



# Reviewed Year-end Results for the year ended 30 June 2006 and Renewal of Cautionary Announcement

Glenrand M-I-B Limited

Incorporated in the Republic of South Africa

(Registration number 1997/008001/06)

("Glenrand M-I-B" or "the Group")

JSE share code: GMB

ISIN: ZAE 000078010

## Operational Review

### FINANCIAL REVIEW

#### Overview

The reviewed annual results have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Details and explanations relating to the effect of the implementation of IFRS in the current and prior periods are contained in notes to this announcement. Prior year results have been restated in terms of IFRS and other adjustments.

#### Headline earnings

In terms of IFRS the value of trade marks was reinstated on the balance sheet and amortisation commenced in the current financial year. The headline loss on which the trading statement was based was calculated on the basis that the Group's trademark amortisation of R10,3 million (after tax) was added back when calculating headline earnings. In finalising the year end results the Group established that trademark amortisation should in fact be included in headline earnings resulting in the actual headline loss per share being 11,3 cents for 2006.

The interim results published on 1 March 2006 excluded the Group's trademark amortisation from headline earnings and hence the restatement of 2005 headline earnings.

The adjustment did not impact on earnings per share.

#### Income statement

For the continuing operations, revenues remained static at R494,5 million (2005: R494,6 million). Earnings per share for continuing operations deteriorated from a loss of 15,9 cents in the prior year to 20,2 cents loss in the current year.

Basic earnings per share improved from a loss of 9,4 cents in the prior year to a profit of 19,5 cents.

Expenses were impacted by a once-off BEE share-based cost of R20 million as well as associated professional fees of R4,1 million.

Provisions raised in Benefit Services for "bulking and undisclosed profits" amounted to R14,1 million.

The net effect on the results of an internal fraud was a R19,5 million recovery in the current financial year.

The recovery arose as the losses under the adjusted IFRS statements were expensed as incurred over five years whilst the recovery could only be recognised in the current year.

Included in the profit from the discontinued operations was a profit on the sale of the Reinsurance Consultants division of R81,7 million. The balance comprises the results of the Reinsurance Consultants division for the seven months to 31 January 2006, as well as the full year results for our underwriting operations, which are expected to be sold, as referred to in this announcement under "Renewal of Cautionary Announcement".

The current year taxation was distorted by not raising the deferred tax asset on Benefit Services' current year loss, and the reversal of the deferred tax asset previously raised. It was further impacted by secondary tax on companies, as well as permanent differences relating to professional fees, BEE share-based costs and the fraud insurance recovery.

The soft market conditions and competitive environment continue to impact the Risk Advisory Services business. This was partially offset by strong new business gains. Client retention was generally very good, underscoring client satisfaction.

Although Benefit Services' revenue increased, overall results were disappointing. Results were negatively impacted by the increase in provisions, write-off of deferred tax assets, as well as higher continuing costs of rectifying administration.

The main difference between headline earnings and earnings is the disposal of the Reinsurance Consultants division (refer to note 5).

#### Balance sheet and cash flow

The Group's gearing remains at 3% with the Group continuing to generate cash from its operations.

A strategic review of our underwriting investments has resulted in assets being classified as assets held for sale.

Dividends totalling R71,2 million (R69,8 million) were paid during the year under review.

Investing activities included R23 million spent on the purchase of 49,9% in Glenrand M-I-B Makgulong as part of the BEE transaction. Cash used for financing activities included the R36 million share buyback in terms of the scheme of arrangement.

#### STRATEGIC DEVELOPMENTS

##### BEE transaction

The final elements of the BEE transaction have been completed with the share issue and buybacks occurring on 18 April 2006. The benefits of being an empowered company are beginning to materialise.

##### Risk Advisory Services

As a result of the disposal of the Reinsurance Consultants division and the expected sale of our underwriting investments, the strategic focus is now on short-term insurance broking and risk consultancy at which we are a market leader. It is anticipated that the implementation of the integrated administration platform will be fully functional at the end of the next financial year building on the successful Phase I implementation during the course of the year under review. Back office functions are accordingly being realigned to provide cost-effective and efficient service to clients and rectify control weaknesses in legacy systems.

Acquisitions remain a key strategic focus, aligning with our intent to equalise the profit contributions from reporting business units and reduce the dependency on our Corporate account.

The discussions with potential international partners continue.

##### Benefit Services

Considerable progress has been made in dealing with the legacy issues, the benefits of which are not reflected in the current year's results.

Dormant and terminated funds have been ring-fenced. The costs of this exercise make up a considerable proportion of current and prior year provisions. A strategic focus of increasing the number of funds under administration is being pursued in order to create the critical mass required for our administration business.

### PROSPECTS

The outlook for 2007 is positive and the Group is being restructured to ensure that it is focused on its core business which we believe will produce results which are reflective of its ability and standing in the market.

### DIRECTORATE

The Group CEO, Mr Steve von Roretz, resigned as a director on 16 August 2006. Dr Dudu Kunene has been appointed acting CEO.

Mrs T Boesch, Mr M J Leeming and Mrs Y Z Simelane resigned as directors and Mrs T H Nyasulu and Mr M R Mashishi have been appointed to the Board of Directors. Mr P Cooper has been appointed as alternate director to Mr G T Ferreira.

### DIVIDEND

The Board has resolved not to declare a final dividend. It is the intention to resume dividend payments once the Group returns to profitability.

On behalf of the Board of Directors

Dr M F Kunene  
(Chairman and acting CEO)

A W Mansfield  
(Non-executive director)

19 September 2006

### RENEWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement dated 23 August 2006 and are advised that the company is still in discussions which, if successfully concluded, could have an impact on the price at which the company's ordinary shares trade on the JSE Limited. These discussions are in respect of the sale of our interest in an underwriting management company.

Accordingly, shareholders are advised to continue to exercise caution when dealing in the company's securities until a further announcement is made.

Investment bank and sponsor



## Condensed Income Statement

for the year ended 30 June

	Notes	Reviewed 2006 R'000	~Audited 2005 R'000
<b>Continuing operations</b>			
Revenue		494 541	494 638
Employment benefit expenses		(301 986)	(290 343)
Rent and IT expenses		(61 620)	(60 288)
Amortisation and depreciation		(19 041)	(26 291)
Other expenses		(158 147)	(131 721)
Finance costs		(8 391)	(8 485)
Disposal and impairment of investments		(3 034)	(20 677)
Investment income		31 947	37 275
Share of profits of associates		774	835
Loss before taxation		(24 957)	(5 057)
Taxation		(20 120)	(27 136)
Loss from continuing operations		(45 077)	(32 193)
<b>Discontinued operations</b>			
Profit from discontinued operations (net of taxation) including the profit on disposal of investments	3	107 931	22 397
Profit (loss) for the year		62 854	(9 796)
Profit (loss) attributable to:			
Minority shareholders		12 899	12 981
Shareholders of Glenrand M-I-B		49 955	(22 777)
		62 854	(9 796)
<b>Earnings per share</b>			
Basic earnings per share (cents)		22,1	(9,4)
Diluted earnings per share (cents)		19,5	(9,4)
<b>Continuing operations</b>			
Earnings per share (cents)		(22,7)	(16,0)
Diluted earnings per share (cents)		(20,2)	(15,9)
<b>Headline earnings per share</b>			
Headline earnings per share (cents)	5	(12,8)	(1,8)
Diluted headline earnings per share (cents)	5	(11,3)	(1,8)
Number of shares (net of treasury shares)			
- Issued (000's)		226 526	241 830
- Diluted weighted average (000's)		255 594	242 656

## Condensed Segmental Analysis

for the year ended 30 June

	Notes	Reviewed 2006 R'000	~Audited 2005 R'000
<b>Segmental revenues</b>			
Risk advisory services		452 018	478 058
- continuing	7	393 857	405 480
- discontinued		58 161	72 578
Benefit services		100 684	89 158
<b>Total segmental revenues</b>		552 702	567 216
<b>Segmental results</b>			
Risk advisory services		18 447	50 789
- continuing	7	(7 082)	23 506
- discontinued		25 529	27 283
Benefit services		(37 533)	(42 481)
<b>Total segmental results</b>		(19 086)	8 308

## Condensed Balance Sheet

at 30 June

	Notes	Reviewed 2006 R'000	~Audited 2005 R'000
<b>Assets</b>			
Property, plant and equipment		30 362	32 184
Investment properties		6 464	8 458
Goodwill		35 449	35 798
Intangible assets		48 699	52 445
Deferred taxation asset		41 872	46 909
Investments		4 810	21 625
Long-term accounts receivable		11 883	—
Linked investments backing policyholder contracts		5 129 803	3 325 219
Current assets		544 123	597 919
Assets classified as held for sale		60 049	—
<b>Total assets</b>		5 913 514	4 120 557
<b>Equity and liabilities</b>			
<b>Equity</b>			
Shareholders' equity		111 415	130 109
Minority interest		17 070	18 160
<b>Total equity</b>		128 485	148 269
<b>Liabilities</b>			
Long-term liabilities	6	37 738	40 902
Deferred taxation		117	222
Policyholder liabilities		5 244 552	3 318 668
Current liabilities		486 752	612 496
Liabilities classified as held for sale		15 870	—
<b>Total liabilities</b>		5 785 029	3 972 288
<b>Total equity and liabilities</b>		5 913 514	4 120 557

## Condensed Statement of Changes in Equity

for the year ended 30 June

R'000	Share capital and share premium	Treasury and share option reserve	Non-distributable reserves	Retained earnings	Shareholders' equity	Minority interest	Total equity
<b>Audited balance at 30 June 2004</b>							
As previously reported in terms of SA GAAP	46 552	(3 613)	40 292	111 197	194 428	21 817	216 245
Adjustments for IFRS	—	838	16 905	29 433	47 176	—	47 176
Other adjustments	—	—	(1 075)	(37 671)	(38 746)	(3 553)	(42 299)
<b>Restated balance at 30 June 2004</b>	46 552	(2 775)	56 122	102 959	202 858	18 264	221 122
Shares issued	2 193	—	—	—	2 193	—	2 193
Movement in treasury shares	—	1 026	—	—	1 026	—	1 026
Cash flow hedge	—	—	—	640	640	—	640
Trade mark amortisation	—	—	(14 968)	14 968	—	—	—
Share option costs	—	973	—	—	973	—	973
Movement in minority interest	—	—	—	—	—	(3 469)	(3 469)
Translation of foreign subsidiaries	—	—	5 366	—	5 366	—	5 366
Shared earnings of associates	—	—	2 126	(2 126)	—	—	—
Profit (loss) attributable to shareholders	—	—	—	(22 777)	(22 777)	12 981	(9 796)
Dividends paid	—	—	—	(60 170)	(60 170)	(9 616)	(69 786)
<b>Balance at 30 June 2005</b>	48 745	(776)	48 646	33 494	130 109	18 160	148 269
Shares issued	3 680	—	—	—	3 680	—	3 680
Movement in treasury shares	—	(36 625)	—	—	(36 625)	—	(36 625)
Trade mark amortisation	—	—	(9 979)	9 979	—	—	—
Share option costs	—	21 078	—	—	21 078	—	21 078
Translation of foreign subsidiaries	—	—	1 448	—	1 448	—	1 448
Shared earnings of associates	—	—	3 469	(3 469)	—	—	—
Acquisition of shares in subsidiary	—	—	—	—	—	(1 062)	(1 062)
Profit attributable to shareholders	—	—	—	49 955	49 955	12 899	62 854
Dividends paid	—	—	—	(58 230)	(58 230)	(12 927)	(71 157)
<b>Balance at 30 June 2006</b>	52 425	(16 323)	43 584	31 729	111 415	17 070	128 485

## Notes to the Condensed Financial Statements

### 1. Implementation of IFRS

From 2006 onwards the Glenrand M-I-B Group ("the Group") is required to prepare its consolidated financial statements in accordance with IFRS and JSE Limited's ("JSE") Listing Requirements. This change applies to all financial reporting for accounting periods beginning on or after 1 January 2005 and consequently the Group's first published IFRS results were its interim results for the six months ended 31 December 2005. The Group's first published full set of financial statements under IFRS are for the year ended 30 June 2006. As the Group publishes comparative information for one year in its financial statements, the date for the transition to IFRS is 1 July 2004, which represents the start of the earliest period of comparative information.

In order to explain how the Group's reported performance and financial position are impacted by IFRS, the Group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

#### Basis of accounting

The Group has prepared the consolidated balance sheet as at 30 June 2005 and the consolidated income statement for the year then ended, in accordance with IFRS, to establish the financial position and results of operations of the Group necessary to provide the comparative information to be included in the Group's first set of IFRS financial statements for the year ended 30 June 2006.

#### Transitional arrangements

The date of transition to IFRS for the Group is 1 July 2004. The Group's opening balance sheet at 1 July 2004 has been restated to reflect all existing IFRS's applicable at 30 June 2006. At the date of transition, IFRS 1 allows a number of exemptions to the principle of retrospective application. The Group made the following elections relating to the transitional arrangements:

#### Business combinations

The Group has elected not to retrospectively apply the requirements to IFRS 3 *Business combinations* for business combinations that occurred prior to the date of transition and consequently no adjustment has been made for business combinations prior to 31 March 2004.

#### Share-based payments

The Group has elected not to apply the provisions of IFRS 2 *Share-based payments* to employee share option scheme awards granted on or before 7 November 2002.

#### Presentation of the financial statements

Changes have been made to the format of the Group's income statement, balance sheet and statement of changes in equity arising from the adoption of IAS 1 *Presentation of financial statements* and IAS 27 *Consolidated and separate financial statements*. These changes only affect the presentation of the information, and do not impact the amounts as previously reported.

#### Amendments to accounting policies and other adjustments

##### Share-based payments

The Group grants share options to employees under an employee share incentive scheme. Previously under SA GAAP no costs were recognised in the income statement. In accordance with the requirements of IFRS 2 *Share-based payments*, the Group now recognises an expense in the Income Statement, with a corresponding increase in the share option reserve. The options are measured at fair value at grant date. The fair value is expensed over the vesting period.

##### Revenue recognition

In line with industry practice, the Group's accounting policy has previously been to recognise insurance broking income in full at inception of the policy. In accordance with industry developments and guidance provided in IAS 18 *Revenue*, the Group now defers a portion of broking income to cover the cost of services provided over the contract period. The amount deferred is recognised as revenue over the contract period on a consistent basis, reflecting the level of servicing activities incurred during the period.

##### Intangible assets

The Group has reinstated the intangible assets relating to Trade Marks ("TM") with a corresponding increase in non-distributable reserves in accordance with IFRS 3 *Business Combinations*. The related deferred tax asset has been adjusted. The Group now recognises an expense in the income statement relating to the amortisation of the Trade Marks over their useful lives. Computer software, previously reflected in property, plant and equipment as computer and office equipment, has now been reclassified as an intangible asset.

##### Property, plant and equipment

The Group has reassessed the useful lives of all its property, plant and equipment in accordance with IAS 16 *Property, plant and equipment*. In instances where items of property, plant and equipment were fully depreciated and are still in use, the applicable assets have now been reinstated to reflect their appropriate carrying values.

##### Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, a discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation, that meets the criteria as held for sale. On initial classification as held for sale, non-current assets are recognised at the lower of the carrying amount and fair value less costs to sell.

##### Straight-lining of operating lease payments

The change in the manner of recognising lease payments, on a straight-line basis, arises as a result of a change in interpretation of IAS 17 *Leases* by South African entities in order to align the South African practice with that applied internationally. The effect of the revised interpretation is that operating lease payments will be recognised on a straight-line basis over the lease term, and not as and when the cash is paid.

##### Leave pay accrual

The group has historically only accrued for a maximum of 30 days leave per employee as this represented the maximum cash obligation. This approach has now changed to accrue for the total leave days due to the employee, to bring the total cost of employment recognised in line with services rendered.

##### Disability obligation

The group has an obligation to contribute in part towards employee benefits on disability. The liability arose on the shortfall between the benefit paid to former employees and the amount recovered from insurers. The liability was actuarially valued and accounted for as a long-term liability.

##### Fraud loss

During the current year fraud perpetrated by a member of middle management was identified. Part of this related to prior years. The fraud involved theft of funds which was concealed by means of falsified accounting entries. Prior year financial results have been restated to remove the falsified entries and to write-off the amounts misappropriated. The anticipated insurance recovery has been accounted for in the current year in terms of IFRS.

#### Reconciliation of financial information previously reported

##### Reconciliation of income statements

	~Audited year ended 30 June 2005 R'000
<b>Net profit after tax</b>	
<b>As previously reported under SA GAAP</b>	23 184
Adjustments for IFRS	
Share-based payments	(973)
Amortisation of intangible assets	(17 923)
Other adjustments	
Revenue recognition	(5 293)
As previously reported	(1 005)
Other adjustments	
Operating lease adjustments	270
Fraud loss	(8 688)
Leave pay accrual	84
Disability obligation	(457)
<b>Net loss after tax as reported under IFRS</b>	<b>(9 796)</b>

#### Reconciliation of equity

R'000	Share capital and share premium	Treasury shares and share options	Non-distributable reserves	Retained earnings	Minority interest	Total equity
<b>1 July 2004</b>						
<b>As previously reported under SA GAAP</b>	46 552	(3 613)	40 292	111 197	21 817	216 245
Adjustments for IFRS						
Share-based payments	—	838	—	(838)	—	—
TM reinstatement, net of amortisation	—	—	44 905	—	—	44 905
Deferred taxation on TM	—	—	(28 000)	30 271	—	2 271
Other adjustments						
Revenue recognition	—	—	(1 075)	(24 911)	(3 553)	(29 539)
As previously reported	46 552	(2 775)	56 122	115 719	18 264	233 882
Other adjustments						
Operating lease adjustments	—	—	—	(985)	—	(985)
Fraud loss	—	—	—	(7 872)	—	(7 872)
Leave pay accrual	—	—	—	(1 414)	—	(1 414)
Disability obligation	—	—	—	(2 489)	—	(2 489)
<b>As reported under IFRS</b>	<b>46 552</b>	<b>(2 775)</b>	<b>56 122</b>	<b>102 959</b>	<b>18 264</b>	<b>221 122</b>
<b>30 June 2005</b>						
<b>As previously reported under SA GAAP</b>	48 745	(2 587)	55 963	59 715	21 564	183 400
Adjustments for IFRS						
Share-based payments	—	1 811	—	(1 811)	—	—
TM reinstatement, net of amortisation	—	—	29 937	—	—	29 937
Deferred taxation on TM	—	—	(36 000)	27 318	—	(8 682)
Other adjustments						
Revenue recognition	—	—	(1 254)	(30 177)	(3 404)	(34 835)
As previously reported	48 745	(776)	48 646	55 045	18 160	169 820
Other adjustments						
Operating lease adjustments	—	—	—	(715)	—	(715)
Fraud loss	—	—	—	(16 560)	—	(16 560)
Leave pay accrual	—	—	—	(1 330)	—	(1 330)
Disability obligation	—	—	—	(2 946)	—	(2 946)
<b>As reported under IFRS</b>	<b>48 745</b>	<b>(776)</b>	<b>48 646</b>	<b>33 494</b>	<b>18 160</b>	<b>148 269</b>

### 2. Review opinion

The group results have been reviewed by KPMG Inc. who have issued an unqualified review report, which is available at the company's registered office.

### 3. Discontinued operations

As announced on 7 October 2005, the Group disposed of its Reinsurance Consultants division with effect 31 January 2006. Effective 1 July 2005, the Group disposed of its investment in Websoft (Pty) Limited. Underwriting businesses were also classified as discontinued operations.

### 4. Taxation

	Reviewed Year ended 30 June 2006 R'000	~Audited year ended 30 June 2005 R'000
The Group's taxation charge comprises the following:		
SA normal taxation	11 942	21 479
SA deferred taxation	(512)	(1 453)
STC	7 714	6 109
Foreign taxation	976	1 001
	<b>20 120</b>	<b>27 136</b>

### 5. Calculation of headline earnings

Profits (losses) attributable to ordinary shareholders	49 955	(22 777)
Add back		
Impairment of assets	5 038	27 277
Profit on disposal of investments	(84 033)	(6 506)
Add (less) taxation effect	80	—
Less minority shareholders' effect	9	(2 388)
Headline earnings	<b>(28 951)</b>	<b>(4 394)</b>

Refer to the note under Financial Review – Headline earnings.

### 6. Long-term liabilities

Interest-bearing	3 969	4 804
Non-interest-bearing	33 769	36 098
	<b>37 738</b>	<b>40 902</b>

### 7. Risk Advisory Services

Risk Advisory Services includes Risk Services South Africa, Africa and unallocated Group costs.

~Compiled from published annual financial statements, updated with the audited IFRS adjustments.

#### DIRECTORATE:

\*Dr M F Kunene (Chairman and Acting Chief Executive Officer), P Cooper (Alt), R G Cottrell,  
G T Ferreira, D J Harpur, A W Mansfield, M R Mashishi, T H Nyasulu  
Group Secretary: E Price \*Executive

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#### INVESTMENT BANK AND SPONSOR:

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