



# MVELAPHANDA GROUP LIMITED

(Formerly Rebserve Holdings Limited)  
(Incorporated in the Republic of South Africa)  
Registration number 1995/004153/06  
("Mvela" or "the company")  
ISIN: ZAE000060737 Share code: MVG

## UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

### HIGHLIGHTS

- *Creation of South Africa's pre-eminent broad-based, black-controlled, owned and managed diversified group*
- *Closing and successful implementation of the merger of the businesses and assets of Mvelaphanda Holdings, with Rebserve*
- *Headline net attributable profit (excluding STC charge on special dividend) of R110 million, equivalent to 52 cents per share*
- *Net profit before taxation up 16% to R150 million*
- *Steady operating performance from former Rebserve services businesses*

The following are the unaudited results of Mvela and its subsidiaries ("the group") for the six months ended 31 December 2004 with comparative figures.

## SUMMARISED GROUP BALANCE SHEET

	Unaudited 31 December 2004 R'000	Unaudited 31 December 2003 R'000	Audited 30 June 2004 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 418 485</b>	709 909	701 102
Property, plant and equipment	361 701	366 881	352 350
Goodwill	589 226	269 184	275 065
Investments and loans	1 421 289	25 041	29 510
Deferred taxation	46 269	48 803	44 177
<b>Current assets</b>	<b>932 007</b>	1 082 866	1 100 957
Liquid funds	232 099	482 492	440 789
Other current assets	699 908	600 374	660 168
<b>TOTAL ASSETS</b>	<b>3 350 492</b>	1 792 775	1 802 059
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>2 361 429</b>	951 719	1 003 458
Share capital and reserves	2 337 162	916 726	971 553
Amounts due to vendors	24 267	34 993	31 905
Outside shareholders' interest	956	3 955	614
<b>Non-current liabilities</b>	<b>280 190</b>	151 277	85 297
Interest bearing liabilities	217 727	137 667	69 332
Non-interest bearing liabilities	10 790	3 880	3 395
Deferred taxation	51 673	9 730	12 570
<b>Current liabilities</b>	<b>707 917</b>	685 824	712 690
Interest bearing liabilities	67 994	99 435	73 490
Non-interest bearing liabilities	639 923	586 389	639 200
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 350 492</b>	1 792 775	1 802 059
Net asset value per share (cents)	585,8	534,1	565,0
Net tangible asset value per share (cents)	439,6	356,2	388,6

## SUMMARISED GROUP INCOME STATEMENT

	Unaudited Six months ended 31 December 2004 R'000	% change	Unaudited Six months ended 31 December 2003 R'000	Audited year ended 30 June 2004 R'000
Revenue	1 714 302	(2)	1 743 467	3 487 126
Profit from operations	111 468	(15)	131 594	270 523
Fair value gain arising on revaluation of investments	35 368		–	–
Net investment income	2 867		6 465	16 982
Income from associates	607		–	783
Net profit before taxation and exceptional items	150 310	9	138 059	288 288
Exceptional items	–		(7 923)	(17 229)
Net profit before taxation	150 310	16	130 136	271 059
Taxation	(53 447)		(29 535)	(67 079)
Normal, deferred and capital gains tax	(31 785)		(26 594)	(60 502)
Secondary tax on companies	(21 662)		(2 941)	(6 577)
Net profit after taxation	96 863		100 601	203 980
Net profit attributable to outside shareholders	(8 315)		(7 570)	(23 091)
Net profit attributable to ordinary shareholders	88 548		93 031	180 889
Number of shares in issue (after share buybacks) (000)	402 947		177 615	177 250
Weighted average number of shares in issue (000)	211 909		177 615	177 250
Earnings per share (cents)	41,8		52,4	102,1
Headline earnings per share (cents)	41,8		56,8	111,8
<b>Fully diluted headline earnings per share (cents)</b>	41,8		56,7	111,5
Dividend/distribution per share (cents)	–		15,0	175,0

## SUMMARISED GROUP CASH FLOW STATEMENT

	Unaudited 31 December 2004 R'000	Unaudited 31 December 2003 R'000	Audited 30 June 2004 R'000
Profit from operations	111 468	131 594	270 523
Non-cash items	47 722	53 158	103 422
Working capital changes	(66 363)	(7 270)	(17 407)
Cash generated from operations	92 827	177 482	356 538
Net investment income	2 867	6 465	16 982
Taxation paid	(45 715)	(25 569)	(42 641)
Dividends paid	(195 152)	-	(26 668)
Cash available from operating activities	(145 173)	158 378	304 211
Cash effects of investing activities	(96 303)	(84 680)	(145 785)
Cash effects of financing activities	32 786	(83 118)	(209 549)
Net movement in liquid funds	(208 690)	(9 420)	(51 123)
Net liquid funds at the beginning of the period	440 789	491 912	491 912
Net liquid funds at the end of the period	232 099	482 492	440 789

## STATEMENT OF CHANGES IN EQUITY

	Unaudited 31 December 2004 R'000	Unaudited 31 December 2003 R'000	Audited 30 June 2004 R'000
Balance at the beginning of the period	1 003 458	938 236	938 236
Acquisition of subsidiaries and businesses	1 464 575	(17 493)	(26 944)
Net profit attributable to ordinary shareholders	88 548	93 031	180 889
Distribution/dividends	(195 152)	(62 055)	(88 723)
Balance at the end of the period	2 361 429	951 719	1 003 458

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

	Unaudited 31 December 2004 R'000	%	Unaudited 31 December 2003 R'000	Audited 30 June 2004 R'000
		change		
Net profit attributable to ordinary shareholders	88 548		93 031	180 889
Goodwill amortised	-		7 923	16 991
Impairment of a loan account	-		-	238
Headline net profit attributable to ordinary shareholders	88 548	(12)	100 954	198 118

**SEGMENTAL INFORMATION**

	Unaudited 31 December 2004 R'000	%	Unaudited 31 December 2003 R'000	Audited 30 June 2004 R'000
		change		
<b>TURNOVER</b>				
Facilities management and professional services	590 723		590 261	1 269 351
Mining and technical services	359 805		357 456	658 509
Food services	302 967		420 231	788 502
Support services	460 807		375 519	770 764
	1 714 302	(2)	1 743 467	3 487 126
<b>PROFIT FROM OPERATIONS</b>				
Facilities management and professional services	52 495		50 793	139 610
Mining and technical services	10 785		27 718	36 336
Food services	13 728		24 885	36 206
Support services	34 460		28 198	58 371
	111 468	(15)	131 594	270 523

## COMMENTARY

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### **Implementation of the merger of the businesses and assets of Mvelaphanda Holdings, with Reberve (“the merger”)**

It was announced in the press on 19 November 2004 that the Competition Tribunal had unconditionally approved the merger and that all other conditions precedent to the merger had been fulfilled. The merger was implemented on 13 December 2004, on which date the company paid the special cash dividend of R1.10 per share, comprising an effective return of capital, and issued the capitalisation shares (equivalent in value to a further 50 cents per share), to its shareholders. 213 775 000 Mvela shares (equating to 52.8% of the resultant issued share capital) were issued/transferred to Mvelaphanda Holdings (Proprietary) Limited, a black-owned company (“Mvela Holdings”), on 13 December 2004, and Mvela Holdings became the controlling shareholder of the company. The company changed its name to Mvelaphanda Group Limited and has become a broad-based, black-controlled, owned and managed diversified group. Mvela has combined the stature and reputation of the Mvela Holdings brand and team, as well as the prospect of substantial BEE deal flow, with the cash-generative base and proven operational and transactional skills of the former Reberve and its management, all of whom have been retained by the group.

The merger has been accounted for from 13 December 2004, being the date upon which all of the conditions precedent to the merger were fulfilled.

The strategy of Mvela is to grow shareholder value (as measured primarily by net asset value or “stack-up” value) by utilising its BEE credentials and the solid platform which has now been established through the combination of quality investments with steady cash-generative businesses, in order to participate in the continued transformation of the South African economy by actively pursuing and implementing value-enhancing and/or BEE transactions.

### **Investments**

The group’s investments comprise interests in a range of companies in the mining and resources, financial services, property, healthcare and general industrial sectors. The largest of these investments currently comprises the group’s 23% interest in Mvelaphanda Resources Limited (“Resources”), and a 20% interest in Batho Bonke (Proprietary) Limited (“Batho Bonke”), which owns preference shares and options equating to an effective 10% stake in Absa Group Limited (“Absa”). Subject to the approval of the Competition Tribunal, these investments will be supplemented by a material investment in Afrox Healthcare Limited (“Afrox Healthcare”).

The Competition Tribunal hearings on the acquisition of Afrox Healthcare by Bidco, in which the group has an effective controlling interest together with Brimstone Investment Corporation Limited, resumed on 10 February 2005, and a decision and ruling in this regard is awaited. The group has committed to invest R250 million into Bidco, R100 million of which will be disbursed from the group’s own resources and R150 million of which will be funded by the Industrial Development Corporation (“IDC”) in terms of an approval granted by the IDC board on 15 February 2005. The Afrox Healthcare business continues to perform well.

The unaudited interim results of Resources for the six months ended 31 December 2004 were published in the press on 4 February 2005. Resources reported a net profit before other expenses and taxation of R64 million. Other expenses incurred by Resources totalled R392 million mainly due to the revaluation of certain financial instruments relating to Resources' interests in Gold Fields SA and Trans Hex.

The value of the group's investment in Batho Bonke has increased substantially over the period as a result of the increase in the Absa share price from R50 in July 2004 to R76 in December 2004.

The other investments held by the group performed in line with expectations. These investments are carried at directors' valuation, which valuation is largely in line with the value ascribed to the investments in terms of the merger. Changes in the fair values of investments are accounted for in the income statement.

### **Operations**

Rebserve Limited, which holds the group's business operations in the areas of facilities management and professional services, mining and technical services, food services and support services, and which comprises the major portion of the group's operating businesses, will be re-named Mvelaphanda Services Limited. The businesses comprising the former Rebserve delivered a steady performance on the whole, which performance was adversely affected by negative conditions in the mining sector.

TFMC's consistent performance since the inception of the Telkom contract, has reinforced the attractiveness of these long term annuity-based contracts with blue chip clients. Prospects for securing further such long term contracts continue to improve, and good progress has been made towards concluding the proposed strategic joint venture between the group and Propnet, as well as with other opportunities being pursued by the group to provide facilities management services to telecommunications service providers in Australia, Malaysia and the UAE.

The strength of the rand against the US Dollar continues to negatively impact the mining sector generally and trading conditions for the group's businesses operating in this sector remained extremely difficult. Continued pressure on selling rates and margins, the reduction of volumes of work being outsourced by the mines to contractors, and the process of attrition being applied by mining houses to outsourcing contractors in response to declining profitability in the mining sector, resulted in a reduced contribution to profits from the group's mining services businesses. These conditions were exacerbated by the severe strikes in the platinum mining industry in September and October 2004, which alone cost JIC Mining Services approximately R11 million in these two months in operating losses as a result of disruptions in production and access to sites.

The recovery in the performance of Stamford Sales following the disappointing second half of the 2004 financial year is under way. Progress has been made in reducing costs and improving operational efficiencies.

The group's security services businesses, Coin Security and Protea Security, continued to perform well.

The performance of the other operating businesses was in line with expectations.

## Financial performance

As a result of the merger, the results for the period under review are not directly comparable with the results of the prior year or comparable period.

As the merger was implemented on 13 December 2004, the results of the businesses and assets acquired by the company from Mvela Holdings have been accounted for from 13 December 2004, with the exception of Resources. Results for Resources have been accounted for from 31 December 2004, being the date of the last financial reporting period for which Resources has published its results, and the most practicable date from which to account for the results of Resources relative to the implementation date of the merger.

The group's net asset value at 31 December 2004, at book value, is R5.86 per Mvela share. This represents a 42% increase from the pro forma comparative net asset value (at book value) per Mvela share of R4.13 at 30 June 2004 (after deducting the effect of the special cash dividend and capitalisation share issue pursuant to the merger).

Headline net attributable profit for the period was R89 million, comprising R31 million of fair value gains arising on the revaluation of the group's investments, and R58 million of net attributable profit from trading operations. Headline earnings per share was 41.8 cents per Mvela share. If the effects of the STC charge as a result of the special cash dividend paid to shareholders pursuant to the merger are excluded from the net attributable income, the headline net attributable profit increases to R110 million, equivalent to 52.0 cents per Mvela share.

Headline earnings per share of 41.8 cents is below the headline earnings per share for the comparable period as a result of the dilutive effect which the merger has had on the group's earnings per share (as was anticipated and announced at the time of the merger). Specific items impacting negatively on Mvela's earnings per share in the period under review also include the STC paid on the effective return of capital to Rebserve shareholders via the special cash dividend (equivalent to 10.2 cents per Mvela share), the capitalisation share issue of new Mvela shares and the issue of new Mvela shares to Mvela Holdings in consideration for the acquisition of assets.

The pro forma headline earnings per Mvela share, calculated on the basis that the merger had not been implemented, the new shares and treasury shares had not been issued/transferred to Mvela Holdings, and the special cash dividend and the capitalisation issue had not been paid, is 45.0 cents. This pro forma headline earnings per share represents a 3% increase on the pro forma headline earnings per share for the period 1 January 2004 to 30 June 2004 of 43.6 cents (calculated on the basis that the once off gainshare payment received by TFMC in respect of the Telkom contract in that period is excluded from earnings).

Revenue for the period under review was 2% below the comparable period. Increases in revenue in the support services division were offset by the decrease in turnover in the food distribution businesses as a result of the loss by Stamford Sales of the KFC contract in the second half of the 2004 financial year.

Profit from operations of R111 million was 10% above the pro forma comparable amount for the six months ended 30 June 2004 of R101 million, which pro forma amount is calculated after excluding the once off gainshare payment received by TFMC in May 2004 in respect of the Telkom contract.

Net investment income (which comprises interest and dividends received and interest paid) decreased in line with the decreased cash balances over the period and decreased interest rates relative to the comparable period. Income from associated companies does not include any amounts in respect of Resources for the reasons stated above.

In line with the requirements of AC 140, goodwill is no longer carried at amortised cost, but is carried at cost and is reviewed for impairment at least annually. As a result of this change in accounting policy, there are no exceptional items in the current year. Comparative amounts have not been restated.

The group's effective tax rate on operating activities was 23% and in line with expectations. The taxation charge in the income statement includes an amount of R22 million for STC as a result of the special dividend paid to shareholders pursuant to the merger. This once off STC charge has reduced the group's headline earnings per share for the period under review by 10.2 cents per share.

The number of shares in issue (after share buy backs and shares held by the Rebserve Share Incentive Scheme at 31 December 2004) increased from 177 249 768 shares at 30 June 2004 to 402 947 369 shares following the issue of new shares, the transfer of the treasury shares held by a subsidiary and the capitalisation share issue pursuant to the merger.

In order to achieve the merger, the group paid out approximately R220 million in cash by way of the special dividend to shareholders, costs and other items directly related to the merger. Interest bearing debt includes approximately R90 million of debt assumed by the group pursuant to or relating to investments acquired in terms of the merger.

### **Accounting policies**

The results for the six months ended 31 December 2004 have been prepared in accordance with South African statements of Generally Accepted Accounting Practice. The accounting policies used are consistent in all respects with the accounting policies applied in the financial statements for the year ended 30 June 2004, other than the accounting policies for Investments and Goodwill set out below:

#### *Investments*

Investments in special purpose entities, as envisaged by AC412, Consolidation – Special Purpose Entities, which are not under the control of the company, are treated as “available-for-sale” investments in accordance with AC125 and AC133, Financial Instruments. Other unlisted investments are also classified as “available-for-sale” in terms of AC133, Financial Instruments: Recognition and Measurement, although these are held and structured as non current investments. Unlisted investments are initially recorded at cost on acquisition. After initial recognition, investments, which are classified as “available-for-sale”, are measured at fair value.

## **Fair value methods and assumptions**

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

### *Goodwill*

With effect from 1 July 2004 Mvela adopted the provisions of AC140: Business Combinations. In terms of this accounting statement goodwill arising from a business combination for which the agreement date is after 31 March 2004 is not amortised, but is carried at cost less accumulated impairment losses. Goodwill which arose on acquisitions before 31 March 2004 is no longer amortised and has been retained at the previous carrying amount, subject to being tested for impairment at least annually. Comparative figures have not been restated.

## **Dividends**

As stated in the circular to shareholders dated 30 July 2004, it is the policy of the group to pay a single annual dividend, subject to cash flow requirements of the group.

## **Prospects**

The group has a strong pipeline of BEE-related dealflow and expects to implement significant value-enhancing BEE and/or other transactions during 2005. Progress has been made in relation to the contemplated capital raising programme in order to fund Mvela's BEE deal flow and a number of proposals in this regard are presently under consideration.

The former Rebserve operations, which are being rebranded where appropriate under the Mvelaphanda name, are starting to benefit from the group's strong BEE credentials. This is evidenced by the winning of new services contracts, and a strong increase in the level of enquiries and negotiations to provide services to new clients, and all of which factors are adding impetus to the prospect of concluding a major new facilities management contract in the short term.

The group is confident of its ability to consolidate and expand on its reputation as the pre-eminent BEE partner of choice, in the buoyant BEE transactional environment presently being experienced in South Africa, to the benefit of all stakeholders.

**T M G Sexwale**  
*Chairman*

**S M Levenberg**  
*Chief Executive Officer*

25 February 2005  
Sandton

**Executive Directors:**

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

**Non-Executive Directors:**

BD Hopkins, OA Mabandla, LM Mojela, D Moshapalo, MZ Nxumalo, RM Patel,  
CD Stein

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**Sponsor:**

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**Transfer Secretaries:**

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