

Summarised group balance sheet

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
ASSETS			
Non-current assets	5 638 290	5 496 705	5 521 050
Property, plant and equipment	298 738	437 324	268 150
Intangible assets	859 966	819 011	851 429
Investments in associates	769 614	12 107	779 995
Strategic investments	3 577 455	4 179 937	3 524 859
Financial asset – derivative financial instrument	3 242	—	3 242
Deferred taxation	129 275	48 326	93 375
Current assets	1 302 857	1 467 522	1 546 227
Strategic investments	37 958	11 717	33 652
Other current assets	726 480	651 575	642 562
Cash and cash equivalents	538 419	804 230	870 013
Assets in disposal group held for sale	—	—	280 295
TOTAL ASSETS	6 941 147	6 964 227	7 347 572
EQUITY AND LIABILITIES			
Capital and reserves	3 894 713	5 286 705	3 943 488
Shareholders' equity	3 750 508	5 050 759	3 820 259
Minority interest	144 205	235 946	123 229
Non-current liabilities	2 177 129	963 041	1 161 603
Interest-bearing liabilities	1 743 916	431 622	769 541
Non-interest-bearing liabilities	433 213	531 419	392 062
Deferred taxation	432 856	528 918	389 409
Current liabilities	869 305	714 481	2 065 586
Interest-bearing liabilities	80 779	102 244	61 545
Non-interest-bearing liabilities	2 697	3 337	3 977
Accrued interest-bearing liabilities*	—	—	1 288 943
Other current liabilities	785 829	608 900	711 121
Liabilities in disposal group held for sale	—	—	176 895
TOTAL EQUITY AND LIABILITIES	6 941 147	6 964 227	7 347 572
Net number of ordinary shares in issue (000)	406 665	416 641	406 665
Diluted net number of ordinary shares in issue (000)*	465 482	474 039	464 063
Fully diluted net number of ordinary shares in issue (000)**	589 907	598 464	588 488
Net asset value per ordinary share (cents)	805,7	1 065,5	823,2
Net tangible asset value per ordinary share (cents)	593,2	882,5	619,6
Fully diluted net asset value per ordinary share (cents)	635,8	844,0	649,2
Fully diluted net tangible asset value per ordinary share (cents)	468,1	699,0	488,6

* Due to the non-finalisation of the funding structure of the Avusa transaction, the debt of R1 289 million was credited to current interest-bearing liabilities. Subsequent to year ended 30 June 2008, R1 010 million was financed by financial institutions.

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

*** Calculated on the basis that all preference shares and BEE shares will be converted into ordinary shares in accordance with their terms.

Summarised group income statement

	Unaudited 31 December 2008 R'000	Change %	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Revenue	1 889 659	11	1 699 926	3 538 918
Profit from operations	111 613	(11)	125 450	246 747
Net interest (paid)/received	(87 977)		36 050	57 128
Share of (loss)/profit from associates	(12 733)		707	(526 262)
Net fair value adjustments and profit/(loss) from investments	106 191	116	(679 461)	(1 620 105)
Cost of BEE transaction	(8 088)		(8 524)	(16 175)
Goodwill impaired	—		—	(11 486)
Net profit/(loss) before taxation	109 006	121	(525 778)	(1 870 153)
Taxation expense	(62 787)		66 192	184 960
Normal, deferred, capital gains and foreign taxation	(50 582)		68 724	189 850
Secondary tax on companies	(12 205)		(2 532)	(4 890)
Net profit/(loss) after taxation	46 219	110	(459 586)	(1 685 193)
<i>Attributable to:</i>				
Ordinary shareholders	7 680		(402 260)	(1 532 789)
Other shareholders	38 539		(57 326)	(152 404)
– Preference shareholders	14 919		14 919	30 016
– Minority shareholders	23 620		(72 245)	(182 420)
	46 219	110	(459 586)	(1 685 193)
Weighted average net number of ordinary shares in issue (000)	406 665		422 536	416 564
Diluted weighted average net number of ordinary shares in issue (000)*	465 482		479 934	473 962
Earnings/(loss) per ordinary share (cents)	1,9	102	(95,2)	(368,0)
Headline earnings/(loss) per ordinary share (cents)	1,3	101	(95,2)	(362,6)
Diluted earnings/(loss) per ordinary share (cents)	4,9	106	(80,7)	(317,1)
Diluted headline earnings/(loss) per ordinary share (cents)	4,3	105	(80,7)	(312,4)
Dividend/distribution per ordinary share (cents)	—		6,0	27,0
Interim	—		6,0	6,0
Final	—		—	16,0
Special	—		—	5,0
Dividends per preference share (cents)	27,5		27,6	55,0
Interim	27,5		27,6	27,7
Final	—		—	27,3

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

** Calculated on the basis that all preference shares and BEE shares will be converted into ordinary shares in accordance with their terms.

Summarised group cash flow statement

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Profit from operations	111 613	125 450	246 747
Non-cash items	67 885	67 532	144 670
Working capital	39 434	(130 153)	(120 268)
Cash generated from operations	218 932	62 829	271 149
Net interest (paid)/received	(47 949)	36 050	73 134
Investment income	8 890	5 345	11 263
Normal taxation paid	(68 131)	(67 525)	(85 699)
Cash available from operating activities before the payment of capital gains tax	111 742	36 699	269 847
Capital gains tax paid	—	(61 044)	(61 044)
Cash available/(utilised) from operating activities	111 742	(24 345)	208 803
Cash effects of investing activities	13 520	(233 653)	(1 904 183)
Cash effects of financing activities	(357 485)	(274 559)	1 244 770
Dividends paid	(100 438)	(14 919)	(30 016)
Net movement in cash and cash equivalents	(332 661)	(547 476)	(480 626)
Cash and cash equivalents at the beginning of the period	871 080	1 351 706	1 351 706
Cash in disposal group held for sale	—	—	(1 067)
Cash and cash equivalents at the end of the period	538 419	804 230	870 013

Summarised group statement of changes in equity

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Balance at the beginning of the period	3 943 488	6 000 490	6 000 490
Disposal/acquisition) of subsidiaries	—	(11)	445
Shares bought back	—	(175 149)	(259 546)
Cost of BEE transaction	8 088	7 310	16 175
Net profit/(loss) after taxation	46 219	(459 586)	(1 685 193)
Dividends/distributions	(103 082)	(86 349)	(128 833)
	3 894 713	5 286 705	3 943 488

Reconciliation between net profit/(loss) attributable to ordinary shareholders and headline net profit/(loss) attributable to ordinary shareholders

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
Net profit/(loss) attributable to ordinary shareholders	7 680	(402 260)	(1 532 789)
After tax and minority interest adjustments:			
Disposal/impairment of subsidiaries and investments	(1 965)	3 025	12 631
Profit on sale of property, plant and equipment	(460)	(3 158)	(1 994)
Impairment of goodwill (gross of tax and minority interest)	—	—	11 486
Headline net profit/(loss) attributable to ordinary shareholders	5 255	(402 393)	(1 510 666)



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

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

KEY FEATURES

- Revenue increased by 11% to R1 890 million and increased by 15% on a comparable basis
- EBITDA increased by 8% to R168 million on a comparable basis
- Cash generated from operations increased to R219 million
- Intrinsic net asset value per ordinary share at 31 December 2008 of R7,36 (2007: R11,64)

COMMENTARY

Financial review

Introduction

The Group derives income from its operating and strategic investment activities which are more fully detailed in the Investment section.

Financial performance

Revenue of R1 890 million for the six months period ended 31 December 2008 is 11% ahead of the R1 700 million for the corresponding period.

Profit from operations amounted to R112 million (2007: R125 million). Net interest paid for the six months period ended 31 December 2008 was R88 million compared to net interest earned in the previous corresponding period of R36 million. Gross interest earned reduced to R32 million from R51 million in 31 December 2008 as a result of lower cash levels.

Asset finance costs remained relatively flat at R12 million for the period.

Income from investments increased to R106 million compared to a loss of R679 million for the comparable period which is mainly attributable to a net fair value profit adjustment of R95 million. Loss from associates amounted to R13 million (2007: Rnil) which is mainly due to R40,2 million from the share of Avusa's retained profits, and a R53 million impairment in the investment in Avusa.

Earnings per share and headline earnings per share are 1,9 cents per share and 1,3 cents per share respectively as compared to a loss of 95,2 cents per share and 95,2 cents per share respectively in 31 December 2007. The earnings per share and headline earnings per share calculations are based on a weighted average net number of ordinary shares in issue of 407 million shares at 31 December 2008 which decreased by 2,4% from the 417 million ordinary shares at 31 December 2007 as a result of the share buy-backs during the previous period. 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 on 4 November 2009.

Cash position

The Group's cash position reduced by R333 million to R538 million at 31 December 2008 (30 June 2008: R871 million). The reduction in cash is mainly due to R267 million paid for the acquisition of Avusa, R100 million paid out as dividends or distributions, net interest paid of R48 million and taxes paid of R68 million, off-set by R104 million in shareholders' loan repayment from Life Healthcare.

Financial position

Total interest bearing liabilities at 31 December 2008 decreased to R1 825 million from R2 120 million at 30 June 2008 mainly as a result of the cash payment of R267 million made in respect of the Avusa investment.

The debt-equity ratio (where debt includes total liabilities) improved to 76% at 31 December 2008 from 86% at 30 June 2008 as a result of a decrease in the debt level together with the improvement in shareholders' interest resulting from the positive results achieved for the reporting period.

Capital structure

No new ordinary shares or preference shares were issued and no share buy-backs were done during the reporting period. The issued share capital comprises 443 million ordinary shares and 54,7 million preference shares, of which 35,7 million of the ordinary shares are held as treasury shares.

Net tangible asset value per ordinary share, which is calculated based on 465 million ordinary shares in issue, assuming that the preference shares are converted into ordinary shares after November 2009, decreased by 3,55% to R5,93 at 31 December 2008 from R6,20 at 30 June 2008.

Segmental information

	Unaudited 31 December 2008 R'000	Unaudited 31 December 2007 R'000	Audited 30 June 2008 R'000
NET ASSETS			
Consumer services	2 677 641	2 657 286	2 539 342
Financial services	1 083 032	1 586 694	912 644
Infrastructure and Construction	247 995	483 809	377 555
Telecoms, Media and Technology	(239 620)	61 498	(473 636)
Cash, term deposits and other investments	183 216	554 388	644 536
Non-current interest-bearing term loan	(50 598)	(50 017)	(50 000)
Share appreciation rights	(6 953)	(6 953)	(6 953)
	3 894 713	5 286 705	3 943 488
REVENUE			
Consumer services	1 889 659	1 699 926	3 538 918
Financial services	—	—	—
Infrastructure and Construction	—	—	—
Telecoms, Media and Technology	—	—	—
	1 889 659	1 699 926	3 538 918
NET PROFIT/(LOSS) AFTER TAXATION			
Consumer services	256 814	3 866	93 942
Financial services	185 211	(439 298)	(1 139 525)
Infrastructure and Construction	(119 893)	(10 068)	(116 066)
Telecoms, Media and Technology	(267 825)	(5 562)	(495 253)
Impairment of goodwill	—	—	(11 486)
Cost of BEE transaction	(8 088)	(8 524)	(16 175)
	46 219	(459 586)	(1 685 193)

Catering and Cleaning

We are pleased to announce the renaming of our cleaning offering to Mvelaserve Cleaning to align it with the Mvelaserve brand. The roll-out of the higher margin offerings of infrastructure project support services and industrial cleaning, at RoyalSechaba and Mvelaserve Cleaning respectively, was slower than anticipated but remain attractive revenue streams in the medium-term. Although the contract base for both businesses grew steadily over the period, margins are still below the target of 5%. Given the considerable impact of food price and wage inflation, operational efficiencies will be an area of focus over the next eight months.

Diversified Services

EBITDA was negatively impacted by a sharp reduction in performance fees at Novare Holdings in line with the rest of the financial services industry. The new Khusethi Holdings centralised manufacturing facility of the King Pie product range was successfully rolled out during the six month period ended 31 December 2008, although it incurred greater start-up costs than anticipated. Zonke Monitoring Systems and Contract Forwarding performed in line with expectations.

Strategic investments

Financial Services Sector

The investment in Absa Group continues to be affected by the general slowdown in economic activity and the downturn in the equity market. Despite the tough economic conditions, Absa Group's results for the year ended 31 December 2008 were above market expectation, with headline earnings increasing by 5,3%. The Absa Group share price decreased to R108,15 per share at 31 December 2008 from R111 per share at 31 December 2007. This decrease of 3% in the Absa Group share price resulted in a decrease in the intrinsic value (net of CGT and debt) of Mvela Group's effective interest in Absa Group, to R860 million at 31 December 2008, from R1 366 million at 31 December 2007. Mvela Group's effective interests in Absa Group comprised 25% of Mvela Group's intrinsic net asset value at 31 December 2008.

The Absa Group empowerment entity, Batho Bonke Capital (Pty) Limited ("Batho Bonke"), through which Mvela Group owns its interest in Absa Group, is currently in its option exercise period which commenced on 1 July 2007. The last day to exercise the option is 1 June 2009. The current equity and credit market conditions make raising debt capital to exercise the options a challenging exercise. Batho Bonke's intention is to exercise the options within this option period and is currently working with various parties to realise value from the structure.

Consumer Services Sector

Life Healthcare performed well operationally for the 12 months ended 31 December 2008. Life Healthcare produced a recurring EBITDA for the rolling 12 months to December 2008 of R1 638 million excluding the profits from the sale of the PHG hospitals. Owing to the significant cash flow generation abilities of the company, the shareholders continue to receive cash distributions in the form of repayments of shareholder loans.

In line with Life Healthcare's peer group the healthcare providers recent share price performance, we have kept the EBITDA multiple at 8 times, resulting in R1 431 million in the intrinsic value (net of CGT and debt) of Mvela Group's effective interest in Life Healthcare compared to R1 332 million in 31 December 2007. The reason for the nominal increase in value attributable to Mvela Group is due to the reduction in EBITDA relating to the sale of the PHG hospitals in the UK. Mvela Group's investment in Life Healthcare comprises 42% of Mvela Group's intrinsic net asset value at 31 December 2008.

Construction and Infrastructure Sector

The investment in Group Five continues to deliver satisfactory returns to Mvela Group owing to the positive economic climate relating to infrastructure spend. The company produced good results for the six months ended 31 December 2008 with operating profit before a fair value adjustment and associates increasing by 35% to R377 million and profit after tax from continuing operations up 43%. The intrinsic value of Mvela Group's investment in Group Five shares decreased to R259 million at 31 December 2008 from R457 million at 31 December 2007 as a result of a decrease in the Group Five share price to R35,50 per share at 31 December 2008 (2007: R55). Mvela Group's investment in Group Five comprises 8% of the Group's intrinsic net asset value at 31 December 2008.

Telecoms, Media and Technology Sector

Mvela Group's 12,3% shareholding in Vox Telecom has failed to deliver positive returns owing to the collapse of the Vox Telecom share price in September 2008. Vox Telecom continues to trade well in a difficult market with customers looking to lower their telecommunications costs. Mvela Group deliberately adopted an approach of acquiring a small interest in an alternative telecom company to ensure that the risk to shareholders is minimised yet taking advantage of opportunities in the sector. The Vox Telecom share price on the JSE at 31 December 2008 was 75 cents per share resulting in a negative intrinsic value of R184 million net of CGT and debt.

The investment in Avusa was concluded on 1 July 2008 and is treated as an associate in the records of Mvela Group. Since then the general downturn in economic activity has had its impact on the businesses of Avusa. Avusa announced its results for the six months ended 30 September 2008 on 20 November 2008 and, amidst a tougher macroeconomic environment, the company delivered an increase of 12% in revenue and a 12% increase in profit after taxation.

Although this investment is equity accounted in the records of Mvela Group, on 31 December 2008 the value of the investment had declined by 33% from R797 million to R516 million. This decline is in line with the general adverse performance of the global equity market and the downturn in economic activity affecting trading conditions. The fundamentals of the business, however, remain sound and Avusa management is taking all the necessary measures to rationalise costs.

Accounting policies and International Financial Reporting Standards

These summarised consolidated interim financial statements for the six months period ended 31 December 2008 have been prepared in accordance with Interim Financial Reporting (IAS)