



MVELAPHANDA GROUP LIMITED

(Incorporated in the Republic of South Africa) Registration number 1995/004153/06
Ordinary share code: MVG Preference share code: MVGP
Ordinary share ISIN: ZAE000060737 Preference share ISIN: ZAE000073540
("Mvela Group" or "the Group" or "the Company")

- Revenue increased by 12% to R4 199 million
- Operating profit increased to R327 million from R256 million
- Strong performance from Mvelaserve with operating profit up 31%
- Cash generated from operations increased to R428 million
- Intrinsic net asset value per ordinary share increased to R11,36 from R7,90
- Successful unbundling of significant portion of interest in Life Healthcare

Reviewed year end results for 30 June 2010

Summarised group statement of financial position

	Reviewed year ended 30 June 2010 R'000	Audited year ended 30 June 2009 R'000
ASSETS		
Non-current assets	3 354 514	5 802 582
Property, plant and equipment	389 492	322 610
Intangible assets	834 554	860 812
Investment in associates	674 098	720 580
Strategic investments	1 438 664	3 864 909
Deferred taxation	17 706	33 671
Current assets	3 995 498	1 262 554
Strategic investments	2 626 286	11 254
Other current assets	843 069	781 748
Cash and cash equivalents	526 143	469 552
Assets in disposal group held for sale	5 045	—
TOTAL ASSETS	7 355 057	7 065 136
EQUITY AND LIABILITIES		
Capital and reserves	4 894 283	4 017 544
Owners of the parent	4 725 023	3 839 888
Minority shareholders	169 260	177 656
Non-current liabilities	1 552 174	2 210 823
Interest-bearing liabilities	1 279 535	1 700 627
Financial liability	36 900	34 199
Deferred taxation	235 739	475 997
Current liabilities	908 600	836 769
Interest-bearing liabilities	78 699	64 084
Non-interest-bearing liabilities	20 712	25 021
Other current liabilities	809 189	747 664
TOTAL EQUITY AND LIABILITIES	7 355 057	7 065 136
Net number of ordinary shares in issue (000)	407 139	406 665
Diluted net number of ordinary shares in issue (000) [#]	465 484	465 482
Net asset value per ordinary share (cents)	1 015,1	824,9
Net tangible asset value per ordinary share (cents)	832,0	632,8

Calculated on the basis that all preference shares will be converted into ordinary shares.

Summarised group statement of cash flows

	Reviewed year ended 30 June 2010 R'000	Audited year ended 30 June 2009 R'000
Profit from operations	327 048	255 590
Non-cash items	108 194	116 456
Working capital	(6 993)	(9 101)
Cash generated from operations	428 249	362 945
Net interest paid	(74 050)	(93 179)
Investment income	174 122	51 751
Normal taxation paid	(70 730)	(120 585)
Cash available from operating activities before the payment of capital gains tax	457 591	200 932
Capital gains tax paid	(791)	(342)
Cash available from operating activities	456 800	200 590
Cash effects of investing activities	114 484	(52 400)
Cash effects of financing activities	(484 685)	(434 237)
Dividends paid	(30 008)	(115 481)
Net movement in cash and cash equivalents	56 591	(401 528)
Cash and cash equivalents at the beginning of the year	469 552	871 080
Cash and cash equivalents at the end of the year	526 143	469 552

Summarised group statement of changes in equity

	Reviewed year ended 30 June 2010 R'000	Audited year ended 30 June 2009 R'000
Balance at the beginning of the year	4 017 544	3 943 488
Acquisition/(disposal) of subsidiaries	776	(427)
Cost of BEE transaction	16 175	16 175
Total comprehensive income for the year	891 495	176 447
Dividends	(31 707)	(118 139)
Balance at the end of the year	4 894 283	4 017 544

Reconciliation between profit attributable to owners of the parent and headline profit attributable to owners of the parent

	Reviewed year ended 30 June 2010 R'000	Audited year ended 30 June 2009 R'000
Profit attributable to owners of the parent	865 784	88 973
Net loss on disposal/impairment of subsidiaries and investments	111 143	115 485
Net profit on sale of property, plant and equipment	(517)	(1 943)
Tax effect	(5 781)	748
Headline net profit attributable to owners of the parent	970 629	203 263

Summarised group statement of comprehensive income

	Reviewed year ended 30 June 2010 R'000	% change	Audited year ended 30 June 2009 R'000
Continued operations			
Revenue*	4 111 948	12,8	3 646 800
EBITDA	435 800	16,5	373 989
Profit from operations	314 343	24,8	251 895
Interest income	35 428		60 111
Interest expense	(143 293)		(204 792)
Share of loss from associates	(22 517)		(34 131)
Net fair value adjustments and profit and loss from investments	574 910	57,3	365 463
Cost of BEE transaction	(16 175)		(16 175)
Profit before taxation	742 696	75,8	422 371
Taxation charge	136 094		(249 619)
Normal, deferred, capital gains and foreign taxation	142 687		(221 218)
Secondary tax on companies	(6 593)		(28 401)
Profit for the year from continuing operations	878 790	408,7	172 752
Discontinued operations			
Profit from discontinued operations	12 705		3 695
Total comprehensive income for the year	891 495		176 447
Total comprehensive income attributable to:			
Owners of the parent	865 784		88 973
Other shareholders	25 711		87 474
– Preference shareholders	30 008		29 962
– Minority shareholders	(4 297)		57 512
	891 495		176 447
Weighted average net number of ordinary shares in issue (000)	406 962		406 665
Diluted weighted average net number of ordinary shares in issue (000) [#]	465 307		465 482
Earnings per ordinary share (cents)(a)	212,7	871,2	21,9
Headline earnings per ordinary share (cents)(a)	238,5	378,0	49,9
Diluted earnings per ordinary share (cents)	192,5	652,0	25,6
Diluted headline earnings per ordinary share (cents)	215,0	329,1	50,1
Dividend per preference share (cents)	54,2		55,0
Interim	27,1		27,5
Final	27,1		27,5

* Revenue from discontinued operations amounts to R87 311 000 (2009: R98 862 000).
Calculated on the basis that all preference shares will be converted into ordinary shares.
(a) Earnings and headline earnings per ordinary share from discontinued operations is 3 cents (2009: 1 cent).

Segmental information

	Reviewed year ended 30 June 2010 R'000	Audited year ended 30 June 2009 R'000
Net assets		
Consumer services	3 982 268	3 065 566
Financial services	572 429	613 572
Infrastructure and Construction	130 550	146 138
Telecoms, Media and Technology	209 036	192 268
	4 894 283	4 017 544
Revenue		
Consumer services	4 111 948	3 646 800
Financial services	—	—
Infrastructure and Construction	—	—
Telecoms, Media and Technology	—	—
Revenue from discontinued operations	87 311	98 862
	4 199 259	3 745 662
Total comprehensive income for the year		
Consumer services	1 030 709	520 534
Financial services	(6 928)	199 677
Infrastructure and Construction	(15 588)	(127 455)
Telecoms, Media and Technology	(113 228)	(403 829)
Cost of BEE transaction	(16 175)	(16 175)
Net profit from discontinued operations	12 705	3 695
	891 495	176 447

www.mvelagroup.co.za

Executive Directors:
M S M Xayiya (Executive Chairman), Y Z Cuba (Chief Executive Officer), G E Röth (Chief Financial Officer)

Non-Executive Directors:
K D Dlamini*, B D Hopkins*, O A Mabandla* (*Independent)

Company Secretary:
Mvelaphanda Management Services (Pty) Limited

Registered Office:
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Sponsor:
Deutsche Securities SA (Pty) Limited

Transfer Secretaries:
Computershare Investor Services (Proprietary) Limited,
70 Marshall Street, Johannesburg, 2001

Auditors:
PKF (JHB) Inc., Registered Accountants and Auditors

A copy of these results is available on the Mvelaphanda Group website at www.mvelagroup.co.za

Commentary

Introduction

The Group derives income from its wholly controlled and partially-owned investment activities.

Financial performance

The results for the year to 30 June 2010 show a significant improvement. In spite of the general slow-down in the economy, revenue for the year increased by 12% to R4 199 million from R3 746 million the previous year and profit from operations increased by 28% to R327 million from R256 million the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) was up by 18% to R436 million from R374 million in the previous year while cash generated from operations increased to R428 million from R363 million the previous year. Net interest paid for the year decreased to R108 million from R145 million the previous year mainly as a result of reductions in long-term debt together with an average decrease in interest rates of 4% from 2009 to 2010.

Net loss from associates amounted to R23 million against a loss of R34 million in the previous year. The Group's interest in Avusa contributed R29 million of the aforementioned R23 million.

The fair value adjustments and profit and loss from investments amounted to a net gain of R575 million against R365 million from the previous year and includes the net fair value adjustment of investments of R508 million (2009: R392 million) and dividend income of R170 million (2009: R51 million). The net fair value adjustment of investments of R508 million includes R662 million in respect of the fair value adjustment of the investment in Life Healthcare which was partially offset by downward adjustments of the investments in Group Five and Vox Telecom.

The amortised cost on the 124 425 055 redeemable option-holding shares ("BEE shares"), issued during the 2007 financial year by the Group, relating to employees, has been recognised in the income statement in accordance with AC 503, *Accounting for black economic empowerment (BEE) transactions* at R16 million for the current financial year.

The Life Healthcare unbundling process resulted in a R290 million reversal of deferred tax. Normal tax for the 2010 financial year amounted to R79 million (2009: R72 million).

The weighted average net number of ordinary shares in issue remained unchanged at 407 million ordinary shares at 30 June 2010. The 465 million diluted weighted average net number of ordinary shares in issue is calculated on the basis that all the preference shares will be converted to ordinary shares.

Taking the above into account, the earnings per ordinary share amounted to 212,7 cents compared to 21,9 cents the previous year. The headline earnings per ordinary share amounted to 238,5 cents compared to 49,9 cents the previous year.

Financial position

The investment in associates comprising mainly of the Group's interest in Avusa, amounted to R674 million (2009: R721 million) after equity accounting for the Group's share in Avusa's retained income of R20 million less an impairment in the amount of R69 million.

Strategic investments increased to R4 065 million at 30 June 2010 from R3 876 million the previous year. Investments totalling R419 million were made during the 2010 financial year of which R394 million was in respect of Health Strategic Investments resulting from the unbundling of Life Healthcare. Investments to the value of R948 million were sold which included the monetising of Life Healthcare in the amount of R908 million through the Life Healthcare unbundling process. The upward gross fair value adjustment amounted to R720 million for the financial year.

The Group's cash position improved by R56 million to R526 million at 30 June 2010 from R470 million at 30 June 2009 which includes dividends received of R170 million, proceeds from the Life Healthcare unbundling of R353 million and cash generated from operations which was substantially offset by the amounts paid in lieu of capital expenditure, debt redemption and dividends.

Total interest bearing liabilities decreased to R1 358 million from R1 765 million the previous year which resulted in a 82% decrease of the Group's debt to equity ratio to 28% (2009: 44%).

Capital structure

The issued ordinary share capital of the Company increased marginally by 473 831 to 443 474 054 ordinary shares following the conversion of 438 732 convertible perpetual cumulative preference shares ("preference shares") during the year under review. No shares were repurchased during the year under review and the ordinary shares held as treasury shares remained unchanged at 35 765 285.

The issued preference shares decreased to 54 261 268 preference shares following the conversion of 438 732 preference shares to 473 831 ordinary shares. The conversion price of the preference shares has remained unchanged at R9,30 during the year under review. The conversion price of the preference shares changed to R4,50 after the year end as a result of the unbundling by Mvela Group of all of the ordinary shares held by it in Health Strategic Investments to Mvela Group ordinary shareholders. This means that each preference share can be converted at the instance of the holder to 2,22 ordinary shares until 4 November 2010 after which these shares become redeemable at the instance of the issuer or remain perpetual preference shares at a dividend rate of 80% of the ruling prime overdraft rate. The preference shares will continue to earn dividends at a rate of 5,5% per annum until 4 November 2010.

An announcement was made on the Securities Exchange News Service on 24 August 2010, regarding the change in the conversion price of the preference shares.

BEE shares remained unchanged from the previous year at 124 425 055 redeemable option-holding shares. The options can be exercised between 19 June 2011 and 19 June 2012 at a minimum strike price of R17,50.

Intrinsic net asset value

The Group's intrinsic net asset value increased by R3,46 in the current year to R11,36. The intrinsic net asset value per ordinary share net of capital gains taxation and debt is set out in the table below:

	30 June 2010			30 June 2009		
	Intrinsic gross asset value (after CGT) Rm	Intrinsic net asset value Rm	Per share (1), (2) R	Intrinsic net asset value Rm	Per share (1), (2) R	
Absa Group ¹	913	—	913	1,96	880	1,89
Avusa	506	(851)	(345)	(0,74)	(322)	(0,69)
Life Healthcare ²	2 542	—	2 542	5,46	1 626	3,49
Group Five ³	174	—	174	0,37	211	0,45
Vox Telecom ⁴	41	(256)	(215)	(0,46)	(235)	(0,50)
Other investments ⁵	25	—	25	0,05	61	0,13
Mvelaserve ⁶	1 924	(201)	1 723	3,70	1 039	2,23
Net cash ⁷	526	(50)	476	1,02	420	0,90
Total	6 651	(1 358)	5 293	11,36	3 680	7,90

1. Based on the fully diluted net number of 465 million ordinary shares after share buy-backs and assuming that all the preference shares will be converted into ordinary shares (2009: 465 million).
2. BEE shares issued in June 2007 have not been taken into account in calculating the intrinsic net asset value per ordinary share as the minimum option strike price of R17,50 is greater than the current Mvela Group ordinary share price.

The above valuation is based on, inter alia:
i. the market value in the case of investments listed on the securities exchange operated on the JSE Limited ("JSE");
ii. application of option pricing models in the case of the Group Five investments;
iii. directors' valuation taking into consideration the economic factors prevailing at 30 June 2010; and
iv. the gross cash position of the Group at 30 June 2010.

Based on Mvela Group's ordinary share price listed on the JSE of R7,75 on 30 June 2010, the ordinary shares were trading at a discount of 32% to the Group's intrinsic net asset value per ordinary share of R11,36 at that date (2009: 42%).

Investments

Mvelaserve Limited ("Mvelaserve")

On a comparable basis, excluding Novare and Trollope, revenue from operations increased by R611 million or 17% to R4 176 million (2009: R3 565 million) while EBITDA increased by R109 million to R465 million (2009: R356 million). The operating margin increased from 7,4% to 8,3% which is attributable to improved margins from Protea Coin Group ("Protea Coin"), Total Facilities Management Company ("TFMC") and Khusesti Holdings ("Khusesti").

Capital expenditure on property, plant and equipment amounted to R191 million (2009: R152 million) of which approximately 25% is attributable to the replacement of assets with the balance being used to expand and grow Mvelaserve. R137 million (2009: R78 million) of the fixed asset acquisitions was financed through asset finance.

The intrinsic net asset value per ordinary share of Mvela Group's investment in Mvelaserve increased to R3,70 per Mvela Group ordinary share from R2,23 the previous year. This is attributable to increased operational profit used to value Mvelaserve, as well as certainty around the TFMC contract.

Facilities Management

The performance of TFMC exceeded expectations compared to the previous year. Customised Solutions obtained a variety of new contracts during the year and various opportunities are available in the new year. This positive situation is a result of the planned strategy of reducing TFMC's reliance on Telkom. In line with the terms of the current agreement, Telkom has approved the extension of the TFMC contract for a further five years to 31 March 2016 and the extension to the agreement was signed on 13 August 2010.

Security

The performance of Protea Coin showed a strong improvement on the previous year. The benefit of the restructuring and strong growth in revenue, mainly from blue chip clients, resulted in sustainable improved operating profit and margins. Protea Coin is continuously searching for

additional service offerings and value add to its clients.

Catering and Cleaning

The performance of Royalserve was below that of the previous year. The cleaning and catering businesses were restructured under one management team in October 2009 and renamed Royalserve. The restructuring is in the final stages and the results towards the end of the financial year have been positive and in line with expectations.

Diversified Services

The performance of the Diversified Services companies showed an improvement from the previous year and performed above expectations.

Khusesti performed well above the previous year with pie sale volumes increasing to expected levels. The King Pie franchise business remained flat with increased volumes coming from Khusesti's entry into the retail market.

Contract Forwarding did not perform as expected due to import and export volumes remaining low in the current market conditions.

Zonke's performance was in line with expectations.

Strategic Investments

Financial Services Sector

Absa Group's results for the six months to 30 June 2010 were credible. Headline earnings increased by 1% to R3 862 million and attributable earnings increased by 17% to R3 842 million.

The intrinsic net asset value of Mvela Group's investment in Absa increased marginally to R913 million in the current year from R880 million at 30 June 2009. This was mainly attributable to the Absa share price increasing from R110,00 at 30 June 2009 to R121,49 at 30 June 2010.

Consumer Services Sector

Life Healthcare was listed on the JSE on 10 June 2010 in what was most likely the toughest time in the year for Initial Public Offerings. In its published prelisting statement, Life Healthcare expects to continue its growth even in the current environment albeit at a slower pace than in previous years.

Subsequent to year-end, Mvela Group has distributed 14,24% of its 17,54% in Life Healthcare investments to shareholders.

Construction and Infrastructure Sector

Group Five announced another year of robust performance which can be attributed to its geographic diversity and strong positioning in key public sector and resources markets. Group Five's contracts for the South African public works programmes in transport, power, and infrastructure associated with the 2010 Soccer World Cup contributed strongly, as well as African resources and energy contracts and Eastern European concessions. Group Five reported an increase of 8% in headline earnings for the year ended 30 June 2010.</