

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

ACTION REQUIRED

1. If you are in any doubt as to the action that you should take, you should consult your banker, stockbroker, attorney, accountant or other professional adviser immediately.
2. If you have disposed of some or all of your shares in MGX Holdings Limited ("MGX"), then this circular, together with the attached form of proxy must be forwarded to the acquirer to whom, or the broker or agent through whom, you disposed of your MGX shares.
3. Shareholders holding certificated MGX shares or who have already dematerialised their MGX shares and have elected "own-name" registration in a sub-register through a Central Securities Depository Participant ("CSDP"), who are unable to attend the general meeting but wish to be represented thereat should complete and return the attached form of proxy (pink), in accordance with the instructions contained therein, to the office of the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 09:00 on Friday, 30 July 2004, or if the general meeting is adjourned or postponed, by no later than 48 hours prior to the time of the adjourned or postponed general meeting.
4. Shareholders who have already dematerialised their MGX shares through a CSDP or broker and who have not elected "own-name" registration, and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.
5. MGX does not take responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.



MGX HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/012697/06)
Share code: MGX ISIN: ZAE000009262
("MGX" or "the Company")

CIRCULAR TO MGX SHAREHOLDERS

relating to

the disposal of MGX Property (Proprietary) Limited's major asset, being the immovable property situated at 126 – 14th Street, Midrand;

and incorporating

- **a notice of general meeting; and**
- **a form of proxy (pink).**

The directors, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and, if applicable, this circular contains all information required in terms of the Listings Requirements of the JSE Securities Exchange South Africa.

The Standard Bank of South Africa Limited is acting for MGX and no one else in relation to the preparation of this circular and will not be responsible to anyone, other than MGX, in relation to the preparation of this circular.

Investment bank and sponsor



Reporting accountants and auditors



Joint attorneys to MGX



WEBBER WENTZEL BOWENS

Joint attorneys to MGX

Charl du Plessis Attorneys
*Attorneys, Notary Publics
& Conveyancers*

CORPORATE INFORMATION AND ADVISERS

Secretary and registered office

Charl du Plessis
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Charl du Plessis Attorneys
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Linbro Business Park
Linbro Park, Sandton, 2146
(PO Box 411546, Craighall, 2024)

Date of incorporation

18 November 1983

Place of incorporation

Pretoria

Transfer secretaries

Computershare Investor Services 2004
(Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Reporting accountants and auditors

Deloitte & Touche
Chartered Accountants (SA)
The Woodlands
Woodlands Drive
Woodmead, Sandton, 2146
(Private Bag X6, Gallo Manor, 2052)

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IMPORTANT DATES AND TIMES

2004

Last day to lodge the form of proxy for the general meeting, by 09:00, on	Friday, 30 July
General meeting at 09:00 at the registered office of MGX, 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, on	Tuesday, 3 August
Results of the general meeting released on SENS, on	Tuesday, 3 August
Results of the general meeting published in the press, on	Wednesday, 4 August

Notes:

1. These dates and times are subject to amendment. Any such amendment will be published on SENS and in the press.
2. If the date of the general meeting is adjourned or postponed, forms of proxy must be received by the transfer secretaries by no later than 48 hours prior to the time of the adjourned or postponed general meeting.

DEFINITIONS

Throughout this circular and the attachments hereto, unless otherwise indicated, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing natural persons include corporations and other juristic entities and any reference to one gender includes the other gender:

“the action”	an action brought by MGX to compel the delivery of 5 million shares in EC-Hold and the counterclaim of Cycad pursuant to the SRP ruling, details of which are set out in paragraph 11.1;
“Appel”	Tzvi Haim Appel, a director of EC-Hold until his resignation on 25 April 2003;
“BCS”	MGX Business Continuity Solutions (Proprietary) Limited (Registration number 1998/002943/07), a private company incorporated in South Africa;
“the board”	the board of directors of MGX;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Capital Africa Limited”	Capital Africa Limited (Registration number 21031/4821), a company incorporated in the Republic of Mauritius;
“Capital Providers”	Citibank NA, South Africa branch, The Standard Bank of South Africa Limited, Momentum Group Limited, Nedbank Limited, Investec Bank Limited, Capital Africa Limited, the Trustees of the South Africa Private Equity Trust III, Drive Control Services (Proprietary) Limited and Eurevest Leasing (Proprietary) Limited;
“CCH”	Computer Configuration Holdings Limited (Registration number 1996/013764/06), a public company incorporated in South Africa;
“CCMA”	Commission for Conciliation, Mediation and Arbitration;
“certificated shareholders”	shareholders who hold MGX shares in certificated form;
“the circular” or “this circular”	this circular, dated 19 July 2004, incorporating a notice of general meeting of shareholders and a form of proxy (pink) for use by certificated shareholders and dematerialised shareholders who have elected “own name” registration in the sub-register through a CSDP;
“C-Max”	C-Max Investments 151 (Proprietary) Limited (Registration number 2001/025201/07), a private company incorporated in South Africa and a wholly-owned subsidiary of Zenprop Property Holdings (Proprietary) Limited;
“the Code”	the Securities Regulation Code on Take-overs and Mergers;
“the Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“the Court”	the High Court of South Africa (Witwatersrand Local Division);
“CSDP”	Central Securities Depository Participant;

“Cycad”	Cycad Financial Holdings Limited (Registration number 1998/008637/06), a public company incorporated in South Africa and whose ordinary shares are listed on the JSE;
“dematerialised shareholders”	shareholders who hold MGX shares in dematerialised form through a CSDP or broker and shareholders who hold MGX shares in dematerialised form through a CSDP or broker and who have elected “own name” registration in the sub-register;
“Didata (UK)”	Didata Limited (Registration number 3147167), a private limited liability company registered in accordance with the laws of England and Wales;
“the Didata (UK) disposal”	the sale of MGX’s interest in the issued share capital of Didata (UK) for a purchase consideration of GBP3 million;
“Digital Initiatives”	Digital Initiatives (Proprietary) Limited (Registration number 2002/003921/07), a private company incorporated in South Africa;
“the directors”	the directors of MGX whose names are set out on page 7 of this circular;
“the disposals”	the sale of certain operating subsidiaries of MGX and commercial properties, namely, certain assets and certain liabilities of MGX Enterprise Solutions (Proprietary) Limited, the assets and certain liabilities of BCS and MGX Business Continuity Solutions (Cape) (Proprietary) Limited, MGX’s 50% interest in Drive Control Holdings (Proprietary) Limited, MGX’s 100% interest in MGX Storage Solutions (Proprietary) Limited and MGX Storage Solutions Professional Services (Proprietary) Limited, MGX’s 95% interest in Software Futures (Proprietary) Limited, MGX’s 80% interest in Didata (UK), MGX’s 100% interest in Dion Business Systems (Proprietary) Limited, MGX’s 100% interest in Faerie Glen and MGX’s 100% interest in enTechnologies Corporation (USA) (Registration number 81005);
“DOSW”	Department of Social Welfare of the Provincial Government of KwaZulu-Natal;
“EC-Hold”	EC-Hold Limited (Registration number 1998/020093/06), a public company incorporated in South Africa and whose ordinary shares are listed on the JSE;
“Faerie Glen”	MGX Property Faerie Glen (Proprietary) Limited (Registration number 1978/00000107), a private company incorporated in South Africa;
“the Faerie Glen settlement transaction”	the agreement entered into by MGX with the Faerie Glen Purchasers to procure the issue by BCS of the BCS shares to the Faerie Glen Purchasers at a subscription price of R2.75 million and to acquire the BCS shares from the Faerie Glen Purchasers for a purchase consideration comprising a cash amount of R2.75 million and R5.50 million, being the value of the Faerie Glen equity;
“the general meeting”	the general meeting of MGX shareholders to be held at 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, at 09:00, on Tuesday, 3 August 2004 (including any adjournment or postponement thereof) to consider, and, if deemed appropriate, to approve the ordinary resolution proposed in the notice of general meeting that forms part of this circular;
“HLPS”	headline LPS;

“JSE”	JSE Securities Exchange South Africa;
“last practicable date”	16 July 2004, being the last practicable date for completion of this circular;
“LPS”	loss per share;
“Lubashevsky”	Amir Lubashevsky, a director of EC-Hold until his resignation on 25 April 2003;
“Main Street”	Main Street 152 (Proprietary) Limited (Registration number 2003/016054/07), a private company incorporated in South Africa;
“the Metrofile disposal”	the disposal by MGX and the Metrofile Division of the assets and liabilities of the Metrofile Division to Main Street for a purchase consideration of R354 million in terms of section 228 of the Companies Act;
“the Metrofile Division”	the subsidiaries of MGX involved in the document and records management division, including Metrofile (Proprietary) Limited, MGX Outsourcing (Proprietary) Limited, Metrofile Natal (Proprietary) Limited, Metrofile Cape (Proprietary) Limited, Mail Processing Systems (Proprietary) Limited, Document and Data Management (Africa) (Proprietary) Limited, The Paper Bank Marketing Company (Proprietary) Limited, Stuttaford Archive Services (Proprietary) Limited and CSX Customer Services (Proprietary) Limited;
“MGX” or “the Company”	MGX Holdings Limited (Registration number 1983/0012697/06), a public company incorporated in South Africa and whose ordinary shares are listed on the JSE;
“the MGX group”	the group of companies comprising MGX and its subsidiaries;
“MGX notes”	the redeemable convertible interest bearing notes issued or to be issued to the scheme creditors in terms of the section 311 scheme in settlement of the claims that the scheme creditors may have against MGX, the terms and conditions of which are set out in the debt refinancing circular and the scheme circular;
“MGX Outsourcing”	MGX Outsourcing (Proprietary) Limited (Registration number 1986/003229/07), a private company incorporated in South Africa;
“MGX Property”	MGX Property (Proprietary) Limited (Registration number 1986/003229/07), a private property-owning company incorporated in South Africa, with its major asset being the immovable property situated at 126 – 14th Street, Midrand;
“the Midrand property”	MGX Property’s immovable property situated at 126 – 14th Street, Midrand held under title deed number T78545/99;
“the Midrand property disposal”	the disposal of the Midrand property to C-Max for a purchase consideration of R35 million;
“Motswedi”	Motswedi Technology Group (Proprietary) Limited (Registration number 1996/000064/07), a private company incorporated in South Africa;
“NLV”	net liability value;
“Price”	Ronald Sydney Price;

“Price family”	Price and his associates as defined by the Listings Requirements of the JSE;
“the Price Trustees”	the Trustees from time to time of the Mandy Rebecca Price Trust;
“the Rules”	the SRP Rules;
“the sale agreement”	the sale agreement, dated 27 February 2004, and all addenda thereto, in relation to the Midrand property disposal;
“SAPET”	South African Private Equity Trust III;
“the scheme creditors”	the creditors of MGX who have claims against MGX, whether liquidated or unliquidated, actual or contingent;
“the section 311 scheme”	the scheme of arrangement proposed by MGX between MGX and the scheme creditors, in terms of section 311 of the Companies Act as approved by the requisite majority of scheme creditors on 19 January 2004 and subsequently sanctioned by the Court on 2 March 2004;
“SENS”	the Securities Exchange News Service of the JSE;
“shares” or “MGX shares”	MGX ordinary shares with a par value of 0.6146 cent each in the issued share capital of MGX;
“shareholders” or “MGX shareholders”	registered holders of MGX shares;
“South Africa”	the Republic of South Africa;
“Standard Bank”	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a public company incorporated in South Africa;
“the SRP”	the Securities Regulation Panel, established in terms of section 440(B) of the Companies Act;
“Sun”	collectively, Sun Microsystems and Sun Microsystems Schweiz;
“Sun Microsystems”	Sun Microsystems (South Africa) (Proprietary) Limited (Registration number 1996/000585/07), a private company incorporated in South Africa;
“Sun Microsystems Schweiz”	Sun Microsystems Schweiz AG, a public company incorporated in Germany;
“TNLV”	tangible NLV;
“transfer secretaries”	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07), a private company incorporated in South Africa and the transfer secretaries of MGX; and
“Ukusa Technologies”	Ukusa Technologies (Proprietary) Limited (Registration number 1998/024812/07), a private company incorporated in South Africa.

CIRCULAR TO MGX SHAREHOLDERS

Directors

Christopher Stefan Seabrooke*
(*Non-executive Chairman*)

Danisa Eileen Baloyi*
(*Non-executive Director*)

Eduardo Gutierrez-Garcia
(*Non-executive Director*)

Stephen Roy Midlane
(*Chief Financial Officer and Executive Director*)

Graham Wackrill
(*Executive Director*)

* Independent

1. INTRODUCTION

MGX Property, a wholly-owned subsidiary of MGX, has entered into an agreement with C-Max to sell to C-Max the Midrand property for a purchase consideration of R35 million.

The purpose of this circular is to convene a general meeting and to provide shareholders with information relating to the above to enable shareholders to consider and, if deemed fit, approve the ordinary resolution relating to the Midrand property disposal contained in the notice of general meeting.

2. RATIONALE FOR THE MIDRAND PROPERTY DISPOSAL

As has been announced previously by the Company, MGX is in the process of implementing a recovery plan to return the MGX group to profitability. Pursuant to the recovery plan, MGX Property has entered into the Midrand property disposal. The funds received in terms of the Midrand property disposal will be used to reduce MGX's interest bearing liabilities and obligations.

3. IMPORTANT TERMS AND CONDITIONS

3.1 Effective date

It is expected that the effective date of the Midrand property disposal will be 31 August 2004, being the expected date of registration of transfer of ownership of the Midrand property in the relevant deeds registry, into the name of the C-Max.

3.2 Purchase consideration

The purchase consideration paid by C-Max to MGX Property for the Midrand property, plant and equipment, is R35 million, which will be paid on the effective date.

3.3 Occupational rent

In the event that C-Max takes occupation before the registration of transfer of the Midrand property into the name of C-Max, C-Max will pay to MGX Property occupational rent of an amount of R364 000 (excluding value added tax) per month, payable monthly in advance.

3.4 Voetstoets and warranties

Other than for limited warranties provided by MGX Property to C-Max, the Midrand property disposal is voetstoets.

3.5 Conditions precedent

All the conditions precedent relating to the Midrand property disposal have been fulfilled and MGX has obtained dispensation from the JSE to implement the Midrand property disposal on the basis that the requisite majority of independent shareholders have irrevocably undertaken to vote in favour of the ordinary resolution necessary to ratify the Midrand property disposal as discussed in paragraph 4 below.

4. IRREVOCABLE UNDERTAKINGS

MGX has obtained irrevocable undertakings from the requisite majority of independent shareholders of MGX in terms of which these shareholders have undertaken to vote in favour of the ordinary resolution necessary to ratify the Midrand property disposal.

5. FINANCIAL EFFECTS

The table below sets out the *pro forma* financial effects of the Midrand property disposal on the NLV and TNLV per MGX share, HLPS and LPS, based on MGX's results for the six months ended 31 December 2003. The *pro forma* financial effects have been prepared for illustrative purposes only to provide information of how the Midrand property disposal may have impacted on the results and financial position of MGX. Because of their nature, the *pro forma* financial effects may not provide a fair reflection of MGX's financial position after the Midrand property disposal or the effect on future earnings.

	Before the Midrand property disposal (cents)	After the Midrand property disposal (cents)	Change (%)
LPS	(97.4) ¹	(89.8) ²	7.80
HLPS	(73.3) ¹	(69.0) ²	5.87
NLV	(456.6) ³	(456.7) ⁴	(0.02)
TNLV	(464.2) ³	(464.3) ⁴	(0.02)

Notes:

- (1) The HLPS and LPS, *Before the Midrand property disposal*, have been extracted from MGX's interim results for the six months to 31 December 2003 and calculated based on a weighted average of 66.598 million MGX shares in issue, assuming that the Midrand property disposal had not yet been implemented.
- (2) The HLPS and LPS, *After the Midrand property disposal*, have been calculated based on a weighted average of 66.598 million MGX shares in issue, assuming that the Midrand property disposal had been implemented on 30 June 2003 and the cash portion of the purchase consideration that MGX will receive was calculated at an average after-tax rate of 14.4% for the six months to 31 December 2003. The interest has been assumed to have no tax effect, as MGX was not in a tax paying position for the period.
- (3) The NLV and TNLV per MGX share, *Before the Midrand property disposal*, have been extracted from MGX's interim results for the six months to 31 December 2003 and calculated based on 66.598 million MGX shares in issue, assuming that the Midrand Property disposal had not yet been implemented.
- (4) The NLV and TNLV per MGX share, *After the Midrand property disposal*, have been calculated based on 66.598 million MGX shares in issue, assuming that the Midrand property disposal had been implemented on 31 December 2003.

6. OPINIONS AND RECOMMENDATIONS

The board is of the opinion that the purchase consideration that MGX Property will receive for the Midrand property disposal is a market-related price. MGX Property has undergone a lengthy disposal process in the last 12 months and received offers from several bidders for the Midrand property and, in the opinion of the board, the agreement reached with C-Max is the fairest offer that was received. In addition, the board is of the opinion that the Midrand property disposal is in the best interests of MGX and its shareholders, given the ongoing restructuring plan of the Company. MGX directors, with direct and/or indirect interests in MGX, intend to vote in favour of the ordinary resolution necessary to ratify the Midrand property disposal to be proposed at the general meeting.

7. WORKING CAPITAL STATEMENT

The directors consider that, in their opinion, the working capital available to the Company and the MGX group will be adequate for the Company's and the MGX group's requirements for a period of six months from 15 July 2004.

Standard Bank, as MGX's sponsor, has advised the board members of their responsibilities and the consequences of making the working capital statement and is satisfied, *prima facie*, as to the adequacy of the Company's working capital, based on management's advice, the working capital pack and written confirmation from the Company's facility providers.

8. INFORMATION ON MGX

8.1 Purpose of company

MGX, which commenced business in 1969, is an investment holding company with investments in the information technology sector. The MGX group was, prior to the disposals that were finalised in 2003 and 2004, a specialist in the information management sector and a leading supplier of products and services for the conversion, storage, retrieval and distribution of documents and information.

8.2 Recent events

MGX's high debt burden, deteriorating trading performance of the MGX group and the several legal disputes in which MGX has been involved placed MGX in severe financial difficulty. Between December 2002 and April 2004, a liquidation of the Company was avoided through the disposal of a number of operating businesses and commercial properties which provided funding to the Company and the support of the Capital Providers who refinanced the debt of the Company and provided additional working capital facilities in November 2003. Further, the MGX group has settled a number of legal disputes, including, amongst others:

- a dispute between BCS senior management and MGX relating to BCS senior management's equity participation in BCS, as discussed in the circular to shareholders dated 3 October 2003, and to which the Faerie Glen settlement transaction discussed in the circular to shareholders dated 31 March 2004, relates; and
- the action brought by MGX to compel the delivery of 5 million shares in EC-Hold and the counterclaim of Cycad pursuant to the SRP ruling, discussed in the circular to shareholders dated 31 March 2004.

As part of the ongoing restructuring of the MGX group, the section 311 scheme was approved by the requisite majority of scheme creditors on 19 January 2004 and subsequently sanctioned by the Court on 2 March 2004. In terms of the restructuring, the businesses of the Metrofile Division were transferred, as a going concern, to Main Street, a new company wholly-owned by MGX. The salient features of the restructuring are that:

- the Capital Providers have made additional working capital facilities available to the MGX group;
- the remaining debt has been restructured as convertible debt instruments; and
- up to R156.5 million of debt in the MGX group has been subordinated to other creditors to the extent that liabilities exceed the book value of assets.

Following the restructuring, financing facilities of R128.3 million and general banking facilities totalling R10.0 million will be available and if used, will bear interest and be serviced from free cash flow in the ordinary course of business by the MGX group. Accordingly, the MGX group no longer has high cash demands for debt service that are not covered by its normal free cash flows.

8.3 Current operations

Subsequent to the restructuring and the Midrand property disposal, MGX will comprise the following operating entities:

- the Metrofile Division, which focuses on all aspects of enterprise document and records management which entails:
 - archiving and retrieving paper, electronic and analogue documents in national storage centres;
 - converting paper to analogue or digital format through conversion centres; and
 - providing professional services covering consulting, architecture and the implementation of solutions; and
- an interest of 69.25% in EC-Hold.

8.4 Prospects for MGX and refinancing plan

Following completion of the restructuring, the MGX group expects to generate improved earnings before interest, depreciation and amortisation and free cash flow. Although some of the cash flow has been earmarked for servicing a portion of the debt obligations, sufficient cash will be retained to invest in the Metrofile Division, which will be the only remaining business within the MGX group, and ensure the continued growth and development of its business.

A return to growth, through the signing of new contracts is expected, given that the uncertainty relating to the future of MGX has been resolved. The Metrofile Division is presently negotiating an empowerment transaction with a reputable Black Economic Empowerment group which, if concluded, will enhance the MGX group's prospects in providing cost effective services to the public sector.

MGX is in the process of considering a delisting of the MGX share from the JSE. Once the regulatory requirements surrounding the delisting of the MGX share from the JSE have been resolved, a detailed announcement will be published and a circular will be posted to shareholders. It is expected that this delisting will be concluded before the end of the third quarter of 2004.

8.5 Financial information

Annexure 6 to this circular contains:

- the consolidated income statements of MGX for and the three financial years ended 30 June 2003 and the six months ended 31 December 2003;
- the consolidated balance sheets of MGX at 30 June 2001, 2002, 2003 and 31 December 2003;
- the cash flow statements of MGX for and the three financial years ended 30 June 2003 and the six months ended 31 December 2003; and
- the accounting policies of MGX, as extracted from the annual financial statements for the year ended 30 June 2003.

8.6 Major shareholders

Based on the share register at the last practicable date, the shareholders with beneficial holdings of 5% or more of the issued shares of MGX are set out in the table below.

	Beneficial Direct	Beneficial Indirect	Non- beneficial Direct	Non- beneficial Indirect	Total shares (%)
Major shareholders					
<i>Price Family Interests</i>	–	–	–	–	23.17
Eurevest Leasing	–	2 300 000	–	–	–
Kia Tanara Price Trust	–	2 300 000	–	–	–
Lara Lee Price Trust	–	2 300 000	–	–	–
Powerpoint (Proprietary) Limited	–	3 672 261	–	–	–
Ryan Sean Price Trust	–	2 000 000	–	–	–
Savannah Storm Price Trust	–	2 300 000	–	–	–
Linda Price	20 500	–	–	–	–
Ronald Sydney Price	537 751	–	–	–	–
Ryan Sean Price	102 000	–	–	–	–
STANLIB	–	–	8 871 109	–	13.32
Capital Africa Limited	–	–	4 594 920	–	6.89
Credit Suisse Zurich	–	–	3 346 447	–	5.02
Nedbank Rainmaker Equity Fund	–	–	3 635 000	–	5.46
SAPET	–	–	4 045 589	–	6.07

Notes:

1. At the last practicable date MGX had no controlling shareholder.
2. The percentage shareholding of major shareholders is calculated excluding 6 877 024 treasury shares and 602 000 excluded shares based on total shares outstanding of 66 598 389.

8.7 Loans and commitments

Material interest bearing loans to the MGX Group, at 31 December 2003 are set out in Annexure 7.

9. INFORMATION RELATING TO DIRECTORS

9.1 Information relating to directors

Name	Role	Business address
Christopher Stefan Seabrooke*#	Chairman	Four Commerce Square, 39 Rivonia Road Sandhurst
Danisa Eileen Baloyi*#	Director	6 – 7th Avenue, Houghton, Johannesburg
Eduardo Gutierrez-Garcia*	Director	9 Fricker Road, Illovo Boulevard, Illovo Sandton
Stephen Roy Midlane**	Chief Financial Officer and Director	22 Milkyway Avenue, Linbro Business Park
Graham Wackrill**	Director	3 Gowie Road, The Gables, Cleveland Johannesburg

* Non-executive.

** Executive.

Independent.

Christopher Stefan Seabrooke (BCom, BAcc, MBA, FCMA) (South African)

Christopher is the Chief Executive Officer of Sabvest Limited, a JSE-listed investment group. He is Non-executive Chairman of Massmart Holdings Limited and MGX and a Non-executive Director of four other JSE-listed companies – Datatec Limited, Primedia Limited, Primeserv Group Limited and Set Point Technology Holdings Limited. He is also Chairman of The State Theatre of South Africa, Deputy Chairman of Business & Arts South Africa and a director of a number of unlisted companies in South Africa and internationally.

Danisa Eileen Baloyi (BA, HDL, MA, MEd, DEd) (South African)

Danisa is the Executive Director for the National Black Business Caucus. She is the Chairperson of the following: Advertising Standards Authority and the Monitoring Committee for the Marketing and Communications Industry; Diabo 2% Share Trust for Telkom Employees (and Trustee for the Business Trust); South African Women Investment Holdings; and Black Business Council. She is the Deputy Chairperson of South African Tourism. She sits on the boards of directors of the following: Denel Group, AMB Holdings Limited, Enterprise Risk Management Limited, MediKredit (Proprietary) Limited, Set Point Technology Holdings Limited and The South African Council on HIV/Aids.

Eduardo Gutierrez-Garcia (BSc (Med) Hons, PGDA, CA(SA)) (South African)

Eduardo is a director of Brait South Africa Limited which he joined in 1997. Eduardo's responsibilities include a full range of transaction execution and support activities with executive responsibility for investments in retail, information technology, mining, agriculture and healthcare. Eduardo qualified at KPMG and worked as a Senior Consultant at KPMG's forensic accounting division. He then joined the corporate finance division of Johannesburg Consolidated Investments Limited, a major South African mining group, where he was responsible for raising funds in capital, markets, assessing, negotiating and implementing investment opportunities in natural resource projects and advising Johannesburg Consolidated Investments Limited executives on a diverse range of strategic issues. He is also a director of Afgri Holdings Limited.

Stephen Roy Midlane (BCom, BAcc, CA(SA)) (South African)

Roy is the Chief Financial Officer of MGX and is a director of several subsidiaries of MGX, as well as EC-Hold.

Graham Wackrill (B.Compt) (South African)

Graham has acted as a director of all the Metrofile Division companies, including property companies, over the past five years. From July 2001 to June 2002, Graham was Managing Director of Metrofile (Proprietary) Limited. From July 2002 to June 2003, Graham was the Operations Director of an enlarged Metrofile group (Content Management Division), which includes MGX Outsourcing. From July 2003 to March 2004, Graham was Managing Director of Metrofile Gauteng. In March 2004, Graham was appointed Chief Executive Officer of the Metrofile Division.

9.2 Directors' interests

At the last practicable date, the directors had interests in the share capital of MGX as set out below.

Director	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total shares (%)
Christopher Stefan Seabrooke*	–	25 500	–	51 000	0.11
Danisa Eileen Baloyi*	–	8 000	–	–	0.01
Eduardo Gutierrez-Garcia*	–	–	–	–	–
Stephen Roy Midlane	–	–	–	–	–
Graham Wackrill	67 296	–	–	–	0.10

*Non-executive.

9.3 Directors' interests in transactions

Other than as mentioned above and in previous circulars, at the last practicable date, none of the current directors has any interest in any transactions that were entered into by MGX, that were effected by MGX during the current or immediately preceding financial year, or during an earlier financial year and remain in any respect outstanding.

9.4 Directors' service contracts

The aggregate remuneration and benefits paid to directors for the six months ended 31 December 2003 are set out in the table below.

Director	Salary and other benefits (Rand)	Bonuses (Rand)	Directors' fees (Rand)	Total (Rand)
Stephen Roy Midlane	597 218	681 333		1 278 551
Christopher Stefan Seabrooke*#			166 660	166 660
Danisa Eileen Baloyi*			50 000	50 000
Anthony Ball*			100 004	100 004
Eduardo Gutierrez-Garcia*			24 996	24 996
Norman John Webster	644 268	199 200		843 468
Graham Wackrill	386 384	140 000		526 384
Total	1 627 870	1 020 533	341 660	2 990 063

* Non-executive.

A fee for administrative services of R393 500 was also paid to Sabvest Financial Services (Pty) Limited of which Mr Seabrooke is a director.

No payment has been made to any director in the three years preceding the date of issue of this circular as an inducement to become a director.

10. SIGNIFICANT CONTRACTS

Save for those agreements that have been disclosed to shareholders in terms of the Listings Requirement of the JSE, MGX has not entered into any material contracts, otherwise than in the ordinary course of business, during the two years prior to the date of this circular.

11. LITIGATION

No investigation, litigation, arbitration or administrative proceedings of or before any Court, Arbitral Body or Government Agency, have been started or (to the best of MGX's knowledge and belief, after due enquiry) are pending or threatened against MGX or any of its subsidiaries, that may have or have had in the previous 12 months, a material effect on the MGX group's financial position, save for:

11.1 SRP/MGX/EC-Hold

The ongoing dispute with the SRP which, in March 2002, ruled that, for the purposes of the Code and the Rules, MGX and the Price Trustees had acted in concert for the purposes of entering into an affected transaction. MGX and the Price Trustees were ordered jointly and severally to make an unconditional offer to all persons, other than themselves, who were shareholders of EC-Hold on 11 October 1999, to purchase all such persons' shares in EC-Hold.

The offer price determined by the SRP was R2.40 per EC-Hold share and the offer to EC-Hold shareholders was in all other respects to comply with the Code and the Rules. As MGX had not complied with the ruling of the SRP within the time limit prescribed by the SRP, a summons was issued by the High Court of South Africa and served on MGX, in terms of which the SRP sought an order against MGX and several other defendants for, *inter alia*, compelling MGX and the other defendants to comply with its ruling of March 2002. MGX has entered an appearance to defend the action. The High Court of South Africa has recently granted the SRP leave to amend its particulars of claim to cite the Price trustees in their personal capacities as "concert parties".

MGX has made a provision of R2.5 million at 31 December 2003 for legal fees relating to this dispute.

11.2 Motswedi

Motswedi initiated arbitration proceedings against MGX on 26 February 2002 in respect of its claim for damages for breach of various contracts in the amount of R52.8 million. MGX has defended the matter and its attorneys of record, Webber Wentzel Bowens, communicated in writing, that there is no reasonable prospect that the claim will succeed.

Motswedi has taken no further action since the proceedings were initiated. Deloitte & Touche, the auditors of MGX, are in possession of the letter from Webber Wentzel Bowens and, after further enquiries made by Deloitte & Touche, MGX has made no provision for this claim due to the unlikelihood of it succeeding. MGX is furthermore of the opinion that it has a counterclaim against Motswedi which, at 31 January 2002, amounted to R13.3 million.

In 2003, MGX ceded all its right, title and interest in and to its counterclaim against Motswedi to Price for a consideration of 30% of the net proceeds attributable to the recovery of the Motswedi claims, after all costs and associated expenses for litigation as recovered by Price against Motswedi.

It is the board's view that, to the extent that Motswedi's claim may succeed against MGX, notwithstanding the aforementioned cession to Price, the claimant will be deemed an unsecured concurrent creditor and be dealt with under the section 311 scheme in terms whereof the claimant will be issued MGX notes to the value of its claim.

11.3 Sun

MGX received a letter of demand, in terms of section 345 of the Companies Act, dated 3 May 2003, from Sun Microsystems, for payment of an amount of R967 303 and a letter of demand from Sun Microsystems Schweiz claiming an amount of US\$905 331.

MGX has repudiated both claims on the basis that it is not indebted to either of the aforesaid companies in the amounts claimed or at all for a variety of reasons. On or about 26 May 2003, MGX applied to the High Court of South Africa for an Order to interdict Sun from bringing any action against MGX.

Sun has not filed its answering affidavit and further action has been stayed.

MGX has not made any provisions in respect of this dispute, as the Company does not believe that Sun will be successful. The amount claimed, though, has been disclosed as a contingent liability.

It is the board's view that, to the extent that Sun may succeed in its claim against MGX, Sun will be deemed an unsecured concurrent creditor and be dealt with under the section 311 scheme in terms whereof Sun will be issued MGX notes to the value of its claim.

11.4 **Metrofile Division labour action**

During 1998, wage negotiations between the Metrofile Division and a trade union in Metrofile deadlocked. The unionised members went on strike during the period 26 March 1998 to 30 March 1998. Pursuant thereto, Metrofile Division dismissed striking members due to, *inter alia*, their misconduct during the strike action. The matter was referred to the Labour Court, which ruled that the dismissals were substantively fair but concluded that the dismissals were procedurally unfair. However, the Labour Court held that, considering the nature of the misconduct of the employees during the strike action, no compensation was to be ordered in favour of the employees. The Labour Court made no order as to costs.

The matter was taken on appeal by the trade union to the Labour Appeal Court during 2002. The Labour Appeal Court, on 19 December 2003, upheld the appeal by the trade union and reinstatement of the employees as from 1998 was ordered. The Metrofile Division has lodged an appeal to the Supreme Court in Bloemfontein against the judgement of the Labour Appeal Court which is proceeding. Should this appeal be unsuccessful, the costs of reinstatement, inclusive of legal fees and retrenchment costs (as the present employees that replaced the previous dismissed employees need to be retrenched) is estimated to be between R5 million and R10 million.

11.5 **MGX Outsourcing/Ukusa Technologies**

MGX Outsourcing instituted action for an amount of R1.6 million in the High Court of South Africa in Durban against its joint venture partner, Ukusa Technologies, pursuant to payment received under a joint tender from the DOSW, relating to the creation of an electronic registry database.

The cause of action arose from the directors of Ukusa Technologies instructing DOSW to make payment due to the joint venture vehicle, Digital Initiatives, directly into Ukusa Technologies' banking account as opposed to the banking account of Digital Initiatives. MGX Outsourcing obtained a High Court Order attaching all monies in Ukusa Technologies bank account, directing DOSW to pay monies owing under the tender to Digital Initiatives and interdicting Ukusa Technologies from operating the bank account.

Although MGX Outsourcing provided at 30 June 2003 for the impairment of R1.2 million against a net loan asset raised in MGX's account (R1.2 million takes into account the R1.6 million as mentioned above), an amount of R482 000 was recovered subsequent to the 30 June 2003 year-end. MGX is currently suing for the unrecovered amounts.

Ukusa Technologies instituted a separate action against MGX which the High Court of South Africa separated from the above action and which was adjourned on 21 October 2003 for Ukusa Technologies to file a replying affidavit. This affidavit was not lodged. MGX and MGX Outsourcing have no knowledge of any application for an Anton Piller Order as reported in the media on 20 October 2003 and no such Order has been served on the MGX group.

MGX Outsourcing believes that Ukusa Technologies' counterclaim has no merit, which counterclaim has subsequently been dismissed with costs by the High Court. The Ukusa Technologies action was not for a sum of money: it was for an accounting order and for Ukusa Technologies to obtain control of Digital Initiatives' cash flow. MGX Outsourcing has previously invited Ukusa Technologies to audit the books of Digital Initiatives, which process has been completed. The board is satisfied that there appears to be no financial risk to MGX arising from the above matter.

MGX outsourcing has subsequently launched an application for the liquidation of Ukusa Technologies pursuant to a series of breaches of the joint venture agreement, which application is set down for hearing in the High Court in Durban during July 2004.

11.6 Appel's claim to shares

Appel has an alleged claim against MGX for the transfer to him of approximately 2% or 880 shares of MGX's shareholding in Didata (UK), resulting from his alleged claim to commission due and payable to him pursuant to raising investment finance in Didata (UK).

On 17 March 2004, Appel, through his Attorneys of Record, threatened to launch an application on an urgent basis to interdict the Didata (UK) disposal unless MGX transferred 880 Didata (UK) shares to him or undertook to pay him an amount equal to double the value thereof in cash.

It is the board's view that, to the extent that Appel is successful in his claim and MGX has to compensate Appel for the 880 shares or a value ascribed thereto, Appel will be deemed an unsecured concurrent creditor and be dealt with under the section 311 scheme in terms whereof Appel will be issued MGX notes to the value of his claim. Appel, through his attorneys, has lodged his claim, as a scheme creditor, with the Receiver appointed in terms of the section 311 scheme.

11.7 Lubashevsky

In terms of a sale of shares agreement entered into between MGX and Lubashevsky, Lubashevsky sold to MGX 13.33 million ordinary shares in EC-Hold. The purchase consideration was to be settled partly in cash and partly by MGX purchasing MGX shares for the benefit of Lubashevsky, in various tranches over a 24-month period. A reconciliation of the amounts expended and advanced indicates that MGX may have overpaid Lubashevsky an amount of approximately R2 212 848. At present, discussions are under way between MGX and Lubashevsky pertaining to the settlement of the aforesaid amount.

11.8 CCMA cases

Certain individual employees have threatened or instituted referrals to the CCMA pursuant to recent termination of employment in accordance with the restructuring and downsizing of the MGX group, the most notable being that of a certain Mr Farouk Jallal for an estimated claim of R250 000. There are a further seven referrals to the CCMA within the Metrofile Division and should the CCMA or any Labour Court rule in favour of all the employees against MGX, it is estimated that the total liability to MGX or the Metrofile Division will be approximately R700 000, including the claim of Mr Jallal.

In addition, an outstanding dispute between Mr Frederick Castleman (as applicant) and MGX and CCH (as respondents) was set down for trial in the Labour Court on 20 May 2004 and postponed until 16 September 2004. The cause of action pertains to an alleged unfair dismissal by MGX and/or CCH of the applicant, who was previously employed by CCH, in 2001 when MGX acquired the business of CCH. The amount of the claim is R1.5 million but MGX has been advised by its legal advisers that the total amount that the applicant may possibly succeed on is R600 000.

MGX has defended all the above CCMA cases as it believes that it has a valid defence to such claims. It is the board's view that, to the extent however that any of the claimants may be successful in their actions against MGX, such claimants will be deemed unsecured concurrent creditors of MGX and be dealt with under the section 311 scheme in terms whereof the such claimant will be issued MGX notes to the value of his claim.

12. EXPERT'S CONSENTS

The attorneys to MGX, the investment bank and sponsor, the transfer secretaries and the reporting accountants and auditors, have given and have not, prior to the last practicable date, withdrawn their written consents to the inclusion of their names and, where applicable, their reports in the form and context in which they appear in this circular.

13. COSTS

The estimated total cost incurred by MGX in implementing the Midrand property disposal is set out below.

	Total amount paid Rand
Charl du Plessis Attorneys	150 000.00
Deloitte & Touche	12 000.00
JSE costs	5 851.62
Printing costs	40 920.00
Standard Bank as investment bank	150 000.00
Webber Wentzel Bowens	65 000.00
	423 771.62

14. MATERIAL CHANGES

The trading object of MGX, which is to carry on business as an investment holding company with interest in the information technology sector, has remained the same since its listing on the JSE in 1995 and will remain as such for the foreseeable future. The directors report that, between the date of the last financial results of MGX, being the six months to 31 December 2003, and the date of this circular, there have been no material changes in the financial and trading position of MGX, other than as disclosed in this circular and previous circulars.

15. CORPORATE GOVERNANCE

The directors of MGX will endeavour to implement, apply and comply with all the principles of good corporate governance as contained in the King Report on Corporate Governance in South Africa 2002 and the Listings Requirements of the JSE.

The board will maintain a sound system of internal control to safeguard stakeholders' interests and the Company's assets. MGX and its directors are fully committed to good corporate governance and to the principles of openness, integrity and accountability in dealing with shareholders and other stakeholders.

15.1 The board

The board currently comprises three non-executive directors (two of whom are independent) and two executive directors. The board is chaired by an independent non-executive director.

The board meets at least quarterly and is responsible for the MGX group's strategy, policy and performance as well as the management, control, compliance and ethical behaviour of the group companies under its direction. The executive directors, being involved with the day-to-day business activities of the MGX group, are responsible for ensuring that decisions, strategies and views of the board are implemented.

To fulfil their responsibilities, board members have full and unrestricted access to relevant information and have access to the services and advice of the MGX group's Company Secretary. Directors may also obtain independent professional advice at the expense of the Company.

15.2 Audit committee

The MGX group's audit committee comprises three non-executive directors, one of whom is responsible for chairing the committee. The external auditors have unrestricted access to the audit committee, which meets at least three times a year. These meetings are also attended by the appropriate members of financial management. The main functions of the audit committee are to:

- ensure and report on the integrity, reliability and accuracy of the MGX group's accounting and financial reporting systems;
- promote the overall effectiveness of corporate governance in the MGX group;
- review the findings and reports of the external auditors;
- consider and recommend the annual and interim financial statements for approval by the board; and
- consider the independence of and recommend the re-appointment of the external auditors.

15.3 Remuneration and nominations committee

The MGX group has a remuneration and nominations committee consisting of three non-executive directors, one of whom is responsible for chairing the committee. The committee meets at least twice a year and is responsible for formulating a remuneration strategy for senior executives in the group. This strategy includes the determination of incentive pay structures for directors and senior executives in both the short and long-term, and the positioning of these levels in accordance with competitive practice, locally and internationally.

The remuneration and nominations committee's main objective is to provide the board with an assurance that the directors and senior executives of the group are fairly rewarded for their individual contributions to the group's performance. Existing and proposed share incentives are reviewed by the remuneration and nominations committee.

15.4 Financial and internal control

The board is responsible for the MGX group's system of internal control. Internal controls comprise methods and procedures adopted by management to contribute towards the achievement of the objectives of safeguarding assets, preventing and detecting error and fraud and ensuring the accuracy and completeness of accounting records and the reliability of the financial statements.

The directors are of the opinion, based on the information and explanations given by management and the external auditors, that the internal controls are adequate so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

It must be recognised that systems of internal control can provide only reasonable and not absolute, assurance. In that context, none of the reviews conducted indicated that the system of internal control was not appropriate or satisfactory.

15.5 Management

The MGX group's executive committee includes the business unit managers of all the businesses as well as the head office executives. The committee meets fortnightly and on an *ad hoc* basis for urgent matters of business. The function of the MGX group's executive committee is to develop the MGX group's strategy, its business plan and corporate policies for the board's approval, and to implement and monitor these in accordance with the board's directives.

15.6 Organisational integrity

The appropriate emphasis placed by the King Report on Corporate Governance in South Africa 2002 on strategic, operational, financial, information technology and fraud risk management, including whistle blowing, is fully supported by the board. An initial risk management assessment was undertaken during 2002. The board is in the process of considering a proposal to implement the recommendations arising from this audit, upon the finalisation of the restructuring of MGX.

15.7 Share dealings

The MGX group's business philosophy requires that the directors and employees conduct themselves with honesty and integrity in all business practices to achieve the highest standards of ethical behaviour. Employees and directors are bound by the MGX group's code of conduct governing trade in the Company's shares.

15.8 Shareholder relations

The MGX group subscribes to a philosophy of providing meaningful, transparent, timely and accurate communications to its stakeholders.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 7 of this circular, collectively and individually, accept full responsibility for the accuracy of the information provided in this circular and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and, if applicable, that this circular contains all information required by law.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of MGX on business days during normal business hours from the date of posting of this circular to the date of the general meeting, both days inclusive:

- the memorandum and articles of association of MGX;
- the sale agreement;
- the reporting accountants' and auditor's report of Deloitte & Touche on the historical financial information of MGX Property;
- the reporting accountants' report of Deloitte & Touche on the pro forma financial information of MGX relating to the MGX Property disposal.
- the audited financial statements of MGX for the years ended 30 June 2001, 2002 and 2003 and the unaudited and unreviewed financial results for the six months to 31 December 2003;
- service contracts with directors, managers and secretaries entered into in the last three years;
- the letters of consent from the attorneys, the investment bank and sponsor, the transfer secretaries and the reporting accountants and auditors consenting to the inclusion of their names and, where applicable, their reports in the form and context in which they appear in this circular; and
- this circular.

18. GENERAL MEETING OF SHAREHOLDERS

A general meeting of shareholders will be held at 09:00 on Tuesday, 3 August 2004 at MGX, 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, or such later time or date as that meeting may be adjourned, at which shareholders will be asked to consider and, if deemed fit, approve the ordinary resolution set out in the notice of general meeting.

A notice convening the general meeting forms part of this circular and a form of proxy (pink), for use by certificated shareholders and shareholders who have elected "own-name" registration in the sub-register through a CSDP, who are unable to attend the general meeting, is attached hereto. Duly completed forms of proxy must be received by the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 09:00 on Friday, 30 July 2004, or if the general meeting is adjourned or postponed, by no later than 48 hours prior to the time of the adjourned or postponed of the general meeting.

Shareholders who have already dematerialised their MGX shares through a CSDP or broker and who have not elected "own-name" registration, and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

By order of the board

MGX HOLDINGS LIMITED

Stephen Roy Midlane
Executive Director

Sandton
16 July 2004

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE MGX PROPERTY DISPOSAL

"The Directors
MGX Holdings Limited
MGX House
22 Milkyway Avenue
Linbro Business Park
Linbro Park
Sandton
2146

13 July 2004

Dear Directors

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL OF MGX PROPERTY (PROPRIETARY) LIMITED'S ("MGX PROPERTY") IMMOVABLE PROPERTY SITUATED AT 126 – 14TH STREET, MIDRAND ("MGX PROPERTY DISPOSAL") ("THE TRANSACTION")

1. INTRODUCTION

We have reviewed the pro forma financial effects as set out in paragraph 5 on page 8 of the circular and the pro forma income statement and balance sheet before and after the transaction, as set out in Annexure 2 ("the pro forma financial information") of the circular to shareholders of MGX dated on or about 19 July 2004 relating to the transaction.

The pro forma financial information has been prepared, for illustrative purposes only, to provide information about the financial effects of the transaction on the consolidated financial results and position of MGX, had the transaction been effective as at 31 December 2003. Because of its nature, the pro forma financial information may not give a fair reflection of MGX's financial position.

At your request and for the purpose of the circular, we present our report on the pro forma financial effects of the transaction detailed in the circular in compliance with the Listings Requirements of the JSE Securities Exchange South Africa ("JSE Listings Requirements").

2. RESPONSIBILITIES

The directors are solely responsible for the preparation of the pro forma financial information to which this reporting accountants' report relates and for the financial statements and financial information from which it has been prepared.

It is our responsibility to review the financial information and to report to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information, beyond that owed to those to whom those reports were addressed at their dates of issue.

3. SCOPE

We conducted our review in accordance with the guidance issued by the South African Institute of Chartered Accountants. Our work, which did not involve any independent examination of any of the underlying financial information, consisted primarily of agreeing the unadjusted financial information to the unaudited unreviewed financial statements of MGX for the financial year ended 31 December 2003, considering the evidence supporting the adjustments, re-performing the calculations based on the information obtained and discussing the pro forma financial information with the directors of MGX.

Had we performed additional procedures or had we performed an audit or review of the pro forma financial information in accordance with the South African Auditing Standards, other matters might have come to our attention that would have been reported to you.

4. **OPINION**

Based on our review, nothing has come to our attention that causes us to believe that:

- the pro forma financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of MGX; and
- the adjustments are inappropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 8.30 of the JSE Listings Requirements.

Yours faithfully

DELOITTE & TOUCHE

Chartered Accountants (SA)

Registered Accountants and Auditors

Johannesburg”

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF MGX RELATING TO THE MGX PROPERTY DISPOSAL

The pro forma income statement and balance sheet, set out below, have been compiled with reference to the unaudited financial statements for the six months ended 31 December 2003 and have been adjusted for the MGX property disposal. The directors are solely responsible for the preparation of the pro forma financial information set out below.

PRO FORMA CONSOLIDATED INCOME STATEMENT

	Unaudited six months ended 31 December 2003 R'000	MGX Property disposal R'000	Pro forma six months ended 31 December 2003 R'000
Revenue	293 242	–	293 242
Operating (loss)/income before depreciation and goodwill amortisation	22 371	306	22 677
Depreciation	(20 709)	331	(20 378)
Operating (loss)/income before goodwill amortisation	1 662	637	2 299
Goodwill amortisation	(11 353)	–	(11 353)
Net operating (loss)/income	(9 691)	637	(9 054)
Goodwill impairments	(7 500)	–	(7 500)
Exceptional items	(1 875)	2 241	366
Ordinary (loss)/profit before interest	(19 066)	2 878	(16 188)
Net interest paid	(37 849)	2 190	(35 659)
Ordinary (loss)/profit before taxation	(56 915)	5 068	(51 847)
Taxation – current	(6 695)	–	(6 695)
Deferred tax reversal	(1 377)	–	(1 377)
Ordinary (loss)/profit before minorities	(64 987)	5 068	(59 919)
Minority shareholders' interest	128	–	128
Attributable (loss)/earnings	(64 859)	5 068	(59 791)
Number of ordinary shares in issue (thousands)	66 598	–	66 598
Weighted average number of ordinary shares in issue (thousands)	66 598	–	66 598
Headline (loss)/earnings per ordinary share (cents)	(73.30)	4.30	(69.00)
(Loss)/Earnings per ordinary share (cents)	(97.40)	7.60	(89.80)

PRO FORMA CONSOLIDATED BALANCE SHEET

	Unaudited 31 December 2003 R'000	MGX Property disposal R'000	Pro forma 31 December 2003 R'000
Equity and liabilities			
Ordinary shareholders' interest	(304 071)	(53)	(304 124)
Outside shareholders' interest	1 756	–	1 756
Outside shareholders' preference shares in subsidiary	28 433	–	28 433
Net deferred tax liability	948	–	948
Non current liabilities			
Interest bearing borrowings	458 511	(22 437)	436 074
Current liabilities			
Trade payables	28 960	–	28 960
Other payables, accruals and deferred income	60 765	–	60 765
Bank overdrafts	27 207	(8 762)	18 445
Taxation	46 799	–	46 799
Interest bearing short-term debt	48 322	(2 891)	45 431
	397 630	(34 143)	363 487
Assets			
Property, plant and equipment	287 373	(34 143)	253 230
Intangibles and goodwill	5 096	–	5 096
Financial assets	–	–	–
Long-term receivables	–	–	–
Current assets			
Inventory	10 874	–	10 874
Trade receivables	65 875	–	65 875
Other receivables	18 337	–	18 337
Bank balances	10 075	–	10 075
	397 630	(34 143)	363 487
Net asset value per share (cents)	(456.60)	(0.10)	(456.70)
Tangible net asset value (thousands)	(309 167)	(53)	(309 220)
Tangible net asset value per share (cents)	(464.20)	(0.10)	(464.30)

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF MGX PROPERTY

"The Directors
MGX Holdings Limited
22 Milkyway Avenue
Linbro Business Park
Linbro Park
Sandton
2146

13 July 2004

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION IN RESPECT OF MGX PROPERTY (PROPRIETARY) LIMITED ("MGX PROPERTY")**INTRODUCTION**

The board of directors of MGX Holdings Limited has decided to proceed with the disposal of MGX Property's immovable property situated at 126 – 14th Street, Midrand.

At your request and for the purposes of the circular to MGX shareholders, to be dated on or about 19 July 2004, we present our report on the historical financial information in respect of MGX Property, as set out in Annexure 4 of this circular, in compliance with the Listings Requirements of the JSE Securities Exchange South Africa ("JSE").

RESPONSIBILITY

The compilation, contents and presentation of the circular are the responsibility of the company's directors. Our responsibility is to express an opinion on the historical financial information included as Annexure 4 of this circular.

SCOPE

We have audited the financial information of MGX Property for the year ended 30 June 2003, and reviewed the financial information for the years ended 30 June 2002 and 30 June 2001.

BASIS OF OPINION**Audit opinion**

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information relating to the year ended 30 June 2003 is free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures of the abovementioned historical financial information;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall historical financial information presentation.

We believe that our audit provides a reasonable basis for our audit opinion.

Review opinion

We conducted our review in accordance with the statements of South African Auditing Standards applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance that the historical financial information for the years ended 30 June 2002 and 30 June 2001 is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and this provides less assurance than an audit. We have not performed an audit of the abovementioned historical financial information and, accordingly, we do not express an audit opinion thereon.

OPINIONS

Audit opinion

In our opinion, the historical financial information of MGX Property for the year ended 30 June 2003 fairly presents, in all material respects, the financial position at that date, and the results of the operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and the JSE Listings Requirements.

Going concern

Without qualifying our opinion, we draw attention to the annual financial statements and to Note 12, which indicate that the company incurred a loss of R16 138 628 during the year ended 30 June 2003. As at that date the company's total liabilities exceeded its total assets by R8 242 198. These indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of MGX Property for the years ended 30 June 2002 and 30 June 2001 is not fairly presented, in all material respects, in accordance with South African Statements of Generally Accepted Accounting Practice, and the JSE Listings Requirements.

CONSENT

We consent to the inclusion of this report, which will form part of the circular to shareholders of MGX Holdings Limited, to be issued on or about 19 July 2004, in the form and context in which it appears.

Yours faithfully

DELOITTE & TOUCHE

*Chartered Accountants (SA)
Registered Accountants and Auditors*

Johannesburg"

HISTORICAL FINANCIAL INFORMATION OF MGX PROPERTY

The financial information has been extracted from the unaudited interim financial statements for the six months ended 31 December 2003 of MGX Property (Property) Limited ("MGX Property") and the audited and unqualified financial statements of MGX Property for the financial years ended 30 June 2001, 2002 and 2003 and have been approved in terms of South African Statements of GAAP.

REVIEW OF ACTIVITIES

The company operates as a property owning company.

The company's loss for the year amounted to R16 138 628 (2002: loss R7 001 413), after taxation of R3 086 341 (2002: credit R2 820 750).

SHARE CAPITAL

In the current financial year, the company converted R25 000 000 of the loan from its holding company to equity. In this regard 1 share was issued at a premium of R24 999 999.

DIVIDENDS

No dividends were declared or paid to the member during the period.

GOING CONCERN

The director wishes to draw attention to the financial statements, which indicate that the company incurred a net loss of R16 138 628 during the year ended 30 June 2003 and a net loss of R7 001 413 during the year ended 30 June 2002. In addition the company's total liabilities exceeded its total assets by R8 242 198 and R17 102 670 at 30 June 2003 and 30 June 2002 respectively. These conditions, along with other matters indicate the existence of a material uncertainty, which may cast doubt about the company's ability to continue as a going concern.

However the above should be seen in the context that MGX Holdings Limited has subordinated its loan account of R13.2 million owing to it by the company at 30 June 2003 in favour of other creditors for the shorter of the period until 30 June 2005 or until such time as a MGX Group company is no longer the sole shareholder of the company.

Furthermore, it is the intention of MGX Holdings Limited to continue its current arrangements to support the company until 30 June 2005. The current arrangements are to provide finance as and when it is required to enable the company to continue as a going concern until 30 June 2005.

The support referred to above is conditional and subject to the following conditions:

- A MGX Group company is to remain a holder of 100% of the issued share capital of the company.
- The support envisaged herein does not breach any of MGX Holdings Limited's bank covenants with its banks.
- No party makes or has made any application, whether provisionally or finally, for the liquidation or judicial management of the company.
- The support is limited to a maximum of R2 million.

INCOME STATEMENT

	Notes	Interim Six months to 31 December 2003 R	Audited 12 months to 30 June 2003 R	Audited 12 months to 30 June 2002 R	Audited 12 months to 30 June 2001 R
Revenue		922 468	5 360 589	3 625 246	4 685 617
Profit/(Loss) from operations	2	(448 510)	451 144	(5 824 862)	(5 880 899)
Interest received		4 459	22 042	20 663	–
Finance costs		(1 577 815)	(4 191 709)	(4 017 964)	(4 734 317)
Loss before exceptional items		(2 021 866)	(3 718 523)	(9 822 163)	(10 615 216)
Exceptional items	3	(2 113 011)	(9 333 764)	–	–
Loss before taxation		(4 134 877)	(13 052 287)	(9 822 163)	(10 615 216)
Taxation	4	–	(3 086 341)	2 820 750	54 365
Net loss for the period		(4 134 877)	(16 138 628)	(7 001 413)	(10 560 851)

BALANCE SHEET

	Notes	Interim As at 31 December 2003 R	Audited As at 30 June 2003 R	Audited As at 30 June 2002 R	Audited As at 30 June 2001 R
ASSETS					
Non-current assets		34 142 984	35 974 302	49 706 950	265 591
Property, plant and equipment	5	34 142 984	35 974 302	46 620 609	–
Deferred taxation asset	6	–	–	3 086 341	265 591
Current assets		257 483	253 767	1 381 301	30 392 976
Trade and other receivables		257 483	185 136	494 225	30 392 976
Cash and cash equivalents		–	68 631	887 076	–
Total assets		34 400 467	36 228 069	51 088 251	30 658 567
EQUITY AND LIABILITIES					
Equity capital and reserves		(12 377 075)	(8 242 198)	(17 102 670)	(10 101 257)
Share capital	9	101	101	1 000	1 000
Share premium		24 999 999	24 999 999	–	–
Accumulated loss		(37 377 175)	(33 242 298)	(17 103 670)	(10 102 257)
NON-CURRENT LIABILITIES		41 163 259	39 510 079	61 858 730	–
Interest bearing loan	7	24 933 359	26 350 079	28 302 480	–
Loan from holding company and fellow subsidiaries	8	16 229 900	13 160 000	33 556 250	–
Current liabilities		5 614 283	4 960 188	6 332 191	40 759 824
Loan from holding company and fellow subsidiaries	8	–	–	–	–
Trade and other payables		1 890 602	2 002 718	3 234 298	8 798 526
Short-term portion of interest- bearing loan	7	3 514 444	2 957 470	3 097 893	28 658 185
Bank overdraft		209 237	–	–	3 303 113
Total equity and liabilities		34 400 467	36 228 069	51 088 251	30 658 567

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Share premium R	Accumulated loss R	Total R
Balance at 30 June 2001	1 000	–	(10 102 257)	(10 101 257)
Net loss for the year	–	–	(7 001 413)	(7 001 413)
Balance at 30 June 2002	1 000	–	(17 103 670)	(17 102 670)
Correction of error	(900)	–	–	(900)
Issue of capital	1	24 999 999	–	25 000 000
Net loss for the year	–	–	(16 138 628)	(16 138 628)
Balance at 30 June 2003	101	24 999 999	(33 242 298)	(8 242 198)
Net loss for the year	–	–	(4 134 877)	(4 134 877)
Balance at 31 December 2003	101	24 999 999	(37 377 175)	(12 377 075)

CASH FLOW STATEMENT

	Notes	Interim Six months to 31 December 2003 R	Audited 12 months to 30 June 2003 R	Audited 12 months to 30 June 2002 R	Audited 12 months to 30 June 2001 R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash inflow/(outflow) from operations	A	(914 666)	869 103	(5 273 401)	9 439 468
Interest received		4 459	22 042	20 663	–
Finance costs		(1 577 815)	(4 191 709)	(4 017 964)	(4 734 317)
Net cash outflow from operating activities		(2 488 022)	(3 300 564)	(9 270 702)	4 705 151
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		–	(27 907)	(18 214 395)	(2 411 384)
Net cash outflow from investing activities		–	(27 907)	(18 214 395)	(2 411 384)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from holding company and fellow subsidiaries' loan		3 069 900	4 602 850	33 556 250	–
Repayments of interest bearing loan		(859 746)	(2 092 824)	(1 880 904)	(1 341 816)
Net cash inflow/(outflow) from financing activities		2 210 154	2 510 026	31 675 286	(1 341 816)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(277 868)	(818 445)	4 190 189	951 951
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		68 631	887 076	(3 303 113)	(4 255 064)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		(209 237)	68 631	887 076	(3 303 113)

NOTES TO THE CASH FLOW STATEMENT

	Audited 12 months to 30 June 2003 R	Audited 12 months to 30 June 2002 R
A. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
Loss before taxation	(13 052 287)	(9 822 163)
<i>Adjustments for:</i>		
– Depreciation	1 020 031	585 762
– Loss on sale of property, plant and equipment	14 909	–
– Interest received	(22 042)	(20 663)
– Finance costs	4 191 709	4 017 964
– Onerous lease liability provision	–	4 623 152
– Exceptional items	9 333 764	–
Operating cash flows before movements in working capital	1 486 084	(615 948)
– Decrease in trade and other receivables	614 599	906 775
– Decrease in trade and other payables	(1 231 580)	(5 564 228)
	869 103	(5 273 401)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30 June 2003

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments, and incorporate the following principal accounting policies which are consistent with those of the previous period, except as disclosed in note 1.2.

These policies comply with the South African Statements of Generally Accepted Accounting Practice.

The financial statements are prepared on a going concern basis.

1.1 Revenue

Revenue consists of rentals charged to tenants and are recognised as revenue over the period that the property was rented.

1.2 Adoption of South African Accounting Standard AC 133: Financial Instruments: Recognition

In the current year, the company adopted the South African Accounting Standard AC133 Financial Instruments: Recognition and Measurement, for the first time. Adoption of this Standard has resulted in changes in the application of the company's accounting policies. The transitional adjustment as a result of this adoption was not significant.

1.3 Property, plant and equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

– Buildings	2%
– Furniture, fixtures and equipment, and motor vehicles	20%
– Computer equipment	33%

1.4 Taxation

The charge for the year is the amount of income taxes payable in respect of the taxable profit/(tax loss) for the year. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill/(or negative goodwill) or from the initial recognition (of other assets and liabilities in a transaction), which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.6 Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

	Audited 2003 R	Audited 2002 R
2. PROFIT/(LOSS) FROM OPERATIONS		
Profit/(Loss) from operations is stated after accounting for the following:		
Depreciation		
– Land and buildings	590 819	418 824
– Furniture, fittings and office equipment	428 169	166 243
– Computer equipment	1 043	695
Loss on sale of property, plant and equipment	14 909	–
Onerous lease liability provision	–	4 623 152
Operating lease expenses	1 594 957	3 032 793
Audit fee		
– Audit	35 750	51 000
– Other services	8 000	–
Staff costs	265 241	–
3. EXCEPTIONAL ITEMS		
Impairment of buildings	7 879 375	–
Impairment of furniture, fittings and equipment	1 026 177	–
Impairment of inter-company debtor	428 212	–
	9 333 764	–
4. TAXATION		
Current tax	–	–
Deferred tax	(3 086 341)	2 820 750
	(3 086 341)	2 820 750
Income tax expense		
Tax rate reconciliation		
Accounting loss before taxation	(13 052 287)	(9 822 163)
Tax at the applicable tax rate of 30%	3 915 686	2 946 649
Tax effect of expenses that are not deductible in determining taxable profit:		
– Depreciation on buildings	(177 246)	(125 647)
– Deferred tax not raised	(938 312)	–
– Prior year deferred tax written off	(3 086 341)	–
– Exceptional items – capital nature	(2 800 128)	–
– Legal expenses	–	(252)
Income tax expense	(3 086 341)	2 820 750

	Audited 2003 R	Audited 2002 R
5. PROPERTY, PLANT AND EQUIPMENT		
Cost or valuation		
Land and buildings*	36 598 320	44 477 695
Furniture, fittings and office equipment	511 198	2 716 160
Computer equipment	–	12 516
	37 109 518	47 206 371
Accumulated depreciation		
Land and buildings	1 009 643	418 824
Furniture, fittings and office equipment	125 573	166 243
Computer equipment	–	695
	1 135 216	585 762
Net carrying value		
Land and buildings	35 588 677	44 058 871
Furniture, fittings and office equipment	385 625	2 549 917
Computer equipment	–	11 821
	35 974 302	46 620 609

*The land and buildings are encumbered as described in note 7.

Movement during the year

	Land and buildings R	Furniture fittings and equipment R	Computer equipment R	Total R
Opening net book value	44 058 871	2 549 917	11 821	46 620 609
Additions	–	27 907	–	27 907
Disposals	–	(737 853)	(10 778)	(748 631)
Depreciation	(590 819)	(428 169)	(1 043)	(1 020 031)
Impairment	(7 879 375)	(1 026 177)	–	(8 905 552)
	35 588 677	385 625	–	35 974 302

	Audited 2003 R	Audited 2002 R
6. DEFERRED TAXATION ASSET		
Reconciliation of deferred tax asset balance from the beginning to the end of the year		
Net deferred tax asset at the beginning of the year	3 086 341	265 591
Income statement movement	(3 086 341)	2 820 750
Net deferred tax asset at the end of the year	–	3 086 341
The balance is represented by:		
Assessed loss	–	3 086 341

	Audited 2003 R	Audited 2002 R
7. INTEREST BEARING LOAN		
Mortgage bond over land and buildings	25 871 275	26 777 221
Onerous lease liability	3 436 274	4 623 152
	29 307 549	31 400 373
<i>Less: Short-term portion</i>	<i>(2 957 470)</i>	<i>(3 097 893)</i>
	26 350 079	28 302 480

The mortgage bond is secured over land and buildings and is repayable on monthly instalments over a period of 10 years. Interest is charged at the variable rate of 1.25% below prime rate.

The onerous lease liability represents office lease contracts in which the present value of the unavoidable costs of meeting the company's obligations under the contracts, exceed the economic benefits expected to be received under those contracts. An amount of R642 707 is included in the short-term portion above, and the remainder of this liability is payable on a monthly basis within a period of five years.

8. LOAN FROM HOLDING COMPANY AND FELLOW SUBSIDIARIES

MGX Management Services (Proprietary) Limited	–	25 957 736
MGX Holdings Limited	13 160 000	7 598 514
	13 160 000	33 556 250

The amounts owing are unsecured, interest free and there is no fixed date of repayment. MGX Holdings Limited has subordinated its loan account owing to it by the company at 30 June 2003 in favour of other creditors for the shorter of the period until 30 June 2005 or until such time as a MGX Group company is no longer the sole shareholder of the company.

9. SHARE CAPITAL

Authorised

2 000 (2002: 1 000) ordinary shares of R1.00 each	2 000	1 000
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Issued

101 (2002: 1 000) ordinary shares at R1.00 each	101	1 000
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10. OPERATING LEASE COMMITMENTS

All of the company's lease commitments have been disclosed as onerous lease liability. Refer to note 7.

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The holding company of MGX Property (Proprietary) Limited is MGX Holdings Limited.

Rent received from fellow subsidiaries	4 084 738	3 625 246
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12. GOING CONCERN

The company incurred a loss of R16 138 628 during the year ended 30 June 2003. Furthermore, the company's total liabilities exceeded its total assets by R8 242 198. As detailed in note 8, the company owes R13 160 000 to its holding company and depends on the continued support of the holding company to repay its short-term debts in order to continue as a going concern.

Should the holding company demand repayment or cease to be a going concern, these loan amounts may become payable immediately. The holding company is technically insolvent. This indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that may be necessary with regard to the classification or valuation of assets and liabilities if this company is not able to continue as a going concern.

However, the above should be seen in the context that MGX Holdings Limited has subordinated its loan account of R13.2 million owing to it by the company at 30 June 2003 in favour of other creditors for the shorter of the period until 30 June 2005 or until such time as a MGX Group company is no longer the sole shareholder of the company.

Furthermore, it is the intention of MGX Holdings Limited to continue its current arrangements to support the company until 30 June 2005. The current arrangements are to provide finance, as and when it is required, to enable the company to continue as a going concern until 30 June 2005. The current arrangements are to provide finance as and when it is required to enable the company to continue as a going concern until 30 June 2005.

The support referred to above is however conditional and subject to the following conditions:

- A MGX Group company is to remain a holder of the issued share capital of the company.
- The support envisaged herein does not breach any of MGX Holdings Limited's bank covenants with its banks.
- No party makes or has made any application, whether provisionally or finally, for the liquidation or judicial management of the company.
- The support is limited to a maximum of R2 million.

13. POST BALANCE SHEET EVENT

Subsequent to year end the company has entered into an agreement with C-Max, a wholly-owned subsidiary of Zenprop Property Holdings (Proprietary) Limited, to sell all its fixed assets, including, the company's immovable property situated at 126 – 14th Street, Midrand, held under title deed number T78545/99 for a purchase consideration (before commission) of R35 million. All the conditions precedent relating to the fixed asset disposal have been fulfilled, and MGX Holdings Limited has obtained dispensation from the JSE to implement the transaction on the basis that the requisite majority of shareholders have irrevocably undertaken to vote in favour of the ordinary resolution necessary to ratify the disposal.

NET LIABILITY VALUE, TANGIBLE NET LIABILITY VALUE, LOSS PER SHARE AND HEADLINE LOSS PER SHARE FOR MGX PROPERTY

The table below sets out the NLV, TNLV, LPS and HLPS for the financial years ended 30 June 2003 and 30 June 2002. These numbers are unreviewed and unaudited.

	2003 R	2002 R
NLV	(8 242 198)	(17 102 670)
TNLV	(8 242 198)	(17 102 670)
Net loss	(16 138 628)	(7 001 413)
Impairment of property/plant/equipment	8 905 552	–
Loss on sale of property, plant, equipment	14 909	–
Headline loss	(7 218 167)	(7 001 413)
Number of shares	101.00	100.00
Weighted average number of shares	100.37	100.00
NLV per share (Rands)	(81 606)	(171 027)
TNLV per share (Rands)	(81 606)	(171 027)
LPS (Rands)	(160 799)	(70 014)
HLPS (Rands)	(71 919)	(70 014)

Note:

The above should be seen in the context of the following:

In February 2003, the company converted R25 000 000 of the loan from its holding company to equity, in this regard 1 share was issued at a premium of R24 999 999.

HISTORICAL FINANCIAL INFORMATION OF MGX

Income statements for the years ended 30 June

	Unaudited six months ended 31 December 2003 R'000	Notes	Audited 2003 R'000	Audited 2002 R'000	Audited 2001 R'000
Revenue	293 242		1 251 051	1 487 078	885 066
Cost of sales			716 561	810 774	439 982
Gross profit			534 490	676 304	445 084
Other income			4 892	67 351	5 001
Gross profit before operating expenditure			539 382	743 655	450 085
Distribution costs			29 369	6 904	6 421
Staff costs			386 344	348 211	196 283
Foreign exchange losses/(gains)			9 169	(10 784)	
Administrative and other operating costs			118 011	171 068	97 126
Operating income/(loss) before depreciation, amortisation, exceptional items and finance costs	22 371		(3 511)	228 256	
Depreciation and trademark amortisation	20 709		57 829	42 863	30 670
Operating income/(loss) before goodwill amortisation, exceptional items and finance costs	1 662		(61 340)	185 393	119 585
Goodwill amortisation	11 353		69 465	79 420	18 854
Operating (loss)/income before exceptional items and finance costs	(9 691)	2	(130 805)	105 973	100 731
Goodwill impairment	7 500		331 269	3 475	
Exceptional items	1 875	3	47 343	22 701	37 583
Operating (loss)/income before finance costs	(19 066)		(509 417)	79 797	63 148
Net finance costs	37 849		78 687	45 842	14 262
(Loss)/income before taxation	(56 915)		(588 104)	33 955	48 886
Taxation – current	6 695	6	50 364	29 962	33 067
– deferred	1 377	6	65 265	3 842	
(Loss)/income after taxation	(64 987)		(703 733)	151	15 819
Share of associate's income				2 020	15 069
Outside shareholders' share of losses/(gains)	128		1 657	6 184	(684)
Attributable (loss)/earnings	(64 859)		(702 076)	8 355	30 204

	Unaudited six months ended 31 December 2003 R'000	Notes	Audited 2003 R'000	Audited 2002 R'000	Audited 2001 R'000
Number of ordinary shares in issue (thousands)	74 077		74 077	74 077	74 077
Number of ordinary shares held in treasury (thousands)	6 877		6 877	6 840	6 840
Number of ordinary shares excluded (thousands)	602		602	612	612
Number of ordinary shares in issue after deducting treasury and other excluded shares (thousands)	66 598		66 598	66 626	53 924
Weighted average number of ordinary shares in issue (thousands)	66 598		66 589	66 563	66 563
Headline (loss)/earnings per ordinary share (cents)	(73.3)	7	(383.8)	145.3	138.9
Fully diluted headline (loss)/earnings per ordinary share (cents)		7	(383.8)	144.7	
(Loss)/earnings per ordinary share (cents)	(97.4)	7	(1 054.3)	12.6	56.0
Fully diluted (loss)/earnings per ordinary share (cents)		7	(1 054.3)	12.5	55.7

Balance sheets at 30 June

	Unaudited interim results as at 31 December 2003 R'000	Notes	Audited 2003 R'000	Audited 2002 R'000	Audited 2001 R'000
ASSETS					
Non-current assets	292 469		435 222	799 058	649 204
Property, plant and equipment	287 373	9	333 291	319 537	235 367
Financial assets		10	16 700	49 517	51 748
Goodwill	4 998	11	84 982	417 692	358 152
Intangibles	98	12	103	1 796	731
Long-term receivables			146	10 516	3 206
Deferred taxation asset	679	6	2 931	71 728	61 949
Current assets	105 161		359 831	503 193	492 031
Inventories	10 874	13	44 025	68 450	37 692
Trade receivables	65 875	18	181 420	308 328	298 305
Other receivables	18 337	18	46 516	66 337	42 369
Short-term financial assets					18 000
Taxation			3 639		
Bank balances	10 075		84 231	60 078	95 665
Total assets	398 309		797 984	1 373 979	1 203 184
EQUITY AND LIABILITIES					
Equity capital and reserves	(273 882)		(208 857)	510 557	457 138
Ordinary share capital and premium		14	196 070	202 201	201 397
Non-distributable reserves			4 667	9 056	736
(Accumulated losses)/Distributable reserves			(441 428)	262 509	254 154
Ordinary shareholders' (deficit)/interest	(304 071)		(240 691)	473 766	456 287
Outside shareholders' interest	1 756		3 401	8 358	851
Outside shareholders' preference shares in subsidiary	28 433		28 433	28 433	
Deferred taxation liability	1 627	6	738	2 484	1 941
Non-current liabilities	458 511		169 075	164 305	118 821
Non-interest-bearing liabilities		15.1		27 674	1 200
Interest bearing liabilities*	458 511	15.2	169 075	136 631	117 621
Current liabilities	212 053		837 028	696 633	625 284
Trade payables	28 960		102 178	147 925	118 149
Other payables and provisions	55 147	23	124 979	150 666	185 458
Deferred revenue	5 618		53 935	58 250	31 954
Taxation	46 799		54 188	7 651	14 034
Bank overdrafts – MGX Banking Consortium		18	80 000		
Bank overdrafts – Other	27 207	18	81 082	97 435	169 313
Non-interest-bearing liabilities		15.3	73 477	5 140	51 462
Interest-bearing liabilities	48 322	15.3	267 189	229 566	54 914
Total equity and liabilities	398 309		797 984	1 373 979	1 203 184
Net (liability)/asset per ordinary share (cents)			(361.4)	711.1	
Tangible net (liability)/asset per ordinary share (cents)			(489.2)	81.5	

*Long-term interest bearing liabilities at 31 December 2003 comprise long-term liabilities plus those liabilities converted into loan notes or long-term facilities in terms of the CTA signed with the capital providers and in terms of the subsequent Court sanctioned section 311 scheme of arrangement, but prior to accounting for the remaining sales of assets in progress.

Statements of changes in equity for the year ended 30 June 2003 and six months ended 31 December 2003

	Share capital R'000	Share premium R'000	Non-distri- butable reserves R'000	Distri- butable reserves R'000	Total R'000
Balance at 30 June 2000	290	41 574	192	226 650	268 706
Prior year adjustment				(2 700)	(2 700)
Restated balance at 30 June 2000	290	41 574	192	223 950	266 006
Attributable earnings				30 204	30 204
Issue of capital	166	219 240			219 406
Offset of treasury shares	(46)	(59 827)			(59 873)
Foreign currency reserve			544		544
Balance at 30 June 2001	410	200 987	736	254 154	456 287
Attributable earnings				8 355	8 355
Impairment of share incentive shares	(6)	(3 656)			(3 662)
Offset of treasury shares	3	4 463			4 466
Revaluation of associate in subsidiary			6 834		6 834
Vendor loan released in subsidiary			7 600		7 600
Foreign currency translation reserve			(6 114)		(6 114)
Balance at 30 June 2002	407	201 794	9 056	262 509	473 766
Attributable loss				(702 076)	(702 076)
AC 133 transitional adjustments				(1 861)	(1 861)
Impairment of share incentive shares	2	(6 985)			(6 983)
Offset of treasury shares		852			852
Foreign currency reserve			(4 389)		(4 389)
Balance at 30 June 2003	409	195 661	4 667	(441 428)	(240 691)
Attributable loss				(64 859)	(64 859)
Foreign currency reserve			1 479		1 479
Balance at 31 December 2003	409	195 661	6 146	(506 287)	(304 071)

Cash flow statements for the years ended 30 June

	Unaudited six months ended 31 December 2003 R'000	Notes	Audited 2003 R'000	Audited 2002 R'000	Audited 2001 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers			1 365 728	1 482 270	849 674
Cash paid to suppliers and employees			(1 285 833)	(1 353 243)	(739 660)
Cash generated from operations	46 613	24.2	79 895	129 027	110 014
Net finance costs	(37 849)		(78 687)	(45 842)	(14 262)
Dividends received					1 208
Normal taxation paid	(931)		(7 288)	(34 112)	(25 836)
Net cash inflow/(outflow) from operating activities	7 833		(6 080)	49 073	71 124
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment			(43 322)	(57 722)	(58 423)
Replacement of property, plant and equipment			(37 354)	(111 129)	(7 764)
Proceeds from sale of property, plant and equipment			9 419	11 637	3 958
Increase in other investments			(10 400)	(11 847)	(4 346)
Decrease in loans due from group companies					122
Acquisitions of subsidiaries net of cash acquired		24.3	(23 883)	(36 790)	(173 212)
Proceeds on disposal of financial assets			9 548	591	(3 155)
Adjustment to CCH purchase price				28 606	
Long-term receivables repaid/(raised)			10 370	(268)	
Net cash inflow/(outflow) from investing activities	9 945		(85 622)	(176 922)	(242 820)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital					13 239
Repayment of long-term liabilities			(141 844)		(44 513)
Long-term liability raised			192 242	135 750	6 440
Funds introduced by minorities				28 433	
Net cash inflow/(outflow) from financing activities	41 779		50 398	164 183	(24 834)
Net increase/(decrease) in cash and cash equivalents	59 557		(41 304)	36 334	(196 530)
Cash and cash equivalents at beginning of year	(76 851)		(37 357)	(73 648)	122 803
Translation difference on opening cash position	162		1 810	(43)	79
Cash and cash equivalents at end of year	(17 132)		(76 851)	(37 357)	(73 648)
Bank balances	10 075		84 231	60 078	95 665
Bank overdrafts – MGX Banking Consortium			(80 000)		
Bank overdrafts – Other	(27 207)		(81 082)	(97 435)	(169 313)

Notes to the annual financial statements

for the year ended 30 June 2003

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments, and incorporate the following principal accounting policies which are consistent with those of the previous period, except for the following:

During the year, the company changed its accounting policy with respect to the treatment of financial instruments in order to conform with the new statement on the recognition and measurement of financial instruments (AC 133).

These policies comply in all material respects with South African statements of Generally Accepted Accounting Practice.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate those of the company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal.

Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefit from its activities.

Differences between the consideration paid for subsidiaries acquired and the fair value of their net assets at dates of acquisition are expressed as goodwill on acquisition of subsidiaries.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

Joint ventures

Joint ventures are those entities in which the group exercises joint control and holds a long-term equity interest and are not subsidiaries.

Joint ventures are accounted for on the proportionate consolidation method. The group's share of assets, liabilities, income, expenses and cash flows of joint ventures are included on a line-by-line basis in the consolidated annual financial statements.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

Any differences between the cost of acquisition and the group's share of the net identifiable assets at acquisition, fairly valued, are expressed as goodwill on acquisition of the joint venture.

Associates

Associated companies are those entities which are not subsidiaries or joint ventures, in which the group exercises significant influence, through participation in the financial and operating policy decisions of the investee.

Associated companies are accounted for on the equity method using their most recently published financial statements. Equity accounted income which is included in the respective carrying values of the investments, represent the group's proportionate share of the associated companies' retained income after accounting for dividends payable by those associates.

Any differences between the cost of acquisition and the group's share of the net identifiable assets at acquisition, fairly valued, are expressed as goodwill on acquisition of associate and amortised in terms of the policy for goodwill.

Translation of financial statements prepared in foreign currencies

Balance sheets of consolidated foreign subsidiaries are translated into Rand at rates of exchange on balance sheet date. The related income and expenses items are translated at the average rate of exchange for the financial year.

Aggregated gains and losses on the translation of assets and liabilities are taken directly to non-distributable reserves and recognised as income or as expenses in the period in which the operation is disposed.

Foreign currency gains and losses incurred by foreign subsidiaries are included in operating income.

In translating the financial statements of foreign subsidiaries, consideration is given to the impact of local inflation rates. None of the territories in which the group operates is presently regarded as hyperinflationary.

Property, plant and equipment

Property (other than investment property), plant and equipment are valued at cost and are depreciated on the straight-line basis, at rates considered appropriate to their estimated useful lives as follows:

Equipment	3 – 5 years
Furniture	10 years
Plant	5 years
Vehicles	4 years
Racking	15 years
Owner-occupied buildings	50 years

Where a permanent diminution in value or impairment of an asset is identified, the deficit is charged to the income statement.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired in terms of finance lease agreements are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of finance charges, is included in the balance sheet as a finance lease obligation.

Finance lease assets are depreciated on the same basis as owned assets (owned non-current assets).

Finance charges are charged to the income statement as they become due and payable. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life, a period generally not exceeding 20 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

Negative goodwill, which represents the excess of the group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition, is eliminated proportionately against the fair values of the non-monetary assets acquired. Any amount in excess of the fair values of the non-monetary assets acquired is treated as deferred income and recognised as income on a straight-line basis over a period generally not exceeding five years.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill or negative goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on the acquisition of the CCH subsidiaries is being amortised over a period of seven years. The carrying amount of the goodwill will be reviewed for impairment at each balance sheet date.

Where a permanent diminution in the value of goodwill is identified, the deficit is charged to the income statement.

Trademarks

Trademarks are measured initially at cost and amortised on a straight-line basis over their estimated useful lives, which on average are three to five years.

Impairment of assets

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories, comprising merchandise, maintenance components and consumable stores, are valued at the lower of cost and net realisable value, determined on an average cost basis. Redundant and slow-moving inventory items are identified and written-down to their estimated economic or realisable value.

Taxation

The charge for current tax is the amount of income taxes payable in respect of the taxable profit/ (tax loss) for the current year. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the balance sheet liability method.

Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities which affect neither the tax profit nor the accounting profit at the time of the transaction.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated.

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to contractual provisions of the instruments.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are generally carried at their estimated fair value.

Trade receivables and payables are stated at their nominal value. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue cost of the instruments to the extent that they are not settled in the period in which they arise.

Derivative financial instruments, principally forward foreign exchange contracts, are used by the group in its management of financial risks. The risks being hedged are exchange losses due to unfavourable movements between the rand and the foreign currency. Gains and losses arising from the cash flow hedges are recognised directly in equity, while gains and losses arising from fair value hedges are recognised in net profit or loss. Gains and losses arising from the remeasurement to fair value of financial assets held for trading are recognised in net profit or loss.

Gains and losses arising from changes in the fair value of available-for-sale financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the period.

“Regular way” purchases of all financial assets are accounted for at trade date.

Revenue

Revenue, which excludes value-added tax and transactions between group companies, is recognised as follows:

Sale of goods

Revenue from the sale of goods is recognised when the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods; the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the enterprise and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Maintenance contracts and services rendered

Revenue from maintenance contracts and services rendered is recognised as the maintenance or service is performed.

Rental income

Revenue from rental income is recognised on a time basis in accordance with the agreement.

Cost of sales

Cost of sales consists of the cost of inventories sold during the year including related overhead costs.

Exceptional items

Exceptional items are material items of income and expense within operating income whose size, nature or incidence is relevant to explain the performance of the group for the year.

Translation of foreign currencies

All foreign currency transactions are translated at the rates ruling on the dates of the transactions. The related monetary assets and liabilities at the year-end are translated at the rates ruling at the balance sheet date.

Where forward exchange contracts have been entered into to reduce the group's risk to foreign exchange fluctuations, contracts are revalued to market forward exchange rates ruling at the balance sheet date.

Earnings per share

The calculation of earnings per share is based on earnings attributable to ordinary shareholders after all exceptional items and the weighted average number of ordinary shares in issue during the financial year.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Actuarial

gains and losses which exceed 10% of the greater of the present value of the group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Research and development costs

Research costs are recognised as an expense in the period in which they are incurred.

Expenditure on development is charged to income in the year in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are capitalised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation, which is on average five years.

Cash flows

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments and bank overdrafts.

Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	GROUP	
	2003	2002
	R'000	R'000
2. OPERATING (LOSS)/INCOME BEFORE EXCEPTIONAL ITEMS AND FINANCE COSTS		
Operating (loss)/income before exceptional items and finance costs is stated after accounting for the following:		
Auditors' remuneration	4 882	3 278
– Current year – audit fee	3 734	3 023
– Other services	839	332
– Prior year underprovision/(overprovision)	309	(77)
Directors' emoluments for managerial services paid by subsidiaries	11 017	7 748
Executive directors	9 554	6 465
– Managerial services	9 554	6 465
Non-executive directors	1 463	1 283
– Services as directors	420	135
– Managerial services	1 043	1 148
Foreign exchange losses/(gains)	9 169	(10 784)
Depreciation	56 199	42 235
Trademark amortisation	1 630	628
Loss on disposal of property, plant and equipment	4 139	4 997
Managerial, secretarial and technical fees	5 097	3 156
Operating lease charges	90 228	66 947
– Plant, furniture and equipment	52 718	26 807
– Premises	34 180	36 273
– Motor vehicles	3 330	3 867
Post-retirement benefit expenses	8 334	11 555
Research and development costs	1 161	6 448
3. EXCEPTIONAL ITEMS		
Loss on disposal of investments	4 031	
Impairment of property, plant and equipment	22 831	
Impairment of investments	11 280	1 341
Impairment of loans receivable	14 926	1 521
Reversal of CCH fair value adjustment	(16 007)	
Net reversal of provision for legal claims	(2 861)	
Share of reversal of prior year management fee to joint venture	3 000	
Provision for liability in respect of BCS subscribing shareholders	4 868	
Prior year adjustment in subsidiary	5 275	
e-Business loss		15 112
Non-recurring closure costs of discontinued operations		3 680
Reorganisation costs on acquisition		1 047
	47 343	22 701

	GROUP	
	2003	2002
	R'000	R'000
4. PRIOR YEAR ADJUSTMENTS		
4.1 Change in accounting policy		
Distributable reserves at 30 June 2002, as previously stated		262 509
AC 133 transitional adjustment		(1 861)
Prior year cut-off error		
Distributable reserves at 30 June 2002, as restated		260 648
5. FINANCE COSTS/(INCOME)		
Funding costs	87 550	55 660
Finance income	(8 863)	(9 818)
Dividends received		
	78 687	45 842
6. TAXATION		
6.1.1 Current taxation	50 364	29 962
Current year	17 798	27 925
Prior year	32 566	2 037
6.1.2 Deferred taxation	65 265	3 842
Current year	62 365	5 697
Prior year	2 900	(1 855)
	115 629	33 804
6.2 Taxation reconciliation		
(Loss)/Income before taxation	(588 104)	33 955
Taxation at statutory taxation rate of 30%	(176 431)	10 187
Net capital items	(3 082)	(2 954)
Non-deductible expenditure	108 991	102
Goodwill amortisation and impairment	120 220	24 869
Prior year taxation	(25 282)	170
Assessed loss utilised	18 162	5 062
Temporary differences not recognised	73 051	(3 632)
Effective taxation	115 629	33 804
	%	%
Taxation rate reconciliation		
Statutory taxation rate	(30.0)	30.0
Net capital items	(0.5)	(8.7)
Non-deductible expenditure	18.5	0.3
Goodwill amortisation	20.5	73.2
Prior year taxation	(4.3)	0.5
Assessed loss utilised	3.1	14.9
Temporary differences not recognised	12.4	(10.7)
Effective taxation rate	19.7	99.5

	GROUP	
	2003 R'000	2002 R'000
6.3 Deferred taxation		
Property, plant and equipment	(7 985)	(6 576)
Capitalised leases		70
Trade receivables	530	(49)
Trademarks	4 082	4 857
Prepayments	(80)	(380)
Provisions	1 963	6 699
Deferred income		7 236
Other	873	3 140
Assessed losses	2 810	54 247
	2 193	69 244
Net deferred taxation asset		
Opening balance	69 244	60 008
<i>Add:</i> Subsidiaries acquired		5 214
Income statement movement – deferred tax reversal/impairment	(65 265)	(3 842)
Deferred taxation effects of fair value adjustments		9 723
Other	(1 786)	(1 714)
Translation difference		(145)
Closing balance	2 193	69 244
Deferred taxation asset	2 931	71 728
Deferred taxation liability	(738)	(2 484)
6.4 Taxation losses		
Estimated taxation losses claimable but not yet assessed available for set off against future taxable income amount to	270 532	19 760

7. EARNINGS PER ORDINARY SHARE

7.1 Basis for calculation

The calculation of headline (loss)/earnings per ordinary share is based on a headline loss of R255.5 million (2002: headline profit of R96.7 million) and a weighted average number of 66.6 million (2002: 66.6 million) ordinary shares in issue during the period.

The calculation of (loss)/earnings per ordinary share is based on a loss of R702.1 million (2002: profit of R8.4 million) and a weighted average number of 66.6 million (2002: 66.6 million) ordinary shares in issue during the period.

Both headline (loss)/earnings per share and (loss)/earnings per share exclude 6.9 million (2002: 6.8 million) treasury shares.

The calculation of fully diluted (loss)/earnings per ordinary share is based on a loss of R702.1 million (2002: profit of R8.4 million) and on 66.6 million (2002: 66.9 million) ordinary shares in issue throughout the year.

The dilution of 0.1 cent per share in the prior year was the result of options granted to acquire ordinary shares as set out in note 14.3.1 and the commitment that previously existed in respect of Drive Control Corporation as per note 16.3. These events are no longer likely to occur or influence earnings per share.

	GROUP	
	2003 R'000	2002 R'000
7.2 Reconciliation of headline earnings		
Attributable earnings	(702 076)	8 355
<i>Adjusted for after tax:</i>		
Loss on sale of property, plant and equipment	4 139	4 997
Capital loss/(profit) on sale of investments	4 031	(1 907)
Amortisation and impairment of goodwill	400 734	82 895
Impairment of property, plant and equipment	22 831	
Impairment of investments	11 280	1 341
Impairment of loans receivable	3 513	
Exceptional items of a capital nature		1 046
Headline (loss)/earnings	(255 548)	96 727
Headline earnings as previously stated		87 319
Profit on restructuring of long-term debt		10 929
Exceptional items of a capital nature		(1 521)
Headline (loss)/earnings restated in terms of AC 306		96 727
	cents	cents
7.3 Reconciliation of headline earnings per share		
Earnings per ordinary share	(1 054.3)	12.6
<i>Adjusted for after tax:</i>		
Loss on sale of property, plant and equipment	6.2	7.5
Capital profit on sale of investments	6.0	(2.9)
Amortisation and impairment of goodwill	601.8	124.5
Impairment of property, plant and equipment	34.3	
Impairment of investments	16.9	2.0
Impairment of loans receivable	5.3	
Exceptional items of a capital nature		1.6
Headline (loss)/earnings per ordinary share	(383.8)	145.3

8. DIRECTORS' SERVICE CONTRACTS

No long-term service contracts are in existence for executive directors, except for N J Webster whose service contract has a three-month notice period. R S Price resigned on 12 August 2002. In terms of his contract an amount of R0.9 million is payable during the year to 30 June 2003 and R0.9 million is payable during the year ended 30 June 2004.

GROUP

	Land and buildings R'000	Plant and machinery R'000	Computer equipment owned R'000	Computer equipment leased R'000	Motor vehicles R'000	Office furniture and equipment R'000	Capitalised development costs R'000	TOTAL R'000
9. PROPERTY, PLANT AND EQUIPMENT								
Cost								
At 1 July 2002	170 470	122 702	78 025	626	15 080	41 769	29 954	458 626
Additions	30 121	19 361	26 082	395	1 478	3 075	164	80 676
Subsidiaries acquired	49 316							49 316
Disposals	(188)	(4 443)	(18 993)	(82)	(3 137)	(3 374)		(30 217)
Subsidiaries disposed	(2 667)	(123)	(6 883)			(236)		(9 909)
Reclassification/ translation difference	(12 839)	(13 059)	6 824	(222)	(880)	(6 896)	(4 306)	(31 378)
Impairment of assets	(19 482)	(595)	(15)			(1 521)		(21 613)
At 30 June 2003	214 731	123 843	85 040	717	12 541	32 817	25 812	495 501
Accumulated depreciation								
At 1 July 2002	10 771	60 545	38 020	138	8 536	21 079		139 089
Depreciation	4 735	16 668	23 687	459	2 820	3 999	3 831	56 199
Subsidiaries acquired								
Disposals	(12)	(3 942)	(9 789)	(42)	(2 192)	(2 350)		(18 327)
Subsidiaries disposed	(3)	(97)	(3 755)			(128)		(3 983)
Reclassification/ Translation difference	(1 273)	(7 574)	1 329		(356)	(4 032)	1 633	(10 273)
Impairment of assets						(495)		(495)
At 30 June 2003	14 218	65 600	49 492	555	8 808	18 073	5 464	162 210
Net book value								
At 30 June 2002	159 699	62 157	40 005	488	6 544	20 690	29 954	319 537
At 30 June 2003	200 513	58 243	35 548	162	3 733	14 744	20 348	333 291

A register of land and buildings is available for inspection at the registered office of the company.

Certain assets have been pledged as security against certain loans as detailed in note 15.

Impairments include:

R8.9 million impairment of the fixed property of MGX Property (Pty) Limited, being the property it owns in Midrand and which was originally acquired on 7 July 1999 for R44.5 million. The property has been impaired by the directors to reflect its estimated net realisable value of R36 million;

R8.4 million impairment of the property of Dion Business Systems (Pty) Limited. This includes the property it owns in Linbro Park and which was originally acquired on 23 December 1997 for R22 million. The property has been impaired by the directors to reflect their estimated net realisable value of R22.5 million; and

R3.2 million impairment in the value of the property owned by MGX Faerie Glen (Proprietary) Limited, acquired on 1 July 2003 from MGX for R8.2 million. The property has been impaired by the directors to reflect its estimated net realisable value of R5.0 million.

	GROUP	
	2003	2002
	R'000	R'000
10. FINANCIAL ASSETS		
10.1 Subsidiaries		
Shares at carrying value ▲		
Amounts owing to subsidiaries ▲		
Equity loan to Metrofile ▲		
10% redeemable preference shares in Didata UK Limited •		
	626 950	194 490
10.2 Joint venture		
50% of Drive Control Holdings (Pty) Limited		
10.3 Associates		
25.9% of Maxtec Limited		2 010
Shares at cost		19 873
Impairment adjustment		(17 863)
		2 010
Market and directors' valuation		2 010
10.4 Other investments		
0% (2002: 20%) of Rivendell (UK)		10 549
Unlisted shares at cost	10 549	10 549
Converted to subsidiary	(10 549)	
1% (2002: 10%) of Correlate (Pty) Limited		9 874
Unlisted shares at cost	22 004	22 004
Impairment adjustment	(22 004)	(12 130)
0% (2002: 39%) of Metrofile UAE		2 558
Unlisted shares at cost	2 558	2 558
Disposal	(2 558)	
50% of Exsol Europe		419
Unlisted shares at cost	615	615
Impairment adjustment	(615)	(196)
9% (2002: 22%) of Connect One		
Unlisted shares at cost	7 189	7 189
Impairment adjustment	(7 189)	(7 189)
20% (2002: 24%) of Intervate Holdings		587
Unlisted shares at cost	5 587	5 587
Impairment adjustment	(5 587)	(5 000)
50% share of preference shares held by joint venture	15 000	5 000
Origin Guaranteed Invest Participation	5 000	5 000
RMB - Rake Investment Trust	10 000	
CCH Associate •	1 700	1 700
Other		8
	16 700	30 695
Directors' valuation	16 700	30 695

	GROUP	
	2003 R'000	2002 R'000
10.5 Investment loans		
Motswedi investment loan •		9 200
Unsecured loan	9 200	9 200
Provision	(9 200)	
MGX Management Incentive Trust •		7 252
Unsecured loan	10 644	10 914
Provision	(10 644)	(3 662)
Sundry loans		360
		16 812
Total financial assets	16 700	49 517

10.6 Summarised financial information of joint venture

The group's proportional interest in the joint venture (refer note 10.2) has been incorporated in the group's assets, liabilities and results as follows:

Property, plant, equipment and investments	15 647	5 502
Working capital	44 006	37 669
Revenue	208 781	203 203
Profit before tax	19 974	14 610

- At 30 June 2003, MGX had ceded and pledged its interests in the assets noted to the capital providers.

▲ For further details on security and other information refer to page 150 of this circular

11. GOODWILL

11.1 Goodwill

Cost	524 735	382 300
Accumulated amortisation	(107 043)	(18 854)
Net carrying value at beginning of year	417 692	363 446
Additional goodwill arising on CCH acquisition		64 223
EC-Hold acquisition	17 282	51 757
Goodwill arising from increase in Drive Control underpin	49 485	
Other minor acquisitions by subsidiaries	7 257	26 455
Disposals	(6 000)	
Amortisation for year	(69 465)	(84 714)
Impairment write-down	(331 269)	(3 475)
Net carrying value at end of year	84 982	417 692
Cost	592 759	524 735
Accumulated amortisation	(507 777)	(107 043)

	GROUP	
	2003 R'000	2002 R'000
11.2 Negative goodwill		
Cost	(5 294)	(5 294)
Accumulated amortisation	5 294	
Net carrying value at beginning of year		(5 294)
Amortisation for year		5 294
Net carrying value at end of year		
Cost	(5 294)	(5 294)
Accumulated amortisation	5 294	5 294
Total goodwill	84 982	417 692
Goodwill pertaining to the acquisition of EC-Hold, the Drive Control underpin and most of the CCH subsidiaries have been impaired in full.		

12. TRADEMARKS

Cost	3 844	1 384
Accumulated amortisation	(2 048)	(653)
Net carrying value at beginning of year	1 796	731
Acquisitions during year		123
Reclassification from property, plant and equipment		1 329
Amortisation for year	(1 630)	(628)
Other changes in the carrying amount of intangibles for year	(63)	241
Net carrying value at end of year	103	1 796
Cost	3 781	3 844
Accumulated amortisation	(3 678)	(2 048)

13. INVENTORIES

Maintenance spares	17 840	16 509
Finished goods	27 509	56 234
Work in progress	5 979	3 032
Raw materials	452	760
Consumables	168	110
Total inventory	51 948	76 645
Less: Provisions	(7 923)	(8 195)
Net inventory	44 025	68 450

A general notarial bond has been taken over certain inventories.

14. ORDINARY SHARE CAPITAL AND SHARE PREMIUM

14.1 Share capital

Authorised

100 000 000 ordinary shares of 0.6146 cent each	615	615
---	------------	-----

Issued

74 077 413 ordinary shares of 0.6146 cent each	456	456
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Less: Treasury shares offset	(43)	(43)
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Impairment of share incentive shares	(4)	(6)
--------------------------------------	------------	-----

	409	407
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	GROUP	
	2003	2002
	R'000	R'000
As a consequence of the group's holding in, and the subsequent acquisition of Computer Configurations Holdings Limited, a subsidiary of MGX owns 6.9 million (2002: 6.8 million) ordinary shares in MGX Holdings Limited. In terms of AC 104 these shares are treated as treasury shares and have been excluded from any earnings per share and headline earnings per share calculations.		

14.2 Share premium	195 661	201 794
Total share capital and share premium	196 070	202 201

14.3 Share incentive schemes

The old MGX share incentive scheme was approved in terms of an ordinary resolution passed at a general meeting of shareholders on 22 June 1995.

A new trust has been adopted to ensure that more appropriate incentives are granted to MGX employees. Details of the new scheme were incorporated into the circular to MGX shareholders dated 26 January 2001. The scheme was approved at a general meeting on 21 February 2001, subject to the condition that both schemes, cumulatively, will not exceed 15% of the total issued share capital. It is intended for the new scheme to replace the old one, which has five years to run and has 20 participants remaining. Share options lapse within ten years after having been granted, if the offer has not been taken up.

14.3.1 Share options

The following options have been granted:

Offer price R	Number of participants	Number of share options granted
2.25	5	90 000
3.60	2	27 500
5.50	7	56 250
6.65	1	12 500
6.70	1	15 000
9.00	242	4 290 175
12.50	5	86 250
15.00	1	37 500
25.00	1	100 000
68.37	2	1 960
82.86	2	2 251
	269	4 719 386

14.3.2 Management incentive trust

The management incentive trust purchased shares in MGX. These shares were paid for by the participants and will be delivered to these participating individuals on completion of documentation required by the scheme.

	GROUP	
	2003	2002
	R'000	R'000
15. LONG-TERM LIABILITIES		
15.1 Non-interest bearing liabilities		
Unsecured vendor loans	73 477	26 644
Interest free and repayable on achievement of warranted profits		
Unsecured shareholders' loan		6 170
<i>Less: Amounts payable within one year reflected under current liabilities</i>	(73 477)	(5 140)
Total non-interest bearing liabilities		27 674
15.2 Interest bearing liabilities		
Secured convertible debentures	16 575	16 729
Secured by a first mortgage bond over a property with a estimated net book value of R22.5 million (2002: R26 million). The debentures bear interest at 15.8% per annum and may be converted into ordinary shares in a subsidiary company on 7 May 2008. The interest rate is linked to movements in the 91-day Bankers' Acceptance rate. A group company holds the options to these conversion rights.		
Finance leases	40 073	77 118
Secured over assets held under finance leases having a book value of R25 million (2002: R31 million). A total of R20.1 million (2002: R37.2 million) is repayable within one year. The balance is repayable within 2 – 5 years.		
Unsecured convertible debentures	50 000	50 000
The debentures currently bear interest at 14.15% per annum paid semi-annually in arrears on the nominal amount of R50 million and may be converted into 2 343 018 ordinary shares in the capital of the company having a par value of 0.6146 cent on 10 March 2005. The interest rate is linked to movements in the 6-month JIBAR rate.		
Bond	38 803	26 777
Secured by first mortgage bonds over properties with estimated net book values of R60 million (2002: R44 million). The loans bear interest at prime less 1.25% and at prime less 1.0% and are repayable in equal monthly instalments. The last payment is due on 31 May 2013.		
British Pound denominated bank loans to a subsidiary *	49 929	21 562
<i>Less: Amounts payable within one year reflected under current liabilities</i>	(26 305)	(55 555)
Total interest bearing liabilities	169 075	136 631
Total non-current liabilities	169 075	164 305

	GROUP	
	2003	2002
	R'000	R'000
15.3 Current liabilities		
Non-interest bearing liabilities	73 477	5 140
Interest-bearing liabilities	267 189	229 566
Short-term portion of long-term liabilities	26 305	55 555
Secured bank loans *	175 255	167 120
Sundry loans	65 629	6 891
– Brait (secured by pledge over MGX's 49% direct shareholding in Didata UK)	20 000	
– Eurevest Leasing (secured by a pledge from certain group companies* and 32.3 million EC-Hold shares)	17 030	
– Mandy Rebecca Price Trust (secured by pledge of 16.6 million EC-Hold shares)	16 800	
– Drive Control Corporation	7 500	
– Computer Configurations Holdings Limited	4 299	3 812
– Other		3 079

*Security for these loans is held over group receivables, claims, assets and shares. Full details of securities are available for inspection at the company's registered office.

15.4 Refinancing of the interest bearing liabilities

On 27 November 2003 MGX announced that agreements have been reached with Citibank N.A., South Africa Branch, The Standard Bank of South Africa Limited, Momentum Group Limited, Nedbank Limited, Investec Bank Limited, Capital Africa Limited, Drive Control Services (Proprietary) Limited, Eurevest Leasing (Proprietary) Limited ("Eurevest") and the Trustees for the time being of the South African Private Equity Trust III (collectively, "the Capital Providers") to refinance the interest bearing debt of MGX.

The domestic interest bearing debt of approximately R400 million remaining after the disposals will be refinanced as follows:

MGX, Metrofile and related businesses will dispose of the assets and liabilities of Metrofile and related businesses, as a going concern, to Main Street 152 (Proprietary) Limited ("Main Street"), a special purpose vehicle created to facilitate the debt refinancing, in terms of section 228 of the Companies Act for a purchase price of R305 million ("the Metrofile disposal").

Main Street will raise R325 million of debt from certain of the Capital Providers on the following basis:

Interest bearing senior term debt ("the Metrofile A facility") of approximately

106 000

being a five year senior loan facility, accruing interest at the prime rate minus 1% on a nominal annual compounded quarterly ("NACQ") basis and to be paid down to R80 million with fixed monthly repayments. The Metrofile A facility lenders have the first right of recourse to the security, together with the providers of the Working Capital facility.

	GROUP	
	2003	2002
	R'000	R'000
A redeemable convertible loan (“the Metrofile B facility”) of approximately	112 000	
being a five year credit facility, accruing interest at the prime rate which interest will be capitalised on a NACQ basis, repayable from excess cash flows after the Working Capital facility has been repaid and the Metrofile A facility has been reduced to R80 million and secured by a second right of access to the security ranking <i>pari passu</i> with the rights of the Metrofile B1 facility (see below). The balance of the Metrofile B facility, inclusive of accrued and capitalised interest, outstanding on the happening of certain default events or the final date for repayment of the Metrofile B facility, will be convertible, at the election of the lenders of the Metrofile B facility and the Metrofile B1 facility, into Main Street ordinary shares.		
A redeemable convertible loan (“the Metrofile C facility”) of approximately	77 000	
being a five year credit facility, accruing interest at the prime rate plus 2% capitalised on a NACQ basis, repayable from excess cash flows after the settlement of the capital and interest of the Metrofile B facility and the Metrofile B1 facility, secured by a third right of access to the security. The balance of the Metrofile C facility outstanding, inclusive of accrued and capitalised interest will automatically convert into Main Street ordinary shares, on the final repayment date of the Metrofile C facility or, if the Metrofile B facility and the Metrofile B1 facility convert at any time. In addition, on the happening of certain default events, the Metrofile C facility will be convertible, at the election of the lenders of the Metrofile C facility, into ordinary shares if the Metrofile B facility does not convert into shares.		
Conversion of Metrofile facilities		
In the event that there is a conversion of the Metrofile B facility or the Metrofile C facility, each of the Capital Providers will have the option to call on MGX to sell its shares in Main Street, <i>pro rata</i> to the outstanding amount owing to each of the Capital Providers, for R1.00.		
A short-term working capital facility (“the Working Capital facility”) of approximately	10 000	
being a revolving working capital facility, accruing interest at the prime rate minus 1% on a NACQ basis, to be repaid in full on the earlier of 12 months after the date on which advanced or the date upon which the Metrofile A facility reaches a level of R80 million and ranking <i>pari passu</i> with the Metrofile A facility as regards access to the security.		
Facilities used to settle the purchase consideration	305 000	
Main Street will pay the R305 million purchase consideration for the assets and liabilities of Metrofile to Metrofile. Metrofile will pay an amount of R305 million to MGX in the form of dividends and the repayment of inter-company loans. Metrofile will be voluntarily wound-up by MGX. MGX will settle R305 million of its domestic interest bearing debt with the funds received from Metrofile.		

	GROUP	
	2003 R'000	2002 R'000
A redeemable convertible loan (“Metrofile B1 facility”) of approximately	20 000	
being a five year credit facility, accruing interest at the prime rate on a NACQ basis, repayable from excess cash flows after the Working Capital facility has been repaid and the Metrofile A facility has been reduced to R80 million, secured by a second right of access to the security, ranking <i>pari passu</i> with the rights of the providers of the Metrofile B facility and conditional on obtaining Exchange Control approval from the South African Reserve Bank. The balance of the Metrofile B1 facility, inclusive of accrued and capitalised interest, outstanding on the happening of certain default events or the final date for repayment of the Metrofile B1 facility, will be convertible, at the election of the lenders of the Metrofile B1 facility and the Metrofile B Facility, into Main Street ordinary shares.		
Sub-total (collectively, “the Metrofile facilities”)	325 000	
Within MGX the debt remaining after the debt refinancing, being certain concurrent creditors, will have their claims to the value of approximately R65 million compromised in terms of section 311 of the Companies Act. The debt will be settled by MGX through:		
Issuing notes, at a nominal value of R1.00 to the value of approximately	65 000	
The Issuing Notes will accrue interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, be repayable from the excess cash flows from Main Street once the capital and interest on the Metrofile C facility has been repaid, have a fourth right of recourse to the security and ranking <i>pari passu</i> with the rights of the MGX B facility (see below) and be compulsorily converted into MGX shares if the Metrofile C facility converts into Main Street ordinary shares at any time or in the event that the Notes have not been redeemed for cash within five years of the date of the debt refinancing becoming unconditional. Redemption is in terms of a pre-determined formula and no voluntary conversion of the Notes into MGX shares is provided for.		
Redeemable convertible loans (“MGX B facility”) of approximately	20 000	
Other non-trade creditors with claims to the value of approximately R20 million will convert their debt into a three-year credit facility, accruing interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, repayable from excess cash flows of MGX on a <i>pari passu</i> basis with the Notes and secured by Didata UK shares and a fourth right of access to the security, ranking <i>pari passu</i> with the rights of the Notes, to the extent not secured by Didata UK shares. The balance of the MGX B facility, inclusive of accrued and capitalised interest, after the exercise of security over Didata UK shares, will be compulsorily convertible into MGX ordinary shares at the end of five years in terms of a pre-determined formula.		
	410 000	

	GROUP	
	2003	2002
	R'000	R'000

Security for the Metrofile facilities, the MGX B facility and the Notes, will be provided by Micawber 305 (Proprietary) Limited ("the Guarantor"), a special purpose vehicle created to facilitate a security mechanism for the Capital Providers, in the form of guarantees issued to the Capital Providers and to the holders of the Notes ("the security"). The Guarantor will hold the underlying assets of Main Street and MGX as security for its obligations under the guarantees provided by it to the Capital Providers.

16. COMMITMENTS

16.1 Authorised capital expenditure

Already contracted for		26 543
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16.2 Operating leases

Future leasing charges for premises, equipment and motor vehicles		
Payable within one year	65 866	91 472
Payable within two to five years	98 659	135 166
Payable thereafter	76 958	203 833
	241 483	430 471

16.3 Drive Control Corporation

In terms of the 50% holding in Drive Control Corporation, and subject to certain milestones being reached, MGX had a call option and the vendor had a put option to MGX on the remaining 50% effective 1 February 2004. The calculation of the price of the remaining 50% was to be based on the audited results to 30 June 2003 and payable in MGX shares.

Due to the settlement agreement entered into with Drive Control subsequent to the year-end, all claims between the parties have been waived.

16.4 Business Continuity Solutions

The management of BCS had a put option effective 1 July 2003 for two years, equivalent to 8.1% of the shares in BCS, provided certain milestones were achieved. This has been settled by agreement between the two parties subsequent to the year-end. Provision has been made for an amount of R4.9 million in this regard.

16.5 Didata UK subscription and shareholders' agreement

A subscription and shareholders' agreement, relating to the reconstitution of the share capital of Didata UK, was entered into between Brait Private Equity Limited, Copia Capital Partners, Insigner de Beaufort (Trust) Jersey Limited as Trustees of the Owen Dinsdale Life Interest Trust, MGX and Didata UK on 9 May 2002. Various clauses within the agreement have a direct impact on the value of MGX's investment in Didata UK as MGX's shareholding in Didata UK is, *inter alia*, dependant on Didata's UK future performance and Brait's and Copia's internal rate of return achieved on their investment. In view of this uncertainty, no AC 133 fair value adjustments have been made relating to this agreement.

17. CONTINGENT LIABILITIES

17.1 Securities Regulation Panel/MGX/EC-Hold

In March 2002 the SRP ruled that, for the purposes of the Securities Regulation Code on Take-overs and Mergers and the Rules of the Securities Regulation Panel, MGX and the Trustees of the Mandy Rebecca Price Trust had acted in concert for the purposes of entering into an affected transaction. MGX and the Mandy Rebecca Price Trust were ordered jointly and severally to make an unconditional offer to all persons, other than themselves, who were shareholders of EC-Hold on 11 October 1999 to purchase all their shares in EC-Hold. The offer price determined by the SRP

was 240 cents per EC-Hold share. MGX has not complied with the ruling of the SRP and in August 2003, a summons, issued by the High Court of South Africa, Witwatersrand Local Division, was served on MGX, in terms of which the SRP sought an order against MGX and several other defendants to, *inter alia*, comply with its ruling of March 2002. MGX has entered an Appearance to Defend.

MGX intend to propose a scheme of arrangement to compromise any EC-Hold shareholders holding claims against MGX arising out of the SRP ruling. The MGX Capital Providers have confirmed that they will waive any conditions precedent to the common terms agreement relating to the implementation of such a scheme of arrangement. The MGX Capital Providers have indicated that they will proceed with the debt refinancing in the knowledge that the company faces the risk of a potential additional liability in respect of this matter.

The company believes that it has taken adequate steps in terms of the restructuring agreements to ensure that any further amounts required to deal with the matter will be settled in loan notes, as described in note 15.4. The value of such loan notes should not exceed R12 million and an indemnity is held from R S Price to the extent that any liability pursuant to this matter is to be settled in cash.

17.2 **Cycad Financial Holdings Limited (“Cycad”)**

In June 2002, MGX issued a summons against Cycad for an order directing Cycad to deliver share certificates and transfer declarations, blank as to transferee, in respect of 5 million shares in EC-Hold held by Cycad. Cycad defended the action. On 16 October 2003, MGX and Cycad entered into an agreement to settle the action and all other disputes in relation thereto (“the Cycad agreement”). The Cycad agreement provided for, *inter alia*, the purchase by MGX of 5 million shares in the issued share capital of EC-Hold from Cycad, subject to the fulfilment of suspensive conditions, for payment of R7.5 million to be paid by MGX to Cycad.

17.3 **Sun Microsystems**

MGX received a letter of demand, in terms of section 345 of the Companies Act, dated 3 May 2003, from Sun Microsystems (South Africa) (Proprietary) Limited, for payment of an amount of R1 million and a letter of demand from Sun Microsystems Schweiz AG (collectively, “Sun”) claiming an amount of US\$0.9 million. MGX has repudiated both claims on the basis that it is not indebted to either of the aforesaid companies in the amounts claimed or at all for a variety of reasons. On or about 26 May 2003, MGX applied to the High Court of South Africa for an order to interdict Sun from bringing any action against MGX. Sun has not filed its answering affidavit.

17.4 **Claim to Didata Shares**

T Appel, a previous director of EC-Hold (who resigned on 25 April 2003), has an alleged claim against MGX for the issue and allotment to him of approximately 2% or 880 of MGX’s ordinary shares in Didata UK resulting from his alleged claim to commission due and payable to him pursuant to raising investment finance in Didata UK. Settlement discussions are underway and if such shares are to be issued and allotted to T Appel, MGX’s shareholding will be diluted.

17.5 **Labour actions**

During 1998, wage negotiations between Metrofile and a trade union deadlocked. The unionised members went on strike during the period 26 March 1998 and 15 April 1998. Metrofile dismissed striking members due to their misconduct during the strike action. The Labour Court ruled that the dismissals were substantively fair but procedurally unfair. The Labour Court held that, considering the nature of the misconduct of the employees during the strike action, no compensation was however to be ordered in favour of the employees. The Labour Court made no order as to costs. The matter was taken on appeal by the trade union to the Labour Appeal Court during 2002 and the hearing was concluded on 17 December 2002. The Labour Appeal Court has not yet given its judgment. Metrofile has not made a provision for any amount in its annual financial statements but has recorded a contingent liability of R1.3 million.

Certain individual employees have threatened or instituted referrals to the Commission for Conciliation Mediation and Arbitration (“CCMA”) pursuant to recent termination of employment in accordance with the restructuring and downsizing of the MGX group. Should the CCMA or any Labour Court rule in favour of all the employees against MGX (which is possible but not probable), it is estimated that the total liability will be approximately R0.7 million.

17.6 Intellectual Property (“IP”) Rights

In terms of the Didata Limited Subscription and Shareholders Agreement a Licence Agreement is to be executed between Didata Limited (“Licensee”) and MGX, whereby the Licensee is granted a licence to use and an option to purchase, during a period of 20 years, certain licensed software against payment of GB£0.4 million. The Licensee shall become the sole beneficial owner of the licensed software in the event that MGX becomes insolvent, makes an assignment for the benefit of creditors, goes into liquidation or receivership or otherwise loses legal control of its business, other than the debt refinancing.

17.7 EC-Hold letter of support

It is the intention of MGX where feasible, to continue with its current arrangements to support EC-Hold and its subsidiaries until 30 June 2004. The current arrangements are to provide finance, as and when is required, to enable EC-Hold and its subsidiaries to continue as a going concern until 30 June 2004, subject to the following conditions:

- MGX is to remain a holder of a least 40% of the issued share capital of EC-Hold;
- there is to be no other majority shareholder of EC-Hold;
- the support envisaged herein does not breach any of MGX's bank covenants with its Banks; and
- no party has made any application, whether provisionally or finally, for the liquidation of EC-Hold.

18. BORROWING POWERS

In terms of its articles of association the company's borrowing powers are unlimited.

Within its wholly-owned subsidiaries and Software Futures, the company is not aware of any material assets that are not encumbered. It should be noted that throughout the group there are certain sureties, omnibus sureties, inter-linking sureties and cross sureties between MGX and MGX group subsidiaries (and amongst themselves) provided to the capital providers.

Unused banking facilities at year-end amounted to R8.2 million. Of the R181.4 million (2002: R308.3 million) receivables, gross receivables of R150.8 million (2002: R196 million) are pledged as security for banking facilities of R170.0 million (2002: R140.0 million), of which R161.8 million had been utilised by the year-end (2002: R97.4 million). Certain of the other receivables have also been pledged as security.

19. FINANCIAL RISK MANAGEMENT

19.1 Foreign currency exposure

In the normal course of business, the group enters into transactions denominated in a variety of foreign currencies. As a result the group is subject to transactions and translation exposures resulting from fluctuations in currency exchange rates. The group uses forward exchange contracts, foreign currency borrowings and natural hedges to minimise the foreign currency exchange exposures associated with its foreign currency transactions. Exposure to the group companies is generally controlled at a subsidiary level. It is not the group's policy to take speculative positions in foreign currencies. Existing forward exchange contracts cover existing and future trade commitments as well as other liabilities.

As at 30 June 2003 the group's foreign currency exposure was as follows:

	Currency	Amount in foreign currency	Exchange rate used	Reported value	Reported value
Uncovered foreign denominated liabilities	US\$'000	6 127	7.50	45 921	38 547
	GBP'000	5	12.39	63	2 813
	Euro'000	31	8.62	263	152
	JPY'000				46
Uncovered foreign denominated assets	US\$'000	62	7.50	462	13 868
	GBP'000	67	12.39	833	1 381
	Euro'000	6	8.62	48	
Existing foreign currency forward exchange contracts covering balance sheet items are:					
	Buy contracts	US\$'000	1 919	7.52 - 8.79	15 117
		Euro'000			216

19.2 Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash, bank overdrafts and medium and long-term liabilities. The interest rates applicable to these financial instruments are comparable with those currently available in the market.

19.3 Credit risk

Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. This is implemented and controlled at an operating subsidiary level.

Credit risk evaluations are performed on all customers requiring credit over predetermined limits. This is implemented and controlled at an operating subsidiary level.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

19.4 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

20. RETIREMENT BENEFIT PLANS

All the retirement benefit plans operated by group companies domiciled in South Africa are governed by the Pension Funds Act, 1956.

Defined contribution plans

Of the group's employees, certain are members of two defined contribution retirement benefit plans administered by Sasfin Financial Advisory Services (Pty) Limited ("Sasfin") and Sanlam Life Assurance Limited. Both the group and the employees are required to contribute to the retirement benefit scheme to fund the benefits.

The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions. The total cost charged to income of R4.3 million (2002: R3.6 million) represents contributions paid to the scheme.

Defined benefit plan

A total of 538 of the group's employees participated in the MGX/Eureka Pension Fund ("the fund"). This fund is a multi-employer defined benefit fund, governed by the Pension Funds Act, and was established with effect from 1 March 1988.

An interim valuation has been performed, effective 30 June 2003 solely for the purposes of this report. This interim valuation is not a fully comprehensive valuation. The year of the next full actuarial valuation is 2004.

Contributions to the fund terminated on 31 August 2002. The fund is in the process of preparing to submit the section 14 of the Pension Funds Act, 1956, applications to wind-up the fund. Upon completion of the apportionment of the funds in the fund, the balance will be transferred into the Abacus Fund (the defined contribution plan managed by Sasfin).

The amount included in the balance sheet arising from the group's obligation in respect of the defined benefit retirement fund is as follows:

	GROUP	
	2003	2002
	R'000	R'000
Present value of the obligation	(35 165)	(54 700)
Fair value of plan assets	37 250	57 127
	2 085	2 427
Unrecognised actuarial gains/(losses)	1 800	(1 149)
Calculated net asset	3 885	1 278
Asset not recognised	(3 885)	(1 278)
Asset recognised in balance sheet	–	–
Amounts recognised in income in respect of the defined benefit retirement fund are as follows:		
Current service cost	925	8 613
Interest cost	6 017	4 942
Expected return on plan assets	(5 713)	(4 705)
Increase/(Reduction) in provision against the net asset	2 607	(847)
Expense recognised in the income statement – included in staff costs	3 836	8 003
Principal actuarial assumptions used:		
Discount rate (%)	11.0	11.0
Expected return on plan assets (%)	10.0	10.0
Future salary increases (%)	11.0	11.0
Future pension increases (%)	6.9	6.9
Consumer price index (%)	6.9	6.9

21. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, prior year's revenue and cost of sales were both adjusted to reflect a more appropriate accounting presentation for commissions. Revenue, relating to commission earned by a subsidiary of EC-Hold for the year to 30 June 2002 has been reclassified so that the revenue figure is shown net of cost of sales, whereas previously it was disclosed gross. This has reduced cost of sales by R13.4 million and conversely reduced sales by R13.4 million. This change has had no net effect on the income statement or balance sheet.

22. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. The group and its subsidiaries in the ordinary course of business, enter into various transactions with entities in which the group has an interest. These transactions are entered into on an arm's length basis. Significant related party transactions are detailed below.

Inter-company trading and group management fees

Inter-company revenue between subsidiaries during the year amounted to R14.3 million (2002: R52.3 million).

During the year, management fees in the amount of R38 million (2002: R22 million) were charged to subsidiaries.

Loans

Inter-company loans are repayable on demand unless subordinated. Interest is charged at market rates.

EC-Hold and MGX have, as and when needed, extended loans to one another at market-related interest rates. MGX and EC-Hold have common directors. At the balance sheet date, EC-Hold was indebted to MGX in the amount of R19.7 million. MGX has subordinated R11 million of the R19.7 million in favour of other creditors until 30 June 2004.

Further loans with related parties are listed under 'sundry loans' in the interest bearing short-term liabilities in note 15.3.

Directors and management

P H Flack, his alternate A D Moffat, and L B Robertson, who were appointed and resigned as directors during the year, are the directors of F R M Strategies, a company that was employed to oversee the strategic review process undertaken by the group during the year at a cost of R3.2 million.

C S Hills, who resigned during the year as a director, is one of the purchasers in the disposal of Magic SA out of EC-Hold. This was not known to MGX at the time and the directors only became aware of this fact from press reports after concluding the transaction.

D J J McMahon, who resigned subsequent to the year-end as a director, is the sole shareholder of the purchaser of Storage Solutions and Professional Services.

The MGX Business Continuity Solutions ("BCS") senior management were all directors and are also shareholders of ContinuitySA, the purchaser of the businesses of BCS and BCS (Cape), as going concerns, with effect from 13 November 2003.

The MGX Enterprise Solutions ("ES") senior management were all directors and are also shareholders of Dreamteam Investments, the purchaser of the business of ES as a going concern, with effect from 31 July 2003.

An amount of R0.9 million was paid to R S Price, who resigned during the year as a director, in terms of his service contract. A further R0.9 million will be paid in the following year. The shares previously held in Maxtec were bought by R S Price through the market. MGX purchased 16.6 million EC-Hold shares at R1.00 each from R S Price during the year. Eurevest Leasing (Pty) Limited, of which R S Price is a shareholder and director, has perfected its pledges on 48.9 million shares held by MGX in EC-Hold.

An amount of R0.2 million was paid to L Wengrowe, who resigned during the year as a director, in terms of her service contract.

O Dinsdale, managing director of Didata Limited, is a beneficiary of the Insigner de Beaufort (Jersey) Trust Limited, from whom Didata Limited purchased Rivendell Properties Limited. Furthermore, he is a partner in Marktime, which provides consultancy and accounting services to the company. During the period the company paid R2.8 million (2002: R2.8 million) to Marktime.

	GROUP	
	2003	2002
	R'000	R'000
23. PROVISIONS		
Included in other payables and provisions are the following provisions:		
Opening balance on 1 July 2002	10 959	7 200
Incentive provision		1 923
Provision for restructuring		2 577
Warranty provision	2 700	2 700
Provision for legal costs	6 420	
Onerous contract	1 839	
Provisions raised/(utilised)	(623)	3 759
Incentive provision		(1 923)
Provision for restructuring		(2 577)
Warranty provision	(2 700)	
Provision for legal costs	(6 300)	6 420
Onerous contract	8 377	1 839
Closing balance on 30 June 2003	10 336	10 959
Warranty provision		2 700
Provision for legal costs	120	6 420
Onerous contract	10 216	1 839

24. CASH FLOW STATEMENT

24.1 Convention

The following convention applies to figures other than adjustments:

Outflow of cash is represented by figures in brackets. Inflow of cash is represented by figures without brackets.

24.2 Reconciliation of (loss)/income before taxation to cash generated from/(utilised in) operations

(Loss)/Income before taxation	(588 104)	33 955
Adjusted by	586 807	145 214
Loss on disposal of property, plant and equipment	4 139	4 997
Depreciation and trademark amortisation	57 829	42 863
Goodwill amortisation and impairment	400 734	82 895
Net finance cost	78 687	45 842
Loss on disposal of investments	13 499	
Impairment of investments	11 281	
Impairment of loans receivable	14 926	
Provision for liability in respect of BCS subscribing shareholders	4 868	
Other non-cash flow items	844	6 554
Cash effect of fair value adjustment		(37 937)
Operating (loss)/profit before working capital changes	(1 297)	179 169
Changes in working capital	81 192	(50 142)
Decrease/(Increase) in inventories	21 366	(21 063)
Decrease/(Increase) in receivables	114 973	(4 808)
(Decrease)/Increase in payables	(55 147)	(24 271)
Cash generated from operations	79 895	129 027

	GROUP	
	2003	2002
	R'000	R'000
24.3 Acquisition of subsidiaries net of cash acquired		
During the year Didata Limited acquired the balance of the shares in Rivendell Properties Ltd. The fair value of the assets acquired and liabilities assumed were as follows (prior year related to the acquisition of EC-Hold):		
Deferred taxation asset		(5 214)
Property, plant and equipment	(49 316)	(887)
Financial assets		(2 322)
Long-term liability	7 829	14 892
Inventories		(9 086)
Receivables	(2 163)	(10 597)
Inter-company debtors		(13 867)
Payables and provisions	1 448	32 670
Bank balance/(overdraft)	(234)	(10 695)
Investment in associate		9 378
Goodwill	(68 614)	(51 757)
Purchase consideration	(111 050)	(47 485)
Made up as follows	(111 050)	(47 485)
– Cash	(24 117)	(47 485)
Open market price	(24 117)	(47 485)
Cash paid back on acquisition		
– Non-cash	(86 933)	
Increase in unsecured shareholders' loan	(68 337)	
Increase in other borrowings	(18 596)	
Cash acquired	234	10 695
Cash cost of acquisition	(24 117)	(47 485)
Total cash outflow	(23 883)	(36 790)

25. FAIR VALUE

The following table reflects the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the fair value included in the consolidated financial statements at the date of acquisition:

25.1 EC-Hold Limited – Acquisition date 1 July 2001

	Book value at acquisition July 2001 R'000	Fair value adjustments 2002 R'000	Fair value to the group 2002 R'000
Deferred taxation	28 662	(23 448)	5 214
Property, plant and equipment	887		887
Financial assets	5 569	(3 247)	2 322
Loans	(14 892)		(14 892)
Inventories	9 275	(189)	9 086
Receivables	23 329	(12 732)	10 597
Inter-group receivables	13 867		13 867
Bank balances	10 695		10 695
Payables	(32 602)	(67)	(32 669)
	44 790	(39 683)	5 107

In the 2003 year, there were no further fair value adjustments.

Group		Continuing operations		Discontinuing operations		Group		
2002	2003	2003	2002	2003	2002	2003	2002	
%	%	R'000	R'000	R'000	R'000	R'000	R'000	
26. SEGMENTAL ANALYSIS								
100	100	Revenue	504 974	448 104	746 077	1 038 974	1 251 051	1 487 078
26	15	Enterprise solutions			185 461	383 364	185 461	383 364
5	7	Business continuity			81 836	74 665	81 836	74 665
33	35	Content management	440 275	487 206			440 275	487 206
23	25	Storage solutions			318 842	348 969	318 842	348 969
17	18	Software development	62 987	14 847	159 938	231 976	222 925	246 823
(4)	0	Central Services, <i>et al</i>	1 712	(53 949)			1 712	(53 949)
100	100	EBITDA	15 483	111 637	(18 994)	116 619	(3 511)	228 256
26	335	Enterprise solutions			(11 770)	59 446	(11 770)	59 446
6	(333)	Business continuity			11 693	14 041	11 693	14 041
42	(2 034)	Content management	71 457	93 397			71 457	93 397
16	230	Storage solutions			(8 091)	37 580	(8 091)	37 580
8	890	Software development	(17 026)	13 323	(14 237)	5 552	(31 263)	18 875
2	1 012	Central Services, <i>et al</i>	(38 948)	4 917	3 411		(35 537)	4 917
100	100	Assets	235 562	1 853 069	558 783	552 971	794 345	2 406 040
8	19	Enterprise solutions			151 881	187 774	151 881	187 774
4	14	Business continuity			112 731	86 066	112 731	86 066
18	50	Content management	395 629	428 214			395 629	428 214
7	21	Storage solutions			169 483	178 301	169 483	178 301
9	8	Software development	19 854	104 206	44 938	100 830	64 792	205 036
54	(12)	Central Services, <i>et al</i>	(179 921)	1 320 649	79 750		(100 171)	1 320 649
100	100	Liabilities	473 537	1 338 252	561 499	594 022	1 035 036	1 932 274
8	12	Enterprise solutions			119 414	145 650	119 414	145 650
9	17	Business continuity			172 889	182 876	172 889	182 876
10	18	Content management	184 660	195 128			184 660	195 128
9	12	Storage solutions			120 953	177 981	120 953	177 981
7	6	Software development	28 870	52 585	32 117	87 515	60 987	140 100
57	35	Central Services, <i>et al</i>	260 007	1 090 539	116 126		376 133	1 090 539
		Net (liabilities)/assets	(237 975)	514 817	(2 716)	(41 051)	(240 691)	473 766
100	100	Depreciation and goodwill impairment	104 494	28 177	352 439	14 058	456 933	42 235
3	16	Enterprise solutions			74 411	1 220	74 411	1 220
14	37	Business continuity			165 726	5 811	165 726	5 811
56	10	Content management	46 940	23 666			46 940	23 666
6	6	Storage solutions			28 502	2 643	28 502	2 643
12	18	Software development	55 258	693	25 413	4 384	80 671	5 077
9	13	Central Services, <i>et al</i>	2 296	3 818	58 387		60 683	3 818
100	100	Capital expenditure	110 255	136 478	19 600	28 068	129 855	164 546
2	4	Enterprise solutions			5 148	3 294	5 148	3 294
8	7	Business continuity			9 536	13 950	9 536	13 950
41	84	Content management	108 723	67 927			108 723	67 927
0	1	Storage solutions			1 161	440	1 161	440
6	2	Software development	851		2 307	10 384	3 158	10 384
43	2	Central Services, <i>et al</i>	681	68 551	1 448		2 129	68 551
100	100	Trademark amortisation	1 630	628			1 630	628
		Enterprise solutions						
		Business continuity						
100	18	Content management	300	628			300	628
		Storage solutions						
	82	Software development						
		Central Services, <i>et al</i>	1 330				1 330	

Group		Continuing operations		Discontinuing operations		Group		
2002	2003	2003	2002	2003	2002	2003	2002	
%	%	R'000	R'000	R'000	R'000	R'000	R'000	
27. GEOGRAPHICAL ANALYSIS								
100	100	Revenue	504 974	448 104	746 077	1 038 974	1 251 051	1 487 078
85	82	South Africa	297 778	240 208	730 106	1 028 402	1 027 884	1 268 610
1	1	United States of America			15 971	10 572	15 971	10 572
14	17	United Kingdom	207 196	207 896			207 196	207 896
100	100	EBITDA	15 483	111 637	(18 994)	116 619	(3 511)	228 256
98	(28)	South Africa	(2 227)	91 719	3 203	131 754	976	223 473
(7)	632	United States of America			(22 197)	(15 135)	(22 197)	(15 135)
9	(504)	United Kingdom	17 710	19 918			17 710	19 918

28. DISCONTINUING OPERATIONS

28.1 Enterprise Solutions

On 27 June 2003, the group announced by way of circular its intention to sell the business of MGX Enterprise Solutions (Pty) Limited. The business was sold, effective 31 July 2003, for R19 million and is reported in these financial statements as a discontinuing operation. The revenue, EBITDA, assets, liabilities, depreciation and impairments, capital expenditure and trademark amortisation comprise the entire amounts shown as discontinuing operations for the 'Enterprise solutions' segment in note 26.

28.2 Business Continuity Solutions

On 3 October 2003, the group announced by way of circular its intention to sell the business of MGX Business Continuity Solutions (Pty) Limited. The business was sold, effective 13 November 2003, for R60 million and is reported in these financial statements as a discontinuing operation. The revenue, EBITDA, assets, liabilities, depreciation and impairments, capital expenditure and trademark amortisation comprise the entire amounts shown as discontinuing operations for the 'Business continuity' segment in note 26.

28.3 Storage Solutions

On 3 October 2003, the group announced by way of circular its intention to sell MGX Storage Solutions (Pty) Limited and MGX Storage Solutions Professional Services (Pty) Limited in a single transaction. The companies were sold, effective 31 August 2003, for an effective R4 million and is reported in these financial statements as discontinuing operations. The revenue, EBITDA, assets, liabilities, depreciation and impairments, capital expenditure and trademark amortisation comprise the entire amounts shown as discontinuing operations for the 'Storage solutions' segment in note 26.

28.4 Software development

Software Futures

On 3 October 2003, the group announced by way of circular its intention to sell the business of MGX Software Futures (Pty) Limited. The business was sold, effective 22 September 2003, for R20 million and is reported in these financial statements as a discontinuing operation. The revenue, EBITDA, assets, liabilities, depreciation and impairments, capital expenditure and trademark amortisation are shown as discontinuing operations for the 'Software development' segment in note 26 above.

enTechnologies

enTechnologies (Pty) Limited was sold, effective 26 June 2003, for R1 million and is reported in these financial statements as a discontinuing operation. The revenue, EBITDA, depreciation and impairments, capital expenditure and trademark amortisation are shown as discontinuing operations in the 'Software development' segment in note 26. The revenue and EBITDA comprise the entire amounts shown as discontinuing operations for the 'United States of America' geographical segment in note 27.

Subsidiaries

Subsidiary	Nature of business	Percentage holding		Cost of investment		Net indebtedness	
		2003 %	2002 %	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Curat Solutions (Pty) Ltd	Storage management consultancy	100	100		13 674	(426)	(426)
Didata Ltd ♦ ▲	Document management systems and off-site document and data storage	49	49	9 429	8	(294)	2 252
Dions Business Systems (Pty) Ltd ♦ ▲	Property owning	100	100	10 456	9 802	17 925	79 005
Document and Data Management (Africa) (Pty) Ltd ▲	Sales and marketing	100	100			(140)	(110)
Eurefin (Pty) Ltd	Property owning		65				3 182
EC-Hold Limited ♦ ■	Document management systems	90	89	36 773	52 196	19 687	(1 101)
enTechnologies	Data broadcasting systems		50				372
MGX Properties Faerie Glen (Pty) Ltd ♦ ▲	Property owning	100	100			25 245	
Infracom (Pty) Ltd ▲	Dormant	100	100	67 783	67 783	(67 783)	(67 783)
Mail Processing Systems (Pty) Ltd ▲	Mailing systems	100	100	10		(3 087)	(3 490)
Metrofile (Pty) Ltd ♦ ▲	Off-site document and data storage	100	100	584	584	94 676	97 486
- Equity loan						94 676	115 386
- Other indebtedness						-	(17 900)
MGX Business Continuity Solutions (Pty) Ltd ▲	Business continuity services	100	100	4 790	24 650	50 582	57 942
MGX Customer Services Excellence (Pty) Ltd ▲	Service and maintenance	100	100			(22 545)	(20 094)
MGX Enterprise Solutions (Pty) Ltd ♦ ▲	Hardware and software sales and professional services	100	100		72 361	(50 046)	(32 338)
MGX Holdings UK Ltd	Investment holding company	100	100			7 841	7 505
MGX Management Services (Pty) Ltd	Management services	100	100			116 047	160 948
MGX Outsourcing (Pty) Ltd ▲	Document management systems, mailing systems and outsourcing bureaux	100	100			(5 900)	(4 979)
MGX Property (Pty) Ltd ♦	Property owning	100	100	4 918	30 000	13 160	7 599
MGX Storage Solutions (Pty) Ltd ♦ ▲	Digital storage solutions	100	100	4 000	45 170	(4 922)	2 319
MGX USA	Investment holding company	100	100		1	17 886	(8 920)
MGX Software Futures Group (Pty) Ltd ♦ ▲	Software development	95	95	21 655	48 770	1 080	(24 053)
Vision One (Pty) Ltd	Dormant	100	100	3 972	3 972		
Provision for permanent diminution in value				164 370 (3 972)	368 971 (9 734)	208 986 (187 291)	255 316
				160 398	359 237	21 695	255 316
Reflected as: Net amounts owing (to)/by subsidiaries						(72 981)	139 930
Equity loan owing by subsidiary						94 676	115 386

• The MGX group holds 80% of Didata UK Limited, as follows: 49.6% held directly by MGX Holdings Limited and 30.4% held through MGX Holdings UK Limited.

▲ At 30 June 2003, MGX had ceded and pledged all material amounts owing (to)/by any member of the MGX group to the capital providers.

■ MGX has subordinated R11 million of the R19.7 million due to it at 30 June 2003, in favour of other creditors until 30 June 2004.

♦ At 30 June 2003, MGX had ceded and pledged all its interests in the claims and shares of the subsidiaries to the capital providers.

It should be noted that throughout the group there are sureties, omnibus sureties, inter-linking sureties and cross-sureties between MGX and MGX group subsidiaries (and amongst themselves) provided to the capital providers.

INTEREST BEARING LIABILITIES OF MGX AT 31 DECEMBER 2003

MGX GROUP

R

Long-term liabilities at 31 December 2003**Total** **506 832 872****INVESTEC STRUCTURED FINANCE****16 436 311****FINANCE LEASES****78 607 137**

Rentworks

26 776 513

Citibank

46 606 381

Sundry – Copicor, Stannic

2 105 260

Onerous Lease Liability

3 118 983

INVESTEC DEBENTURE**52 201 105****BOE/NEDCOR BOND****37 961 272****BANK LOANS****242 205 343**

Didata UK – Bank of Scotland (£2 372 498)

28 071 396

Didata UK – Lloyds Bank (£489 485)

5 791 587

Didata UK – Rivendell Loan Notes (£940 000)

11 122 080

Citibank – Peregrine Loan

49 077 010

Standard Bank London (£1 620 910)

20 515 707

Standard Bank London (\$150 000)

997 770

Consortium lifeline

117 000 000

Didata UK – Standard Bank London (£160 000)

1 893 120

Didata UK – Finance Leases (£653 877)

7 736 673

SUNDRY LOANS**79 421 704**

CCH Liquidation Loan

4 489 072

Brait

20 996 461

Eurevest Leasing

17 705 294

R S Price

17 635 810

Drive Control

18 595 067



MGX HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/0012697/06)
Share code: MGX ISIN: ZAE000009262
("MGX" or "the Company")

NOTICE OF GENERAL MEETING

All definitions commencing on page 3 of this circular to which this notice of general meeting is attached, shall apply *mutatis mutandis* in this notice of general meeting.

Notice is hereby given that a general meeting of shareholders will be held at 09:00 on Tuesday, 3 August 2004 at 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, for the purpose of considering and if deemed fit, passing with or without modification, the ordinary resolution set out below.

ORDINARY RESOLUTION

"Resolved that, subject to this resolution being passed by a majority of shareholders, the disposal by MGX Property of the Midrand property to C-Max on the terms and conditions set out in the sale agreement, a copy of which is initialled for identification by the chairman of the general meeting as tabled, be and is hereby approved and ratified and that any one director of MGX be and is hereby authorised to sign all such documents and do all such things as are necessary or requisite so as to give effect to and implement the terms of sale agreement and this resolution, and all actions taken in this regard be and are hereby ratified and confirmed."

INSTRUCTION AND PROXIES

Shareholders holding certificated MGX shares and those who have already dematerialised their MGX shares, and who have elected "own-name" registration in a sub-register through a CSDP or broker, who are unable to attend the general meeting but wish to be represented thereat should complete and return the attached form of proxy (pink), in accordance with the instructions contained therein, to Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 09:00 on Friday, 30 July 2004, or if the general meeting is adjourned or postponed, by no later than 48 hours prior to the time of the adjourned or postponed general meeting.

Shareholders who have already dematerialised their MGX shares through a CSDP or broker and who have not elected "own name" registration, and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they must provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

A proxy need not also be a shareholder of the Company.

By order of the board

MGX HOLDINGS LIMITED

Christopher Stefan Seabrooke

Non-executive Chairman

Sandton
19 July 2004

Registered office

MGX House
22 Milkyway Avenue
Linbro Business Park
Linbro Park, Sandton, 2146
(PO Box 1697, Bramley, 2018)

Transfer secretaries

Computershare Investor Services 2004
(Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)



MGX HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/0012697/06)
Share code: MGX ISIN: ZAE000009262
("MGX" or "the Company")

FORM OF PROXY

For use **only by** MGX shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their MGX shares and who have elected "own name" registration at the general meeting of shareholders of MGX, to be held at 09:00 at 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, Johannesburg on Tuesday, 3 August 2004 or at any adjournment or postponement thereof.

I/We (BLOCK LETTERS please)

of

Telephone work ()

Telephone home ()

being the holder/s or custodians of
(see note 1 overleaf):

MGX shares, hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

the chairman of the general meeting of shareholders,
as my/our proxy to act for me/us at the general meeting of shareholders for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolution to be proposed thereat and at each adjournment or postponement thereof, and to vote for or against such resolution or abstain from voting in respect of the MGX shares registered in my/our name (see note 2 overleaf), as follows:

	For	Against	Abstain
Ordinary resolution – MGX Property disposal			

and generally to act as my/our proxy at the said general meeting of shareholders. (Tick whichever is applicable. If no directions are given, the proxy holder will be entitled to vote or to abstain from voting, as that proxy holder deems fit.)

Signed at _____ on _____ 2004

Signature _____

Assisted by (where applicable) _____

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of MGX) to attend, speak and vote in place of that shareholder at the general meeting of shareholders.

Please read the notes on the reverse side hereof.

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the general meeting of shareholders", but any such deletion must be initialled by the shareholder. The person whose name stands first on this form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, the shareholder is requested to complete this form of proxy by stating the number of shares held by the shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as the proxy deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. The completion and lodging of this form of proxy by a shareholder holding certificated shares, nominee companies of CSDPs or brokers and shareholders who have dematerialised their shares or who have elected "own name" registration will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares through a CSDP or broker and who have not elected "own name" registration in the sub-register maintained by the CSDP, and who wish to attend the general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the general meeting, must provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
6. Forms of proxy must be lodged with or posted to Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 09:00 on Friday, 30 July 2004.
7. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares they hold or represent, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote.
8. On a poll, every shareholder present in person or represented by proxy shall have one vote for every MGX share held by such shareholder.
9. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by the chairman of the general meeting of shareholders or any person entitled to vote at such meeting.
10. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

