

Key features

Major progress with value unlocking strategy

→ Life Healthcare

unbundled to shareholders

→ Mvelaserve

successful listing and unbundling to shareholders



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: ZAE 000060737 Preference share ISIN: ZAE 000073540
 ("Mvela Group", "the Company" or "the Group")

Unaudited interim results for the six months ended 31 December 2010

The assets and liabilities unbundled/diposed are as follows:

	Mvelaserve R'000	Health R'000
Property, plant and equipment	394 724	—
Trademarks and other intangibles	135 974	—
Investment in associates	9 745	—
Strategic investments	20 692	1 892 236
Deferred taxation assets	14 847	13 234
Inventory	44 589	—
Trade and other receivables	915 670	—
Net cash and cash equivalents	188 368	—
Total assets	1 724 609	1 905 470
Trade and other payables	803 936	—
Non-current interest-bearing liabilities	285 760	—
Current asset finance	75 489	—
Non-current asset finance	107 754	—
Taxation	37 835	—
Total liabilities	1 310 774	—
Net assets disposed	413 835	1 905 470
Minority interest	(12 422)	—
Goodwill	680 873	22 500
Fair value adjustment	(247 823)	(35 734)
Dividend/distribution	834 463	1 892 236

Capital commitments

Capital expenditure	31 December 2010 R'000*	31 December 2009 R'000	30 June 2010 R'000
Contracted for	18 536	37 590	16 354
Not contracted for	8 399	8 636	9 770
	26 935	46 226	26 124
Operating leases			
Land and buildings	102 529	47 832	114 174
Equipment	5 571	2 768	5 423
Motor vehicles	641	6	325
	108 741	50 606	119 922

*In respect of Mvelaserve which has been unbundled on 6 December 2010.

Dividend

Ordinary shares

The directors of Mvela Group have resolved not to declare an interim dividend for the six months ended 31 December 2010 following the decision to realise value for shareholders and preserve cash for the realisation and unbundling process.

Preference shares

The directors of Mvela Group have resolved to declare a cash preference dividend (No. 11) of 30,03288 cents per preference share, for the six-month period ended 31 December 2010, to preference shareholders. The last day to trade "cum" the preference dividend in order to participate in the preference dividend will be Friday, 1 April 2011. The preference shares of Mvela Group will commence trading "ex" the preference dividend from the commencement of business on Monday, 4 April 2011 and the record date will be Friday, 8 April 2011. The preference dividend will be paid to preference shareholders on Monday, 11 April 2011. Preference share certificates may not be dematerialised or rematerialised between Monday, 4 April 2011 and Friday, 8 April 2011, both days inclusive.

Prospects

The Mvela Group board will continue with its unbundling strategy with a key focus on unlocking value for shareholders and generating a satisfactory return on capital for shareholders over time.

MSM Xayiya

Executive Chairman and acting Chief Executive Officer

17 March 2011

Reconciliation between (loss)/profit attributable to owners of the parent and headline (loss)/profit attributable to owners of the parent

	Unaudited 31 December 2010 R'000	Unaudited 31 December 2009 R'000	Audited 30 June 2010 R'000
(Loss)/profit for the period and total comprehensive (loss)/income attributable to owners of the parent	(245 934)	477 315	865 784
Loss on disposal of subsidiaries	283 557	31 864	111 143
Profit on sale of property, plant and equipment	(1 415)	(1 200)	(517)
Tax effect	(39 302)	262	(5 781)
Headline (loss)/profit attributable to owners of the parent	(3 094)	508 241	970 629

Summarised Group statement of cash flows

	Unaudited 31 December 2010 R'000	Unaudited 31 December 2009 R'000	Audited 30 June 2010 R'000
Profit from operations	36 802	149 726	327 048
Non-cash items	51 570	50 126	108 194
Working capital	(72 979)	37 748	(6 993)
Cash generated from operations	15 393	237 600	428 249
Net interest paid	(16 464)	(27 945)	(74 050)
Investment income	52 688	165 069	174 122
Normal taxation paid	(25 022)	(30 286)	(70 730)
Cash available from operating activities before the payment of capital gains tax	26 599	344 438	457 591
Capital gains tax paid	(15 197)	—	(791)
Cash available from operating activities	11 398	344 438	456 800
Cash effects of investing activities	(22 288)	(112 820)	114 484
Cash effects of financing activities	(248 488)	(126 868)	(484 685)
Dividends paid	(14 710)	(15 853)	(30 008)
Net movement in cash and cash equivalents	(274 088)	88 897	56 591
Cash and cash equivalents at the beginning of the period	526 143	469 552	469 552
Cash and cash equivalents at the end of the period	252 055	558 449	526 143

Segmental information

	Unaudited 31 December 2010 R'000	Unaudited 31 December 2009 R'000	Audited 30 June 2010 R'000
NET ASSETS			
Consumer services	1 253 963	3 392 048	3 982 268
Financial services	654 440	713 711	572 429
Infrastructure and Construction	138 262	167 287	130 550
Telecoms, Media and Technology	165 205	249 626	209 036
	2 211 870	4 522 672	4 894 283
REVENUE			
Consumer services	—	—	—
Financial services	—	—	—
Infrastructure and Construction	—	—	—
Telecoms, Media and Technology	—	—	—
Revenue from discontinued operations	1 886 411	1 908 476	4 199 259
	1 886 411	1 908 476	4 199 259
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR PERIOD			
Consumer services	(338 667)	351 880	866 904
Financial services	82 011	134 354	(6 928)
Infrastructure and Construction	7 712	21 148	(15 588)
Telecoms, Media and Technology	14 169	(51 326)	(113 228)
Cost of BEE transaction	(7 751)	(8 088)	(16 175)
Profit after taxation from discontinued operations	35 704	74 077	176 510
	(206 822)	522 045	891 495

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

www.mvelagroup.co.za

BASTION GRAPHICS

Absa (Strategic investment: Financial Services)

The Absa intrinsic net asset value at R1,87 was based on an Absa share price of R140 per share, compared to an intrinsic net asset value of R1,96 per Mvela Group share which was based on an Absa share price of R121,49 per share.

The Absa investment comprises 51,5% of Mvela Group's intrinsic net asset value per share at 31 December 2010.

Life Healthcare (Consumer Services)

Life Healthcare, which was listed in the previous financial year, was unbundled to shareholders on 20 August 2010 via shares in a newly listed subsidiary, Health Strategic Investments Limited ("Health"). Each Health share represented one Life Healthcare share and was unbundled to shareholders in a ratio of 33,455 Health shares for every 100 Mvela Group ordinary shares held, resulting in Mvela Group, through its 35 765 285 treasury shares held by a subsidiary, receiving 11 964 686 Health ordinary shares. Health unbundled its Life Healthcare shares to its shareholders on 17 December 2010 in a ratio of 1:1.

Apart from the above, Mvela Group owned a direct interest of 44 305 618 shares in Life Healthcare of which 10 422 097 were sold pursuant to the over-allotment after the listing of Life Healthcare.

The Life Healthcare share price at 31 December 2010 amounted to R14,85 which translated to a net intrinsic value of R0,85 per Mvela Group share compared to R5,46 at 30 June 2010. The decrease was mainly due to the unbundling effect of R4,72 per Life Healthcare share, partly off-set against the increase in the Life Healthcare share price from R13,50 to R14,85.

Life Healthcare comprises 23,4% of Mvela Group's intrinsic net asset value at 31 December 2010.

Avusa (Investment in associate: Telecoms, Media and Technology Sector)

Mvela Group's interest of 26 474 000 ordinary shares in Avusa was diluted to 22% at 31 December 2010 from 25,5% at 30 June 2010 following an issue of ordinary shares by Avusa as part settlement for an acquisition during the period under review. Based on a closing price at 31 December 2010 of R22,40 (30 June 2010: R19,10), the net intrinsic value per Mvela Group ordinary share amounted to R0,42 compared to a negative R0,74 at 30 June 2010. The aforementioned improvement was mainly as a result of a R482 million reduction in debt.

Group Five (Strategic investment: Construction and Infrastructure Sector)

Mvela Group's interest in Group Five is valued using an option pricing model. Based on a share price of R36,50 at 31 December 2010, the net intrinsic value of Mvela Group's 12,7% interest in Group Five amounted to R129 million or R0,24 per Mvela Group share.

Mvela Group's investment in Group Five comprises 6,7% of the Group's intrinsic net asset value at 31 December 2010.

Mvelaserve (Consumer Services)

Mvelaserve was listed on the JSE on 29 November 2010 after which Mvela Group unbundled its total interest to shareholders on 6 December 2010. As part of the unbundling, Mvela Group received 8 953 481 Mvelaserve shares through its holding of 35 765 285 Mvela Group treasury shares.

The share price of Mvelaserve on the JSE at 31 December 2010 was R13,30 which translates to R0,21 per Mvela Group ordinary share at 31 December 2010 compared to R3,70 per Mvela Group ordinary share at 30 June 2010.

Vox Telecoms (Strategic investment: Telecoms, Media and Technology Sector)

Mvela Group owns 137 500 000 ordinary shares in Vox Telecoms with a closing price of R0,45 per share at 31 December 2010. After deducting debt of R262 million, the intrinsic net asset value per Mvela Group ordinary share amounted to a negative R0,38 per share compared to a negative R0,46 at 30 June 2010.

Accounting policies and International Financial Reporting Standards

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2010 ("the period") have been prepared in accordance with International Financial Reporting Standards (IFRS) including IAS 34, AC500 standards as issued by the Accounting Practices Board or its successor, the JSE Listings Requirements, and in the manner required by the Companies Act of South Africa. The accounting policies adopted are consistent with the accounting policies applied in the audited annual financial statements for the previous year ended 30 June 2010.

Changes in accounting policy and disclosures

Business combinations involving entities under common control

In accordance with IAS 8 Accounting Policies, Estimates and Errors, management referred to IFRS 3 Business Combination and accordingly adopted the acquisition method as the Group's accounting policy for the treatment of business combinations under common control.

The Group has applied the new policy prospectively, with the result that no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Exceptional items

Exceptional items are those which have been determined by the directors as being material by their size, incidence or nature and are therefore required to be disclosed separately to enable full understanding of the Group's financial performance.

Unbundling of subsidiaries

On 20 August 2010, the Group unbundled and distributed its 53,33% interest in Health Strategic Investments, the vehicle holding the Group's 4,25% effective interest in Life Healthcare, to its ordinary shareholders. The fair value unbundled/distributed amounted to R1 892 million.

As part of the Group's unbundling process, the Group disposed of its 75% interest in the share capital of Zonke Monitoring Systems (Proprietary) Limited ("Zonke") to Mvelaserve on 29 October 2010. Zonke contributed R20,1 million in revenue and R7,6 million in operating profit from the period 1 July 2010 to 6 December 2010. If the disposal had occurred on 31 December 2010, Zonke would have added approximately R4 million and R2 million to profit before tax for the period. The fair value of its net assets disposed of was R81 million which the Group received additional shares in Mvelaserve valued at R81 million.

On 6 December 2010, the Group unbundled its 100% interest in Mvelaserve. Mvelaserve and its subsidiaries contributed R1 886 million in revenue and R71 million in operating profit to the Group's profit before tax for the period 1 July 2010 to 30 November 2010. If this disposal had occurred on 31 December 2010, Mvelaserve would have added approximately R348 million in revenue and R43 million in operating profits to the Group's profit before tax.

Summarised Group statement of comprehensive income

	Unaudited 31 December 2010 R'000	% change	Unaudited 31 December 2009 R'000	Audited 30 June 2010 R'000
Continuing operations				
(Loss)/profit from operations	(33 853)	(72,8)	5 444	3 198
(Loss)/profit from operations pre-exceptional items	(24 957)		5 444	3 198
Exceptional items	(8 896)		—	—
Net interest expense	(15 735)		(18 426)	(47 234)
Interest income	5 893		11 349	20 470
Interest expense	(21 628)		(29 775)	(67 704)
Share of profit/(loss) from associates	15 495		7 413	(28 593)
Net fair value adjustments and (loss)/profit from investments	(154 549)	(128,5)	541 859	577 636
Cost of BEE transaction	(7 751)		(8 088)	(16 175)
(Loss)/profit before taxation	(196 393)	(137,2)	528 202	488 832
Taxation expense	(46 133)		(80 234)	226 153
Normal, deferred, capital gains and foreign taxation	(42 728)		(76 452)	230 510
Secondary tax on companies	(3 405)		(3 782)	(4 357)
(Loss)/profit after taxation from continuing operations	(242 526)	(154,1)	447 968	714 985
Discontinued operations				
Revenue	1 886 411	(1,2)	1 908 476	4 199 259
Profit from operations	70 655	(51,0)	144 282	323 850
Profit from operations pre-exceptional items	140 933		144 282	323 850
Exceptional items	(70 278)		—	—
Net interest expense	(20 537)		(33 972)	(60 631)
Interest income	10 529		5 368	14 958
Interest expense	(31 066)		(39 340)	(75 589)
Share of profit from associates	3 522		1 481	6 076
Net fair value adjustments and profit/(loss) from investments	3 149	19,8	2 629	(2 726)
Profit before taxation	56 789	(50,4)	114 420	266 569
Taxation expense	(21 085)		(40 343)	(90 059)
Normal, deferred, capital gains and foreign taxation	(20 984)		(40 218)	(87 823)
Secondary tax on companies	(101)		(125)	(2 236)
Profit after taxation from discontinued operations	35 704	(51,8)	74 077	176 510
(Loss)/profit for the period	(206 822)	(139,6)	522 045	891 495
Total comprehensive (loss)/income for the period	(206 822)		522 045	891 495
(Loss)/profit for the period and total comprehensive (loss)/income attributable to:				
Owners of the parent	(245 934)		477 315	865 784
Other shareholders	39 112		44 730	25 711
— Preference shareholders	14 710		15 042	30 008
— Minority shareholders	24 402		29 688	(4 297)
	(206 822)		522 045	891 495
Weighted average net number of ordinary shares in issue (000)	458 467		406 792	406 962
Diluted weighted average net number of ordinary shares in issue (000)#	458 467		465 137	465 307
(Loss)/earnings per ordinary share (cents)	(53,6)		117,3	212,7
(Loss)/earnings per ordinary share from continuing operations (cents)	(60,9)	(161,1)	99,8	171,0
Earnings per ordinary share from discontinued operations (cents)	7,3	(58,5)	17,5	41,7
Headline (loss)/earnings per ordinary share (cents)	(0,7)		124,9	238,5
Headline (loss)/earnings per ordinary share from continuing operations (cents)	(7,8)	(107,2)	107,6	196,9
Headline earnings per ordinary share from discontinued operations (cents)	7,1	(59,2)	17,3	41,6
Diluted (loss)/earnings per ordinary share (cents)	(53,6)		105,9	192,5
Diluted (loss)/earnings per ordinary share from continuing operations (cents)	(60,9)	(167,3)	90,6	156,0
Diluted earnings per ordinary share from discontinued operations (cents)	7,3	(52,5)	15,3	36,5
Diluted headline (loss)/earnings per ordinary share (cents)	(0,7)		112,5	215,0
Diluted headline (loss)/earnings per ordinary share from continuing operations (cents)	(7,8)	(108,0)	97,4	178,6
Diluted headline earnings per ordinary share from discontinued operations (cents)	7,1	(53,3)	15,1	36,4
Dividends per preference share (cents)	30,0		27,5	54,2
Interim	30,0		27,5	27,1
Final	—		—	27,1

* Remaining number of preference shares in issue as at 31 December 2010 was 265 362 shares. A dilutive effect was not calculated for this period. Prior periods were calculated on the basis that