



MVELAPHANDA GROUP LIMITED

(Incorporated in the Republic of South Africa) Registration number 1995/004153/06 ("Mvela Group", "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 2009

» Revenue increased by **1% to R1 908 million** or **10%** on a comparable basis
 » Operating profit increased **34% to R150 million** or **43%** on a comparable basis
 » Strong performance from Mvelaserve with **EBITDA increasing 8% to R214 million** or **28%** on a comparable basis
 » Cash generated from operations increased by **9% to R238 million**
 » Intrinsic net asset value per ordinary share at 31 December 2009 of **R9,32 (2008: R7,36)**

Summarised group statement of financial position

	Unaudited 31 December 2009 R'000	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
ASSETS			
Non-current assets	6 305 472	5 638 290	5 802 582
Property, plant and equipment	330 214	298 738	322 610
Intangible assets	833 905	859 966	860 812
Investments in associates	725 818	769 614	720 580
Strategic investments	4 381 963	3 577 455	3 864 909
Financial asset – derivative financial instrument	—	3 242	—
Deferred taxation	33 572	129 275	33 671
Current assets	1 267 147	1 302 857	1 262 555
Strategic investments	2 005	37 958	11 254
Other current assets	706 693	726 480	781 749
Cash and cash equivalents	558 449	538 419	469 552
TOTAL ASSETS	7 572 619	6 941 147	7 065 137
EQUITY AND LIABILITIES			
Capital and reserves	4 522 672	3 894 713	4 017 546
Shareholders' equity	4 324 103	3 750 508	3 839 890
Minority interest	198 569	144 205	177 656
Non-current liabilities	2 236 883	2 177 129	2 210 824
Interest-bearing liabilities	1 652 189	1 743 916	1 700 628
Non-interest-bearing liabilities	—	357	—
Financial liability – derivative financial instrument	31 527	—	34 199
Deferred taxation	553 167	432 856	475 997
Current liabilities	813 064	869 305	836 767
Interest-bearing liabilities	67 632	80 779	64 084
Non-interest-bearing liabilities	24 900	2 697	25 021
Other current liabilities	720 532	785 829	747 662
TOTAL EQUITY AND LIABILITIES	7 572 619	6 941 147	7 065 137
Net number of ordinary shares in issue (000)	407 139	406 665	406 665
Diluted net number of ordinary shares in issue (000)*	465 484	465 482	465 482
Fully diluted net number of ordinary shares in issue (000)**	589 562	589 907	589 907
Net asset value per ordinary share (cents)	928,9	805,7	824,9
Net tangible asset value per ordinary share (cents)	742,6	593,2	632,8
Fully diluted net asset value per ordinary share (cents)	733,4	635,8	650,9
Fully diluted net tangible asset value per ordinary share (cents)	586,3	468,1	499,3

*Calculated on the basis that all preference shares will be converted into ordinary shares before 4 November 2010.

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

Summarised group statement of comprehensive income

	Unaudited 31 December 2009 R'000	% change	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
Revenue	1 908 476	1,0	1 889 659	3 745 662
Profit from operations	149 726	34,1	111 613	255 590
Net interest paid	(52 398)		(87 977)	(144 681)
Share of profit/(loss) from associates	8 894		(12 733)	(34 130)
Net fair value adjustments and profit and loss from investments	544 488	412,7	106 191	365 463
Cost of BEE transaction	(8 088)		(8 088)	(16 175)
Profit before taxation	642 622	489,5	109 006	426 067
Taxation expense	(120 577)		(62 787)	(249 619)
Normal, deferred, capital gains and foreign taxation	(116 670)		(50 582)	(221 218)
Secondary tax on companies	(3 907)		(12 205)	(28 401)
Profit for the period	522 045	1 029,5	46 219	176 448
Total comprehensive income for the period	522 045	1 029,5	46 219	176 448
<i>Profit attributable to:</i>				
Owners of the parent	477 315		7 680	88 974
Other shareholders	44 730		38 539	87 474
– Preference shareholders	15 042		14 919	29 962
– Minority shareholders	29 688		23 620	57 512
	522 045		46 219	176 448
<i>Total comprehensive income attributable to:</i>				
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Other shareholders	44 730		38 539	87 474
– Preference shareholders	15 042		14 919	29 962
– Minority shareholders	29 688		23 620	57 512
	522 045		46 219	176 448
Weighted average net number of ordinary shares in issue (000)	406 792		406 665	406 665
Diluted weighted average net number of ordinary shares in issue (000)*	465 137		465 482	465 482
Earnings per ordinary share (cents)	117,3	6112,4	1,9	21,9
Headline earnings per ordinary share (cents)	124,9	9 566,6	1,3	49,7
Diluted earnings per ordinary share (cents)	105,9	934,1	4,9	25,6
Diluted headline earnings per ordinary share (cents)	112,5	2 495,7	4,3	49,9
Dividends per preference share (cents)	27,5		27,5	55,0
Interim	27,5		27,5	27,5
Final	—		—	27,5

*Calculated on the basis that all preference shares will be converted into ordinary shares before 4 November 2010.

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

Summarised group statement of cash flows

	Unaudited 31 December 2009 R'000	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
Profit from operations	149 726	111 613	255 590
Non-cash items	50 126	67 885	116 456
Working capital	37 748	39 434	(9 101)
Cash generated from operations	237 600	218 932	362 945
Net interest paid	(27 945)	(47 949)	(93 179)
Investment income	165 069	8 890	51 751
Normal taxation paid	(30 286)	(68 131)	(120 586)
Cash available from operating activities before the payment of capital gains tax	344 438	111 742	200 931
Capital gains tax paid	—	—	(342)
Cash available/(utilised) from operating activities	(344 438)	111 742	200 589
Cash effects of investing activities	(112 820)	13 522	(52 399)
Cash effects of financing activities	(126 868)	(357 486)	(434 236)
Dividends paid	(15 853)	(100 439)	(115 481)
Net movement in cash and cash equivalents	88 897	(332 661)	(401 527)
Cash and cash equivalents at the beginning of the period	469 553	871 080	871 080
Cash and cash equivalents at the end of the period	558 450	538 419	469 553

Summarised group statement of changes in equity

	Unaudited 31 December 2009 R'000	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
Balance at the beginning of the period	4 017 545	3 943 488	3 943 488
Acquisition/(disposal) of subsidiaries	(7 351)	—	(427)
Cost of BEE transaction	8 088	8 088	16 175
Net profit after taxation	522 045	46 219	176 448
Dividends/distributions	(17 655)	(103 083)	(118 139)
Balance at the end of the period	4 522 672	3 894 712	4 017 545

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

	Unaudited 31 December 2009 R'000	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
Profit attributable to owners of the parent	477 315	(7 680)	88 974
After tax and minority interest adjustments:			
Loss on disposal of subsidiaries and investments	31 864	(1 965)	(1 438)
Profit on sale of property, plant and equipment	(938)	(460)	(603)
Headline profit attributable to owners of the parent	508 241	(5 255)	86 933

Segmental information

	Unaudited 31 December 2009 R'000	Unaudited 31 December 2008 R'000	Audited 30 June 2009 R'000
NET ASSETS			
Consumer services	3 392 048	2 803 306	3 065 568
Financial services	713 711	1 083 032	613 572
Infrastructure and Construction	167 287	247 995	146 138
Telecoms, Media and Technology	249 626	(239 620)	192 268
	4 522 672	3 894 713	4 017 546
REVENUE			
Consumer services	1 908 476	1 889 659	3 745 662
Financial services	—	—	—
Infrastructure and Construction	—	—	—
Telecoms, Media and Technology	—	—	—
	1 908 476	1 889 659	3 745 662
NET PROFIT/(LOSS) AFTER TAXATION			
Consumer services	425 957	256 814	524 231
Financial services	134 354	185 211	199 676
Infrastructure and Construction	21 148	(119 893)	(127 455)
Telecoms, Media and Technology	(51 326)	(267 825)	(403 829)
Cost of BEE transaction	(8 088)	(8 088)	(16 175)
	522 045	46 219	176 448

COMMENTARY

The performance of the Group held up very well in the tough first half to 31 December 2009. Revenue of R1 908 million for the six-month period ended 31 December 2009 was 1% ahead of the prior year (2008: R1 890 million) with the Group's profit from operations increasing by 34% to R150 million (2008: R112 million).

Net interest paid for the six-month period under review amounted to R52 million compared to net interest paid of R88 million for the comparable period.

The gross interest earned on cash balances reduced to R17 million as a result of lower average balances and a reduction in interest rates. The fair value adjustments and profit and loss from investments amounted to R544 million for the six-month to 31 December 2009 compared to R106 million for the comparable period in the prior year.

Earnings per share and headline earnings per share are 117,3 cents per share and 124,9 cents per share respectively compared with 1,9 cents per share and 1,3 cents per share respectively for the six-month period ended 31 December 2008.

Financial position

The Group's cash position increased to R558 million at 31 December 2009 from R538 million at 31 December 2008, mainly as a result of dividends received from Investments.

Total interest bearing liabilities at 31 December 2009 decreased to R1 720 million from R1 825 million in the prior period which contributed to a decrease of the Group's debt to equity ratio to 38% (2008: 47%).

Capital structure

The issued ordinary shares increased by 473 831 during the six-month period pursuant to the conversion rights of the preference shareholders in terms of which 438 732 preference shares were converted to ordinary shares.

The weighted average net number of ordinary shares in issue at 31 December 2009 was 407 million ordinary shares. 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 or before 4 November 2010.

The conversion price of the convertible perpetual cumulative preference shares remained unchanged at R9,30 per share. This means that each preference share can be converted at the instance of the holder to 1,08 ordinary shares between 4 November 2009 and 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.

Intrinsic net asset value

The Group's intrinsic net asset value increased by R1,96 to R9,32 from R7,36 at 31 December 2008. The increase is mainly attributable to the increase in the valuations of Absa and Life Healthcare together with an improvement in the results from operations of subsidiaries which gave rise to an increase in Mvelaserve's intrinsic net asset value per share at 31 December 2009.

The intrinsic net asset value per ordinary share net of capital gains taxation and debt is set out in the table below:

	31 December 2009				31 December 2008	
	Intrinsic gross asset value (after CGT) Rm	Debt Rm	Intrinsic net asset value Rm	Per share ^{1,2} R	Intrinsic net asset value Rm	Per share ^{1,2} R
Life Healthcare	2 273	(423)	1 850	3,96	1 431	3,07
Mvelaserve	1 443	(148)	1 295	2,78	1 039	2,23
Absa Group	1 018	—	1 018	2,18	860	1,85
Group Five	245	—	245	0,53	259	0,56
Vox Telecom	43	(246)	(203)	(0,42)	(184)	(0,40)
Avusa	455	(852)	(397)	(0,85)	(516)	(1,11)
Other Investments	24	—	24	0,05	50	0,11
Net cash	558	(50)	508	1,09	488	1,05
TOTAL	6 059	(1 719)	4 340	9,32	3 427	7,36

¹Based on the fully diluted net number of 465 million ordinary shares, assuming that all the preference shares will be converted into ordinary shares before November 2010 (2008: 465 million ordinary shares).

²BEE 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.

Based on Mvela Group's ordinary share price listed on the JSE Limited ("JSE") of R7,05 on 31 December 2009, the ordinary shares were trading at a discount of 24% to the Group's intrinsic net asset value per ordinary share of R9,32 at that date.

This discount has narrowed since 31 December 2009 to 7% based on the closing ordinary share price of R8,67 at the close of business on 2 March 2010.

Investments

Mvelaserve Limited ("Mvelaserve")

Revenue for the six-month period ended 31 December 2009 increased by 10% or R180 million to R1 908 million (2008: R1 729 million) on a comparable basis. EBITDA for the period was R214 million, which was 8% higher than the prior corresponding period or 28% on a comparable basis, excluding Trollope Mining Services and Novare Investments. Operating margin improved by 2% from the prior year to 9% (2008: 7%).

Cash generated from operations for the six-month period to 31 December 2009 amounted to R238 million compared to

R219 million generated in the prior corresponding period.

Capital expenditure on property, plant and equipment amounted to R70 million (2008: R81 million) on a comparable basis. Approximately R15 million of this capital expenditure was attributable to the replacement of assets with the balance being used to expand and grow Mvelaserve.

Depreciation and amortisation for the six-month period ended 31 December 2009 was R49 million (2008: R69 million).

The intrinsic net asset value per ordinary share attributable to Mvelaserve increased to R2,78 per Mvela Group ordinary share at 31 December 2009 compared to R2,23 per Mvela Group ordinary share at 31 December 2008. The increase in the valuation is mainly influenced by the improvement in the underlying results of Mvelaserve. Mvelaserve comprises 30% of Mvela Groups' intrinsic net asset value.

Facilities Management

FM benefited from increased project management by TFMC and capital expenditure undertaken by Telkom as well as new business gains within Customised Solutions. The extension of the Telkom Contract continues to be under negotiation. Contracts in Customised Solutions performed ahead of expectations.

Security

The Security business unit continued its turnaround during the six-month, driven by growth in all divisions and new contract wins across all sectors. Revenue and operating profit increased by 22% and 99% respectively. All divisions performed well and the Assets-In-Transit division turned around during the six-month with the division posting positive operating results, with continued strong growth.

Catering and Cleaning

The Catering and Cleaning business unit demonstrated an improvement in revenue of 14% during the period under review attributable to organic growth in all divisions. Operating profit declined compared to the corresponding six-month period as a result of once-off start up costs on the new contracts. Catering and Cleaning have been subject to some restructuring in the current six-month period and we anticipate that the implemented turnaround strategy will show positive results by the end of the financial year.

Diversified Services

On a comparable basis, revenue decreased 18% mainly due to the slowdown in the Contract Forwarding freight business. Khuseki and Zonke revenue remained flat. Operating profit increased 80% with Khuseki showing an improvement of over 400% following expansion of the King Pie product range into the wholesale market. Zonke delivered a solid result for the period under review while Contract Forwarding's contribution declined as imports and exports decreased.

Strategic investments

Financial Services

Absa Group's financial results for the year ended 31 December 2009 were slightly better than market expectations. As expected, the results were negatively impacted by the adverse market conditions resulting in substantial impairments. This resulted in headline earnings per share decreasing by 26