



MVELAPHANDA GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1995/004153/06

("Mvela Group" or "the company")

Ordinary share ISIN: ZAE000060737 Ordinary share code: MVG

Preference share ISIN: ZAE000073540 Preference share code: MVGP

UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

HIGHLIGHTS

- *Intrinsic net asset value per ordinary share -*
 - *up 29% to R10.76 at 31 December 2005*
 - *up 45% to R12.07 at 28 February 2006*
- *Headline earnings per ordinary share up 360% to 185 cents per share*
- *Profit from investments of R541 million*
- *Acquisition of a further effective interest of 2.47% in Absa concluded*
- *R547 million capital raising successfully concluded*

The following are the unaudited results of Mvela Group and its subsidiaries ("the group") for the six months ended 31 December 2005 with comparative figures.

SUMMARISED GROUP BALANCE SHEET

	Unaudited Six months ended 31 December 2005 R'000	Unaudited Six months ended 31 December 2004 R'000 <i>(restated)</i>	Unaudited year ended 30 June 2005 R'000 <i>(restated)</i>
ASSETS			
Non-current assets	4 738 128	2 469 359	3 098 329
Property, plant and equipment	327 598	345 588	315 029
Trademarks	60 940	60 927	60 927
Goodwill	666 533	611 726	639 483
Investments in associates	1 134 379	775 862	899 552
Other investments	2 522 655	645 427	1 162 173
Deferred taxation	26 023	29 829	21 165
Current assets	893 971	932 007	668 582
Liquid funds	323 456	232 099	177 376
Other current assets	570 515	699 908	491 206
TOTAL ASSETS	5 632 099	3 401 366	3 766 911
EQUITY AND LIABILITIES			
Capital and reserves	4 409 685	2 393 726	2 670 430
Share capital and reserves	4 192 071	2 368 503	2 669 355
Amounts due to vendors	–	24 267	–
Outside shareholders' interest	217 614	956	1 075
Non-current liabilities	641 487	299 723	379 491
Interest bearing liabilities	317 123	217 727	275 988
Non-interest bearing liabilities	15 258	10 790	10 336
Deferred taxation	309 106	71 206	93 167
Current liabilities	580 927	707 917	716 990
Interest bearing liabilities	58 058	67 994	83 898
Non-interest bearing liabilities	522 869	639 923	633 092
TOTAL EQUITY AND LIABILITIES	5 632 099	3 401 366	3 766 911
Net asset value per ordinary share (cents)	847.3	593.6	662.1
Net tangible asset value per ordinary share (cents)	695.0	419.3	483.1

SUMMARISED GROUP INCOME STATEMENT

	Unaudited six months ended 31 December 2005 R'000	% change	Unaudited six months ended 31 December 2004 R'000 <i>(restated)</i>	Unaudited year ended 30 June 2005 R'000 <i>(restated)</i>
Revenue	1 512 367	(12%)	1 714 302	3 221 310
Profit from continuing services businesses	131 725		109 604	239 120
Loss from disposed mining services operations	-		(1 061)	(38 101)
Profit from operations	131 725	21%	108 543	201 019
Profit from investments	540 575		35 368	268 088
Income from associates	224 474		607	118 252
Net profit before interest, exceptional items and taxation	896 774	521%	144 518	587 359
Net interest (paid)/received	(12 272)		2 867	(10 699)
Exceptional items	-		-	(36 439)
Net profit before taxation	884 502	500%	147 385	540 221
Taxation	(118 019)		(52 599)	(127 410)
Normal, deferred and capital gains tax	(112 906)		(30 937)	(104 901)
Secondary tax on companies	(5 113)		(21 662)	(22 509)
Net profit after taxation	766 483	709%	94 786	412 811
Attributable to:				
Ordinary shareholders	754 758		86 471	403 614
Outside shareholders	11 725		8 315	9 197
	766 483		94 786	412 811
Net number of ordinary shares in issue (000)	440 060		402 947	403 163
Weighted average number of ordinary shares in issue (000)	406 277		211 909	306 305
Fully diluted weighted average number of ordinary shares in issue (000)	460 977		211 909	306 305
Earnings per ordinary share (cents)	185.8	355%	40.8	131.8
Headline earnings per ordinary share (cents)	185.4	360%	40.3	143.5
Fully diluted earnings per ordinary share (cents)	163.7	301%	40.8	131.8
Fully diluted headline earnings per ordinary share (cents)	163.4	306%	40.3	143.5
Dividend per ordinary share (cents)	5.0		-	10.0
Dividend per preference share (cents)	8.7		-	-

SUMMARISED GROUP CASH FLOW STATEMENT

	Unaudited six months ended 31 December 2005 R'000	Unaudited six months ended 31 December 2004 R'000 <i>(restated)</i>	Unaudited year ended 30 June 2005 R'000 <i>(restated)</i>
Profit from operations	131 725	108 543	201 019
Non-cash items	52 787	50 647	110 753
Working capital changes	(157 111)	(66 363)	123 739
Cash generated from operations	27 401	92 827	435 511
Net interest (paid)/received	(12 272)	2 867	(7 110)
Taxation paid	(63 805)	(45 715)	(75 469)
Dividends paid	(40 516)	(195 152)	(195 058)
Cash (utilised in)/available from operating activities	(89 192)	(145 173)	157 874
Cash effects of investing activities	(284 699)	(96 303)	(393 413)
Cash effects of financing activities	519 971	32 786	(27 874)
Net movement in liquid funds	146 080	(208 690)	(263 413)
Net liquid funds at the beginning of the period	177 376	440 789	440 789
Net liquid funds at the end of the period	323 456	232 099	177 376

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 December 2005 R'000	Unaudited six months ended 31 December 2004 R'000 <i>(restated)</i>	Unaudited year ended 30 June 2005 R'000 <i>(restated)</i>
Balance at the beginning of the period	2 670 430	1 037 489	1 037 489
Acquisitions of investments, subsidiaries and businesses	476 425	1 456 815	1 429 984
Shares issued/bought back	537 297	-	(13 820)
Net profit after taxation	766 483	94 786	412 811
Dividends/distribution paid	(40 950)	(195 365)	(196 034)
Balance at the end of the period	4 409 685	2 393 725	2 670 430

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

	Unaudited six months ended 31 December 2005 R'000	% change	Unaudited six months ended 31 December 2004 R'000 <i>(restated)</i>	Unaudited year ended 30 June 2005 R'000 <i>(restated)</i>
Net profit attributable to ordinary shareholders	754 758	773%	86 471	403 614
Goodwill impaired/written off	-		-	34 809
Impairment of investment in an associate	-		-	1 630
Profit on sale of property, plant and equipment	(1 562)		(1 169)	(511)
Headline net profit attributable to ordinary shareholders	753 196	783%	85 302	439 542

SEGMENTAL INFORMATION

	Unaudited six months ended 31 December 2005 R'000	% change	Unaudited six months ended 31 December 2004 R'000 <i>(restated)</i>	Unaudited year ended 30 June 2005 R'000 <i>(restated)</i>
REVENUE				
Operations	1 512 367		1 714 302	3 221 310
Investments	-		-	-
	1 512 367	(12%)	1 714 302	3 221 310
NET PROFIT BEFORE INTEREST, EXCEPTIONAL ITEMS AND TAXATION				
Operations	131 725		108 543	201 019
Investments	765 049		35 975	386 340
	896 774	521%	144 518	587 359

COMMENTARY

Overview

The merger of the businesses and assets of Mvelaphanda Holdings (Proprietary) Limited and Rebserve Holdings Limited ("the merger") to create Mvela Group was implemented in December 2004. The results for the period under review reflect the success which has been achieved in the first year of Mvela Group's existence, reinforcing Mvela Group's status as South Africa's leading listed black-controlled, owned and managed diversified industrial group, and demonstrating Mvela Group's ability to capitalise on the numerous opportunities being presented as a result of the buoyant economic environment prevailing in South Africa at present.

Highlights for the period under review include:

- the acquisition of a further effective interest of 2.47% in Absa Group Limited ("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% to the market value of the Batho Bonke shares at the time of concluding the acquisition; and
- the issue by Mvela Group, in November 2005, of 54.7 million convertible perpetual cumulative preference shares ("the preference shares"), raising R547 million (before expenses) of permanent capital for Mvela Group on market-related terms, without prejudicing Mvela Group's BEE credentials.

The growth in Mvela Group's intrinsic net asset value per ordinary share is considered to be the best indicator of the group's overall performance. Intrinsic net asset value per ordinary share, calculated with reference to the market value (for listed companies) and/or directors' valuation of the group's investments and operating companies, increased by 29%, from R8.35 at 30 June 2005, to R10.76 at 31 December 2005.

Mvela Group's intrinsic net asset value per ordinary share at 28 February 2006, being the last practicable date prior to the finalisation of these results, and calculated on the basis set out above, and on the assumption that the Mvela Resources disposal had not been implemented, increased by 45%, from R8.35 at 30 June 2005, to R12.07.

The results and activities of the group, including segmental information, are presented for its two areas of activity - operations and investments. This is in line with the manner in which Mvela Group's activities are now structured and managed, and the increased value and importance of the investment activities of the group.

Investments

Mvela Group's investments performed extremely well in the period under review. Profit from investments, which includes the unrealised gains on the revaluation of investments (net of costs relating to the investment activities), increased by 132%, from R233 million for the six months ended 30 June 2005, to R541 million for the period under review.

The group's major investments at 31 December 2005 comprise an effective interest of 4.47% in Absa, an effective interest of 18.1% in Life Healthcare Group (Proprietary) Limited ("Life Healthcare"), an effective interest of 30% in Abvest Associates (Proprietary) Limited, an effective interest of 10.8% in Group Five Limited, and an effective interest of 22.9% in Mvelaphanda Resources Limited (which, subject to the fulfilment of certain material suspensive conditions which remain unfulfilled at the date hereof, has been sold).

Mvela Group's effective interest in Absa now represents the group's largest investment, valued at approximately R2 billion at 28 February 2006.

Life Healthcare continues to deliver strong operational results. As a result of this performance, the general re-rating of the healthcare sector, and the leveraged structure used

to finance this investment, the value of Mvela Group's investment in Life Healthcare has increased substantially.

Mvela Group acquired an effective interest of 10.8% in Group Five Limited, a leading construction group listed on the JSE Limited, in November 2005, and an effective interest of 39.2% in Swissport South Africa (Proprietary) Limited, which provides logistics services at major airports in South Africa, in July 2005. The investment in Group Five has performed well over the period.

The performance of Mvela Group's other investments was in line with expectations.

On 22 December 2005 Mvela Group announced that it had concluded a written agreement with Incwala Resources (Proprietary) Limited ("Incwala") to dispose of its 22.9% interest in Mvelaphanda Resources Limited ("Mvela Resources"), and its rights and obligations in terms of the management agreement between Mvela Group and Mvela Resources ("the Mvela Resources disposal"). The purchase consideration payable by Incwala to Mvela Group is R763 million. The Mvela Resources disposal remains subject to the fulfilment of certain material suspensive conditions by 31 March 2006, which suspensive conditions remain unfulfilled at the date hereof. A further announcement in this regard will be made upon fulfilment (or otherwise) of such suspensive conditions. The reviewed results of Mvela Resources for the six months ended 31 December 2005 were published in the press on 23 February 2006, and reported a net profit attributable to its ordinary shareholders of R935 million. The results for Mvela Resources have been equity accounted in the period under review.

No impairment of the carrying value of the investment in Mvela Resources has been or will be made, to restate the carrying value to the consideration receivable in terms of the Mvela Resources disposal, until such time as the suspensive conditions pertaining to the Mvela Resources disposal might be fulfilled. Had such an impairment been made, the group's net profit attributable to ordinary shareholders would have been reduced by R342 million, equivalent to 84 cents per ordinary share, and the group's intrinsic net asset value per ordinary share at 28 February 2006 would have reduced to R11.29.

The cash proceeds of R51 million in respect of the disposal of Mvela Group's effective interest in African Life Assurance Limited were received after 31 December 2005.

Operations

Mvela Group's operations performed in line with expectations. Revenue for the period under review decreased by 12% from the comparable period to R1 512 million, as a result of the disposal of the JIC Mining Services business in the second half of the 2005 financial year. Profit from operations for the period under review increased by 21% to R132 million, from R109 million for the six months ended 31 December 2004. The overall growth rate achieved by the services business is gratifying given the flat earnings profile of TFMC, which comprises almost half of Mvela Group's profit from operations. The operating margin for Mvela Group's operations as a whole increased to 8.7% from 6.3% in the comparable period.

The performance of the facilities management business remained steady. TFMC continues to pursue several opportunities relating to the awarding of major new facilities management contracts both locally and overseas. Progress with the finalisation of the proposed facilities management contract between TFMC and Propnet has been delayed pending the conclusion of the restructuring currently being undertaken by Transnet Limited.

Coin Security experienced a disturbing increase in the number of armed attacks on its assets-in-transit vehicles during the period under review, in line with the current industry trend in South Africa.

The other operating businesses performed in line with expectations.

Cash generated from operations was below expectations as a result of lower than anticipated collections from customers over the Christmas holiday period and the early payment of certain major creditors, primarily by TFMC, prior to the period end. Apart from this temporary unusual cash fluctuation at 31 December 2005, the group's operating cashflow remains strong.

Financial performance

Net profit attributable to ordinary shareholders increased by R669 million, from R86 million for the six month period ended 31 December 2004, to R755 million in the period under review. Net profit attributable to ordinary shareholders increased by 138%, from R317 million for the six months ended 30 June 2005, to R755 million in the period under review.

The weighted average number of ordinary shares in issue increased from 306 million ordinary shares for the year ended 30 June 2005, to 406 million ordinary shares, as a result of the inclusion of the ordinary shares issued pursuant to the merger for the full period. The effect of the 33.9 million new ordinary shares issued in partial settlement of the purchase consideration for the acquisition of the additional effective interest of 2.47% in Absa in December 2005, was not material in the period under review.

Fully diluted headline earnings per ordinary share increased by 306%, from 40.3 cents per share in the comparable period, to 163.4 cents in the period under review, mainly as a result of the performance of the group's investments.

The fully diluted headline earnings per ordinary share is calculated using the weighted average number of ordinary shares in issue during the period plus the maximum number of ordinary shares which may be issued on conversion of the preference shares to ordinary shares after 4 November 2009. Net asset value per ordinary share and net tangible asset value per ordinary share are calculated using the net number of ordinary shares in issue at 31 December 2005 (after deducting the ordinary shares held by the share incentive scheme) plus the maximum number of ordinary shares which may be issued on conversion of the preference shares to ordinary shares after 4 November 2009.

The net profit attributable to outside shareholders of R12 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 also relate to 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. 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 on the balance sheet at 31 December 2005, of approximately R160 million.

Accounting policies and International Financial Reporting Standards (IFRS)

With effect from 1 July 2005 Mvela Group is required to prepare its consolidated financial statements in accordance with IFRS. Accordingly, the interim results for the six months ended 31 December 2005 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 and the six months ended 31 December 2004 have been restated accordingly. The IFRS standards are subject to ongoing review and interpretation by the International Accounting Standards Board. Consequently IFRS information at year end may differ from the information reported in this interim report.

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, trademarks 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

	Unaudited six months ended 31 December 2004 R'000	Unaudited year ended 30 June 2005 R'000	IFRS transition date 1 July 2004 R'000
Capital and reserves			
As previously reported under SA GAAP	2 362 385	2 610 185	1 004 072
Trademarks previously written off	42 000	42 600	42 000
Consolidation of special purpose entities	–	33 445	–
IFRS adjustments by associates	–	(3 063)	–
Property, plant and equipment	(10 659)	(12 737)	(8 583)
Capital and reserves (restated)	2 393 726	2 670 430	1 037 489
		Unaudited six months ended 31 December 2004 R'000	Unaudited year ended 30 June 2005 R'000
Net profit after taxation			
As previously reported under SA GAAP		96 863	385 983
Trademarks previously written off		–	600
Consolidation of special purpose entities		–	33 445
IFRS adjustments by associates		–	(3 063)
Property, plant and equipment		(2 077)	(4 154)
Net profit after taxation (restated)		94 786	412 811

Dividends

Ordinary shares

The directors of Mvela Group have resolved to declare an interim cash dividend (No. 12) of 5 cents per ordinary share (“the ordinary dividend”) to ordinary shareholders. The last day to trade “cum” the ordinary dividend in order to participate in the ordinary dividend is Friday, 31 March 2006. The ordinary shares of Mvela Group will commence trading “ex” the ordinary dividend from the commencement of business on Monday, 3 April 2006 and the record date will be Friday, 7 April 2006. The ordinary dividend will be paid to ordinary shareholders on Monday, 10 April 2006. Ordinary share certificates may not be dematerialised or rematerialised between Monday, 3 April 2006 and Friday, 7 April 2006, both days inclusive.

Preference shares

The directors of Mvela Group have resolved to declare a cash preference dividend (No. 1) of 8.73973 cents per preference share (“the preference dividend”) to preference shareholders. The last day to trade “cum” the preference dividend in order to participate in the preference dividend is Friday, 31 March 2006. The preference shares of Mvela Group will commence trading “ex” the preference dividend from the commencement of business on Monday, 3 April 2006 and the record date will be Friday, 7 April 2006. The preference dividend will be paid to preference shareholders on Monday, 10 April 2006. Preference share certificates may not be dematerialised or rematerialised between Monday, 3 April 2006 and Friday, 7 April 2006, both days inclusive.

Prospects

Growth in Mvela Group’s intrinsic net asset value per ordinary share is expected to continue as a result of the continued strong performance of the group’s quality investments.

Given the current increase in corporate activity and the buoyant market conditions in South Africa, Mvela Group is confident of its ability to conclude major BEE and other corporate transactions on favourable terms, and to continue to enhance shareholder value, primarily by growing its intrinsic net asset value per ordinary share.

The performance of Mvela Group’s services operations remains solid. New opportunities for the existing operations, and potential new operations, are constantly being evaluated and developed. Steady growth in the group’s operations and cash flows will continue to complement and facilitate Mvela Group’s investment activities.

T M G Sexwale
Chairman

S M Levenberg
Chief Executive Officer

7 March 2006
Sandton

Executive Directors:

TMG Sexwale (*Executive Chairman*), MSM Xayiya (*Executive 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 Nxumalo *, 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 (Pty) Ltd

Transfer Secretaries:

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

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

www.mvelagroup.co.za