



# MVELAPHANDA GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1995/004153/06

("Mvela Group" or "the company")

Ordinary share code: MVG    Preference share code: MVGP

Ordinary share: ISIN: ZAE000060737    Preference share: ISIN: ZAE000073540

## REVIEWED RESULTS FOR THE YEAR ENDED 30 JUNE 2006

### HIGHLIGHTS

- *Intrinsic net asset value per ordinary share at 1 September 2006 up 44% to R12.05*
- *Total assets at 30 June 2006 exceed R6 billion*
- *Net profit attributable to ordinary shareholders of R1.145 billion*
- *Profit from operations up 30% to R262 million*
- *Cash distribution/dividend per ordinary share up 80% to 18 cents*
- *R547 million capital raising successfully concluded*
- *Acquisition of a further 2.47% effective interest in Absa*
- *Disposal of interest in Mvelaphanda Resources for R1.183 billion in cash implemented on 28 August 2006*

The following are the reviewed results of Mvela and its subsidiaries ("the group") for the year ended 30 June 2006 with comparative figures:

## SUMMARISED GROUP BALANCE SHEET

	Reviewed Year ended 30 June 2006 R'000	Reviewed Year ended 30 June 2005 R'000 (restated)
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>5 216 779</b>	<b>3 098 329</b>
Property, plant and equipment	349 468	315 029
Intangible assets	763 329	700 410
Investments in associates	1 174 396	899 552
Other investments	2 898 614	1 162 173
Deferred taxation	30 972	21 165
<b>Current assets</b>	<b>1 092 872</b>	<b>668 582</b>
Liquid funds	525 412	177 376
Other current assets	567 460	491 206
<b>TOTAL ASSETS</b>	<b>6 309 651</b>	<b>3 766 911</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>4 793 810</b>	<b>2 670 430</b>
Share capital and reserves	4 576 270	2 669 355
Outside shareholders' interest	217 540	1 075
<b>Non-current liabilities</b>	<b>710 822</b>	<b>379 491</b>
Interest bearing liabilities	325 402	275 988
Non-interest bearing liabilities	7 066	10 336
Deferred taxation	378 354	93 167
<b>Current liabilities</b>	<b>805 019</b>	<b>716 990</b>
Interest bearing liabilities	127 676	83 898
Non-interest bearing liabilities	677 343	633 092
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 309 651</b>	<b>3 766 911</b>
Fully diluted net number of ordinary shares in issue ('000)*	497 020	403 163
Net asset value per ordinary share (cents)	920.7	662.1
Net tangible asset value per ordinary share (cents)	760.9	483.1

\* Calculated on the basis that all preference shares will be converted into ordinary shares after 4 November 2009.

## SUMMARISED GROUP INCOME STATEMENT

	Reviewed Year ended 30 June 2006 R'000	% change	Reviewed Year ended 30 June 2005 R'000 (restated)
<b>Revenue</b>	<b>3 102 432</b>	(4)	3 221 310
Profit from operations	262 204	30	201 019
Fair value adjustments and profit from investments	853 352		268 088
Income from associates	279 716		118 252
<b>Net profit before interest, exceptional items and taxation</b>	<b>1 395 272</b>	138	587 359
Net interest paid	(9 726)		(10 699)
Exceptional items	–		(36 439)
Net profit before taxation	1 385 546	156	540 221
Taxation	(223 246)		(127 410)
Normal, deferred and capital gains tax	(213 965)		(104 901)
Secondary tax on companies	(9 281)		(22 509)
<b>Net profit after taxation</b>	<b>1 162 300</b>	182	412 811
Attributable to:			
Ordinary shareholders	1 144 933		403 614
Outside shareholders	17 367		9 197
	<b>1 162 300</b>	182	412 811
Net number of ordinary shares in issue ('000)	442 320		403 163
Weighted average number of ordinary shares in issue ('000)	423 407		306 305
Fully diluted weighted average number of ordinary shares in issue ('000) *	478 107		306 305
Earnings per ordinary share (cents)	270.4	105	131.8
Headline earnings per ordinary share (cents)	322.1	124	143.5
Fully diluted earnings per ordinary share (cents)	239.5	82	131.8
Fully diluted headline earnings per ordinary share (cents)	285.3	99	143.5
Distribution/dividend per ordinary share (cents)	18.0	80	10.0
– interim	5.0		–
– final	13.0		10.0
Dividend per preference share (cents)	36.0		–
– interim	8.7		–
– final	27.3		–

\* Calculated on the basis that all preference shares will be converted into ordinary shares after 4 November 2009.

## SUMMARISED GROUP CASH FLOW STATEMENT

	Reviewed Year ended 30 June 2006 R'000	Reviewed Year ended 30 June 2005 R'000 <i>(restated)</i>
Profit from operations	262 204	201 019
Non-cash items	97 728	110 753
Working capital changes	(23 357)	123 739
Cash generated from operations	336 575	435 511
Net interest paid	(9 726)	(7 110)
Investment income	3 575	–
Taxation paid	(80 660)	(75 469)
Dividends paid	(67 316)	(195 058)
Cash available from operating activities	182 448	157 874
Cash effects of investing activities	(375 877)	(393 413)
Cash effects of financing activities	541 465	(27 874)
Net movement in liquid funds	348 036	(263 413)
Net liquid funds at the beginning of the year	177 376	440 789
<b>Net liquid funds at the end of the year</b>	<b>525 412</b>	<b>177 376</b>

## SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

	Reviewed Year ended 30 June 2006 R'000	Reviewed Year ended 30 June 2005 R'000 <i>(restated)</i>
Balance at the beginning of the year	2 670 430	1 037 489
Acquisitions of investments, subsidiaries and businesses	474 142	1 429 984
Shares issued/(bought back)	558 119	(13 820)
Net profit after taxation	1 162 300	412 811
Dividends/distributions paid	(71 181)	(196 034)
<b>Balance at the end of the year</b>	<b>4 793 810</b>	<b>2 670 430</b>

**RECONCILIATION BETWEEN NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AND HEADLINE NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS**

	Reviewed Year ended 30 June 2006 R'000	% change	Reviewed Year ended 30 June 2005 R'000 (restated)
Net profit attributable to ordinary shareholders	1 144 933	184	403 614
Goodwill impaired/written off	356		34 809
Impairment of investments in associates	336 185		1 630
Negative goodwill (discount) on acquisition of subsidiaries and investments	(111 733)		-
Profit on sale of property, plant and equipment, and investments	(5 788)		(511)
Headline net profit attributable to ordinary shareholders	1 363 953	210	439 542

**SEGMENTAL INFORMATION**

	Reviewed Year ended 30 June 2006 R'000	% change	Reviewed Year ended 30 June 2005 R'000 (restated)
<b>REVENUE</b>			
Operations	3 102 432		3 221 310
Investments	-		-
	3 102 432	(4)	3 221 310
<b>NET PROFIT BEFORE INTEREST, EXCEPTIONAL ITEMS AND TAXATION</b>			
Operations	262 204	30	201 019
Investments	1 133 068	193	386 340
	1 395 272	138	587 359

## COMMENTARY

### Overview

Mvela Group is pleased to report highly satisfactory results for the financial year ended 30 June 2006, being the Group's first full financial year of activity since the merger ("the merger") of the businesses and assets of Mvelaphanda Holdings (Proprietary) Limited ("Mvela Holdings") and Rebserve Holdings Limited was implemented. While Mvela Group continued to refine its investment strategy to concentrate on the industrial and financial sectors, significant strides were made in establishing a solid base for future growth and value creation. This was achieved through major corporate activity during the year, including the raising of R547 million of preference share capital on favourable terms, the acquisition of a further material interest in Absa Group Limited ("Absa"), the successful investment in Group Five Limited, and the shedding of the Group's investment in the non-core resources sector.

Mvela Group's investments comprise a range of quality companies operating in the financial and industrial sectors. The sound performance of the underlying companies in which Mvela Group is invested is reflected in the increase in the value of these investments by R853 million in the year under review.

The Group's operating businesses also performed well, increasing profit from operations by 30%, from R201 million for the year ended 30 June 2005, to R262 million for the year under review. Cash generated by the operating businesses remained strong at R337 million.

Following the disposal by Mvela Group of its investment in Mvelaphanda Resources Limited ("Mvela Resources") referred to below, for a cash consideration of R1.183 billion, Mvela Group has approximately R1.5 billion in cash, making it one of very few companies in South Africa with strong BEE-credentials, proven transactional and management expertise, and substantial financial resources to conclude large scale investment transactions.

Intrinsic net asset value per ordinary share, which is considered to be the most insightful measure of the Group's overall performance, increased by 41%, from R8.35 at 30 June 2005, to R11.77 at 30 June 2006. Details of the calculation of the intrinsic net asset value per ordinary share at 30 June 2006 are set out in the table below:

	Before the Mvela Resources disposal		After the Mvela Resources disposal	
	Intrinsic net asset value Rm <sup>(1)</sup>	Per ordinary share R <sup>(2)</sup>	Intrinsic net asset value Rm <sup>(1), (3)</sup>	Per ordinary share R <sup>(2), (3)</sup>
Absa	1 256	2.53	1 256	2.53
Mvela Resources	1 097	2.21	–	–
Life Healthcare	812	1.63	812	1.63
Group Five	102	0.21	102	0.21
Other investments	26	0.05	26	0.05
Operations	2 081	4.19	2 081	4.19
Net cash	474	0.95	1 571	3.16
<b>Total</b>	<b>5 848</b>	<b>11.77</b>	<b>5 848</b>	<b>11.77</b>

- 1 *Intrinsic net asset value is calculated based on the market value or directors' valuation of investments, net of capital gains tax and associated debt.*
- 2 *Based on 497 million ordinary shares assuming that all the preference shares will be converted into ordinary shares after 4 November 2009.*
- 3 *Calculated on the assumption that the Mvela Resources disposal had been implemented on 30 June 2006 and the net cash proceeds received on that date.*

Mvela Group's intrinsic net asset value per ordinary share at 1 September 2006, being the last practicable date prior to the publication of these results, and calculated on the basis set out above, increased by 44%, from R8.35 at 30 June 2005, to R12.05.

The intrinsic net asset value per ordinary share of R11.77 at 30 June 2006 includes 95 cents in cash. Following the disposal of Mvela Group's shareholding in Mvela Resources, the cash component of the Group's intrinsic net asset value per ordinary share has increased to R3.16 subsequent to year end. This implies that the discount to intrinsic net asset value (excluding the cash component thereof) at which Mvela Group ordinary shares trade on the JSE has increased to approximately 40%, calculated with reference to the Mvela Group ordinary share price of R8.55 on 1 September 2006 (being the last practicable date prior to the publication of these results).

Net profit attributable to ordinary shareholders increased by R741 million, from R404 million for the year ended 30 June 2005, to R1.145 billion for the year under review, mainly as a result of the performance of the Group's investments.

## **Investments**

Mvela Group's investments performed extremely well in the year under review. Profit from investments, including the unrealised gains on the revaluation of investments (net of costs relating to the investment activities), increased by 218% from R268 million for the year ended 30 June 2005 to R853 million for the year under review. This performance was largely as a result of the performance of the Group's strategic investments in Absa, Life Healthcare and Group Five.

In December 2005 Mvela Group acquired a further 2.47% effective interest in Absa (an effective interest of 24.7% in Batho Bonke Capital (Proprietary) Limited ("Batho Bonke")) for R461 million, which price represented a discount of approximately 30% (equivalent in value to R200 million) to the market value of the Batho Bonke shares at the time of concluding the acquisition.

Life Healthcare continues to deliver strong operational results and this has resulted in a significant increase in the value of this investment during the year under review.

In November 2005 Mvela Group acquired an effective interest of 10.8% in Group Five Limited, a leading construction group listed on the JSE. This investment has performed well as a result of the increase in the Group Five share price from R20 in November 2005 to R29 at 30 June 2006.

On 30 June 2006 Mvela Group received and accepted a written offer from Mvela Holdings to dispose of its 22.9% interest in Mvela Resources to Mvela Holdings ("the Mvela Resources disposal"). The purchase consideration paid by Mvela Holdings to Mvela Group amounted to R1.183 billion in cash. The Mvela Resources disposal was approved by Mvela Group ordinary shareholders at a general meeting on 28 August 2006 and has been implemented.

The results for Mvela Resources have been equity accounted in the period under review and comprise the major portion of the income from associates of R280 million. This amount is net of a provision for impairment of the carrying value of the investment in Mvela Resources at 30 June 2006 amounting to R334 million, such that the investment in Mvela Resources is carried at an amount equal to the net value realised (after deducting costs) in terms of the Mvela Resources disposal.

## **Operations**

Revenue for the year under review decreased by 4%, from R3.221 billion in the prior year to R3.102 billion as a result of the disposal of the JIC Mining Services business in the second half of the 2005 financial year. Profit from operations increased by 30%, from R201 million for the year ended 30 June 2005, to R262 million for the year ended 30 June 2006. The operating margin increased to 8.5% from 6.2% in the prior year.

TFMC continued to perform well notwithstanding the anticipated flat earnings profile of its ten year facilities management contract with Telkom.

The performance of the security services businesses, namely Coin Security and Protea Security, was impacted by the three month strike by security guards between April 2006 and June 2006, and the increase in the number of armed attacks on assets-in-transit vehicles.

The other operating businesses performed in line with expectations.

Cash generated from operations of R337 million was in line with expectations and confirms the highly cash generative nature of the Group's operations. Net capital expenditure was R150 million and was funded largely from operating cash flow.

## **Financial information**

The weighted average number of ordinary shares in issue increased from 306 million ordinary shares for the year ended 30 June 2005, to 423 million ordinary shares, as a result of the inclusion of the ordinary shares issued pursuant to the merger for the year, and the issue of 33.9 million new ordinary shares in partial settlement of the purchase consideration for the acquisition of the additional effective interest of 2.47% in Absa in December 2005.

In November 2005, Mvela Group issued 54.7 million convertible perpetual cumulative preference shares ("the preference shares"), raising R547 million (before costs) of permanent capital for Mvela Group on market-related terms, without prejudicing Mvela Group's BEE-credentials.

The net profit attributable to outside shareholders of R17 million, and the outside shareholders reflected on the balance sheet of R218 million, relate to the outside shareholders in the Batho Bonke consortium where certain of the special purpose entities comprising the Batho Bonke consortium have been consolidated pursuant to the acquisition of the further effective interest of 2.47% in Absa and in terms of IFRS, and the outside shareholders in certain of the operating subsidiaries.

As a result of the adoption of IFRS, certain special purpose entities which were created to hold certain of Mvela Group's investments and the non-recourse funding related to these investments have been consolidated. The comparative amounts for the year ended 30 June 2005 have been restated, and this has resulted in an increase in the gross carrying value of these investments and a corresponding increase in the non-recourse interest bearing liabilities of approximately R128 million at 30 June 2005.

## Accounting policies and International Financial Reporting Standards (“IFRS”)

The reviewed results for the year ended 30 June 2006 have been prepared in accordance with IFRS. In accordance with IFRS1 – First Time Adoption of IFRS, Mvela Group has prepared an opening IFRS balance sheet at the date of transition to IFRS, being 1 July 2004. Comparative figures for the year ended 30 June 2005 have been restated accordingly.

Adjustments which reflect the major differences between South African Statements of Generally Accepted Accounting Practice (“SA GAAP”) and IFRS are:

### *Consolidation of special purpose entities*

Certain special purpose entities which were previously not consolidated under SA GAAP have been consolidated in accordance with the requirements of IAS 27 – Consolidated and Separate Financial Statements. These special purpose entities relate to certain of Mvela Group’s investments and were put in place to facilitate the non-recourse financing of the relevant investments.

### *Trade marks previously written off*

In accordance with the requirements of IFRS1, as applicable to IAS 38 – Intangible Assets, trade marks which were previously written off under SA GAAP have been recognised on the balance sheet at their impaired carrying value at 1 July 2004 and are tested annually for impairment.

### *Property, plant and equipment*

Depreciation of property, plant and equipment has been calculated with reference to the estimated useful life and residual value of each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, in accordance with IAS 16 – Property, Plant and Equipment.

### *Investments in associated companies*

The investments in and income from associated companies have been restated as a result of the restatement of the results of the associated companies on adoption of IFRS by the associated companies.

The financial effects of these adjustments, net of taxation, are set out in the table below:

## RECONCILIATION OF PREVIOUS SA GAAP TO IFRS

	Reviewed Year ended 30 June 2005 R’000	IFRS transition date 1 July 2004 R’000
<b>Capital and reserves</b>		
As previously reported under SA GAAP	2 610 185	1 004 072
Consolidation of special purpose entities	33 445	–
Trademarks previously written off	42 600	42 000
Property, plant and equipment	(12 737)	(8 583)
Investments in associated companies	(3 063)	–
<b>Capital and reserves (restated)</b>	<b>2 670 430</b>	<b>1 037 489</b>

Reviewed  
year  
ended  
30 June 2005  
R'000

### **Net profit after taxation**

As previously reported under SA GAAP	385 983
Consolidation of special purpose entities	33 445
Trademarks previously written off	600
Property, plant and equipment	(4 154)
Investments in associated companies	(3 063)
<b>Net profit after taxation (restated)</b>	<b>412 811</b>

### **Audit review opinion**

These results have been reviewed by Mvela Group's auditors, PKF (Jhb) Inc., and their unqualified review opinion is available for inspection at the company's registered office.

### **Cash distribution and dividend**

#### *Ordinary shares*

The directors of Mvela Group have resolved to declare a cash distribution out of share premium in lieu of a final ordinary dividend, of 13.0 cents per ordinary share to ordinary shareholders. The last day to trade "cum" the cash distribution in order to participate in the cash distribution is Friday, 3 November 2006. The ordinary shares of Mvela Group will commence trading "ex" the cash distribution from the commencement of business on Monday, 6 November 2006 and the record date will be Friday, 10 November 2006. The cash distribution will be paid to ordinary shareholders on Monday, 13 November 2006. Ordinary share certificates may not be dematerialised or rematerialised between Monday, 6 November 2006 and Friday, 10 November 2006, both days inclusive.

The cash distribution is subject to shareholder approval of an ordinary resolution authorising the return of share premium. A circular and notice of general meeting regarding the cash distribution will be posted to shareholders on or about 9 October 2006.

#### *Preference shares*

The directors of Mvela Group have resolved to declare a cash preference dividend (No. 2) of 27.27397 cents per preference share to preference shareholders. The last day to trade "cum" the preference dividend in order to participate in the preference dividend is Friday, 6 October 2006. The preference shares of Mvela Group will commence trading "ex" the preference dividend from the commencement of business on Monday, 9 October 2006 and the record date will be Friday, 13 October 2006. The preference dividend will be paid to preference shareholders on Monday, 16 October 2006. Preference share certificates may not be dematerialised or rematerialised between Monday, 9 October 2006 and Friday, 13 October 2006, both days inclusive.

## Prospects

A solid platform has now been established to nurture and grow an industrial and financial group of magnitude. The Group, while possessing impeccable BEE-credentials which afford the Group a competitive advantage, should nevertheless be measured on its investment merits.

The Group's cash resources of R1.5 billion will provide the necessary financial resources to allow Mvela Group to conclude major BEE and other corporate transactions in pursuit of Mvela Group's strategy of investing in quality investments and cash generative businesses.

Provided that the current favourable market conditions persist, Mvela Group is confident of its ability to continue to achieve sound and steady growth in its intrinsic net asset value per share.

**T M G Sexwale**  
Chairman

**S M Levenberg**  
Chief Executive Officer

5 September 2006  
Sandton

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### Executive Directors:

TMG Sexwale (Chairman), MSM Xayiya (Deputy Chairman),  
SM Levenberg (Chief Executive Officer), YZ Cuba, WV Mavimbela,  
PJA Mphafudi, BC Till, MJ Willcox

### Non-Executive Directors:

KD Dlamini\*, BD Hopkins\*, OA Mabandla\*, D Moshapalo\*, JRT Moxon\*,  
MZ Mpofu\*, RM Patel\*, CD Stein (\* Independent)

### Registered Office:

Hunts End, 36 Wierda Road West, Wierda Valley, Sandton, 2196  
Telephone 27 11 290-4200 Telefax 27 11 783-0027

### Sponsor:

Deutsche Securities SA (Proprietary) Limited

### Transfer Secretaries:

Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street,  
Johannesburg, 2001

ECB JONSSONS

A copy of these results are available on the Mvelaphanda Group website at:

[www.mvelagroup.co.za](http://www.mvelagroup.co.za)