

# Unaudited results of Mvela Group and its subsidiaries for the six-month period ended 31 December 2011



## MVELAPHANDA GROUP LIMITED

(Incorporated in the Republic of South Africa) Registration number 1995/004153/06 Ordinary share code: MVG Ordinary share ISIN: ZAE 000060737 ("Mvela Group", "the Company" or "the Group")

### Key features

- Absa and Life Healthcare have performed strongly over the period
- R129 million cash realised from investments
- Blackstar acquires 28% of Mvela Group's equity

The following are the unaudited results of Mvela Group and its subsidiaries for the six-month period ended 31 December 2011 with comparative figures

### Summarised Group statements of financial position

R'000	Unaudited 31 December 2011	Unaudited 31 December 2010	Audited 30 June 2011
<b>Assets</b>			
<b>Non-current assets</b>	<b>644 566</b>	2 435 406	2 298 006
Property, plant and equipment	1 099	1 367	1 252
Investment in associate	642 702	681 326	635 385
Strategic investments	—	1 752 713	1 661 369
Deferred taxation	765	—	—
<b>Current assets</b>	<b>2 178 711</b>	779 090	468 140
Other investments	1 979 503	502 996	355 069
Other current assets	5 966	24 039	24 786
Cash and cash equivalents	193 242	252 055	88 285
<b>Total assets</b>	<b>2 823 277</b>	3 214 496	2 766 146
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>	<b>2 451 935</b>	2 211 870	2 357 323
Total attributable to ordinary equity holders	2 245 807	2 031 027	2 160 241
Minority shareholders	206 128	180 843	197 082
<b>Non-current liabilities</b>	<b>329 569</b>	966 713	382 524
Interest-bearing liabilities	284 923	693 600	333 078
Equity collar liability	7 266	—	—
Deferred taxation	37 380	273 113	49 446
<b>Current liabilities</b>	<b>41 773</b>	35 913	26 299
Interest-bearing liabilities	35 000	948	—
Non-interest-bearing liabilities	—	2 577	—
Bank overdraft	—	—	24 366
Other current liabilities	6 773	32 388	1 933
<b>Total equity and liabilities</b>	<b>2 823 277</b>	3 214 496	2 776 146
Net number of ordinary shares in issue (000)	529 708	565 474	529 139
Net asset value per ordinary share (cents)	423,9	359,2	409
Net tangible asset value per ordinary share (cents)	423,9	359,2	409

### Summarised Group statements of changes in equity

R'000	Unaudited 31 December 2011	Unaudited 31 December 2010	Audited 30 June 2011
<b>Balance at the beginning of the period</b>	<b>2 357 323</b>	4 894 283	4 894 283
Disposal of subsidiaries	—	(12 422)	(12 422)
Cost of BEE transaction	—	7 751	15 501
Issued share capital*	1	151	151
Redemption of perpetual preference shares	(2 654)	—	—
Total comprehensive income/(loss) for the period	97 462	(206 822)	(69 039)
Dividends/distributions	(197)	(2 471 071)	(2 471 151)
<b>Balance at the end of the period</b>	<b>2 451 935</b>	2 211 870	2 357 323

\*Sale of Mvela Group ordinary shares held in share incentive trust.

### Commentary

#### Introduction

Mvela Group continued with its value unlocking strategy during the period under review with the disposal of 135 500 000 Vox Telecoms Limited ("Vox Telecom") ordinary shares and 2 700 000 Life Healthcare Limited ("Life Healthcare") ordinary shares. Further, Mvela Group redeemed its 265 362 perpetual preference shares for a redemption amount of R3 million.

Subsequent to 31 December 2011, 28% of Mvela Group's ordinary share capital was acquired by Blackstar Group SE ("Blackstar").

#### Financial review

##### Financial performance

Mvela Group received dividend income of R13 million (31 December 2010: R53 million) during the period under review, of which, R8 million was received from Life Healthcare.

Net interest expense for the period under review decreased to R7 million from R16 million for the previous comparable period mainly as a result of a reduction of debt during the period under review.

Net fair value adjustments and profit and loss from investments amounted to a net gain of R93 million (31 December 2010: R207 million loss) which comprises a net gain from fair value adjustments on investments of R76 million (31 December 2010: R130 million), and a net released gain of R17 million from disposal of investments. The net fair value adjustment of investments of R76 million mainly includes R103 million fair value gain from the Group's indirect investment in Absa Group Limited ("Absa"), offset by R38 million fair value loss from the Group's investment in Group Five Limited ("Group Five").

Profit from associate, Avusa Limited ("Avusa") amounted to R7 million against a profit of R15 million the previous comparable period, being the Group's share of Avusa's comprehensive income for the six-month period 30 September 2011.

Tax credit of R3 million (31 December 2011: R46 million charge) was charged to the statement of comprehensive income during the period of which R12 million relates mainly to the over-provision of deferred tax provided for on the Group's investment in Life Healthcare, R6 million capital gains tax ("CGT") incurred from the sale of Life Healthcare shares and normal tax of R3 million.

##### Financial position

The Group's cash position increased by R129 million at 31 December 2011, this resulted from proceeds received mainly from the disposal of the Group's investments in Life Healthcare, Vox Telecom and Swissport South Africa (Proprietary) Limited of R138 million, R16 million from dividends and net interest received, offset by R25 million reductions of interest-bearing liabilities.

On 21 July 2011, Mvela Group entered into a collar option transaction with a commercial bank in respect of 7 000 000 Life Healthcare shares ("the collar option transaction"), as at 31 December 2011 the closing Life Healthcare share price of R20,64 per share exceeded the capped rate of R19,60 per share resulting in an equity collar liability of R7 million.

##### Capital structure

On 31 December 2011 the Group redeemed its 265 362 perpetual preference shares of R0,1 each. On 3 January 2012, preference shareholders were paid for each perpetual preference share held, the deemed value of R10,00 plus the preference dividend for the six-month 31 December 2011 (No.13) of 36,1 cents and the arrear preference dividend for the six-month period ended 30 June 2011 (No.12) calculated up to 31 December 2011 of 38,14 cents, calculated on 80% of the ruling prime overdraft rate, this equates to R3 million.

##### Intrinsic net asset value

The Group's intrinsic net asset value per share increased to R3,66 from R3,65 at 31 December 2011, mainly due to the decline in the share prices of Group Five and Avusa.

### Summarised Group statements of comprehensive income

R'000	Unaudited 31 December 2011	% change	Unaudited 31 December 2010	Audited 30 June 2011
<b>Continuing operations</b>				
Operating income	—		—	6 358
Operating expense	(9 390)		(24 957)	(31 954)
Loss from operations pre-exceptional items	(9 390)		(24 957)	(25 596)
Exceptional items	(3 142)		(8 896)	(14 241)
Loss from operations	(12 532)	63	(33 853)	(39 837)
Net interest expense	(7 691)		(15 735)	(24 464)
Interest income	4 788		5 893	15 482
Interest expense	(12 479)		(21 628)	(39 946)
Share of profit/(loss) from associates	7 317		15 495	(7 942)
Dividend income	13 631		52 687	72 256
Net fair value adjustments and profit/(loss) from investments	93 080	145	(207 236)	(229 505)
Cost of BEE transaction	—		(7 751)	(15 501)
<b>Profit/(loss) before taxation</b>	<b>93 805</b>	148	(196 393)	(244 993)
Taxation charge	3 657		(46 133)	140 250
Normal and capital gains (current and deferred) taxation	3 657		(42 728)	145 921
Secondary tax on companies	—		(3 405)	(5 671)
<b>Profit/(loss) after taxation from continuing operations</b>	<b>97 462</b>		(242 526)	(104 743)
Discontinued operations	—		—	—
Profit from discontinued operations	—		35 704	35 704
<b>Total comprehensive income/(loss) for the period</b>	<b>97 462</b>		(206 822)	(69 039)
<i>Total comprehensive income/(loss) attributable to:</i>				
Owners of the parent	88 218		(245 934)	(124 471)
Other shareholders	9 244		39 112	55 432
— Preference shareholders	197		14 710	14 790
— Minority shareholders	9 047		24 402	40 642
<b>Total comprehensive income/(loss) for the period</b>	<b>97 462</b>	147	(206 822)	(69 039)
Weighted average net number of ordinary shares in issue (000)	529 426		458 467	491 217
Earnings/(loss) per ordinary share (cents)	16,7		(53,6)	(26,0)
Earnings/(loss) per ordinary share from continuing operations (cents)	16,7	127	(60,9)	(32,0)
Earnings per ordinary share from discontinued operations (cents)	—	(100)	7,3	6,0
Headline earnings/(loss) per ordinary share (cents)	16,7		(0,7)	43,0
Headline earnings/(loss) per ordinary share from continuing operations (cents)	16,7	314	(7,8)	36,0
Headline earnings per ordinary share from discontinued operations (cents)	—	(100)	7,1	7,0
Dividends per preference share (cents)	74,2		30,0	30,0
Interim	38,1		30,0	30,0
Arrear	36,1		—	—

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

	31 December 2011				30 June 2011	
	Intrinsic gross asset value (after CGT) Rm	Debt Rm	Intrinsic net asset value Rm	Per share <sup>(1)</sup> R	Intrinsic net asset value Rm	Per share <sup>(1)</sup> R
Absa Group	1 195	—	1 195	2,26	1 053	1,99
Life Healthcare	256	—	256	0,48	270	0,51
Avusa	479	(320)	159	0,30	302	0,57
Group Five	50	—	50	0,09	82	0,15
Mvelaserve	90	—	90	0,17	99	0,18
Vox Telecom	—	—	—	—	48	0,09
Other investments	—	—	—	—	26	0,04
Net cash	193	—	193	0,36	64	0,12
<b>Total</b>	<b>2 263</b>	<b>(320)</b>	<b>1 943</b>	<b>3,66</b>	<b>1 944</b>	<b>3,65</b>

<sup>(1)</sup>Based on total number of shares in issue on 31 December 2011 net of treasury shares of 529 million ordinary shares.

<sup>(2)</sup>BEE shares issued in June 2007 and December 2010 have not been taken into account in calculating the intrinsic net asset value per ordinary share as the minimum option strike price of R3,18 is greater than the current Mvela Group ordinary share price.

<sup>(3)</sup>The intrinsic net asset value is unaudited and unreviewed.

Based on Mvela Group's ordinary share price listed on the JSE of R3,50 on 31 December 2011, the ordinary shares were trading at a discount of 4,58% to the Group's intrinsic net asset value per ordinary share of R3,66 at that date.

#### Investment review

##### Absa

The Absa intrinsic net asset value of R2,26 per share was based on the Absa share price of R141,0 per share at 31 December 2011 compared to R1,99 per Mvela Group share which was based on an Absa share price of R134,81 per share at 30 June 2011. The Absa investment comprises 61,8% of the Group's intrinsic net asset value at 31 December 2011.

##### Avusa

Based on a closing price at 31 December 2011 of R18,11 (30 June 2011: R24), the intrinsic net asset value amounted to R0,30 per Mvela Group share compared to R0,57 per share at 30 June 2011. The Avusa investment comprises 9% of the Group's intrinsic net asset value at 31 December 2011.

##### Group Five

Mvela Group's interest in Group Five is valued using an option-pricing model. Based on a share price of R22,71 at 31 December 2011 (30 June 2011: R29,90), the intrinsic net asset value amounted to R0,09 per Mvela Group share compared to an intrinsic net asset value of R0,15 per Mvela Group share at 30 June 2011. Mvela Group's 12,7% investment in Group Five comprises 3% of the Group's intrinsic net asset value at 30 June 2011.

##### Life Healthcare

Of the 17 499 903 Life Healthcare shares held at 30 June 2011, 2 700 000 Life Healthcare shares were sold during the period under review and as mentioned in the financial review above, Mvela Group entered into a collar option transaction in respect of 7 000 000 Life Healthcare shares.

The Life Healthcare share price at 31 December 2011 amounted to R20,64 per share which translated to a net intrinsic value of R0,48 per Mvela Group share compared to R0,51 per Mvela Group share at 30 June 2011. The decrease was mainly due to the sale

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

R'000	Unaudited 31 December 2011	Unaudited 31 December 2010	Audited 30 June 2011
<b>Profit/(loss) attributable to owners of the parent</b>	<b>88 218</b>	(245 934)	(124 471)
Loss on disposal of subsidiaries and investments	—	283 557	283 557
Impairment to investment in associate	—	—	50 337
Profit on sale of property, plant and equipment	—	(1 415)	(1 415)
Tax effect	—	(39 302)	396
<b>Headline profit/(loss) attributable to owners of the parent</b>	<b>88 218</b>	(3 094)	208 404

### Summarised Group statements of cash flows

R'000	Unaudited 31 December 2011	Unaudited 31 December 2010	Audited 30 June 2011
(Loss)/profit from operations	(12 532)	36 802	30 818
Non-cash items	154	51 570	43 739
Working capital	17 776	(72 979)	(95 762)
Cash generated/(utilised) from operations	5 398	15 393	(21 205)
Interest received	4 788	5 893	26 011
Interest paid	(241)	(22 357)	(51 435)
Investment income	11 192	52 688	74 301
Normal taxation paid	(103)	(25 022)	(14 565)
Cash available from operating activities before the payment of capital gains tax	21 034	26 595	13 107
Capital gains tax paid	(6 034)	(15 197)	(46 833)
Cash available/(utilised) from operating activities	15 000	11 398	(33 726)
Cash effects of investing activities	139 721	(22 288)	196 021
Cash effects of financing activities	(25 398)	(248 488)	(609 729)
Preference dividends paid	—	(14 710)	(14 790)
<b>Net movement in cash and cash equivalents</b>	<b>129 323</b>	(274 088)	(462 224)
Cash and cash equivalents at the beginning of the period	63 919	526 143	526 143
<b>Cash and cash equivalents at the end of the period</b>	<b>193 242</b>	252 055	63 919

### Segmental information

R'000	Unaudited 31 December 2011	Unaudited 31 December 2010	Audited 30 June 2011
<b>NET ASSETS</b>			
Consumer services	387 145	1 253 963	996 342
Financial services	1 325 883	654 440	826 689
Infrastructure and construction	51 607	138 262	83 646
Telecoms, media and technology	481 172	165 205	450 646
<b>REVENUE</b>			
Revenue from discontinued operations	—	1 886 411	1 886 411
	—	1 886 411	1 886 411
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR PERIOD</b>			
Consumer services	36 262	(338 667)	(260 502)
Financial services	94 391	82 011	254 259
Infrastructure and construction	(32 039)	7 712	(46 905)
Telecoms, media and technology	(1 152)	14 169	(36 094)
Cost of BEE transaction	—	(7 751)	(15 501)
Profit after taxation from discontinued operations	—	35 704	35 704
<b>Total comprehensive income/(loss) for the period</b>	<b>97 462</b>	(206 822)	(69 039)

of 2 700 000 Life Healthcare shares and the collar option on 7 000 000 Life Healthcare shares being fair valued at its capped share price of R19,60. Life Healthcare comprises 13,84% of Mvela Group's intrinsic net asset value at 31 December 2011.

##### Mvelaserve

The share price of Mvelaserve at 31 December 2011 was R10,10 which translates to R0,17 per Mvela Group share at 31 December 2011 compared to R0,18 per Mvela Group share at 30 June 2011. Mvelaserve comprises 5% of Mvela Group's intrinsic net asset value at 31 December 2011.

##### Vox Telecom Limited

In November 2011 Mvela Group disposed of its entire interest in Vox Telecom of 135,5 million Vox shares at 45 cents per share equating to R61 million to Business Venture Investments No. 1542, a special purpose vehicle held by Investec Bank Limited and Lereko Metier Trustees (Proprietary) Limited.

#### Changes to board of directors

Messr Bryan Hopkins, independent non-executive director, and Ernst Röth, chief financial officer, resigned from the Board with effect from 18 January 2012. Mr Andrew Bonamour has been appointed as executive director and Messrs William Marshall-Smith and Patrick Ntshahintshali have been appointed as non-executive director and independent non-executive director, respectively, to Mvela Group's Board of directors with effect from Thursday, 19 January 2012. Mr Bonamour will assume the role of interim chief executive officer.

#### Accounting policies and international financial reporting standards

The unaudited summarised consolidated financial statements for the six-month period ended 31 December 2011 ("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, as amended. The accounting policies adopted are in terms of IFRS and are consistent with the accounting policies applied in the audited annual financial statements for the previous year ended 30 June 2011.

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