a real lunch and we work as a team. We have enough space in our lines and we’re safe. There’s no choking or messing in the line.”

Employee

TAKING STOCK, LOOKING AHEAD

By William Hughes, Managing Director

Responsible business pays

Spring Romance Properties 34 (Pty) Limited, trading as Impahla Clothing (Impahla), is a company based in Maitland, Cape Town, South Africa and manufactures clothing under a sole source agreement for PUMA, a world-class sport and lifestyle company. We are a privately owned business that has grown organically over the last eight years from 60 employees in 2004 to 234 in February 2012. In 2012, we supplied in the order of 445 000¹⁴ garments for a total turnover of R38 million, 31% up from 2011. NPBT increased 132% from R1.6 million in 2011, to R3.7 million in 2012. Adding this profit to the total accumulated in the business brings the accumulated profit as at 29 February 2012, to R6.2 million. Our after-tax return on investment has increased from 25% in 2011 to 41% in 2012. For further detail on our financial performance, see our financial statements beginning on page 45.

The most significant recent development in our business has been our decision to manufacture exclusively for PUMA. Our relationship with PUMA is crucial and benefits from complete transparency with regards to our business practices and our production programming. Our business philosophy is aligned with theirs, and underscored by the lengthy process we went through in formalising our understanding of corporate responsibility as one of PUMA's World Cat Strategic Suppliers. We believe our alignment to PUMA's business philosophy is an important factor that will ensure the sustainability of our supplier status with the company, even as important decision-makers are succeeded within either organisation.

Over the same period that we have been in business, many companies in the industry are either going out of business, or claiming they cannot afford to comply with the National Bargaining Council (NBC). As this report goes to press, there is an ongoing conflict between the NBC and clothing manufacturers that are insisting on undercutting NBC agreed rates. The Cape Clothing Association (CCA), representing employers in the Cape, is also concerned that the bargaining forum is being compromised by the non-compliance of a significant proportion of the industry.

It is clear that there is an increasing number of non-compliant manufacturers abusing human rights by paying less than a living wage, and exploiting their labour

to compete unfairly in the marketplace. This practice is unsustainable and only serves to widen the already dangerous gap between rich and poor in our country.

Much has been made of the threat from the Far East, where materials and labour are cheaper than can be procured in South Africa. I wholeheartedly support calls for local retail buyers to consider responsible procurement practices before sourcing from the cheapest supplier. On the other hand, the clothing manufacturing industry needs to look to itself too. Seldom do we remind society that we already enjoy protection from the government in the form of a 45% duty on imported apparel. The story of the clothing industry's decline bears many of the hallmarks of the classic waning empire – costly management overheads and a distrusting relationship between management and workers.

Why has Impahla shown such robust growth? How have we achieved this growth while also showing good sustainability performance? We have achieved these results against high standards: PUMA's price structures are highly competitive and our materials and finished products





have to conform to strict quality requirements. On the cost side we pay fair wages, and with bonuses included, we remunerate well beyond compliance with the NBC wage structures.

We believe the answer lies in building relationships with our stakeholders and building our resources to serve the market and tackle future growth demands. In particular, our philosophy at Impahla has been to create a single team where all members are respectful of the various roles we play. The company's three directors are also hands-on managers working side by side with the manufacturing staff. It has not been an easy journey, especially given the entrenched business culture that has existed for so long within South Africa. However, I think our sustainability performance indicators, especially those for absenteeism and staff turnover, will show that our company is growing, not only in size, but in the kind of strength and resilience that comes from a trusting and respectful relationship.

Our growth this year has been accompanied by a 20% increase in production floor space, and a R4.7 million investment in new machines and production management software. In addition, we invested, with the help of the Industrial Development Corporation (IDC), in a roof-top photovoltaic system that generates 25% of our electricity requirements from the sun, bringing the total value of property, plant and equipment to R5.4 million, from R2.0 million in 2011. We have promoted seven staff members (as

well as employing four from the market) to supervisory or technical positions and managed to maintain efficiencies despite the inevitable disruptions that accompany growth and change. Our employee turnover (minus the 'absconds') has increased to 7.6% from 7.3% in 2011, but we are steadily growing a loyal and skilled core team, as indicated by a 38% increase in average bonuses paid. Most pleasing, we achieved 100% quality and delivery of product to PUMA.

Strategy – control our supply chain

Our strategy to secure a sustainable future for the business is to become as vertically integrated as possible. We have found that our suppliers don't necessarily share the same business philosophy and this presents Impahla with our gravest risks, including for example, unreliable supply, the inclusion of potentially hazardous raw materials, and questionable human rights practices. By controlling our supply chain, we can provide a better service going forward. While we can improve control over our supply chain through our influence, this has a limited effect and often falls short of expectation. Our strategy will therefore be to grow organically in key areas of the supply chain, for example by buying new machines, or to acquire existing businesses, in particular in the areas of fabric supply, sublimation and embroidery. In this regard, as at year end, we have made an offer to purchase a significant supplier of embroidery services, a fast-growing area of the business.

The aim of this report is to show all our stakeholders how we do business, what issues we face and how we intend to tackle them going forward. Partly, we write this to share our business model with those in the industry who genuinely want to make a success of their manufacturing businesses through responsible business practices. And partly we write this for ourselves, as a reality check. For the material issues we describe in the following pages are key to the ongoing success of our business, and we need to ensure that we constantly revisit our strategy and assess the wisdom of our actions.

In developing this report, we have once again followed the GRI's G3 Guidelines for sustainability reporting, and have taken into consideration comments and advice from a variety of stakeholders, notably from consultation with Trialogue, specialists in integrated and sustainability reporting.



Manufacturing – The complete manufacture of garments to order by PUMA (100%).

Blanks branded – A quick response business where blank garments (held speculatively in stock) can be quickly converted to product with screen-printing, heat transfer or embroidery to meet orders with short lead times. Impahla has taken over PUMA's entire South African blank programme.

Printing & embroidery services – The finishing of a predestined garment line for PUMA through screen-printing, heat transfer and embroidery.



GOVERNANCE AND STRUCTURE





“ Employees must ask themselves, ‘Why am I employed? To do the best of my ability! Why do I want to make my job easy? To be more productive!’ The right attitude, focus, a positive mind and perseverance. These are the things that lead to success.”

Employee

What we stand for

Our commitment to fairness, adherence to all laws, as well as our sound business practices and the constant maintenance safe, hygienic and comfortable working environment ensures our compliance to PUMA's code of conduct. We work hard at redressing the ‘them and us’ situation that industry has inherited from the past. We believe strongly that we are a single unit, a single team, and that we are all in this company together.

The management team works alongside production staff, especially when the company is under pressure to deliver. All supervisors and managers are approachable and available to resolve queries at any time, usually without an appointment.

Our policy is to promote from within and we have by and large achieved this over the years. As we continue to grow, more opportunities will become available for floor staff to develop their careers.

Above all, we stand for quality – quality in relationships and quality in the work we deliver. These values are embodied in the following employment standards:

Respect all forms of **human rights**, including a commitment to ensure that all employees are **at least 16 years of age**.

Encourage responsible people to take responsibility for their **performance** across all levels within the company.

Protect worker health and safety through adherence to local laws and global best practice, as required by **PUMA**. The provision of first aid training and supplies, the conducting of **emergency** evacuation fire drills, and swiftly attending to matters raised by our health and safety officers, are all enforced to ensure that our workers are **healthy and safe**.

Ensure we hire the right person for the right job, **irrespective** of race or gender.

Respect the right to freedom of association for all employees, and work with the relevant **unions** to ensure that employees have mechanisms for understanding and expressing their **rights**.

Ensure that the company adheres to standard **working hours**, with a policy of attempting to avoid/limit voluntary **overtime hours**. Where necessary, we ensure that proper notification and payment of overtime is offered, in line with **Collective Bargaining** rates.



Ownership structure and director profiles

Impahla means 'clothing' in Xhosa and our logo is the flame lily, a flower that is most prominent in Zimbabwe, and which represents the spirit and intentions of our company. Having grown up in Zimbabwe, William Hughes (Managing Director) remembers the flame lily as a beautiful African flower that embodies the essence of the company.

The company is owned by four partners, of which one (Paul Visser, 10%) is a non-executive, non-operational, silent investor living in the United States. The other three partners – William Hughes (50%), Carl Visser (30%) and Lena Jansen (10%) – are the hands-on management team that actively ensures that Impahla's production team is happy, healthy and fully deployed.

William Hughes

Managing Director

William Hughes was born in Nakuru, Kenya in 1962. Having worked for four years for Nampak in Johannesburg in the 1980s, William returned to the family farm in Zimbabwe. Following land invasions in 2003, William and his family moved to South Africa, and in 2004 bought an ailing clothing manufacturer, The Cape Town T-Shirt Company, which had 60 staff. This operation became Impahla Clothing. As Managing Director, William is responsible for the company's vision and strategy for sustainable growth, its relationship with its sole customer PUMA, for the sourcing of inputs and technologies, as well as health, safety and environmental issues.



WILLIAM HUGHES

Carl Visser

Director of branding

Carl Visser (BSc, University of Natal) was born in Kadoma, Zimbabwe in 1955, and qualified as a land survey professional through the Harare Local Authority in Zimbabwe, before operating his own survey practice in Harare until July 1984. Following immigration to South Africa, Carl joined a survey practice, before joining Rand Water in 1995 and rising to chief surveyor in 1997. Carl bought shares in the company in March 2005 and moved to Cape Town with his family. Carl set up Impahla's branding department to handle the company's screen-printing, heat transfer and embroidery operations. Carl also developed the processes that have allowed Impahla to become the first African company to use water-based CHT inks for heat transfers, thereby eradicating the company's reliance on PVC-based inks.



CARL VISSER

Lena Jansen

Production Director

Lena Lynnece Jansen was born in 1960 in Southeyville, Transkei, finishing her formal schooling at Elsie's River High School in Cape Town. In 1979, Lena started as a cleaner in the finishing department at Elite Clothing in Maitland, and moved through the ranks at Quality Workwear (cutter/marker, then production planning and analysis) and the Cape Town T-Shirt Company (production manager). When Impahla bought out the assets of the Cape Town T-Shirt Company in 2004, Lena was offered a 10% share in the ownership of the company in exchange for her commitment to becoming Impahla's Production Director. Lena is fluent in four languages – English, Afrikaans, Xhosa and Zulu – an immense asset in a multi-cultural work environment. Lena's primary responsibility is the management of the shop-floor team, including all aspects of production, such as scheduling, workplace efficiency and quality control.



LENA JANSEN



Single supplier – risk vs reward

Impahla is a privately owned and operated clothing manufacturing company based in Maitland, Cape Town, South Africa. The company has developed from an ailing business with 60 staff producing standard quality T-shirts for a variety of customers to a steadfast operation of 234 employees focusing exclusively on the needs of PUMA, a specialised sportswear company.

Impahla has geared its operations to the highest international standards and is PUMA's first locally engaged World Cat Strategic Supplier. This arrangement has seen the company benefit from a steady stream of orders from PUMA, effectively providing sustainability for the company and its stakeholders.

Should our relationship with PUMA change significantly, or PUMA's ability to maintain orders at current levels be impaired, we are confident that our focus on sustainable business practices will put us in good standing with companies seeking suppliers that meet standards of international best practice in our industry.

Governance and decision-making

All decisions are made by the directorship (including Paul Visser, Impahla's non-operational silent partner, where capital expenditures are required), with the delegation of decision-making tasks filtering down through each director's specific roles and responsibilities.

Given the nature and size of the business, informal meetings are conducted amongst the management

team on a daily basis, while formal production and planning meetings are scheduled weekly (an increase over previously held monthly meetings), and ownership meetings are conducted quarterly, with input from Paul being considered as and when necessary.

Ultimate responsibility for stakeholder engagement, contractor compliance-related issues, legal and regulatory compliance and compliance with union (South African Clothing and Textile Workers' Union (SACTWU)) and NBC requirements rests with the directorship team, with William spearheading all aspects of control and assurance.



OVERVIEW OF MATERIAL ISSUES



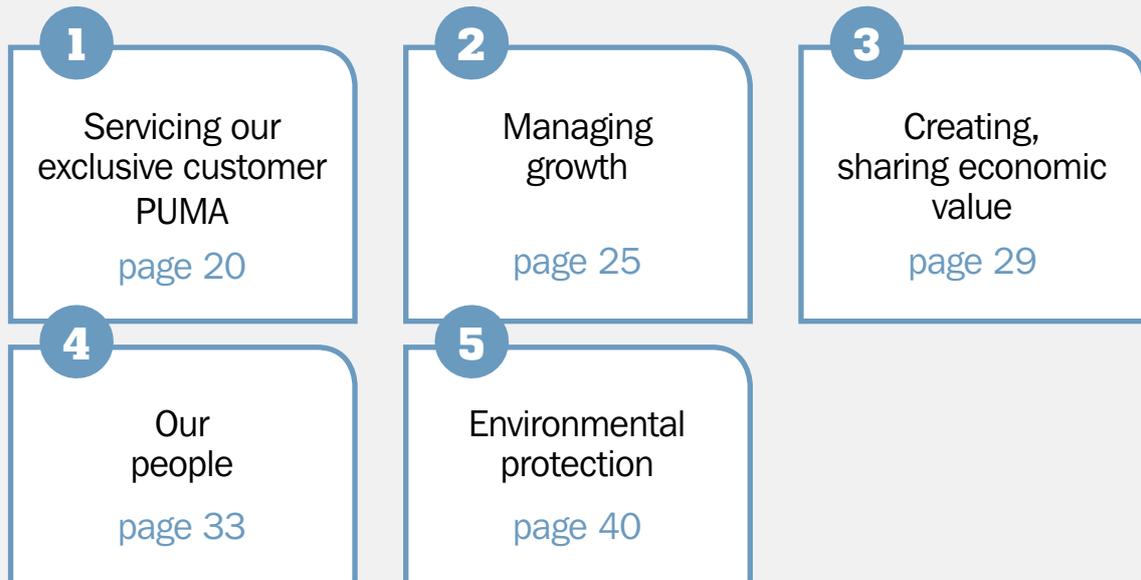


“ I am a fast learner and would like to become a good quality controller. My dream is to go to school and learn more about how I can do more to help our company survive.”

Employee

Material issue categories

On the following pages the table sets out in summary form, the most important issues facing Impahla as it seeks a sustainable future for all its stakeholders. Considering this is an integrated report, the list of issues has developed to now include issues of both a financial and non-financial nature. While there isn't necessarily a rating of relative importance, the issues have been categorised in two levels, and the order in which they appear gives an indication of relative importance.



ISSUE	PERFORMANCE	TARGET
1. Servicing our exclusive customer – PUMA		
Meeting, going beyond standards page 20	<ul style="list-style-type: none"> • 100% delivery performance since November 2010 • 100% quality record for orders delivered since November 2010 • Internal repairs not measured 	<ul style="list-style-type: none"> ➔ Our new Styleman software will track internal repairs per line, allowing us to measure our performance and set targets for improvement
Strengthening the supply chain page 20	<ul style="list-style-type: none"> • Embroidery – Own 20% • Bond/rebate store – Paying duty on fabrics not available • Sublimation – Not owned, at risk • Cotton fabric manufacturing – Not owned, cost concern • Screen-printing & heat transfers – 100% owned • Technical fabric importation – 100% in control since 2008 	<ul style="list-style-type: none"> ➔ Negotiating to take over production assets to meet 100% capacity requirement ➔ Constructing a rebate store ➔ Looking at purchasing equipment to bring sublimation function in-house ➔ Looking at amalgamation to bring cotton fabric manufacturing in-house
Staying with technology page 21	<p>Technology investments of R4.7 million, increasing value of property, plant and equipment on the balance sheet to R5.4 million, from R2 million in 2011.</p> <p>New purchases:</p> <ul style="list-style-type: none"> • Gerber Accumark system • New branding equipment (2011) • Automatic cutting machine • Second pocket welt machine • Three new embroidery machines • Styleman and Fast React software • 1.5 tonne diesel LDV • Heat transfer machine • Fabric inspection machine 	<ul style="list-style-type: none"> ➔ Refer to above
Responsibility and PUMA's Code of Conduct page 22	<ul style="list-style-type: none"> • Improved PUMA S.A.F.E. score from 96.54% to 98.02% • Maintained A level PUMA S.A.F.E. classification (since 2007) • Do Restricted Substances testing 	<ul style="list-style-type: none"> ➔ See below
Extending our responsibility through the supply chain page 22	<ul style="list-style-type: none"> • All suppliers have copy of PUMA S.A.F.E. Pocket Guide • We occasionally request reports from suppliers on PUMA S.A.F.E. • Proportion of fabrics procured locally fell from 36% to 9% 	<ul style="list-style-type: none"> ➔ Will conduct email surveys of all suppliers against PUMA S.A.F.E. and report in 2012/13 ➔ Encourage government to remove duty on fabrics
2. Managing growth		
Measuring gross margin, managing efficiency page 25	<ul style="list-style-type: none"> • Gross margin up from 28% to 34% • Production efficiency at 66%, comparable with 65% budget, but well below 80% target • Production efficiency bonuses per employee down 13% since 2009 due to new staff and more intricate designs 	<ul style="list-style-type: none"> ➔ Acquired production tracking module of Styleman post year-end ➔ Aim to improve supervision ➔ Will revise production bonus scheme to reward entire manufacturing line and thus encourage teamwork
Minimising costs, maximising working capital page 26	<ul style="list-style-type: none"> • Reduced operating cost margin from 27% to 24% • Cash and equivalents reduced to four times monthly expenditure, from 4.7 months in 2011 reflecting increased capex 	<ul style="list-style-type: none"> ➔ Monitoring expansion to ensure that we generate cash faster than the increase in working capital requirements
Developing management capacity page 26	<ul style="list-style-type: none"> • Employed four personnel to take responsibility for key functions • Promoted one employee to quality manager • Promoted six machinists to supervisor level • Turnover of management staff remains at zero 	<ul style="list-style-type: none"> ➔ Continue to promote from within and groom potential leaders for the future
Developing HR capacity and other resources page 27	<p>As measured against a 28% increase in garments manufactured per month:</p> <ul style="list-style-type: none"> • Net increase in employees of 22% • Resignations at 7.6%, slightly up from 7.3% in 2011 and 4% in 2010 • Increased workspace by 20% (300m²) 	<ul style="list-style-type: none"> ➔ Working on reducing resignations although most of the resignations were due to personal reasons and family commitments
Financing growth page 27	<p>Of R4.74 million assets purchased: R1.76 million financed from existing cash flow and R2.98 million financed through IDC loans.</p> <ul style="list-style-type: none"> • Cash reduced from R3.08 million to R2.68 million • R2 million overdraft facility with Absa Bank, collateral through unlimited surety by William Hughes. • Reduced directors' loans by two-thirds 	<ul style="list-style-type: none"> ➔ Need to deal with stress of relying on collateral from a single director of the business ➔ Will look at sourcing additional loan finance ➔ Continue acting on policy of paying directors' loans before dividends

ISSUE	PERFORMANCE	TARGET
3. Creating, sharing economic value		
Return on shareholder investment page 29	<ul style="list-style-type: none"> NPBT increased 132% from R1.6 million in 2011, to R3.7 million in 2012 After-tax return on investment has increased from 25% in 2011 to 41% in 2012 	<ul style="list-style-type: none"> ➔ Recently taken out insurance (in the event of death) to recompense shareholders' estates to the value of the late owner's portion
Clothing industry and the NBC page 29	<ul style="list-style-type: none"> Impahla stays committed to paying NBC rates Continue to run employee incentive schemes 	<ul style="list-style-type: none"> ➔ Encourage buyers to consider human rights issues as well as price ➔ Urge industry to treat and pay employees fairly ➔ Uphold PUMA S.A.F.E. Code of Conduct
Remuneration and employment equity page 30	<ul style="list-style-type: none"> See above Profile: 92.7% female, up from 90.6% Profile: 97.4% previously disadvantaged No disabled employees 	<ul style="list-style-type: none"> ➔ Continue to meet or exceed NBC rates ➔ Improve performance bonus scheme ➔ Continue to engage both employees and PUMA
Equity in ownership and control of Impahla page 31	<ul style="list-style-type: none"> Impahla 10% black owned and controlled 	<ul style="list-style-type: none"> ➔ Will investigate employee share ownership scheme for possible implementation in 2013/14
External stakeholder equity page 31	<ul style="list-style-type: none"> Not measured 	<ul style="list-style-type: none"> ➔ Will measure B-BBEE status to report in 2012/13
4. Our people		
Employee engagement page 33	<ul style="list-style-type: none"> Non-management employees are members of SACTWU No industrial action, no CCMA cases Employee satisfaction not measured, but as proxy measure, employee turnover (minus absconds) has increased to 7.6% from 7.3% in 2011 	<ul style="list-style-type: none"> ➔ Will consider measuring employee satisfaction
Skills and career development page 34	<ul style="list-style-type: none"> More than doubled total training spend to R56 000¹⁴ Training spend per employee increased to R205, from R115 in 2011. One-on-one coaching for supervisors Ran a drug awareness workshop 	<ul style="list-style-type: none"> ➔ Will run a 'money matters' programme for all employees
Absenteeism and late arrivals page 35	<ul style="list-style-type: none"> Total absenteeism improved to 1.4% from 2.67% in 2011 Late arrivals at 0.7% from 0.6% in 2011 Absenteeism bonus: average pay-out improved to R774 per employee from R442 in 2011 Total lost time (TLT) fell to 2.1% from 2.4% in 2011 	<ul style="list-style-type: none"> ➔ Attempt to decrease TLT ratio to less than 2% in 2012/13
Workplace safety and well-being page 39	<ul style="list-style-type: none"> It is made known that we keep no cash on the premises All wages paid into employee accounts Two lost time injuries over the last four years, none this year TRIFR maintained at 115, but not as good as in 2009 (TRIFR: 100) 	<ul style="list-style-type: none"> ➔ Aim to improve TRIFR to below 100
5. Environmental protection		
Carbon footprint page 40	<ul style="list-style-type: none"> 0.52 kg CO₂e per garment produced, down 34% from 2011 One tonne CO₂e per employee, down 20% from 2011 Funded the planting of 651 trees by Food and Trees for Africa (2010: 663) 	<ul style="list-style-type: none"> ➔ Will continue to offset our carbon footprint as we expand our business
Electricity and solar power page 40	<ul style="list-style-type: none"> Installed 30 kWp solar photovoltaic (PV) plant in February 2012, replacing estimated 25% of electricity requirement Carbon emissions from electricity consumption reduced to 0.49 kg CO₂e per garment from 0.74 kg CO₂e per garment in 2011 	<ul style="list-style-type: none"> ➔ Expect further savings from solar PV plant
Fuel page 41	<ul style="list-style-type: none"> Changed from petrol to diesel in buying new LDV in July 2011 Achieved 42% saving in CO₂e per garment delivered 	<ul style="list-style-type: none"> ➔ Expect further savings from improved capacity utilisation
Travel page 41	<ul style="list-style-type: none"> Total CO₂e increased to 5.26 from 3.89 tonnes, equivalent to a 9% increase in CO₂e per garment manufactured 	<ul style="list-style-type: none"> ➔ Will begin benchmarking against peers when such industry data becomes available
Water page 41	<ul style="list-style-type: none"> Water usage rose to 3.81 litres per garment produced from 3.51 in 2011, and 15% worse than the 3.31 of our benchmark year in 2008 	<ul style="list-style-type: none"> ➔ Research industry benchmark ➔ Seek ways to improve efficiency
Waste page 41	<ul style="list-style-type: none"> Recycle paper and plastics with Oasis No partners found for scrap material Hazardous materials minimal and not measured 	<ul style="list-style-type: none"> ➔ Intend finding a partner organisation to handle our scrap material

MATERIAL ISSUES DISCUSSED



“Before I started working here, I didn’t understand a lot of what William described. The more involved you get, the harder it is to leave.”

Employee



Summarising our strategy

Over the following pages we discuss each of the sub-issues that contribute to our five main issue categories. For each we review the context of the issue and what it means to our future sustainability, our performance and our response in dealing with the issue. On this page we have summarised what we intend to do to deal with each issue going forward.



1. Servicing our exclusive customer – PUMA

Over the past eight years, PUMA's share of the total number of garments shipped to customers has grown steadily from 62% in 2006 to effectively 100% in the current financial year. Part of this growth has resulted from our improved sustainability performance, justifying PUMA's decisions to channel orders to Impahla instead of the Far East. For PUMA, we have become both more competitive and more sustainable.

Clearly we are a tier-one manufacturer for PUMA, fully committed to servicing our sole source agreement. The sustainability of our relationship is underlined by both parties' commitment to PUMA's World Cat Strategic Supplier agreement.

Fulfilling customer demand for the highest quality product requires that both sides work hard at the relationship. In playing our part, we have identified five important issues:

- Meeting, going beyond standards
- Strengthening the supply chain
- Staying with technology
- Responsibility and PUMA's Code of Conduct
- Extending our responsibility through the supply chain

As a small manufacturing company, we do not have a marketing department, but rely completely on PUMA (our sole client as of 2012) and its highly sophisticated market research and analysis team to meet new consumer trends.



We are confident in PUMA's marketing expertise. That is what it does best. Our expertise lies in taking their designs and converting these to excellent quality garments. For this reason we have acquired the latest design and pre-production software to ensure seamless transfer of a design to our cutting tables.

Meeting, going beyond standards

Our goal is always to produce top-quality products on time and on budget. From cutting, printing and embroidery, through to assembly and finishing, Impahla strives to achieve the highest standards as a supplier of quality garment manufacturing and branding services.

As a condition of our ongoing relationship with PUMA, we must consistently adhere to its strict controls over quality, timeliness of deliveries, as well as environmental, health and safety concerns. In enforcing these standards, PUMA undertakes frequent contractor compliance audits at our operations, and offers comprehensive feedback on how well we meet the company's expectations.

In previous years we reported ongoing issues with late delivery. In response, we purchased a production planning programme called Fast React and a programme called Styleman which tracks production through barcode tracking technology. Using this technology, and with extensive collaboration with PUMA to ensure realistic achievement of the order pipeline, we have so dramatically improved the scheduling of manufacture and delivery that we have achieved a 100% delivery performance since November 2010. Likewise, we continue to maintain a 100% record for the quality of orders leaving the factory. For internal rework, see 'Managing efficiency' on page 25.

We will continue to proactively engage with PUMA to ensure that production expectations do not exceed Impahla's ability to deliver, or impede on our commitment to worker health and safety, including work-life balance.

Strengthening the supply chain

The quality, reliability and responsibility of our supply chain is so important for our business that we have taken the decision to 'vertically integrate', i.e. control the supply chain through vertical, organic growth and/or buying businesses in our supply chain. This has become our key strategy to secure the future sustainability of Impahla.

Specific aspects of this issue are discussed in the Managing Director's overview on page 7, as well as in the two sections that follow: 'Staying with technology' and 'Extending our responsibility in the supply chain'.

In the accompanying table, we describe the core functions in our supply chain and endeavour to rate the extent to which we are in control of this function and/or the steps we are taking to improve control.

Gaining control of our supply chain

FUNCTION	STATUS	STEPS WE ARE TAKING
Embroidery – Embellishment of logos on garments	Own 20% of function. Balance from approved subcontractor, but priority of scheduling is not under our control.	➔ Negotiating with an embroidery business within the office park to take over their assets.
Bond/rebate store – a regulated and controlled store for imported and duty free fabric that is not available in South Africa	Forfeiting competitiveness by having to pay duty on fabrics not available in South Africa.	➔ Constructing a rebate store along with application to SARS for permission to operate and claim rebate on imported fabrics.
Sublimation – the all-over printing of garments of franchise sport teams (a fast-growing market)	100% outsourced from one approved subcontractor. Priority of scheduling is not under our control, leading to concern around capacity, reliability and single-supplier risk.	➔ Looking at feasibility of purchasing equipment to bring the function in-house.
Cotton fabric manufacturing – knitting of cotton fabrics (preferably from the 'Cotton Made in Africa' programme, a fair trade initiative) in order to control the supply of this crucial raw material	100% outsourced from one approved subcontractor. Concern is that the cost of the product is not competitive.	➔ Looking at feasibility of amalgamating with an existing fabric supplier to bring the function in-house.
Screen-printing & heat transfers – addition of branding aspects on garments	Own 100% of function.	
Technical fabric importation – the importation of high-spec fabrics not available in South Africa	100% control of this function since 2008 in order to ensure compliance with PUMA's fabric quality requirements.	

Staying with technology

New technologies are constantly being developed to add value to products and processes in the clothing industry, as well as to improve efficiencies. We recognise that pursuing efficiency can come at a cost to job creation and seek an appropriate balance that both empowers employees to work at a higher level of skill, as well as produce more valuable product within the ever-tightening cost budgets dictated by the marketplace.

Our policy has been to acquire a range of operator-managed machines for all of our core assembly activities, and we have ensured that our cutters, machine operators and finishers are supplied with reliable, safe and appropriate machines that allow them to deliver against increasingly challenging targets. Equally important, we have always sought to retain in-house competence in key functions. See 'Developing HR capacity and other resources' on page 27 for further detail.

Significant technology developments to 2012

In 2012 we purchased and deployed a Gerber Accumark system for pattern making, grading, ratings and marker making (this is software that wirelessly transfers the pattern in virtual form from the designer's screen to the cutting machine). This equipment aligns our order-taking and planning procedures with PUMA's design specifications, and has improved the accuracy of costing and sourcing of fabric, ultimately improving our fabric usage efficiency and reducing solid waste.

In 2012, additional branding equipment (i.e. a second



multi-place screen-printing machine) was purchased to expand our printing capacity, and this also more than doubled employment opportunities within the branding department.

Capital expenditure for 2012

This year we increased production floor space by 20% (about 300m²), by renting a unit within the same complex, and equipped the facility with the latest machinery (specialised sewing machines, industrial irons, stand-by cutting machines and tables, etc.) in order to meet growing demand for woven products sportswear from PUMA. Apart from the increase in floor space, we have also made a number of significant investments, totalling R4.7 million* (see table below).



Expenditure for 2012

Automatic cutting machine – Comes with an air-driven laying up table and an automatic spreader (lays out the layers of fabric to be cut), financed with a loan from the IDC at prime minus 5%. The automatic cutting machine increases efficiency, reduces cost (wasted fabric) and increases throughput and accuracy of cutting.	R 2 075 000
Three new embroidery machines – Financed by the IDC Production Incentive Programme, in line with our strategy to control supply functions.	R 450 000
Styleman and Fast React – Planning and production tracking software.	R 280 000
A second pocket welt machine – For manufacturing pockets in woven fabrics. This reduces a key bottle neck in production whilst also serving as a back-up facility.	R 255 000
1.5 tonne diesel LDV – To transport all garments to PUMA, replacing a petrol-driven Toyota Condor. Increases delivery capacity and improves fuel efficiency.	R 175 000
Heat transfer machine – A specialised printing machine to produce complex heat transfers, ensuring viability of first and second-party branding services (financed by IDC PI).	R 120 000
Fabric inspection machine – To inspect and control quality of the incoming fabric cost.	R 58 000

* Excluding our investment in solar-powered electricity generation, see page 40 for details

Responsibility and PUMA's Code of Conduct

PUMA's Code of Conduct expresses commitment to human rights and fair labour. The PUMA S.A.F.E. programme 'executes training and compliance' in line with the principles of its Code of Conduct within the company's workplace as well as among its suppliers.

Results from PUMA's S.A.F.E audits, conducted every second year, have been a helpful benchmark of our performance in social, environmental and safety areas. We are proud of our status as one of PUMA's A-level suppliers, and we are committed to ensuring that we continue to meet this grade in the future. The next audit will take place in the next reporting period. →

Extending our responsibility through the supply chain

Encouraging responsibility

We have discussed above our concern with suppliers who cannot deliver reliably or responsibly, and our consequent strategy to control our supply chain. We recognise that buying or supplanting our suppliers is not the only route. With encouragement, any of our suppliers ought to be able to improve their business practices and join the supply chain in a mutually beneficial relationship.



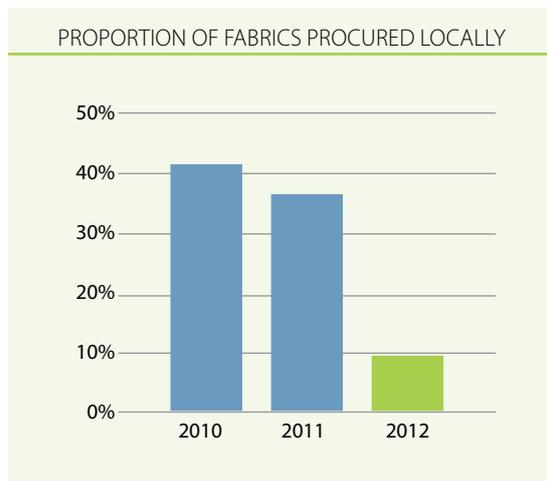
PUMA expects us to take responsibility for the quality and responsibility of our supply chain. One area involves complying with PUMA standards on Restricted Substance Testing (RSL). Impahla takes on this responsibility for all new components that go into the manufacturing process. For example, we send samples of new materials at our expense to Nelson Mandela Bay University (PE), the only accredited laboratory in South Africa, where they are screened for restricted substances before being taken up in the supply chain.

Recognising our responsibility, we have briefed all our suppliers on PUMA S.A.F.E. Code of Conduct and each supplier has a copy of the PUMA S.A.F.E. Pocket Guide. We follow up with sporadic requests to our suppliers to report on their performance against the PUMA S.A.F.E. Code of Conduct. It should be noted that while PUMA exerts pressure on Impahla to take on this responsibility, we don't have the clout that PUMA has, which can impact on our efforts to persuade our suppliers to improve their business practices.

The next step in gaining control, or at least gaining assurance over the sustainability practices in the supply chain, will be to send out an email-based self-assessment questionnaire to every supplier requesting them to assess their operations against PUMA S.A.F.E. standards. Although this would not have the rigour of an independent audit, it would serve as an indicator of our suppliers' commitment to sustainability. Over time, and as we grow, we can refine this tool to be more accurate and influential.

Local vs. foreign

While we are committed to purchasing raw materials as well as outsourced services from local suppliers, there has been a significant shift in our reliance on foreign versus local fabric (see graph below). In some cases, PUMA might require a specific trim item (e.g. specialised zippers) that cannot be sourced in South Africa according to their standards. For example, PUMA strictly adheres to its restrictive substances policy, which effectively eliminates the possibility of procuring locally due to inadequate materials management at local manufacturers. ↓



While this is an unfortunate trend, it does illustrate the basic principle of relative economic advantage between trading nations. Extraction, raw material processing, assembly, software, etc. all require different factors of production to be competitive. It is clear that in South Africa we can compete in garment assembly/manufacturing, but not in fabric manufacturing. And there is a strong ratchet effect in this trend: customers, once having experienced better quality and value (from an imported fabric, for example), will not easily be persuaded to return to a local offering.

Given this reality, we would encourage the government to remove the duty on fabrics that are not available in South Africa. No amount of duty will reverse the reality that imported fabrics are better and in higher demand, but punitive duties will, and do, have a negative impact on the ability of garment manufacturers to compete fairly in the marketplace.

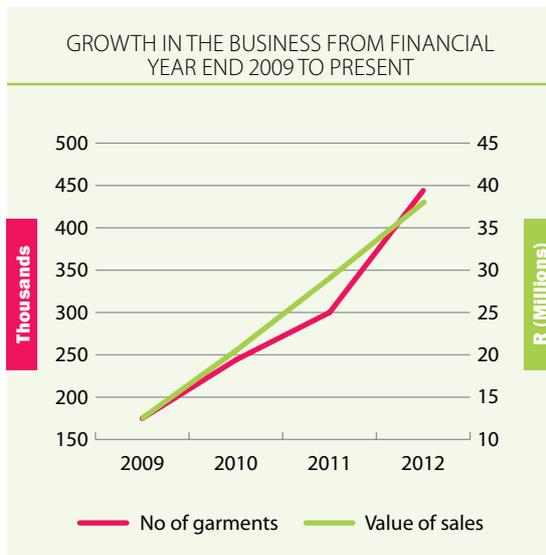
Total Materials Purchased in 2012

FABRICS (M)	TOTAL
Cotton	709
Polyester	302 005
Nylon	254 901
TOTAL	557 615
OTHER MATERIALS	TOTAL
Draw Cord	212 379
Zippers	316 025
Thread(cones)	15 597
Elastic (m)	126 191
Cord Stoppers	220 000
Shock Cord (m)	137 297
Eyelets	434 800
CHT Inks (kg)	2 173
Replica Holograms	10 000
Rugby Poly Tape (m)	59 893
Poly Bags	453 000
Corrugated Cartons	5 390



2. Managing growth

As a consequence of our status as a World Cat Strategic Supplier to PUMA – now manufacturing exclusively for PUMA – we have continued to show strong growth. This year, an average month's production was up 28% on last year and 82% up on 2010, reflecting a doubling in turnover every 18 months. The following graph illustrates the rapid growth in Impahla's business. ↓



The **most important issues** we need to focus on in order to deal successfully with anticipated growth in demand from PUMA are:

- Measuring the gross margin, managing efficiency
- Minimising costs, maximising working capital
- Developing management capacity
- Developing HR capacity and other resources
- Financing growth

Measuring the gross margin, managing efficiency

Starting at the top of the income statement, the first measure of the profitability of our business is the gross margin – the main contributors being fabrics, trims, embellishments and employee costs. This year, our gross margin improved from 28% in 2011 to 34% in 2012. This reflects better fabric utilisation as a result of the Gerber software and ongoing cost control.

As discussed earlier, we are producing 100% quality, 100% on time. However, making a trading profit on each garment order requires that we achieve maximum production efficiency. Production efficiency is dependent on the skill of the machinist, how industriously she utilises her time and how many repairs need to be made to the finished garments.

Each garment has a time-based costing against which every operator is measured: 65% is the standard to make budget, but we aim to improve efficiency towards an 80% target, and pay bonuses for production efficiencies over 65%. These are measured and awarded on an individual basis. Last year we reported efficiency at 70%, down from 76% in 2009. This year, we have calculated our efficiency at 66%, but suspect that the basis of calculation may be slightly different from the previous year. Production efficiency bonuses, calculated per employee, have declined by 84% since 2009, reflecting two issues: supervision has suffered as we have grown, and garments have become more complex, making it harder to reach the bonus thresholds and targets we set. Further, to fulfil every order efficiently depends on the whole team. Slow machinists holding up the line dampen the effect of the incentive.

We are confident of making strides to improve efficiency and are taking steps to tackle the challenges noted above. Post year-end, we have acquired the production tracking

Major events and sports franchises we supply

Impahla has been able to supply garments to **African teams** representing our region at major sporting events **around the world**, including:

African Confederations Cup and **2010 FIFA World Cup** replica kit for Algeria, Angola, Cameroon, Egypt, Ghana, Ivory Coast, Mozambique, Namibia, Senegal and Tunisia

2010 CAF African Cup of Nations replica kit for national soccer teams representing Algeria, Angola, Cameroon, Egypt, Ghana, Ivory Coast and Mozambique

South African National soccer team, **Bafana Bafana**, full sporting kit for players and replica supporters jerseys

PSL team full sporting players' kit and replica supporters kit for **Moroka Swallows** and **Jomo Cosmos**

Super 15 and **Currie Cup** full sporting rugby kit for players and replica supporters jerseys for the **Vodacom Blue Bulls** (including the new Very Berry line), the **Free State Cheetahs** and **Eastern Cape Southern Kings**

Full sporting kit for **Puma-sponsored schools** – Paul Roos Gymnasium, Paarl Gymnasium, Glenwood High School and Monument High School

University of Cape Town rugby kit



module of Styleman, and using scanning technology, we will begin tracking the workflow of every garment. The transparency that this technology brings will enable us to improve supervision levels and allow the accurate calculation of efficiency benchmarks and performance. We will also take this opportunity to revise the production bonus scheme such that bonuses accrue to an entire manufacturing line, rather than to individuals. We hope that individuals will encourage and help each other to perform better, thus benefitting the whole team, and indeed the profitability of the business.

Minimising costs, maximising working capital

Cost management is a philosophy at Impahla Clothing, and is set by example at leadership level. Each function in the business continuously looks out for small areas of savings, from stationery to delivery routes. This builds a habit of frugality and eventually leads to reduced overheads. All purchases have to be well motivated and signed off by the Managing Director. This year, we reduced our operating cost margin by 9% to 24% of gross revenue (2011: 27%), reflecting improved fabric utilisation brought about with the assistance of our new Gerber marker making system, less waste and on-going cost control.

The management of creditors is vital to cash flow as well as to smooth operations. We have recently employed a creditor's accounts clerk to oversee this function, ensuring that the inputs we have ordered have been received in full before payment. We pay our creditors timeously on agreed terms.

Our trading debtor is PUMA, with whom we have agreed payment terms in accordance with our PUMA World Cat Strategic Supplier agreement. We also have a beneficial relationship with the Industrial Development Corporation (IDC), from whom we were awarded loans to the value of R4 million during the year under review. By year end, we had drawn down R2.6 million; a further R400 000 is due for the solar project and R1 million has been set aside for working capital. During the course of the 14-month year, cash and cash equivalents reduced to four times monthly expenditure, from 4.7 months in 2011, reflecting, our growing capital expenditure programme.

Developing management capacity

At the end of 2011 we identified that a growing threat to the sustainability of the business was the increasing workload on top management. In order to alleviate this pressure and develop management capacity for taking the business forward, we hired and promoted people to a number of key positions that we identified. These are:

Anton Redelinghuys – Employed to implement Styleman programme, progressed to operations manager.

Anthea Diamond – Employed as packer, 'temped' as receptionist, then quality assurance, now taken on the added responsibility for barcoding and labelling of all finished product to PUMA specifications.

Pamela Ngodwane – Employed as creditors accounts clerk.

Lydia Makalima – Promoted to quality manager. Previously employed first as a machinist and then as a supervisor.

Judith Heneke – Employed as a garment developer and to control pattern making and marker transfer processes.

The following people were promoted to supervisor from the garment manufacturing lines during the course of the 14-month reporting period: **Miriam Mentoor, Anne Hocker, Hestel Appies, Catherine Williams, Alethea Barnett, and Zoliswa Dyantji.**

These join the existing supervisor/management team, all of whom were promoted from within our own employee ranks over the preceding years: **Patricia Collins, Francis Enicker, Christine Kalie, Joyce Thebus, Merle Beckles, Mogamat Jordaan, Enricel van Schalkwyk, Charmaine Barnett and Sharon Weitz.**

As evidenced by the high proportion of internal promotions listed above, our policy is to develop our management capacity from our own staff. We have been delighted by the rapid development in skills and responsibility levels shown by key individuals, and believe that career development within Impahla also grows loyalty to the company. Turnover of management staff (supervisor and above) compared with line staff reflects this.

We have identified supervisor training as a key area where we need outside assistance. With the help of Human Alliance and the Clothing and Textile Service Centre



(CLOTEX), each of our 12 supervisors received one-on-one coaching during the year, learning how to manage their erstwhile co-workers, many of whom were close friends or even family. Issues they have had to deal with include discipline, quality, safety and efficiency. A key factor in determining the success of a supervisor is their ability to be a role model for their teams. Our policy therefore is to select the very best operators, those with the best and broadest range of skills and outstanding self-discipline.

Developing HR capacity and other resources

The 48%¹⁴ increase in the number of garments manufactured this year has required that we hire and train 155¹⁴ (2011:116) new employees – whilst unfortunately experiencing 113¹⁴ (2011:100) departures over the same period – for a net increase of 22% in the total number of employees working for Impahla Clothing. While employee turnover was still high at 22%, this figure includes ‘absconds’, i.e. those new recruits who left the business shortly after joining. Considering how vital this relationship ‘testing/building’ period is for establishing the team that will remain for the long haul, we will no longer report this turnover figure, but instead keep a close eye on resignations, i.e. longer term employees that leave the company. Our staff turnover (minus the ‘absconds’) has increased to 7.6% from 7.3% in 2011, which is disturbingly up from 4.0% in 2011 and only 1.1% in 2010.

We realise we need to look into the reasons for this trend and work at improving our retention of employees who have already passed the initial probationary phase with the company. Certainly, the technical ability of the people we employ is good. We look for multi-disciplined people, capable of working on different lines, as the work demands. This aspect is a key strategy that we believe greatly improves our ability to deal with peaks and troughs in demand. If there is excess capacity on one line, operators can be redeployed. We are fortunate not to have had to put any employees on short time since the business turn-around eight years ago.

Apart from the issues dealt with above, we have also had to increase our workspace, our machinery and management systems. These are dealt with on page 21 under ‘Staying with technology’.

Total employees in 2012

TOTAL	234	
White	6	2.6%
Black	73	31.2%
Coloured	155	66.2%
MALE	17	7.3%
White	4	1.7%
Black	0	0%
Coloured	13	5.6%
FEMALE	217	92.7%
White	2	0.9%
Black	73	31.2%
Coloured	142	60.7%

Financing growth

In the 14 months under review, we purchased assets to the value of R4.74 million. Of this total, R1.76 million was financed from our existing cash flow, and R2.98 million was financed through loans from the IDC. As noted earlier, cash and cash equivalents has consequently been reduced from R3.08 million to R2.68 million. Impahla Clothing also has use of a R2-million overdraft facility at Absa Bank in order to finance normal trading operations.

Our strategy to acquire more control of our supply chain will further test our ability to finance the ongoing growth of the business. By the end of the first quarter of 2012/13 we expect to acquire a further R1.7 million in machinery, including nine scanners, seven embroidery machines and a sublimation facility.

Should further financing requirements not be available from the IDC, the company may raise funds through directors’ loans, underwritten by privately held property. We recognise the stress at owner/director level of relying on collateral from a single director of the business and will be looking for other sources of loan finance.



3. Creating and sharing economic value

In this section, we examine the financial viability of Impahla Clothing as a business. We quantify and analyse the economic value it is adding, first and foremost for its shareholders, then for its internal stakeholders (i.e. its employees), and then for its external stakeholders – its suppliers and the broader economic community.

Impahla Clothing is an integrated business consisting of Manufacturing, Blanks branded and Printing & embroidery services (see page 9). Measured at the Gross Profit level (i.e. after cost of sales subtracted from Gross Revenue), the company grew its business by 60% in the year under review. Both the manufacturing and the printing & embroidery services showed excellent growth, with the latter showing spectacular growth, from a Gross Profit in 2011 of just R130 000 to R2.6 million in 2012.

The accompanying graph shows the increase in the size of the business and how this value, received from our single customer, PUMA, has been distributed to the most important stakeholders in the business. →

We have identified **five key issues** to focus on as we seek to improve the equitable distribution of wealth to Impahla's internal and external stakeholders:

- Return on shareholder investment
- Clothing industry and the NBC
- Remuneration and employment equity
- Equity in ownership and control of Impahla
- External stakeholder equity

For further detail on our financial performance, see our financial statements beginning on page 45.

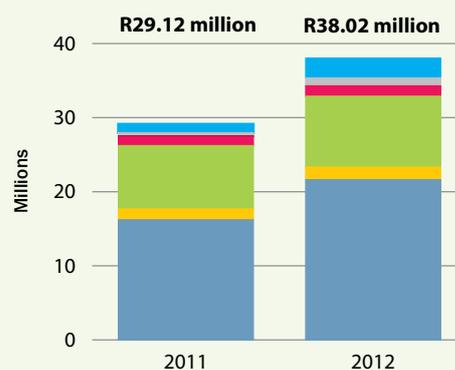
Return on shareholder investment

Over this past year Impahla Clothing more than doubled the value of its property, plant and equipment, to R5.4 million. Shareholders' investment in Impahla increased 42%, from R4.6 million in 2011 to R6.5 million in 2012. The Company returned a Net Profit after interest and tax of R2.68 million, representing an increase in return on investment from 25% in 2011 to 41% in 2012.

Clothing industry and the NBC

Increasingly, foreign-owned factories in the Newcastle area of KwaZulu-Natal (KZN) are challenging the wage rates set by the NBC. Where we are subject to minimum wages that exceed R782 per week for our machinists, the Newcastle operators are threatening to relocate jobs out of South Africa if they cannot be permitted to pay less than R350 per week. Their argument is that by placing factories in more rural areas, they should be allowed to pay substandard wages, regardless of whether or not their wage rates can be viewed as a living wage.

GROWTH IN THE BUSINESS FROM FINANCIAL YEAR END 2009 TO PRESENT



2011		2012
4.0%	Retained earnings	7.0%
1.5%	Government (tax)	2.7%
0.0%	Providers of finance	0.1%
4.4%	Executive directors	3.6%
29.4%	Employees	25.2%
5.1%	Landlord	4.5%
55.6%	External suppliers	56.9%
100%		100%

In a further development, an agreement was reached in the Western Cape in 2011 whereby clothing and textile manufacturers would be permitted to pay below NBC rates when taking on new and inexperienced staff.

As discussed in the Managing Director's overview on page 7, Impahla Clothing is committed to paying NBC rates. We urge retail buyers to consider human rights issues when making their buying decisions, and we urge the clothing





industry to look to their own business practices. Our experience would indicate that behaving responsibly also brings efficiencies and opportunities to do business with world-class and international organisations.

We will continue to uphold the PUMA S.A.F.E. Code of Conduct in respect of human rights as related to employment practices, and lobby for industry to become more responsible, both on the supply and demand sides.

Remuneration and employment equity

South Africa has one of the highest Gini coefficients in the world, meaning that there is an unsustainably wide gap between the 'haves' and the 'have nots'. The first arbiter of economic equity is the marketplace and we have little room to bargain for the price we receive, considering heavy competition from low-wage paying manufacturing regions.

Nonetheless, our remuneration packages, including salary, bonuses and incentives, are above average for our industry, and we are registered with industrial councils and all other statutory bodies. Whilst wages are established by the NBC for the Clothing Industry, Impahla has actively pursued bonus systems and other forms of non-financial reward. Non-director employee salary and wages increased 12% from R8.54 million in 2011 to R9.57 million in 2012.

Every employee has an opportunity to earn the right to improve their income potential through personal development, commitment to the Impahla team, and a demonstration of leadership potential. Although Impahla has had to employ talent from outside the company, one of our cornerstone policies is that of promotion from within, as described on page 26 under the section 'Developing management capacity'.

Our team is made up of 92.7% females (2011: 90.6%) and 97.4% PDIs: both key performance indicators within the South African context. However, we still have not had an opportunity to employ persons with disabilities. Impahla

does not permit any form of discrimination against employees. We do not tolerate racism, sexual harassment or the discrimination of persons with any form of disability.

The overriding barrier to employment equity remains in the area of selection criteria. It is essential that only suitably qualified, skilled candidates are appointed. A shortage of skills in some population and gender groups limits the company's opportunities to align with national demographics. Improvement is being seen in this area with the downsizing of the industry and therefore the availability of a greater pool of applicants, as well as through internal efforts to train and develop candidates with the potential to learn.

While we understand that Impahla alone cannot fix South Africa's income disparity problems, we are nonetheless committed to setting an example of employment equity



and remuneration that will have a positive influence on the entire industry. Specifically, we will continue to:

- Ensure that wages, as set by the NBC, and benefits, as negotiated by the CCA and SACTWU, are met or exceeded throughout our operations.
- Enter into meaningful discussions with our employees to ensure that matters affecting their own economic sustainability are considered whenever possible and necessary.
- Ensure that performance bonuses and opportunities for additional work (i.e. overtime) are offered in a manner that ensures that the entire Impahla team has a reasonable opportunity to share in the company's economic success.
- Engage with PUMA to ensure that the true cost of production is factored into our pricing negotiations, regardless of whether other manufacturers are less committed to paying fair wages for similar work.

Equity in ownership and control of Impahla

Impahla has 10% black ownership and control through Lena Jansen, our Production Director. We recognise the need to consider further empowerment of the historically disadvantaged, but our policy will always be to offer such opportunities to individuals who have a deep involvement and interest in the company.

We are therefore considering the introduction of an employee shareholding scheme for our staff, especially for those who are prepared to live the values and take on the responsibilities of company ownership.

There are a wide variety of such schemes in the industry, many of which have not worked for all the parties concerned. Before entering into engagement with employees we need to undertake a thorough study of these schemes and fully understand the pros and cons of each. While it is unlikely that we will introduce such a scheme in the 2013 financial year, we will report our progress on this matter in our next integrated report.

External stakeholder equity

According to the dti's framework for the Broad-based Black Economic Empowerment of the South African economy, companies are expected to assist in the empowerment of their business partners and the local community in which they have influence. This is defined by the dti as preferential procurement, enterprise development and socio-economic development.

Until the year under review, we have not attempted to measure our performance in these areas. We recognise that as we progress from a struggling start-up business to a more established position in the marketplace, we need to play our part in promoting the development of entrepreneurs amongst the previously disadvantaged, and that the first place to begin would be in our own supply chain.



In the normal course of business, we do support non-profit organisations (NPO) and black-owned businesses. For example, a BEE supplier handles our 'transfer' overflow work to an approximate value of R150k to R200k per annum. We also deliver about a tonne of plastics and paper waste to Oasis once a week, at our expense, for them to process and on-sell to recycling companies. As part of our support for community development, we ensure that the trees we finance for our carbon off-set programme are planted at schools and centres within the communities from which we draw labour.

Our first proactive step towards external transformation will be to measure our current status with regard to the three pillars of the dti's Codes of Good Practice mentioned above. In our 2013 integrated annual report, we will report on our performance as well as set targets for future progress.



4. Our people

It is hard to emphasise how important we regard our entire employee team. Our success is entirely dependent on the efforts of each function performing in a tightly choreographed set of processes as we move from the

We have already dealt with a number of key issues relating to how we treat our employees and how we create the best environment for the most efficient production. Apart from the aforementioned, this section will report on **four key issues**:

- Employee engagement
- Skills and career development
- Absenteeism and late arrivals
- Workplace safety and well-being

receipt of an order, through cutting, making up and applying trim, to the final packaging and delivery of perfectly finished garments. Small errors, delays from disaffection in the team, or plain mismanagement, are often the cause of steadily declining businesses.

Employee engagement

Union representation

Non-management employees are members of the dominant relevant trade union in the garment manufacturing industry, the South African Clothing and Textile Workers' Union (SACTWU). Over the year, no strikes or industrial actions occurred, and no days were lost due to union action. SACTWU has been a useful partner in our campaigns against HIV and Aids, TB and substance abuse. It does ongoing HIV and Aids testing and conducts poster campaigns and information sessions at our operations.

Direct employee engagement

Our employees know that the three executive directors of the business are available for discussion on any subject at any time. All three are highly visible on the floor and office doors are kept open to encourage easy communication. Impahla has a suggestion box and this does attract suggestions and issues from time to time. Management responds through consultation and discussion, followed by a written note on the notice board recording the company's decision. A number of issues were raised by employees this year:

Delays in clocking out – Employees raised a concern that delays in the clocking out process could result in some not catching their transport home in the evenings.

Response: *Scrutiny of the clocking out process showed that the total delay of five minutes could be reduced through introducing an orderly clocking out procedure. Employees now take turns to clock out first, by rotation of production lines.*

Selling food on the premises – Employees could not understand why people can't sell eatables at tea time and lunch time.

Response: *Theft is a threat to the company. Considering losses from theft this year, Impahla has controlled access to its production areas. Unauthorised employees cannot be allowed to enter production facilities where they do not work. Employees can sell products to fellow employees, but must do so only outside the premises.*

Operators doing their own repairs – Employees pointed out that if repairs are corrected by another person, then the operator will not learn from her mistakes.

Response: *If a repair is picked up while the garment is still on the line, then the person concerned must fix it. If the garments are already off the line, the supervisor arranges for one or two people to make the repairs without penalty.*

Giving a post to a newcomer – Some employees were concerned that a post was given to a newcomer, instead of appointing someone who has come a long way with the company.

Response: *Impahla has always invited employees to apply for new posts. Unfortunately, the new post required specific skills and education not available in the company at the time.*



WILLIAM HUGHES, LENA JANSEN AND CARL VISSER – EXECUTIVE DIRECTORS



PATRICIA COLLINS AND HER TEAM – CUTTING

Skills and career development

Investment in training and skills development is a priority for Impahla Clothing and we more than doubled our spend for employed learners in the period under review to R56 000¹⁴, or R205 per employee on an annualised basis. Apart from improved skills, employee retention and job satisfaction, this investment is developing a pipeline of successful candidates for internal promotion within Impahla.

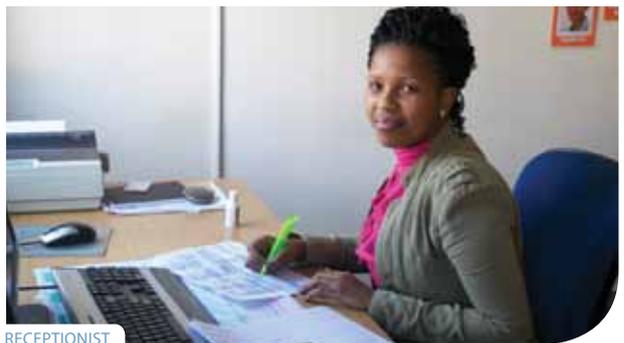
Technical skills covered this year include Machine Mechanics (various levels), Supervisor Training, Pattern Development, Cutting Room Management, First Aid Training and Computer Aided Design. Our association with the Clothing and Textile Service Centre (CLOTEX) is now well underway and has provided various training opportunities for us, with further training planned for the future.

We have also focused on soft skills, developing supervisors through one-on-one coaching.

We are aware that employees face significant challenges outside the workplace, which in turn can impact negatively on attendance and productivity. In an effort to assist and support employees in dealing with these difficulties, we started an Employee Wellbeing Awareness Programme for educating employees, as well as providing them with channels through which they and their families can access assistance and counselling. As part of this initiative, the Cape Town Drug Counselling Centre recently ran a successful Drug Awareness Workshop with all employees. The next phase will focus on money matters with a view to increasing their ability to manage their finances in a responsible manner. Topics will include budgeting, the use



ADMINISTRATIVE AND MANAGEMENT STAFF



RECEPTIONIST

of credit facilities, understanding interest rates and debt consolidation.

Absenteeism and late arrivals

Last year we reported how closer monitoring of our employees' attendance as far back as 2007 had revealed the damaging impact on the business of absenteeism and late arrivals. Employees need, and have the right, to take days off when illness or injury occurs. This is recorded as sick leave, for which the law allows 10 days per annum. However, we also understand that many workers take excessive leave (referred to as absenteeism) for reasons other than illness, including such things as taking days off to do personal banking and shopping.

Time lost due to late arrivals is another indicator we identified. Back in 2007, more than 1.5% of our total production potential was lost due to late arrivals, but this has been reduced to 0.7% in the year under review.

In order to reduce absenteeism and late arrivals, we developed an incentive scheme to encourage employees to reduce unnecessary sick leave and to work full shifts. As of early 2008, each employee is offered an opportunity to receive a maximum of a R500 bonus every six months if they do not take any sick leave. For every day they take off, they lose R100 of the bonus, resulting in a R0 bonus for more than five days of sick leave taken. A similar incentive has been worked out for punctual arrival.

The table below illustrates the bonuses we have awarded over the last three years, shows, that, for both these indicators, the Impahla team has shown excellent improvement. Total absenteeism improved from 2.67% last year to 1.4% in the year under review, and the average pay-out of R774 per employee in 2012, is proportionally up from the average of R442 per employee earned in 2011. While the awards appear well below the maximum R1 000 for a perfect attendance record, we have not refined our measurement to exclude employees who worked for only part of a six-month period, and would therefore not be eligible for the incentive scheme.

Improvement in average bonuses

	2012	2011	2010
Absenteeism*	R774	R442	R356
Arrive on time bonus*	R114	R138	R84

* These figures under-report actual averages as some of the employees would not have qualified, having only worked for a portion of the period.

Considerable engagement has taken place with employees to reduce late arrivals and in 2008 we instituted a bonus scheme to encourage employees to arrive on time and during the past year have also made improvements to the clocking system. Despite these efforts the average time lost due to late arrivals worsened slightly from 0.6% in 2011 to 0.7% in 2012. We attribute this mostly to the unreliable public transport system.



SHARON WEITZ AND HER TEAM – SEWING SHORTS



EMBROIDERY TEAM



MOGAMAT JORDAAN AND HIS TEAM – BRANDING



HESTEL APPIES AND HER TEAM – SEWING WOVENS



CHRISTINA KALIE AND HER TEAM – SEWING RUGBY



CHARMAINE BARNETT AND CATHERINE WILLIAMS AND THEIR TEAMS – FINISHING



FRANCIS ENICKER AND HER TEAM – SEWING WOVENS



MIRIAM MINTOOR AND HER TEAM – SEWING WOVENS



ZOLISWA DYANTYI AND HER TEAM – SEWING FOOTBALL



ANNE HOCKER AND HER TEAM – SEWING WOVENS



Our absenteeism and late arrivals sum to a total lost time (TLT) of 2.1% (2011: 2.4%), which remains well below the industry average of 6%. We continue to enter into discussions with our employees, and through their union representatives, we are attempting to decrease our TLT Ratio to less than 2.00% in 2012/13.

Workplace safety and well-being

We have made it clear that we don't keep any cash on the premises, nor do we conduct any transactions in cash. All employees must open bank accounts on employment, and all wages are paid into their accounts. This policy is designed to reduce the risk of potentially harmful robbery and we can fortunately report no serious incidents involving assault in the year under review.

While the management and staff at Impahla consider the company to be a safe place in which to work, we are nevertheless mindful of health and safety risks and hazards. We have developed and implemented an Occupational Health and Safety Policy that sets out our commitment to zero harm, including:

- The ongoing management and stocking of a first aid room, where treatment can be obtained for injuries, or where ill employees can lay down and rest when required.
- The conducting of monthly health and safety committee meetings, chaired by Joan Hughes, Impahla's health and safety manager) and/or our health and safety officers (Joyce Thebus, Gail Arendse and Merle Beckles), and attended by managers, supervisors and shop stewards.
- The further training and deployment of Joyce, Gail and Merle as Impahla's shop floor safety officers, under the supervision and guidance of Joan Hughes, our health and safety manager.
- Posting of appropriate signs to direct every employee's attention to emergency exits, hazards and policies and procedures for managing health and safety.
- The further training, development and testing of fire marshals, including the provision of well-maintained fire management equipment and the conducting of regular fire drills.
- Working in close co-operation with the NBC for the Clothing Manufacturing Industry, as well as SACTWU, to conduct HIV and Aids awareness campaigns at Impahla on a regular basis.

We work hard to create and maintain a work environment free from the potential for illness or injury for our employees, our clients and affected neighbours. Over the last four years, we have only recorded two injuries that resulted in lost time (as per the definition). This year we are pleased to report that our safety performance was maintained at a Total Recordable Injury Frequency Rate (TRIFR) of 114.73 (2011: 114.67), not as low as our best year in 2010 (TRIFR: 100.25), but considerably better than for 2009 (TRIFR: 157.33). We attribute the minor injuries we have suffered



GAIL ARENDESE, JOAN HUGHES, MERLE BECKLES AND JOYCE THEBUS – HEALTH AND SAFETY COMMITTEE

to the significant turnover we've had on our shop floor, and the related challenges of monitoring behaviour during periods of extensive on-the-job training (155 new recruits in 2012).

Part of our ongoing commitment to working in a safe and injury-free environment includes regular Hazard Identification and Risk Assessments (HIRA). In our most recent review, we recorded the following risks and hazard incidents:

Injuries recorded over the last three years

	2012 ¹⁴	2011	2010
Needle pricks	14	14	14
Cuts and bruises	33	22	2
Slips and falls	1	3	3
Minor injuries	1	6	7
Lifting sprains	0	0	2
Burns	1	0	0
Total	50	45	28



5. Environmental protection



In terms of South African monitoring and evaluation norms, the clothing and textile manufacturing industry's potential for negative environmental impact is considered moderate. We therefore recognise our responsibility to monitor, manage and reduce our environmental impacts wherever and whenever possible.

We identify **five issues** relating to environmental protection:

- Carbon footprint
- Electricity and solar power
- Fuel
- Travel
- Water
- Waste

Carbon footprint

Although we are a relatively small company, we believe it is within our scope of responsibility to monitor, manage and report on our total carbon footprint in the form of the amount of carbon we emit into the atmosphere as a result of our daily operations. Using a relatively simple methodology we have determined that our total carbon emissions, in terms of carbon dioxide equivalents or CO₂e, is 232.4 tonnes (2011: 236.6). We have offset these carbon emissions through the planting of 651 trees (2010: 663 trees) by Food and Trees for Africa.



Factoring in our business expansion, our CO₂e intensity has actually improved significantly over the past four years.

Improvement in carbon footprint intensity

	2012	2011	2010	2009
CO ₂ e per garment	0.52	0.79	0.83	1.00
CO ₂ e per employee	0.99	1.23	1.15	2.00

We calculated our total carbon footprint using the publicly available calculator at www.carbonfootprint.com.

Electricity and solar power

Until this year), we have always drawn all our electrical power from the City of Cape Town, which in turn relies largely on fossil fuel sources. In keeping with our company strategy to reduce our carbon footprint we have installed a 30 kWp solar photovoltaic (PV) plant, designed and installed by Power Solutions. The system consists of 131 solar modules capturing energy from the sun and generating approximately 48 MWh/annum that is fed directly into our electricity grid, replacing approximately 25% of our demand. Over the lifetime of the system, we expect to offset some 1 150 tons of carbon.

The electricity system is monitored and displayed in our entrance foyer and can be followed on the following link: <http://www.sunnyportal.com>. The project was funded through the IDC's Green Energy Efficiency Fund in line with its goal to reduce reliance on coastal-based electrical power and introduce environmentally friendly production processes.

The system has already had an impact on our monthly electricity bills and reduced our electricity CO₂e component per garment to 0.49 kg CO₂e (2011: 0.74 kg CO₂e per garment).

Electricity consumption per unit of production

YEAR	2012	2011	2010	2009	2008
Electricity consumed (KWH)	233 653	216 848	182 631	159 641	230 925
Units of production	444 977	300 176	244 720	175 748	151 762
kWh per unit of production	0.53	0.72	0.75	0.91	1.52
% Decrease/unit	26.4%	4%	17.6%	40.1%	

Fuel

Having reported consumption of 2 955 litres of petrol by our delivery van last year, we realised that this was an inefficient form of transport. We therefore acquired a Hyundai diesel LDV in July of 2011 and have immediately seen an increase in overall fuel efficiency for the business. Our total carbon footprint for fuel has reduced to 8.21 tonnes CO₂e from 9.37 tonnes in 2011. Considering business expansion, this equates to a 42% decrease in CO₂e per garment delivered.

Travel

Ironically, the development of our sustainability reports gave rise to business travel costs for Impahla as William has been called to discuss our sustainability reports, locally and internationally. This year's flights included one to Vietnam, one to Germany and four to Johannesburg for a total CO₂e of 5.26 tonnes (2011: 3.89 tonnes).

Water

South Africa is undoubtedly a water-scarce economy, in that access to reliable supplies of potable water is not a given. As such, our water consumption is considered to be an ongoing management concern at Impahla. This year we recorded water efficiency of 3.81 litres of water per garment produced (2011: 3.51 litres), 15% higher than the 3.31 litres per garment produced in our benchmark year of 2008. We are committed to continue monitoring water consumption monthly and being more vigilant in ensuring that wastage is minimised.

Waste

Non-hazardous waste

Over the past few years, we have noticed a significant increase in the amount of waste that has been disposed of in landfills. However, we attribute this informally observed





increase in waste disposal as a direct result of our significant increase in total garment production.

To date, we do not have formal systems or processes in place to monitor and measure the volume (by weight) of solid waste sent to landfills via our waste haulage contractors. However, we are committed to reducing our overall volume of waste being sent for disposal at landfills.

Last year we instituted the following mechanisms for reducing our solid waste disposal (shown in blocks). →

Hazardous waste

Although limited in total volumes consumed and/or disposed of, hazardous materials are often used in our manufacturing facilities, particularly in the maintenance and operation of our facilities and equipment.

Because the total volumes are extremely low, we do not have formal systems or processes in place to monitor and measure the volume of hazardous materials consumed throughout our operations. However, we continue to monitor the way which all solvents, lubricants and other hazardous materials are handled, stored and disposed of.



Using **waste sorting bins** to identify waste materials that can be sent for recycling, rather than disposed of as general waste.

Recycling our waste paper and plastics through a partnership with **Oasis, a well-established NPO** that employs persons with mental disabilities to **sort waste** for selling back to paper and plastic recycling companies such as **Mondi**.

Although we have **yet to find** a viable partner, we intend to forward reasonably large pieces of **scrap material** to an economic development project (or projects) that can **make use of the fabric** to manufacture clothing and other items.



ONGOING INITIATIVES

- We **monitor** our electricity bills on a monthly basis, and have engaged **alternative energy** suppliers, to ensure that all measures are identified to continue to **reduce** our overall **electricity consumption**.
- We maximise the use of natural light through **translucent roof sheeting** to illuminate our factory floor and to provide natural heating during winter months, while employing **large roller doors** to create a cross-wind cooling effect in summer, thus reducing our reliance on electricity to create a favourable working environment.
- We use **energy-efficient light bulbs** and fixtures in all areas where they could be used effectively.
- We use **low volume dual-flow toilets** in all of our bathrooms.
- We only use **hot water** (five-litre hot-water tanks) in each of our **kitchens**.
- We work in partnership with **Oasis – a Cape Town-based NPO** which employs mostly persons with mental disabilities – to **recycle** all of our plastics, paper and cardboard.
- We use **PUMA-approved CHT inks** in all of our screen-printing and heat transfer processes, and **environmentally friendly** detergents (e.g. CD11).
- Independent **water quality tests** are conducted to ensure that waste water does not contain any **harmful chemicals**, and our water quality has been found to be **safe** for municipal discharge.

APPENDICES





Marais & Vennote

Geektrooieerde Rekenmeesters (SA) Chartered Accountants (SA)

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REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF SPRING ROMANCE PROPERTIES 34 (PTY) LTD

We have audited the annual financial statements of Spring Romance Properties 34 (Pty) Ltd which comprise the directors' report, the balance sheet as at 29 February 2012, the income statement, the statement of changes in equity, the cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 15, which are available for inspection at the companies auditors and our offices.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa, 1973. This responsibility include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying the appropriate accounting policies; and making accounting estimates which are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized entities, and in the manner required by the Companies Act of South Africa, 1973.

Without qualifying our audit opinion, we draw attention to the fact that the supplementary schedule set out on pages 15 - 16 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Marais and Partners
Chartered Accountants (SA)
Registered Accountants and Auditors

Durbanville
30 March 2012

Spring Romance Properties 34 (PTY) LTD
BALANCE SHEET
as at 29 February 2012

	Notes	2012 R	2011 R
ASSETS			
Non-current assets		7,642,953.00	2,301,906.00
Property, plant and equipment	2	5,393,704.00	2,020,191.00
Loans receivable	3	2,249,249.00	281,715.00
Current assets		24,837,219.00	18,825,234.00
Inventories	4	16,607,638.00	11,126,621.00
Trade and other receivables		4,693,243.00	4,157,463.00
Deposits		53,772.00	44,272.00
Provisional tax paid		855,128.00	460,406.00
Cash and cash equivalents		2,627,438.00	3,036,472.00
Total assets		32,480,172.00	21,127,140.00
EQUITY AND LIABILITIES			
Capital and reserve		6,244,414.00	3,565,345.00
Issued capital	5	100.00	100.00
Accumulated profit/(loss)		6,244,314.00	3,565,245.00
Non-current liabilities		2,966,832.00	1,056,846.00
Non interest bearing borrowings	6	328,732.00	1,056,846.00
Interest bearing borrowings	7	2,638,100.00	-
Current liabilities		23,268,926.00	16,504,949.00
Trade and other payables		11,540,179.00	6,439,869.00
Puma Blanks – Stock prepayments		10,524,987.00	9,615,230.00
Short term portion of interest bearing borrowings		161,900.00	-
Provision for taxation		1,041,860.00	449,850.00
Total equity and liabilities		32,480,172.00	21,127,140.00

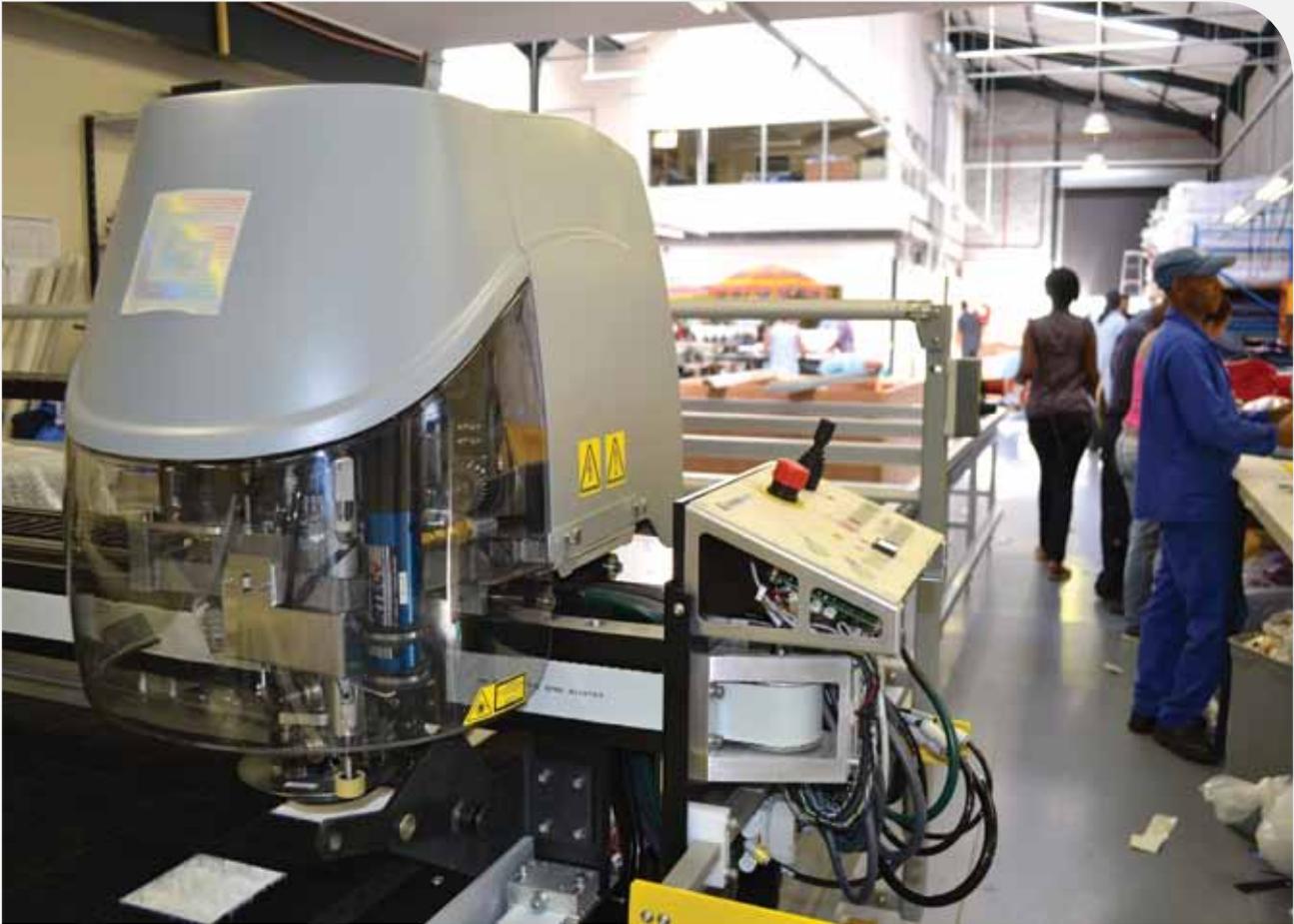
Spring Romance Properties 34 (PTY) LTD
INCOME STATEMENT
for the year ended 29 February 2012

	Notes	2012 R	2011 R
Gross revenue		38,023,500.00	29,120,779.00
Cost of sales		25,133,472.00	21,036,677.00
Gross profit		12,890,028.00	8,084,102.00
Operating costs		9,232,419.00	7,755,322.00
Operating profit/(loss)	11	3,657,609.00	328,780.00
Investment income		55,507.00	7,481.00
Profit with sale of assets		37,202.00	2,000.00
IDC PI Grant		-	1,280,021.00
Finance costs		(29,389.00)	(11,676.00)
Net profit/(loss) for the year		3,720,929.00	1,606,606.00
Taxation	9	1,041,860.00	449,850.00
Net profit/(loss) for the year after taxation		2,679,069.00	1,156,756.00

Spring Romance Properties 34 (PTY) LTD
CASH FLOW STATEMENT
for the year ended 29 February 2012

	Notes	2012 R	2011 R
Cash flows from operating activities			
Cash generated by/(utilised in) operating activities	10.1	5,056,709.00	2,714,163.00
Interest received		55,507.00	7,481.00
Interest paid		(29,389.00)	(11,676.00)
Tax paid		(844,572.00)	(460,531.00)
		4,238,255.00	2,249,437.00
Net cash from operating activities			
Cash flows from investing activities			
<i>Expenditure to maintain operating capacity</i>			
Property, plant and equipment acquired		(4,742,141.00)	(2,066,913.00)
Disposal of property, plant and equipment		-	-
		(4,742,141.00)	(2,066,913.00)
Net cash used in investing activities			
Cash flows from financial activities			
Issue of share capital			
Loans raised/(repaid)		104,352.00	375,136.00
		104,352.00	375,136.00
Net cash (utilised)/generated by financing activities			
Increase/(decrease) in cash and cash equivalents		(399,534.00)	557,660.00
Cash and cash equivalents at the beginning of the year	10.2	3,080,744.00	2,523,084.00
Cash and cash equivalents at end of the year	10.2	2,681,210.00	3,080,744.00

NB: Explanatory notes in the Balance sheet, Income and Cashflow statements are available on request from the companies auditors and accountants, Marais & Vennote.



GRI G3 Application Level Requirement: A

We produced our first ever sustainability report in 2007 and our prior sustainability reports followed a progression from Application Level C+, to B+, and achieved an A+ Application Level of the GRI's G3 guidelines for our last sustainability report produced in May 2011. This year, following recommendations from King Code and Report on Governance for South Africa (King 111), we have sought to demonstrate the integration of our business and sustainable strategies in our first integrated report.

This report has been prepared in accordance with the principles of the G3 Guidelines, published by the Global Reporting Initiative. We are self-declared, Level A compliant, based on the information contained in this report and our externally assured 2010 sustainability report. We have included a comprehensive indicator-by-indicator discussion table of our report's compliance to the required GRI indicators on pages 50 – 59.

Best practice calls for a combined assurance model which consists of three tiers: Reflecting materiality in company strategy, internal checks and balances and external assurance. Our decision not to seek external assurance on this report is partly due to timing constraints in the move to an integrated reporting format and the high costs of third party assurance. All of our data is processed and recorded

monthly through our management system and our carbon footprint is calculated by ourselves using carbon footprint calculation tools at www.carbonfootprint.com. All data can be supplied on request. No assurance was obtained on our sustainability measures. Our financial statements were audited by our external auditors, Marias & Vennote and prepared in accordance with International Standards on auditing. Their audit report and financial statements can be found on pages 45 – 48.

The Board acknowledges its responsibility to ensure the integrity of the integrated report and believes that it addresses all material issues, and presents fairly the integrated performance of the company.

Comprehensive GRI G3 Content Assessment

Impahla Clothing Integrated Sustainability Report 2012

Global Reporting Initiative (GRI) G3 Content Assessment

NI = Needs Improvement; NC = Not Covered; OK = Adequate Response

PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
STANDARD DISCLOSURES PART I: Profile Disclosures					
1. Strategy and analysis					
1.1	Statement from the most senior decision-maker of the organisation	pp. 7 - 9	Taking stock, looking ahead by the Managing Director.	Managing Director's report covers all relevant aspects regarding strategy and sustainability issues.	OK
1.2	Description of key impacts, risks, and opportunities.	pp. 7 - 9, pp. 16 - 17	Taking stock, looking ahead by the Managing Director; Chapter Two: Overview of material issues	Risks and opportunities are discussed in a tabular format via the identification of most material issues. Material issues and risks are discussed in detail in Chapter two.	OK
2. Organisational profile					
2.1	Name of the organisation.	p.2		Trading name is defined as 'Impahla Clothing', although the company's registered name is 'Spring Romance Properties 34 (Pty) Ltd'.	OK
2.2	Primary brands, products, and/or services.	p. 7 - 9	Taking stock, looking ahead by the Managing Director.	A concise paragraph describes Impahla's production activities.	OK
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	p. 13	Ownership structure and director profiles.	Ownership and operational structure is provided in detail in Chapter One	OK
2.4	Location of organisation's headquarters.	p. 2		Address of Impahla's operations is provided on the inside front cover of the report.	OK
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	p. 50	Comprehensive GRI G3 content assessment	Impahla only operates in South Africa, although its primary client is PUMA, based in Germany (although trading with PUMA South Africa).	OK
2.6	Nature of ownership and legal form.	p.12	Ownership structure and Directors' profiles	Privately owned, as described in the Ownership Structure and director profiles in Chapter One: Governance.	OK
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	p. 7	Taking stock, looking ahead by Managing Director	Impahla's market is defined, as is the fact that production is almost exclusively delivered in the local SA market.	OK
2.8	Scale of the reporting organisation.	p. 7	Taking stock, looking ahead by Managing Director	Scale of entity is described in terms of number of operations, number of employees and garments produced.	OK
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	p. 50	Comprehensive GRI G3 content assessment	No changes have been made to governance structure and/or operations, but staff numbers increased to 234 and there is now an exclusive focus on PUMA under a sole source agreement.	OK
2.10	Awards received in the reporting period.	p. 50	Comprehensive GRI G3 content assessment	No awards were received during reporting period.	OK
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	p. 2		Reporting period covers a 14 month period from 1 January 2011 to 28 February 2012, with the sustainability reporting covering 14 months but the financial statements are for the 12 month period from 1 March 2011 to 29 February 2012. Throughout this report 2012 refers to the 2011/12 financial year and 2011 refers to the 2010/11 financial year.	OK
3.2	Date of most recent previous report (if any).	p. 50	Comprehensive GRI G3 content assessment	The previous report was issued in May 2011, for the period of 01. Jan to 31 Dec 2010.	OK
3.3	Reporting cycle (annual, biennial, etc.)	p. 2		This is Impahla's 5th annual sustainability report and first integrated report.	OK
3.4	Contact point for questions regarding the report or its contents.	p. 51	Comprehensive GRI G3 content assessment	William Hughes is identified as the contact person, and his email address is given.	OK

Impahla Clothing Integrated Sustainability Report 2012

Global Reporting Initiative (GRI) G3 Content Assessment

NI = Needs Improvement; NC = Not Covered; OK = Adequate Response

PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
3.5	Process for defining report content.	p. 51	Comprehensive GRI G3 content assessment	The Managing Directors' letter defines the process for establishing the report's boundary, with specific reference to material issues and the GRI as a guideline.	OK
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	pp. 51	Comprehensive GRI G3 content assessment	The scope of the report includes all aspects of Impahla's operations.	OK
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	p. 17	Chapter Two: Overview of material issues	Full range of material issues are completely covered.	OK
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	p. 51	Comprehensive GRI G3 content assessment	All material operations are covered by this report. No material operations are external to Impahla.	OK
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	p. 2		Wherever relevant, data measurement is discussed throughout the report, for various performance indicators.	OK
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	p. 2		All data correction and comparability notes have been recorded where necessary.	OK
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	p. 2		Impahla now produce exclusively for PUMA under a sole source agreement. Addition of audited financial accounts included in report.	OK
3.12	Table identifying the location of the Standard Disclosures in the report.	pp. 50 - 59	Comprehensive GRI G3 Content Assessment	Impahla has opted to provide a comprehensive indicator-by-indicator description of GRI compliance within this report.	OK
3.13	Policy and current practice with regard to seeking external assurance for the report.	p. 49	Governance and structure	Sustainability self assured declaration	NI

4. Governance, Commitments, and Engagement

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	pp. 11 - 13	Governance and structure and director profiles	The various tasks of directors is described in detail, and it is noted that strategy and oversight occurs at the ownership level.	OK
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	p. 51	Comprehensive GRI G3 content assessment	Not relevant in the context of Impahla due to the nature of the company's ownership (private).	OK
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	p. 51	Comprehensive GRI G3 content assessment	Not applicable for Impahla due to the nature of Impahla's ownership (private).	OK
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	p. 2, p. 33	Employee engagement	All directors, managers and supervisors are approachable and available to resolve queries at any time. Stakeholders, particularly employees, are encouraged to make use of Impahla's open door policy to raise concerns and/or suggestions for improvement. Paul Visser has direct access to the board.	OK
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	pp. 30 - 31	Remuneration and employment equity	There is no formal linkage between directors compensation and social and environmental performance.	NI

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PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	pp. 52	Comprehensive GRI G3 content assessment	Impahla avoids conflicts of interests through careful scrutiny of its core management / ownership team, under the understanding that conflicts of interest are far too risky for a company of Impahla's size and nature. Procurement, as well as sales, agreements are scrutinized to ensure that no conflicts exist, prior to acceptance.	OK
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	p. 52	Comprehensive GRI G3 content assessment	Although this is not applicable for Impahla, a profile of each owner is provided.	OK
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	p. 23	Reponsibility and PUMA's Code of Conduct	Relevant discussions in the various sections are provided as well international standards discussed. Ongoing staff turnover will require us to redevelop these statements though internal engagement in the future.	NI
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	pp. 16 - 17	Overview of material issues	Various material issues discussed and the management of these is stated.	OK
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	p. 52	Comprehensive GRI G3 content assessment	Not applicable. There is no board structure to ensure such a process since Impahla are a small privately owned company.	OK
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	pp. 16 - 17	Overview of material issues	Impahla's risk management processes are discussed throughout the report, particularly with respect to the management of the company's Material Issues. However, no formal policy or procedure governs how we assess risk.	NI
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	p. 31, p. 52	External stakeholder equity; Comprehensive GRI G3 content assessment	Impahla adheres to the DTI Codes and GRI Guidelines.	OK
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	p. 52	Comprehensive GRI G3 content assessment	Impahla is a member in good standing with the National Bargaining Council and the Cape Clothing Association, and is regularly in discussions with various other bodies.	OK
4.14	List of stakeholder groups engaged by the organisation.	pp. 16 - 17	Overview of material issues	Summarised in Chapter Two: Overview of material issues and detailed response to stakeholder concerns/interests described in chapter three	NI
4.15	Basis for identification and selection of stakeholders with whom to engage.	p. 52	Comprehensive GRI G3 content assessment	As a small business, Impahla identifies its most material stakeholders based on primary need: particularly owners, customer (PUMA), employees, suppliers, the NBC and the CCA.	OK
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	p. 33	Employee engagement	Engagement processes are described for each stakeholder group, but frequency not adequately described for all stakeholders.	NI
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	p. 33	Employee engagement	Engagement topics are described for each stakeholder group. Topics raised by all stakeholders not formally recorded and analysed.	NI

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PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)					
G3 DMA					
DMA EC	Disclosure on Management Approach EC	pp. 25 - 31	Managing Growth	Economic sustainability discussed in this section with specific mention of PUMA as Impahla's single client.	OK
DMA EN	Disclosure on Management Approach EN	pp. 38 - 40	Environmental protection	Impahla's management approach to environment is provided	OK
DMA LA	Disclosure on Management Approach LA	pp. 32 - 37	Our people	Impahla's management approach to employment and health and safety issues is provided.	OK
DMA HR	Disclosure on Management Approach HR	p. 23	Responsibility and PUMA's Code of Conduct	Various human rights aspects discussed including freedom of bargaining and shop stewardship are present at relevant meetings. This engagement with SA Labour Law deals adequately with HR issues. Fair wage, the most material issue in SA is reported in detail.	OK
DMA SO	Disclosure on Management Approach SO	p. 23	Responsibility and PUMA's Code of Conduct	A discussion with respect to DTI codes of good practice is given as is socio-economic development, although more information could be provided with respect to the management of corruption and/or avoidance of anti-competitive behaviour.	NI
DMA PR	Disclosure on Management Approach PR	p. 19	Servicing our exclusive customer - PUMA	Various aspects of products are discussed. Product marketing is the responsibility of PUMA.	OK
STANDARD DISCLOSURES PART III: Performance Indicators					
Economic					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	p. 29	Creating and sharing economic value	This is the first year that Impahla are disclosing their financial statements.	OK
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	p. 53	Comprehensive GRI G3 content assessment	Not discussed but climate change has influenced PUMA to encourage environmentally responsible business practices refer www.puma.com/sustainability . Impahla has benefitted from this impact.	OK
EC3	Coverage of the organisation's defined benefit plan obligations.	pp. 35 - 39	Absenteeism and late arrivals; Workplace, safety and well-being	Limited concern. Impahla's compensation model is aligned to the National Bargaining Council rates and the provisions in the Labour Act, with 100% full compliance to these rates. Over and above this, Impahla has initiated bonus structures to reduce absenteeism and improve efficiency.	NI
EC4	Significant financial assistance received from government.	p. 53	Comprehensive GRI G3 content assessment	New machinery consisting of an automatic cutting machine, three digital embroidery machines and a heat transfer machine were financed through a loan of R2.98 million at prime less 5% through the Industrial Development Corporation (IDC). Furthermore, a 30Kwp solar photovoltaic plant, consisting of 131 solar modules was installed. This project was funded through a grant from the IDC's Green Energy Efficiency fund.	OK
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	p. 53	Comprehensive GRI G3 content assessment	We are registered with industrial councils and all other statutory bodies. Whilst wages are established by the NBC for the Clothing Industry, Impahla has actively pursued bonus systems and other forms of non-financial reward.	NI

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PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	p. 23	Extending our responsibility through the supply chain	We are committed to purchasing raw materials as well as outsourced services from local suppliers where possible. However 2012 saw a significant shift in our reliance on foreign versus local fabric from 36% to 9%. PUMA strictly adheres to its restrictive substances policy, which effectively eliminates the possibility of procuring locally due to inadequate materials management at local manufacturers.	OK
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	p. 31	Equity in ownership and control of Impahla	Our policy is to develop management capacity from our own staff and Impahla employs a clearly defined policy for promoting from within. All employees come from local communities.	OK
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	p. 31	External stakeholder equity	Non-cash contributions are discussed, such as in the case of Oasis.	NI
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	p. 31	External stakeholder equity	The impact of wage differentiation is discussed, but further indirect impacts not clearly understood or described.	NI
Environmental					
EN1	Materials used by weight or volume.	p. 23	Extending our responsibility in the supply chain	No concern. A table summarizes this information.	OK
EN2	Percentage of materials used that are recycled input materials.	p. 54	Comprehensive GRI G3 content assessment	Packaging are recycled materials, but no policy in place to measure amounts.	NI
EN3	Direct energy consumption by primary energy source.	p. 41	Fuel	No concern. Electricity and fuel consumption provided.	OK
EN4	Indirect energy consumption by primary source.	pp. 40 - 41	Electricity consumption per unit of production	No concern. Business travel fuel consumption given.	OK
EN5	Energy saved due to conservation and efficiency improvements.	p. 41	Fuel	No concerns.	OK
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	pp. 40 - 41	Electricity and solar power	Recently installed a 30kWp solar photovoltaic (PV) plant consisting of 131 solar modules capturing solar energy and generating approximately 48MWh/ annum which is fed directly into our electricity grid replacing approximately 25% of our requirement.	OK
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	p. 54	Comprehensive GRI G3 content assessment	No concern. Business travel fuel consumption given. Reduced/improved from 3 882 litres in 2011 to 3 369 in 2012.	OK
EN8	Total water withdrawal by source.	p. 54	Comprehensive GRI G3 content assessment	No concern. 1 696 kilolitres water drawn from Cape Town municipality.	OK
EN9	Water sources significantly affected by withdrawal of water.	p. 54	Comprehensive GRI G3 content assessment	Limited concern. Refer above, Cape Town's water comes primarily from the Western Cape's network of dams in catchment areas.	OK
EN10	Percentage and total volume of water recycled and reused.	p. 54	Comprehensive GRI G3 content assessment	Limited concern. No water is currently being recycled and/or re-used by Impahla.	NI
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	p. 54	Comprehensive GRI G3 content assessment	No concern. Impahla is situated in a municipality-zoned industrial park, and not in or adjacent to protected and/or high biodiversity areas.	OK
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	p. 49	Comprehensive GRI G3 content assessment	No concerns. The report relates to the operations of the company, thus impacts external to the company do not need to be assessed.	OK

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PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
EN13	Habitats protected or restored.	p. 55	Comprehensive GRI G3 content assessment	Not applicable in the context of Impahla, as Impahla's operations are based in an established industrial estate, within a long-established area of Cape Town zoned for light industrial activity. Thus no habitats are to be protected and/or restored.	OK
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	p. 5	Comprehensive GRI G3 content assessment	Not applicable in the context of Impahla, as Impahla's operations are based in an established industrial estate, within a long-established area of Cape Town zoned for light industrial activity. Thus no biodiversity issues require management.	OK
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	p. 55	Comprehensive GRI G3 content assessment	Not applicable in the context of Impahla, as Impahla's operations are based in an established industrial estate... within a long-established area of Cape Town zoned for light industrial activity. Thus no IUCN Red List species and/or SA conservation list species are affected by Impahla's operations.	OK
EN16	Total direct and indirect greenhouse gas emissions by weight.	p. 40	Carbon footprint	No concerns. Carbon footprint data provided.	OK
EN17	Other relevant indirect greenhouse gas emissions by weight.	p. 41	Fuel; travel	No concerns. Carbon footprint data provided for fuel consumption.	OK
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	p. 41	Fuel	To reduce our carbon footprint we have installed a 30 kWp solar photovoltaic (PV) plant, designed and installed by Power Solutions. The system consists of 131 solar modules capturing energy from the sun and generating approximately 48 MWh/annum that is fed directly into our electricity grid, replacing approximately 25% of our demand. Over the lifetime of the system, we expect to offset some 1 150 tons of carbon.	OK
EN19	Emissions of ozone-depleting substances by weight.	p. 55	Comprehensive GRI G3 content assessment	No concerns. Air cons are CFC free.	OK
EN20	NOx, SOx, and other significant air emissions by type and weight.	p. 55	Comprehensive GRI G3 content assessment	Not applicable in the context of Impahla, as Impahla's operations do not result in any air emissions.	OK
EN21	Total water discharge by quality and destination.	p. 43	Ongoing initiatives	All of Impahla's 'consumed' water is 'discharged' to the municipal reticulation system. Waste water has been tested and deemed safe for discharge.	NI
EN22	Total weight of waste by type and disposal method.	pp. 31 - 43	Waste	Waste disposal is discussed, although total weight data is not provided due to the lack of adequate systems to measure this.	NI
EN23	Total number and volume of significant spills.	p. 55	Comprehensive GRI G3 content assessment	Impahla does not handle harmful chemicals or other substances that might be deemed a concern. Vehicles are maintained by off-site service providers, and neither fuels nor oils are stored on-site. Lubricants for machinery are stored in limited quantities and have not been deemed a concern.	OK
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	p. 55	Comprehensive GRI G3 content assessment	Impahla does not handle harmful waste materials. No oils, lubricants, paints or batteries are stored on-site, and waste management of all harmful substances is the responsibility of relevant service providers (e.g., used oil disposal at our vehicle maintenance service provider).	OK
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	p. 55	Comprehensive GRI G3 content assessment	Impahla's operations are situated in an industrial park, away from any protected areas and/or water bodies and related habitats. Discharges of water and runoff (e.g., rainwater) are not harmful, and are managed via municipal storm drains.	OK

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PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	p. 40	Carbon footprint	Although no investigations have been conducted to assess the environmental impacts of Impahla's products, partnerships are in place with Oasis - to recycle waste materials - and with Food and Tree for Africa - to off-set carbon emissions through the planting of trees.	NI
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	p. 56	Comprehensive GRI G3 content assessment	Not applicable in the context of Impahla, as Impahla has no control over whether or not products and/or packaging materials are recycled. However, it should be noted that waste materials...wherever possible...are recycled, particularly through Impahla's partnership with Oasis.	OK
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	p. 56	Comprehensive GRI G3 content assessment	Impahla has not been subject to any fines or non-monetary sanctions for non-compliance with any environmental laws or regulations.	OK
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	p. 56	Comprehensive GRI G3 content assessment	Having reported consumption of 2 955 litres of petrol by our delivery van last year, we realised that this was an inefficient form of transport. We therefore acquired a Hyundai diesel LDV in July of 2011 and have immediately seen an increase in overall fuel efficiency for the business. Our total carbon footprint for fuel has reduced to 8.214 tonnes CO ₂ e from 9.37 tonnes in 2011. Considering business expansion, this equates to a 42% decrease in CO ₂ e per garment delivered	OK
EN30	Total environmental protection expenditures and investments by type.	p. 56	Comprehensive GRI G3 content assessment	R1. 28 million investment in photovoltaic system financed with grant by the IDC.	OK
Social: Labour practices and decent work					
LA1	Total workforce by employment type, employment contract, and region.	p. 28	Developing HR capacity and other resources	All employees are permanent employees, breakdown by employment type needs improvement.	NI
LA2	Total number and rate of employee turnover by age group, gender, and region.	p. 27	Developing HR capacity and other resources	Turnover stats are provided but not with respect to age or gender.	NI
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	p. 56	Comprehensive GRI G3 content assessment	Not applicable. Impahla does not employ part-time workers.	OK
LA4	Percentage of employees covered by collective bargaining agreements.	p. 56	Comprehensive GRI G3 content assessment	100% of non-management employees are members of SACTWU.	OK
LA5	Minimum notice period's regarding significant operational changes, including whether it is specified in collective agreements.	p. 56	Comprehensive GRI G3 content assessment	Through Impahla's 'World Cat Strategic Supplier' agreement with PUMA, minimum notice periods for production changes are clearly defined, albeit confidential in nature. With respect to employees, Impahla adheres to the notice period guidelines as defined within agreements established by both the NBC and SACTWU.	OK
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	p. 56	Comprehensive GRI G3 content assessment	The Health & Safety Committee is discussed, including the participating members on the committee. 100% of employees are represented.	OK
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	pp. 35 -38, p.39, p. 56	Absenteeism and late arrivals; Workplace safety and well-being; Comprehensive GRI G3 content assessment	All relevant safety rates are provided. No fatalities have been recorded.	OK
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	p. 39, p. 56	Workplace safety and well-being; Comprehensive GRI G3 content assessment	Impahla introduced an Employee Wellbeing Awareness Programme for educating employees and providing them with channels through which they and their families can access assistance and counselling. A drug awareness workshop was held as part of this initiative.	NI

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LA9	Health and safety topics covered in formal agreements with trade unions.	p. 39	Workplace safety and well-being	All Health & Safety policies and procedures are agreed with SACTWU, including union representation on the Health & Safety Committee.	OK
LA10	Average hours of training per year per employee by employee category.	pp. 26 - 27, p. 34	Developing management capacity; Skills and career development	Impahla provides two weeks of training per new employee, as well as specialised training on an as/when needed basis. We identified supervisor training as a key area where we need outside assistance. With the help of Human Alliance and the Clothing and Textile Service Centre (CLOTTEX), each of our 12 supervisors received one-on-one coaching during the year	NI
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	p. 34	Skills and career development	Impahla has adopted a policy of promoting from within and empowering employees based on an on-going process of identifying specific talent, and affording goal-specific training to people within an identified 'talent pool'.	OK
LA12	Percentage of employees receiving regular performance and career development reviews.	p. 34, p. 57	Skills and career development; Comprehensive GRI G3 content assessment	No formal/scheduled process due to size and nature of the business. 100% of employees are under constant supervision and evaluation for career development and or promotion. Impahla's promote from within policy and list of promotions demonstrate potential for career development within the company.	OK
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	p. 27, p. 30, p. 31	Developing HR capacity and other resources; Remuneration employment equity; Equity in ownership and control of Impahla	Due to the nature of ownership, "governance bodies" is limited to the Management Team, which is clearly defined, while a table summarizes employee breakdown, although age distribution is not included.	NI
LA14	Ratio of basic salary of men to women by employee category.	NA	NA	This indicator is not covered in this report.	NC
Social: Human Rights					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	p. 57	Comprehensive GRI G3 content assessment	Impahla does not have any investment agreements, and therefore does not have any relevant human rights clauses.	OK
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	p. 57	Comprehensive GRI G3 content assessment	Impahla has not yet implemented human rights screening processes for significant suppliers and/or contractors. However, it is expected that new policies and procedures will need to be developed in order to meet future PUMA S.A.F.E. requirements.	NI
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	p. 57	Comprehensive GRI G3 content assessment	Regular employment equity forum meetings are used to discuss human rights and identify areas for human resource development and training.	NI
HR4	Total number of incidents of discrimination and actions taken.	p. 57	Comprehensive GRI G3 content assessment	Discrimination is not tolerated and no incidences were recorded.	OK
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	p. 57	Comprehensive GRI G3 content assessment	Collective bargaining is encouraged, and all non-management employees are SACTWU members.	OK
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	p. 57	Comprehensive GRI G3 content assessment	Impahla does not employ child labour for any of its activities.	OK
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	p. 58	Comprehensive GRI G3 content assessment	Impahla does not tolerate any form of forced and/or compulsory labour. All employees are subject to predetermined working conditions and schedules, with overtime being offered on a voluntary basis.	OK

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HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	p. 58	Comprehensive GRI G3 content assessment	Security is provided by the owners of the Maitland Business Park, and no concerns have been raised about human rights abuses by security personnel.	OK
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	p. 58	Comprehensive GRI G3 content assessment	Impahla has not been subject to any investigations, complaints or incidents of violations involving rights of indigenous people. Moreover, the company's policies explicitly state a commitment to respecting ALL human rights, including the rights of indigenous persons, and the avoidance of all forms of discrimination.	OK
Social: Society					
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	p. 58	Comprehensive GRI G3 content assessment	Given the size, nature and location of Impahla's operations, no formal policies and/or procedures have been developed to assess and/or manage the impacts of operations on communities, including entering, operating, and exiting.	OK
S02	Percentage and total number of business units analysed for risks related to corruption.	p. 58	Comprehensive GRI G3 content assessment	Impahla monitors and manages all forms of corruption, fraud, theft, discrimination and/or all other forms of unethical behaviour on an ongoing basis, particularly through the hands-on approach of the owner/management team.	OK
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	p. 58	Comprehensive GRI G3 content assessment	100% of employees are trained - during initial induction - on Impahla's Code of Conduct, which includes anti-corruption and unethical behaviour. Whenever necessary, particularly when employees are dismissed for unethical behaviour - employees are reminded of their roles, responsibilities and duties with respect to Impahla's policies, procedures and Code of Conduct.	NI
S04	Actions taken in response to incidents of corruption.	p. 58	Comprehensive GRI G3 content assessment	No significant incidences were reported. Continually reinforce workplace ethics on an ongoing basis. All dismissals are discussed with a description of causes.	OK
S05	Public policy positions and participation in public policy development and lobbying.	p. 58	Comprehensive GRI G3 content assessment	Impahla does not participate in any public policy development and/or lobbying.	OK
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	p. 58	Comprehensive GRI G3 content assessment	Impahla does not offer financial and/or in-kind contributions to political parties, politicians and/or related institutions.	OK
S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	p. 58	Comprehensive GRI G3 content assessment	Impahla has not been subject to any complaints, concerns or fines for anti-competitive behaviour, anti-trust, and monopoly practices.	OK
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	p. 58	Comprehensive GRI G3 content assessment	Impahla has not been subject to any complaints, concerns or fines for non-compliance with any laws or regulations.	OK

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PROFILE DISCLOSURE	DESCRIPTION	REFERENCE	SECTION	EXPLANATION	
Social: Product responsibility					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	p. 59	Comprehensive GRI G3 content assessment	Due to the size and nature of Impahla's operations, and its reliance on PUMA to conduct such assessments, Impahla does not conduct any life cycle assessments of health and safety impacts of the garments produced on-site. However, waste water is tested on-site to ensure no harm results from waste water discharge.	OK
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	p. 59	Comprehensive GRI G3 content assessment	Impahla has not been subject to any complaints or concerns regarding incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of the products and services we provide.	OK
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	p. 59	Comprehensive GRI G3 content assessment	Product labelling of all garments is subject to the rules and procedures identified by our customers. In the case of PUMA, our labelling requirements include wash/care instructions and country of origin. All garments must be labelled prior to shipping, including retail swing tags when garments are to be shipped directly to retailers.	OK
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	p. 59	Comprehensive GRI G3 content assessment	Impahla has not been subject to any complaints or concerns regarding incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling.	OK
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	p. 59	Comprehensive GRI G3 content assessment	We are a tier-one manufacturer for PUMA, fully committed to servicing our sole source agreement and our commitment to PUMA's World Cat Strategic Supplier agreement. We are in constant contact with PUMA, formal surveys of customer satisfaction are not required. Rather, we judge customer satisfaction via the number of returned garments, order frequency, and direct feedback from procurement teams.	OK
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	p. 59	Comprehensive GRI G3 content assessment	As a small manufacturing company, we do not have a marketing department, but rely completely on PUMA (our sole client as of 2011) and its highly sophisticated market research and analysis team to meet new consumer trends and market the end product via advertising, promotions and sponsorships.	OK
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	p. 59	Comprehensive GRI G3 content assessment	Not applicable. Marketing of garments left to PUMA.	OK
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	p. 59	Comprehensive GRI G3 content assessment	Impahla has not been subject to any substantiated complaints regarding breaches of customer privacy and losses of customer data.	OK
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	p. 59	Comprehensive GRI G3 content assessment	Impahla has not been subject to any complaints, concerns or fines for non-compliance with laws and regulations concerning the provision and use of products and services.	OK



Acknowledgements

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