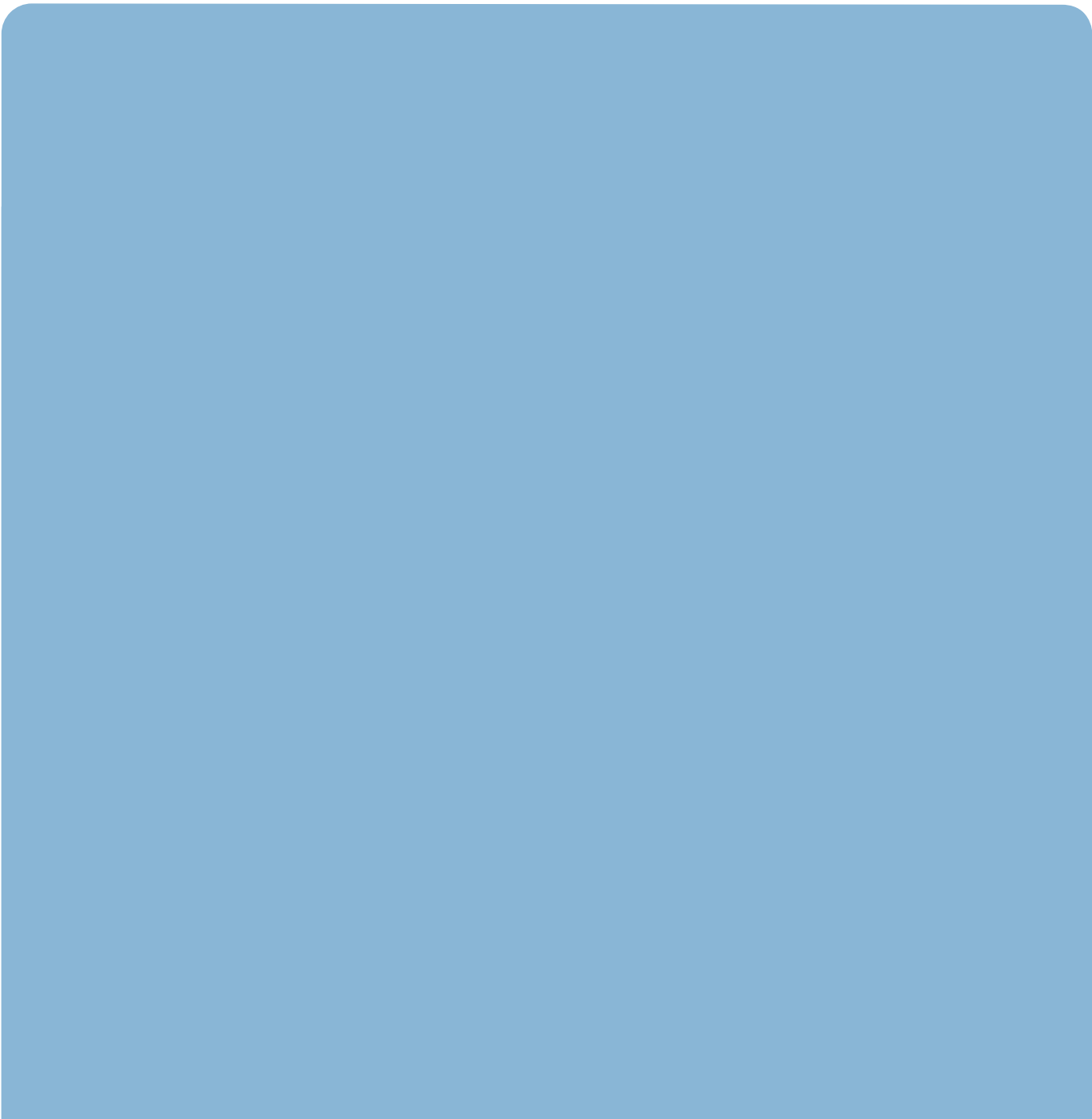


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P R O S P E C T U S

makalani 
holdings limited





Makalani Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/000726/06)

Share code: MKL ISIN: ZAE000066700

("Makalani")

PROSPECTUS

**Offer to subscribe for 5 000 000 linked units at a subscription price of
R100 per linked unit**

and

**Private placement of 20 000 000 linked units at a subscription price of
R100 per linked unit**

28 April 2005

**Merchant bank, lead arranger
and sponsor**



RAND MERCHANT BANK

— A division of FirstRand Bank Limited —

CORPORATE FINANCE

Attorneys

Hofmeyr

Hofmeyr Herbstein & Gihwala Inc.
Registration number 1997/001523/21

Lead sponsor

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
Corporate Finance (Pty) Ltd
(Registration number 1970/003711/07)

**Reporting accountants and
auditors**

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

Important information

Definitions and interpretations used in this prospectus are contained in Annexure 1.

Directors' responsibility statement

The directors of Makalani, whose names are given in paragraph 6, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this prospectus contains all information required by law and the JSE Listings Requirements.

Prospectus complies with the Companies Act 61 of 1973, as amended ("the Act") [50]

This prospectus complies with section 145(1), 147, 148(1)(a), 148(2), 149, 150, 151(1), 152(1), 154(1) and Schedule 3 of the Act. The number of each applicable paragraph in Schedule 3 to the Act is given in square brackets after appropriate headings or subheadings.

Registration of prospectus

An English copy of this prospectus, accompanied by the documents referred to on page 37, was registered on 28 April 2005 by the Registrar of Companies in terms of the Act.

Share and debenture capital of Makalani [8]

Following the acceptance of the offer and the private placement, the share and debenture capital of Makalani will be as follows:

Authorised

- 5 000 000 000 ordinary shares of R0.0001 each;

Issued

- 25 000 000 ordinary shares of R0.0001 each (issued at premium of R24.9999 each);
- 25 000 000 unsecured variable rate debentures of R75 each.

Each share will be linked to one debenture to form a linked unit. The linked units will rank *pari passu* in all respects.

Particulars of the offer and private placement

Number of linked units offered in terms of the offer	5 000 000
Number of linked units offered in terms of the private placement	20 000 000
Subscription price per linked unit	R100
Minimum subscription amount per applicant	R10 000
Anticipated market capitalisation of Makalani on listing date	R2 500 000 000

Corporate information

Registered office [1(a)]

Makalani Holdings Limited
(Registration number 2005/000726/06)
2 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
(PO Box 781463, Sandton, 2146)

Company secretary [5]

Adrian Arnott
4th Floor
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
(PO Box 786273, Sandton, 2146)

Reporting accountants and auditors [3]

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
2 Eglin Road
Sunninghill
(Private Bag X36, Sunninghill, 2157)

Attorneys [4]

Hofmeyr Herbstein & Gihwala Inc.
(Registration number 1997/001523/21)
6 Sandown Valley Crescent
Sandown
Sandton
(Private Bag X40, Benmore, 2010)

Merchant bank and sponsor [4]

Rand Merchant Bank
a division of FirstRand Bank Limited
(Registration number 1968/013988/06)
15th Floor
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
(PO Box 786273, Sandton, 2146)

Transfer secretaries [1(a)]

Ultra Registrars (Proprietary) Limited
(Registration number 2000/007239/07)
5th Floor
11 Diagonal Street
Johannesburg
(PO Box 4844, Johannesburg, 2000)

Lead sponsor

PricewaterhouseCoopers Corporate Finance (Proprietary) Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill
(Private Bag X36, Sunninghill, 2157)

Trustee of the debenture trust [4]

Hofmeyr Trustees No. 1 (Proprietary) Limited
(Registration number 2004/023370/07)
6 Sandown Valley Crescent
Sandown
Sandton
(Private Bag X40, Benmore, 2010)

Management company [2(d)]

Makalani Management Company (Proprietary) Limited
(Registration number 2004/023362/07)
2 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
(PO Box 781463, Sandton, 2146)

Table of contents

	Page
Important information	2
Salient features	8
Background	
1. Introduction and purpose	8
2. The FSC	8
The company	
3. Information relating to Makalani	10
4. The management of Makalani	13
5. Prospects	16
6. Directors and company secretary	16
7. Financial information	21
8. Share and debenture capital of Makalani	21
9. Adequacy of capital	23
The offer and private placement	
10. Details of the offer, private placement and the listing	24
11. Expenses of the offer, private placement and the listing	27
12. Advisers' interests	27
Other information	
Annexure 1 Definitions and interpretations	30
Annexure 2 Summary FSC scorecard	32
Annexure 3 Investment mandate	33
Annexure 4 Information relating to Makalani's current investments	37
Annexure 5 Management fee schedule	40
Annexure 6 Extracts from the articles of association of Makalani	42
Annexure 7 Information relating to Makalani's directors	48
Annexure 8 Financial information relating to Makalani	50
Annexure 9 Reporting accountants' report on the financial information relating to Makalani	54
Annexure 10 Exchange Control Regulations	55
Application form Offer (pink)	Attached

Salient features

1. Introduction and purpose [7]

Makalani has been established to raise capital from institutional investors and other investors for investment in and the funding of BEE transactions, as well as other targeted investments. The benefits of investing in Makalani can be summarised as follows:

- attractive returns;
- access to a diversified portfolio of assets;
- FSC-compliance, enabling investors to earn FSC scorecard points; and
- flexibility of exit and entry as a listed investment.

Makalani offers investors the opportunity to share in the exceptional dealmaking abilities of the RMB debt and equity professionals, other originators as well as the management team of Makalani, whilst at the same time earning FSC scorecard points.

2. Details of the offer, private placement and the listing

2.1 Particulars of the offer and private placement [18]

Number of linked units offered in terms of the offer	5 000 000
Number of linked units offered in terms of the private placement	20 000 000
Subscription price per linked unit	R100
Minimum subscription amount per applicant	R10 000
Anticipated market capitalisation of Makalani on listing date	R2 500 000 000

2.2 Important dates and times for the offer

Opening date of the offer (09:00)	28 April 2005
Closing date of the offer (12:00)	13 May 2005
Listing date (09:00)	18 May 2005

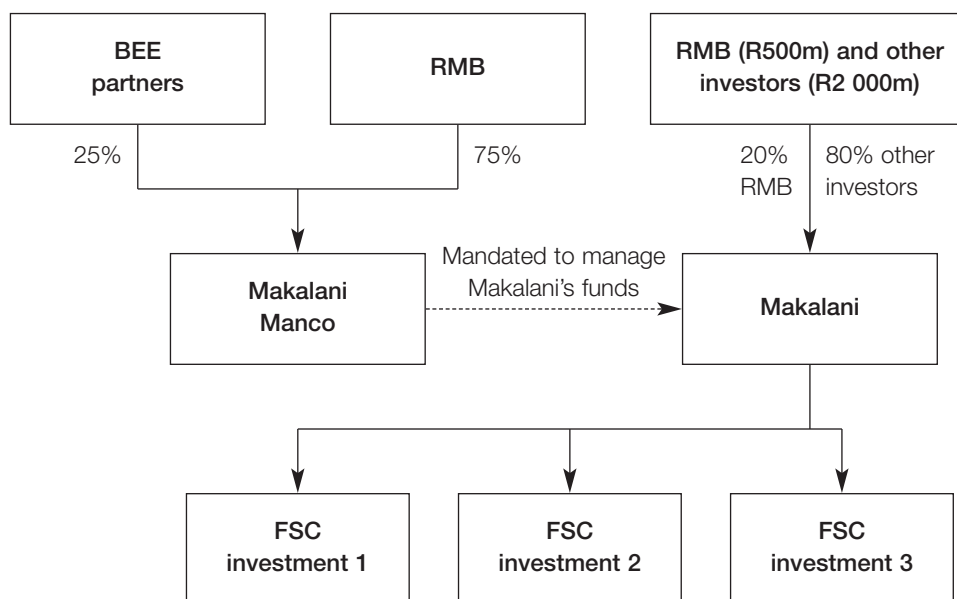
2.3 Details of the listing

Makalani will be listed in the Investment Companies – “Investment Companies” sub sector of the JSE.

The listing is subject to the condition precedent that Makalani achieves the spread requirements of the JSE of a minimum of 500 (five hundred) public linked unit holders.

3. Brief overview of Makalani

3.1 Structure and investment process



Makalani Manco has been mandated in terms of a management agreement to manage Makalani. Makalani will make FSC-compliant investments in accordance with its clearly defined investment mandate.

RMB's internal approval processes will initially be used for investment and credit decisions. This will be the case until such time as Makalani Manco has built up an independent track record. This period will however be at least 12 months.

Full details on Makalani Manco are set out in paragraph 4 of this prospectus.

3.2 Nature of returns and risk

Makalani will invest a large proportion of its funds in mezzanine type assets. These assets are typically rated below investment grade. Below investment grade assets are assets that are not rated by a recognised rating agency or have a rating of below BBB-/Baa3. Investors can therefore expect to be compensated for assuming higher risk through higher expected returns. The portfolio effect achieved by Makalani's diversified portfolio of investments will significantly decrease the specific risks attached to each individual investment.

Makalani will seek to generate, at a minimum, a pre-tax weighted average return on investments of 350 basis points above the risk free rate, after taking into account management fees paid.

3.3 Management fees [16(b)]

Makalani Manco will charge the following fees:

	Percentage
Base fee per annum on invested assets	1.00
Base fee per annum on liquid instruments held	0.30
Annual performance fee (share of return above benchmark return)	20.0

4. Action required

Application for linked units must be made in accordance with paragraph 10.8 of this prospectus.

Applications for certificated linked units in terms of the offer should be made on the pink application form accompanying this prospectus.

Applications for certificated linked units, in terms of the private placement should be made in terms of the blue application form. Blue application forms will only be inserted in prospectuses to be received by parties participating in the private placement.

Applications for dematerialised linked units must be submitted through CSDPs or brokers and must be made in accordance with the agreement governing the relationship between the applicant and the CSDP or broker by the cut-off time stipulated by their CSDP or broker.

If you are in any doubt as to what action to take, consult your broker, attorney or other professional advisor immediately.

Subscriptions for linked units in terms of the offer and/or the private placement may only be made for minimum subscription amounts of R10 000.

Linked units can only trade on the JSE in electronic form. Accordingly, linked unit holders who elect to receive linked units in certificated form will be required to dematerialise their linked units should they wish to trade them on the JSE. This procedure could take between 24 hours and 10 days, depending on volumes being processed at the time.

English copies of this prospectus are available from:

- Makalani, at its registered office as set out in the “Corporate information” section;
- the transfer secretaries;
- RMB; or
- Makalani’s website at www.makalani.co.za.

An abridged version of this prospectus was published in the press and on SENS on Thursday 28 April 2005.

Background

1. Introduction and purpose [7]

RMB has identified an acute need for increased funding sources for the successful implementation of BEE transactions. Furthermore it is evident that financial institutions do not have appropriate vehicles through which they can satisfy their targeted investment obligations in terms of the FSC. Makalani has been established to raise capital from financial institutions and other investors for making FSC-compliant investments. The benefits of investing in Makalani can be summarised as follows:

- attractive returns;
- access to a diversified portfolio of assets;
- FSC-compliance, enabling investors to earn FSC scorecard points; and
- flexibility of exit and entry as a listed investment.

Makalani offers investors the opportunity to share in the exceptional dealmaking abilities of the RMB debt and equity professionals, other originators as well as the management team of Makalani, whilst at the same time earning FSC scorecard points.

2. The FSC

2.1 Core principles

The FSC was signed during October 2003 and constitutes a transformation charter as contemplated in the Broad-Based Black Economic Empowerment Act (Act 53 of 2003). The FSC sets out a framework and establishes principles upon which BEE should be implemented in the financial services sector. The FSC establishes targets and responsibilities in respect of each principle contained in the FSC. It further outlines processes for implementing the FSC and creates mechanisms to monitor and report on the progress of implementation.

The core principles relating to BEE transactions, as set out in clause 9.2 of the FSC, are as follows:

- BEE ownership initiatives should be aimed at promoting the productive and sustainable participation of black companies and black people in each sector of the economy;
- ownership will be particularly encouraged if it adds value to the companies involved and includes meaningful participation in management and control;
- the funding structures should facilitate the transfer of full economic interest to the BEE partner and longer-term shareholder-type relationships, as opposed to short-term portfolio investments (especially where the transaction has been facilitated);
- if the acquisition of equity by the BEE company is facilitated in terms of the provisions of the FSC or government assistance, the retention of the shareholding as a BEE share should be promoted to the greatest extent possible;
- initiatives aimed at achieving broad-based empowerment will be promoted. This would include employee ownership, community and collective ownership; and
- joint ventures or partnership arrangements should be meaningfully structured with equitable portions of the responsibility and benefit to each party.

2.2 Investment targets

By signing the FSC, financial institutions have undertaken, *inter alia*, to make a total of R123.5 billion of funding available for the following purposes:

- R50 billion for BEE transactions (5 points on the FSC scorecard); and
- R73.5 billion for other targeted investments (17 points on the FSC scorecard) as described below:
 - R25 billion – transformational infrastructure;
 - R42 billion – affordable housing;
 - R5 billion – funding of SMMEs; and
 - R1.5 billion – emerging agriculture.

Further targets may be set for 2014.

Financial institutions will receive points for their BEE transaction investments and other targeted investments as indicated above. Investments in Makalani will count towards FSC scorecard points for each investor.

Makalani will publish financial and FSC scorecard details of its FSC-compliant investments on its website (www.makalani.co.za) and on SENS on a regular basis. This information will allow each investor to determine the FSC scorecard points achieved in each category. Written confirmations containing similar information will be available on request.

A summary of the FSC scorecard is contained in Annexure 2.

The company

3. Information relating to Makalani

3.1 Incorporation and background [1(a), 6]

Makalani was incorporated as a public company in South Africa on 12 January 2005 and has not traded since its incorporation. Makalani was created for the purpose of allowing financial institutions and other investors to invest in FSC-compliant investments and to share in the returns generated from these investments.

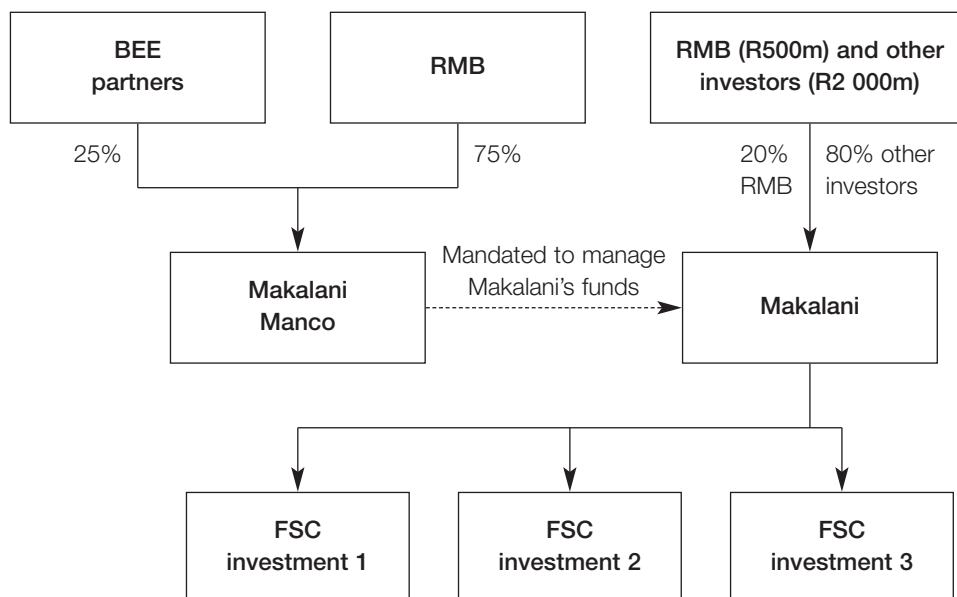
3.2 Nature of business [6(b)]

Non-bank financial institutions' investment mandates are highly regulated and in many instances preclude or limit investment in unlisted securities and below-investment grade instruments. This narrows down the list of available instruments to utilise in making FSC-compliant investments. On the other hand BEE consortia find it difficult to source sufficient funding for the implementation of BEE transactions and other targeted investments.

Makalani will fill this market space by, on the one hand, providing investors with a suitable listed instrument (linked units) earning a commercial return, as well as qualifying as a FSC-compliant investment earning FSC scorecard points, while on the other hand providing sufficient funding to drive FSC-compliant investments forward and achieving the aims of the FSC.

3.3 Structure

The structure of Makalani is represented graphically below.



3.4 Investment mandate

3.4.1 Overview [6]

Makalani will make FSC-compliant investments and seek a return commensurate with the risk associated with particular investments. Makalani will strive to optimise point accumulation in terms of the FSC scorecard.

3.4.2 Focus

Makalani will make funding available in support of FSC-compliant investments. Makalani's investment focus will be predominantly on mezzanine instruments, subject to acceptable risk adjusted return parameters. The portfolio effect achieved by Makalani's diversified portfolio of investments will significantly decrease the specific risks attached to each individual investment.

Although it will focus on mezzanine instruments, Makalani will invest in a wide range of instruments, including:

- mezzanine and subordinated debt;
- senior loans and debentures;
- preference shares;
- convertible securities and warrants; and
- where appropriate, common equity.

The specific aim is to address a market failure caused by the historic split in institutional investment mandates between debt and equity. The mezzanine debt and unlisted equity markets in South Africa are still in its infancy. This results in an opportunity for Makalani to fill the gap left in the market and to develop this asset class.

3.4.3 Portfolio guidelines

Makalani will be free to invest in any sector of the economy, in any FSC-compliant investment, subject to management's opinion that a transaction embraces the spirit of the FSC.

As a result of the diverse nature of FSC-compliant investments, it is not appropriate to be prescriptive on certain aspects of the investments. However, Makalani will only invest in transactions and/or instruments which are commercially priced and have an acceptable risk/reward profile. In this regard Makalani will follow philosophies and procedures similar to those applied by an investment bank.

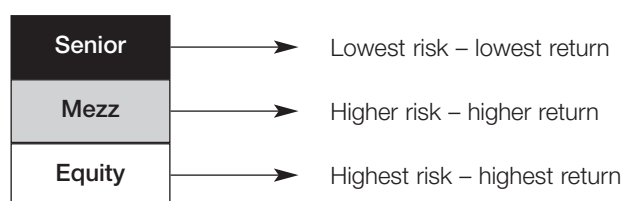
Limits per counterparty across equity, mezzanine debt and senior debt will be decided by Makalani Manco, subject to a maximum of 15% of the funds of Makalani being invested in any one asset/instrument. This limit will, however, only apply after the first 18 months of listing. This will give Makalani some flexibility during the initial phase. All prudent diversification parameters will continue to be adhered to.

Derivatives may be used to balance any mismatches in the risk/return relationship of Makalani relative to its investment mandate. These derivatives could include credit risk mitigation and yield enhancement instruments.

The investment mandate is set out in Annexure 3. Any material change to this mandate will require shareholder approval.

3.4.4 Mezzanine debt

Mezzanine debt is a term generally used to describe subordinated debt. Leveraged investments are typically financed by the use of equity, mezzanine and senior debt as indicated in the diagram below:



It is clear that mezzanine debt ranks below senior debt with regards to payment of interest and capital. It does, however, rank higher than equity in all respects. The mezzanine debt provider is rewarded for the increased risk assumed by an increased return.

3.5 Current investment portfolio

Makalani has reached agreement with RMB to acquire certain assets from RMB, including the original swaps put in place by RMB to hedge the fixed rate investments into floating rate instruments to lock in a yield above JIBAR, with effect from 16 May 2005. For the purposes of this document these assets, details of which are contained in Annexure 4, are treated as being owned by Makalani. A summary of the investments, its sector classification, its listed or unlisted status, the directors' valuation effective 16 May 2005 and book value appears in the table below:

Asset	Sector	Listed/ unlisted	Directors valuation R'm	Book value R'm
Acquired from RMB				
Metropolitan investment	Insurance	Unlisted	75.0	75.0
Gold Fields investment	Mining	Unlisted	50.0	50.0
Aberdare investment	Engineering	Unlisted	25.0	25.0
Mondi Newsprint investment	Paper	Unlisted	50.0	50.0
New investment				
FirstRand investment*	Banks	Unlisted	150.0	150.0
Total			350.0	350.0

* Committed funding, the draw down date is 13 May 2005.

Makalani will receive income in the form of both interest and dividends. Expected annual income, before taking into account the related swaps, from the above assets is shown below with an indication as to the nature of the income:

Asset	Nature of income	R'm
Metropolitan investment	Dividends	5.8
Gold Fields investment	Dividends	7.4
Aberdare investment	Dividends	2.4
Mondi Newsprint investment	Interest	4.8
FirstRand investment	Dividends	20.6
Total		39.9

The weighted average pre tax yield on the above assets is in excess of 600 basis points above JIBAR after taking into account the management fee.

No provisions have been recorded against any of the above investments by RMB prior to the transfer to Makalani. Makalani has not made any provisions against these assets. RMB will transfer its current swaps, put in place for the fixed rate assets, with such assets, in order to lock in a specific spread over JIBAR.

In terms of section 15.4(f) of the JSE Listings Requirements, the portfolio of Makalani must be disclosed to shareholders on a quarterly basis until such time as at least 50% of the portfolio has been established in investments other than cash or short dated securities.

3.6 Distribution policy

The board of directors will determine the distribution to linked unit holders on a semi-annual basis. Subject to good corporate governance, sound business principles and future investment requirements, Makalani's stated distribution policy is to distribute at least 50% of all after tax income realised in cash. Distributions will therefore not be made to the extent that interest or dividends on investments are accumulated but not paid.

3.7 Unclaimed dividends

All unclaimed dividends and interest may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that dividends and interest unclaimed for a period of three years may be forfeited for the benefit of the company. No interest will be payable on unclaimed dividends or any unclaimed interest.

4. The management of Makalani [2(d), 16]

4.1 Makalani Manco

Makalani will be managed by Makalani Manco. Makalani Manco is owned as follows:

	Shareholding
RMB	75%
Tamela	15%
WDB Investment Holdings	5%
Thesele Group	5%

4.1.1 RMB's credentials

RMB performs the merchant banking operations of FirstRand and trades off FirstRand Bank Limited's R424 billion balance sheet. RMB has 27 years of experience in the investment industry. RMB has grown its profits from debt, equity and other related businesses in excess of 20% per annum since inception.

RMB provides specialist services and takes principal positions in the fields of Corporate Finance, Structured Finance, Project Finance, Private Equity and Trading Markets.

RMB has consistently been accorded the accolade of being the leading merchant bank in its area of activities.

Some of the awards and ratings RMB have received include being:

- voted the "Best debt house" in 2001 and 2002 by Euromoney magazine;
- winner of the "Top Commercial Financier" Award in BEE by Business Map in 2004;
- ranked first in structured finance and private equity for the last three years per the ranking from PricewaterhouseCoopers taking the first place in corporate finance Mergers and Acquisitions in 2001 and 2003 whilst being voted the top listings house in 2002;
- ranked first in the Ernst and Young annual review of Mergers and Acquisitions for three years in a row in 1997, 1998, 1999 and again in 2001 and 2004. RMB has consistently been placed in the top three; and
- ranked first in Mergers and Acquisitions by deal value in the 2004 annual Dealmakers awards.

4.1.2 RMB's access to charter compliant funding

RMB's focus on advising and funding BEE transactions place it as the second largest BEE financier behind the Industrial Development Corporation (Business Map 2003). FirstRand's participation outside of BEE extends to the areas of public sector, infrastructure and development finance.

During the past five years RMB has participated in development investments of approximately R58 billion. Funding has been raised for the following parties:

- development projects undertaken by Public Private Partnerships (R13.9 billion);
- state owned enterprises (R27.9 billion);
- water authorities (R8.3 billion); and
- municipalities (R2 billion).

RMB's roles in these projects have included varying combinations of lending, underwriting, arranging, managing and acting as a financial advisor. Projects such as the building of toll roads, hospitals and prisons have been undertaken on the basis of concessions in which empowerment companies typically owned 40% of the concession company.

Infrastructure Finance Corporation (INCA)

FirstRand has a 35% shareholding in INCA. INCA was founded in 1997 and is the largest provider of municipal loans in South Africa and its investment in municipal authorities and other infrastructure developments exceeds R4.5 billion.

Affordable housing

RMB has adopted a proactive role in participating in affordable housing finance. There is a strong demand in the market for home finance where traditional mortgage lending must be replaced by finance that is creatively designed to address specific market needs.

RMB has approved new affordable housing projects covering 7 400 houses at 3 different locations in 3 provinces. Delivery will take place over 2 to 3 years. The total value of these projects for which RMB is arranging the funding is R800m.

For more information on RMB and the FirstRand group visit www.rmb.co.za and www.firstrand.co.za.

4.2 BEE partners

4.2.1 Tamela

Tamela is a newly incorporated black owned company established by Vusi Mahlangu and Sydney Mhlarhi. It was established to combine the founders' complementary skills in debt and equity capital markets to participate in empowerment opportunities.

4.2.2 WDB Investment Holdings

WDB Investment Holdings is a broad-based woman focused empowerment company founded in 1997 by the WDB Trust, its 100% shareholder. The WDB Trust was established in 1991 for the purpose of supporting the economic upliftment of poor black women in rural South Africa. To date, the WDB Trust has reached over 14 000 women in rural areas with its training and not-for-profit micro-credit programmes.

WDB Investment Holdings has a number of investment partnerships including equity interests in BP South Africa, the Bidvest Group, Paracon Holdings and Uthingo Lottery Management Company. WDB Investment Holdings aims to add value in its partnerships on two fronts:

- promoting business growth; and
- assisting in transformation.

Since inception, WDB Investment Holdings has disbursed over R30 million to the WDB Trust and continues to seek for ways to ensure sustainable distribution streams for the benefit of its broad based beneficiary base.

4.2.3 Thesele Group

Thesele Group is a black owned investment vehicle founded in December 2004 and headed by Sello Moloko, Thabo Leeuw and Lance Katz.

Thesele Group aims to add value to its partners on several fronts:

- providing access to markets;
- broad financial services experience (especially in BEE and infrastructure – origination and structuring); and
- business growth and transformation.

4.3 The management team

The key individuals employed by Makalani Manco are:

CEO

Vusi Mahlangu (age 34)

BSc (Honours), MBA (Harvard)

Vusi was, until January 2005, head of public sector finance at Investec Bank, a division that he set up in 2001. The division is involved in all aspects of providing debt products to state owned companies, municipalities, water boards and other government owned entities.

Vusi's investment banking experience and responsibilities at Investec over the last six years involved funding management buyout transactions, asset finance involving aircraft and other assets and implementing share incentive schemes for companies listed on the JSE.

Vusi was a member of Investec's group management forum and he was also a trustee of Investec's provident fund.

Before he joined Investec, Vusi worked for African Oxygen Limited for four years, first as a process engineer designing gas separation plants and later as a production manager for Afrox's then biggest air separation plant.

CIO

Sydney Mhlarhi (age 32)

BCom, BAcc, CA(SA)

Sydney was until December 2004 a director and joint head of the acquisition finance group, a division of Standard Bank, focusing on the provision of finance for merger and acquisition transactions and in particular black economic empowerment. Previously Sydney was a director of Standard Bank's corporate finance division.

His investment banking experience and responsibilities at Standard Bank over the past six years involved restructurings, acquisitions, valuations, listings, black economic empowerment advisory and financing, capital raisings, restructuring of state owned enterprises and general corporate finance advisory work to large listed and unlisted South African companies.

Sydney is a member of the Securities Regulation Panel, the Audit Committee of the South African Police Service, the South African Institute of Chartered Accountants, the Investment Analysts Society of Southern Africa and between 1999 and 2002 was a Convocation Executive Committee member of the University of the Witwatersrand.

Vusi and Sydney will also obtain credit, administrative and analytical support from RMB. Vusi and Sydney will in due course build capacity by appointing further investment professionals.

4.4 Responsibilities of Makalani Manco

In terms of the management agreement, Makalani Manco will have responsibility to:

- manage the general administrative activities of Makalani, including such roles as accounting functions;
- manage the broader investment functions, making recommendations on investments and disposals of investments and co-ordination of due diligence investigations on potential investments;
- manage the financial matters of the company, including managing and monitoring the company's gearing and liquidity position and making recommendations as to the amount, price and timing of the issue of new linked units;
- perform regular valuations of Makalani and its investments for publication; and
- manage communication to investors and other stakeholders.

4.5 Investment process

Makalani Manco will manage the investment process by identifying suitable FSC-compliant investments consistent with its investment mandate and the company's objectives. The approval process for an investment will depend on the size of the investment. A summary of the process is set out below. Where the amount required to be committed by the company to an investment:

- is less than R30 million, Makalani Manco will consider and make such investment on behalf of Makalani, with the support of 2 RMB investment professionals;
- is in excess of R30 million, but less than R250 million, Makalani Manco will consider and recommend such investment to the investment committee as a potential investment; and
- is in excess of R250 million, Makalani Manco will consider and recommend such investment to the investment committee and a sub-committee of the board of directors as a potential investment.

Makalani Manco will adopt a code of conduct which will adhere to the principles as contained in the proposed Asset Manager Code of Professional Conduct released by the CFA Institute, Centre for Financial Market Integrity in November 2004.

4.6 The investment committee

The investment committee will comprise of the RMB investment committee, as constituted from time to time, as well as the CEO or CIO of Makalani Manco. A quorum of 4 members will be required to constitute a valid meeting. The RMB investment committee currently has 10 members.

4.7 Expenses and fees

Makalani Manco will be reimbursed for all reasonable expenses related to the general administration of the company, the promotion of the company and the financial functions performed or co-ordinated.

Expenses relating to the management of the investments will not be reimbursed, instead a management fee will be payable. The management fee will be calculated as follows:

- a base fee of 1.0% of invested capital and 0.3% of liquid instruments; and
- a performance fee of 20% of attributable return in excess of the benchmark return.

Details on the management fee structure are contained in Annexure 5.

4.8 Duration of appointment

Makalani Manco has been appointed indefinitely as the manager of Makalani. The appointment may, however, be terminated as follows:

- automatically if Makalani is wound up;
- on 180 days notice given by Makalani Manco, if the manager wishes to terminate its appointment;
- on 180 days notice by Makalani, if the shareholders of Makalani resolve by special resolution to terminate the appointment; or
- in accordance with a procedure prescribed in the management agreement if the manager fails to perform (and when requested fails to remedy) a material obligation in the management agreement.

5. Prospects [6]

BEE is one of the largest driving forces in asset origination in the financial services industry. These assets are created and structured to provide investors with a commercial return which rewards them for the risk assumed. Strong demand for the funding of FSC-compliant investments cannot be met from within the traditional banking sector.

Makalani is confident that it will provide an ideal vehicle which addresses this shortfall and that it will invest in assets that provide investors with appropriate risk adjusted returns. It is expected that returns will be similar to the returns on Makalani's current investment portfolio. More details on current investments are contained in Annexure 4.

Makalani will seek to generate, a pre-tax weighted average return on investments of 350 basis points above the risk free rate, after taking into account the management fees payable. The benchmark return was determined by:

- the RMB house view of the equity risk premium (550 basis points); and
- the average risk premium for premium quality senior debt (100 basis points).

As Makalani is expected to invest the majority of its funds in mezzanine funding, the benchmark return has been set between these two parameters.

6. Directors and company secretary [2(a)]

6.1 Directors' details

Vivian Wade Bartlett (age 61)
Independent non-executive chairman
AMP (Harvard), FIBSA
Appointed February 2005

Viv Bartlett started his career with Barclays Bank DCO South Africa, which became First National Bank of SA in 1987. After some four years of overseas secondments he returned to South Africa in 1972 where he has served as

general manager and managing director in various group companies until being appointed as group managing director and chief executive officer of First National Bank of Southern Africa in 1996. In 1998 he was appointed deputy chief executive officer of FirstRand Bank, a position he held until his retirement in 2004.

Directorships

FirstRand Limited

FirstRand Bank Holdings Limited

OUTsurance Limited

Board member and Chairman – CEMEA Regional Visa International

Board member and executive committee member – Visa International

Board member – Banking Ombudsman

Vusi Mahlangu (age 34)

Chief Executive Officer

BSc (Honours), MBA (Harvard)

Appointed April 2005

Vusi was, until January 2005, head of public sector finance at Investec Bank, a division that he set up in 2001. The division is involved in all aspects of providing debt products to state owned companies, municipalities, water boards and other government owned entities.

Vusi's investment banking experience and responsibilities at Investec over the last six years involved funding management buyout transactions, asset finance involving aircraft and other assets and implementing share incentive schemes for companies listed on the JSE.

Vusi was a member of Investec's group management forum and he was also a trustee of Investec's provident fund.

Before he joined Investec, Vusi worked for African Oxygen Limited for four years, first as a process engineer designing gas separation plants and later as a production manager for Afrox's then biggest air separation plant.

Directorships

Tamela Group (Proprietary) Limited

Derek Neil Prout-Jones (age 42)

Non-executive director

BCom, BAcc, CA(SA)

Appointed February 2005

Derek Prout-Jones is the Chief Investment Officer of RMB. He Joined RMB in 1989 where he worked in Special Projects, Corporate Finance and Private Equity prior to becoming Chief Financial Officer in 1999. He was appointed to his current position in July 2003 to focus specifically on the principal investment business of RMB. Derek serves on various committees across RMB and chairs the Investment Committee.

Benedict James van der Ross (age 57)

Independent non-executive director

Dip Law (UCT)

Appointed February 2005

Ben van der Ross is a director of companies. He has a diploma in law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and conveyancer. Thereafter he practiced for 16 years. He became an Executive Director at the Urban Foundation for five years until 1990 and thereafter of the Independent Development Trust where he was Deputy Chief Executive Officer from 1995 to 1998. He acted as Chief Executive Officer of the South African Rail Commuter Corporation from 2001 to 2003 and as Chief Executive Officer of Business South Africa from 2003 to 2004. He was appointed to the board of The Southern Life Association in 1986.

Directorships

FirstRand Limited

FirstRand Bank Holdings Limited

RMBAM – Chairman

Momentum Group Limited

Bonatla Property Holdings Limited – Chairman
Lewis Group Limited
Naspers Limited
Pick 'n Pay Stores Limited

Dines Gihwala (age 51)

Independent non executive director

BProc (UWC), HDip Tax (RAU)

Appointed February 2005

Dines Gihwala has practised as an attorney since 1978, except for the periods that he served as a Judge of the High Court of South Africa in Bloemfontein and in Cape Town. He has also successfully completed a Higher Diploma in Tax Practice extramurally with the Rand Afrikaans University. He is presently the Chairman and Senior Partner of Hofmeyr Herbstein & Gihwala Inc, one of the largest law practices in the country, with offices in Gauteng and the Western Cape. He fulfilled the role of Director: Monitoring of the Independent Electoral Commission during South Africa's first democratic election in 1994 for which he received a gold merit award. In 1997 he received a proclamation from the Office of the Governor of the State of Arizona in the USA for his contribution towards the new South Africa. Dines is also extraordinary professor of law at the University of the Free State and the Vice Chairperson of the Council of the University of the Free State. He is a member of the government task team responsible for the drafting of the new Companies Act.

Directorships

Hofmeyr Herbstein & Gihwala Inc.

Dr Deenadayalen Konar (age 51)

Independent non-executive director

BComm, PG Dip in Acc, MAS, CertTaxLaw,

DComm, CA(SA)

Appointed April 2005

Len Konar was previously executive director of the Independent Development Trust where he was, amongst other activities, responsible for the internal audit and investment portfolios. Prior to that he was professor and head of the Department of Accountancy at the University of Durban Westville. He is a member of the King Committee on corporate governance, the Securities Regulation Panel, the Corporate Governance Forum and the Institute of Directors. He is also the chairperson of the Ministerial Panel for the Review of the Regulation of Accountants and Auditors.

Len was recently appointed as an external audit committee member of the International Monetary Fund in Washington. He also chairs or serves on the audit committees of a number of listed companies and public sector corporations.

Directorships

South African Reserve Bank
Illovo Sugar Limited
JD Group Limited
Kumba Limited
Mustek Limited
Mutual and Federal Insurance Company Limited
Steinhoff International Holdings Limited
Sappi Limited

Sonja Sebotsa (age 33)

Independent non-executive director

LLB Hons (LSE, UK), MA Economic Policy Management (McGill, Canada), SFA, UK

Appointed February 2005

Sonja started her career in investment banking after completing her studies in the fields of law, development economics and management. She is currently an Executive Director of WDB Investment Holdings, a broad-based women focused empowerment company which is wholly owned by the WDB Trust. The WDB Trust was founded in 1991 and is dedicated to the economic and social upliftment of poor rural women by linking them to resources such as finance.

Prior to joining WDB Investment Holdings in late 2002, Sonja was a Vice President in Deutsche Bank's investment banking division where she had been for almost six years. During her career with Deutsche Bank she had the opportunity of working in their Johannesburg, London and Tokyo offices and participated in a range of landmark transactions.

Sonja has been a member of the Association of Black Securities and Investment Professionals (ABSIP) since 1997 and was previously a member of the Investment Analysts Society of South Africa. She is a registered person with the Securities and Futures Authority of the UK.

Directorships

Adcorp Holdings Limited

Paracon Holdings Limited

Metcash Trading Africa (Proprietary) Limited

Sello Moloko (39)

Independent non-executive director

BSc Honours, Post Graduate Certificate in Education (University of Leicester, UK), AMP (Wharton, Pennsylvania)

Appointed April 2005

Sello is the executive chairman and a founder shareholder of Thesele Group. He was born and raised in Soweto. His career began in 1989 in the retirement funds arena where he acquired actuarial and consulting experience during his tenures at Alexander Forbes, Southern Life and Old Mutual Actuaries & Consultants.

He switched careers to investments when he joined Capital Alliance Investment Counsel (renamed Brait Asset Managers in 1998) as an analyst in January 1996. He became the Deputy CEO in March 1997 and was part of the management team that grew the business to profitability. In addition to his executive role, he managed institutional and retail assets.

In August 1999 he joined Old Mutual Asset Managers ("OMAM") as a senior portfolio manager, and managed in excess of R25 billion of retirement fund assets. In 2001, he was appointed Executive Director responsible for OMAM's portfolio management and risk management functions. In January 2004, Sello took over the reins as CEO of OMAM, a post he left in August 2004 to pursue his own business interests.

He has served on the Old Mutual SA board and on boards of other Old Mutual group companies. He currently serves on the Nelson Mandela Endowment & Investment Committee and the Securities Regulation Panel. In 2003, the Association of Black Securities and Investment Professionals (ABSIP) presented him with the Financial Services Pioneer Award for his significant achievements in asset management.

Directorships

Thesele Group (Proprietary) Limited

Adrian Herbert Arnott (age 58)

Company secretary

BCom (Rhodes), CA(SA), PMD (Harvard)

Appointed February 2005

Adrian Arnott completed his accounting articles in 1971 and shortly thereafter joined the insurance industry. He was appointed as an executive director of Southern Life Association in 1987. After the merger in 1998 to form FirstRand, Adrian became the General Manager and company secretary of FirstRand as well as the company secretary of RMB Holdings Limited. Adrian serves on various sub-committees of FirstRand and its subsidiaries and other listed companies.

Directorships

African Life Assurance Company Limited

Real Africa Holdings Limited

INCA

6.2 Qualifications, borrowing powers and appointment of directors [2(b) & (e)]

The provisions of the articles of association of Makalani as regards directors, their appointment, qualification, remuneration and borrowing powers, are set out in Annexure 6.

6.3 Remuneration of directors [2(c)]

The remuneration to be received by the directors in respect of their directorships of Makalani is set out in Annexure 7.

6.4 Directors' interests [17]

Details of directors' interests are set out in Annexure 7.

6.5 Directors interests in contracts

None of the directors had any interests, direct or indirect, in any transactions with the company during the current or immediately preceding financial year or in an earlier year, which remain in any respect outstanding or unperformed.

6.6 Loans to directors and managers

Makalani has not made any loans or furnished any security to or for the benefit of any director or manager, or any associate of any director or manager, of Makalani.

6.7 Directors' declaration

All of the directors of Makalani have confirmed that they have not been:

- disqualified by any court from acting as a director or manager of a company or from conducting the affairs of any company;
- convicted of an offence resulting from dishonesty, fraud or embezzlement or any offence in terms of legislation relating to the Act;
- adjudged bankrupt or entered into any voluntary creditors' liquidation or been sequestrated in any jurisdiction or been a director of any company at the time or within the 12 months preceding any of the following events taking place: receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors; or
- barred from entry into any profession or occupation.

6.8 Corporate governance

Makalani is committed to the highest standards of corporate governance.

The board of directors endorses the King Code 2002. Good corporate governance is an integral part of Makalani's business philosophy. The values espoused in this business philosophy will govern the way in which Makalani interacts with all its stakeholders and stresses the importance of good corporate citizenship, integrity, transparency, individual accountability and BEE. Accordingly Makalani aims to comply, in all material respects, with the provisions and the spirit of the King Code 2002.

Makalani has a unitary board. Makalani is chaired by an independent non-executive director. The roles of the chairman and chief executive officer are separate. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making.

As at 28 April 2005 the board of Makalani was comprised of eight directors with an appropriate balance of executive and non-executive directors, and the necessary calibre and credibility, skills and experience. One of the directors was executive, a further one is defined as non-executive and the balance are regarded as independent non-executive directors. The board includes five people who are classified as black in terms of the FSC. The profiles of the directors appear in paragraph 6.1 of this prospectus.

Education is ongoing to ensure that directors are kept informed of industry developments and international best practice.

There is a clear policy in place detailing procedures for appointments to the board and such appointments are formal and a matter for the board as a whole. When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics in order to make it effective.

A staggered rotation of directors ensures continuity of experience and knowledge. Non-executive directors are appointed for three years and are subject to Companies Act provisions relating to their removal.

The directors have a duty and responsibility to ensure that the principles set out in the King Report 2002 are observed. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the company and all stakeholders.

The audit committee sets principles for the use of the external auditors for non-audit services.

7. Financial information [25]

Relevant financial information for Makalani is set out in Annexure 8. As Makalani was only incorporated during January 2005, no historical financial information is available. Annexure 8 contains the forecast financial information for the financial periods ending 30 June 2005, 30 June 2006 and 30 June 2007.

The reporting accountants' report on the forecast financial information for the period ending 30 June 2005 and 30 June 2006 are set out in Annexure 9.

The forecast financial information is for illustrative purposes only and will not necessarily reflect the actual performance of Makalani. Each FSC-compliant investment is different and the exact structure and instrument cannot be predicted accurately. Makalani will, however, endeavour to meet or exceed the benchmark return.

8. Share and debenture capital of Makalani [8]

Makalani will issue linked units which will provide an efficient capital structure for the business which Makalani will operate. A linked unit comprises:

- 1 unsecured variable rate debenture with a nominal value of R75.00; and
- 1 ordinary share of R0.0001 issued at a premium of R24.9999.

The separate transfer of a share or debenture constituting a linked unit is not allowed.

8.1 Authorised and issued share capital

The authorised and issued share capital of Makalani, before and after the offer and private placement, is set out below.

Before the offer and private placement

	Rand
Authorised share capital	
5 000 000 000 ordinary shares of R0.0001 each	500 000
Total authorised share capital	500 000
Issued share capital	
7 ordinary shares of R0.0001 each	0.0007
Share premium	174.9993
Total issued share capital	175

After the offer and private placement

	Rand
Authorised share capital	
5 000 000 000 ordinary shares of R0.0001 each	500 000
Total authorised share capital	500 000
Issued share capital	
25 000 000 ordinary shares of R0.0001 each	2 500
Share premium	624 997 500
Total issued share capital	625 000 000

All ordinary shares will rank *pari passu* in all respects from the date of issue.

8.2 Debenture capital

Each ordinary share is linked to 1 debenture of R75 each.

The total number of debentures in issue after the offer and private placement is summarised below:

Issued debentures	
25 000 000 debentures of R75 each	1 875 000 000
Total debenture capital	1 875 000 000

All the debentures shall:

- 8.2.1 rank *pari passu* in all respects from the date of issue;
- 8.2.2 be unsecured;
- 8.2.3 carry interest at a rate to be determined by the directors from time to time and be calculated each six month period ending on 30 June and 31 December of each year, save for the first interest period which will commence on the date of issue of the first debentures and will end on 31 December 2005.
- 8.2.4 pay the calculated interest within 60 business days after the expiry of each interest period.
- 8.2.5 be repayable on the interest calculation date immediately following the 99th anniversary of the date of issue, except if a special resolution by the linked unit holders determines otherwise; and
- 8.2.6 become repayable in the event of the company being wound up.

Debentures will be issued in terms of the debenture trust deed entered into between Makalani and Hofmeyr Trustees No. 1 (Proprietary) Limited on 19 April 2005.

8.3 Issue of linked units

On 12 January 2005, Makalani issued 7 linked units to its founding linked unit holders as follows:

Linked unit holder	Number of linked units	Issue price
Bian Jooste	1	R100
Heidi Lategan	1	R100
Andre de Lange	1	R100
Alwyn Fouchee	1	R100
Johannes Gouws	1	R100
John Webber	1	R100
Hofmeyr Trustees No.1 (Proprietary) Limited	1	R100

All of the above shareholders, save for Hofmeyr Trustees No.1 (Proprietary) Limited, hold their shares as nominees for Hofmeyr Trustees No.1 (Proprietary) Limited.

8.4 Voting rights [10]

At any general meeting, every linked unit holder present in person or represented by proxy shall, on a poll, be entitled to one vote for every linked unit held.

All linked units rank *pari passu* in all respects, including voting rights and the entitlement to dividends and other distributions. There are no preferential conversion rights attaching to the ordinary shares.

In terms of the debenture trust deed, the rights attaching to linked units may be varied with the consent in writing of 75% of the linked unit holders, or with the sanction of a special resolution passed at a separate general meeting of the linked unit holders.

8.5 Major linked unit holders

As at the last practicable date the following linked unit holders were major linked unit holders of Makalani and were the only linked unit holders holding more than 5% beneficial interest in the issued linked units of Makalani:

Linked unit holder	% issued ordinary share capital
Hofmeyr Trustees No.1 (Proprietary) Limited	100

As at the last practicable date Hofmeyr Trustees No. 1 (Proprietary) Limited was the controlling linked unit holder.

As Makalani is a new company, the above information is only disclosed for regulatory purposes. Hofmeyr Trustees No.1 (Proprietary) Limited will dispose of its 7 linked units to RMB on the day of listing.

9. Adequacy of capital [22]

The directors of Makalani have considered the working capital position of Makalani and are of the opinion that for a period of 12 months from the date of this prospectus:

- the company will be able in the ordinary course of business to pay its debts;
- the assets of the company will be in excess of the liabilities of the company;
- the share capital and reserves of the company will be adequate for its ordinary business requirements; and
- the working capital of the company will be adequate for its ordinary business purposes.

The offer and private placement

10. Details of the offer, private placement and the listing [18]

10.1 Particulars of the offer and private placement [18, 20]

Number of linked units offered in terms of the offer	5 000 000
Number of linked units offered in terms of the private placement	20 000 000
Subscription price per linked unit	R100
Minimum subscription amount per applicant	R10 000
Anticipated market capitalisation of Makalani on listing date	R2 500 000 000

10.2 Important dates and times for the offer [19]

	2005
Opening date of the offer (09:00)	Thursday 28 April
Closing date of the offer (12:00)	Friday 13 May
Listing date (09:00)	Wednesday 18 May

10.3 Irrevocable undertakings

Prior to the issue of this prospectus, irrevocable undertakings were received from the following investors to subscribe for 11 250 000 linked units to be issued in terms of the private placement as set out below:

Investor	Number of linked units
RMB Asset Management	6 250 000
RMB	5 000 000

10.4 Details of the listing [23]

The JSE has granted Makalani a listing of 25 000 000 linked units as follows:

JSE sector:	Investment companies – “Investment Companies” sub sector
Abbreviated name:	“Makalani”
Share code:	MKL
ISIN:	ZAE 000066700

The listing is subject to the condition precedent that Makalani is able to fulfill the spread requirements of the JSE in respect of linked unit holders, namely a minimum of 500 public linked unit holders.

10.5 Unissued linked units

At the general meeting of Makalani held on 1 March 2005, the shareholders approved the ordinary resolution placing the ordinary shares constituting part of the linked units under the control of the directors of the company.

10.6 Authorisations

The offer and private placement are made following the approval of the board of directors and all the linked unit holders in general meeting.

10.7 Allocations

The basis of allocation of the linked units will be determined on an equitable basis by the directors of Makalani in their sole discretion, after consultation with RMB. It is intended that notice of the allocation will be given on Monday 16 May 2005 at 17:00.

10.8 Applications

Applications to subscribe for linked units in terms of the offer and/or the private placement must be made in accordance with the application procedure set out below.

10.8.1 *Application form – offer* (pink)

Applications in terms of the offer for certificated linked units may only be made on and in terms of the application form (pink) accompanying this prospectus.

Applications for linked units submitted through CSDPs or brokers must be made in accordance with the agreement governing the relationship between the applicant and the CSDP or broker.

Application forms and further copies of this prospectus can be obtained during normal business hours from the registered office of Makalani, the sponsor and the transfer secretaries, whose addresses are set out in the “Corporate Information” section of this prospectus. Application forms and further copies of this prospectus can also be viewed on and printed from the Makalani website, www.makalani.co.za.

10.8.2 *Application form – private placement* (blue)

Applications in terms of the private placement for certificated linked units may only be made on and in terms of the application form (blue) which will be inserted in the prospectus to be received by parties participating in the private placement.

Applications for linked units submitted through CSDPs or brokers must be made in accordance with the agreement governing the relationship between the applicant and the CSDP or broker.

Application forms and further copies of this prospectus can be obtained during normal business hours prior to the closing of the offer from the registered office of Makalani, the sponsor and the transfer secretaries, whose addresses are set out in the “Corporate Information” section of this prospectus. Application forms and further copies of this prospectus can also be viewed on and printed from the Makalani website, www.makalani.co.za.

10.8.3 *Minimum number*

Applications must be made for a minimum number of 100 linked units per applicant.

10.8.4 *Applications irrevocable*

Applications will be irrevocable and may not be withdrawn once received by the transfer secretaries.

10.8.5 *Reservation of rights*

The directors of Makalani reserve the right to accept or refuse any applications, either in whole or in part, or to abate any or all applications in such manner as they may, in their sole and absolute discretion, determine.

10.8.6 *Receipts*

Receipts will not be issued for applications, application monies or supporting documents received.

10.8.7 *Deceased estates and capacity to apply*

Linked units may not be applied for in the name of a deceased estate.

No documentary evidence of capacity to apply need accompany the application form, but Makalani reserves the right to call upon any applicant to submit such evidence for noting, which evidence will be held on file with the transfer secretaries or returned to the applicant at the applicant's risk.

10.8.8 *Submission of application forms*

10.8.8.1 *Certificated linked units – offer*

Submission of application forms may only be made by hand delivery or postal delivery as set out below.

Hand delivery

Application forms (pink) can be delivered by hand in a sealed envelope, marked "Makalani – Linked unit offer (offer)", together with the payment referred to in paragraph 10.8.9 below, to Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, to be received by no later than 12:00 on Friday 13 May 2005.

Postal delivery

Application forms (pink) can be posted, at the risk of the applicant concerned, in a sealed envelope, marked "Makalani – Linked unit offer (offer)" together with the payment referred to in paragraph 10.8.9 below, to Ultra Registrars (Proprietary) Limited, PO Box 4844, Johannesburg, 2000, to be received by no later than 12:00 on Friday 13 May 2005.

10.8.8.2 *Certificated linked units – private placement*

Submission of application forms may only be made by hand delivery or postal delivery as set out below.

Hand delivery

Application forms (blue) can be delivered by hand in a sealed envelope, marked "Makalani – Linked unit offer (private placement)", together with the payment referred to in paragraph 10.8.9 below, to Ultra Registrars (Proprietary) Limited, 11 Diagonal Street, Johannesburg, to be received by no later than 12:00 on Friday 13 May 2005.

Postal delivery

Application forms (blue) can be posted, at the risk of the applicant concerned, in a sealed envelope, marked "Makalani – Linked unit offer (private placement)" together with the payment referred to in paragraph 10.8.9 below, to Ultra Registrars (Proprietary) Limited, PO Box 4844, Johannesburg, 2000, to be received by no later than 12:00 on Friday 13 May 2005.

10.8.8.3 *Dematerialised linked units*

In respect of those applicants electing to receive dematerialised linked units, notification must be given to the duly appointed CSDP or broker, in the manner and time stipulated in the agreement governing the relationship between the applicant and such CSDP or broker, together with the method of payment as stipulated in such agreement. The CSDP or broker will then advise the transfer secretaries of the action to be taken.

No late applications will be accepted, unless approved by the directors of Makalani.

10.8.9 *Payment*

10.8.9.1 *Certificated linked units*

Each application form must be accompanied by payment of the total monetary value of the linked units applied for by way of a cheque or banker's draft, crossed "not transferable" with the words "or bearer" deleted and drawn in favour of "Makalani – Linked unit offer". Such cheques and/or banker's drafts will be deposited immediately for payment. Should any cheque or banker's draft be dishonoured, the directors of Makalani, in their absolute discretion, may regard the relevant application as revoked or take such other steps in regard thereto as they deem fit.

10.8.9.2 *Dematerialised linked units*

Each application form must be made to the applicant's CSDP or broker in terms of the relevant custody agreement. Payment of the total monetary value of the linked units applied for will be made in terms of the existing agreement between the applicant and the appointed CSDP or broker. The method of delivery versus payment will apply.

10.8.10 *Application monies*

The amount payable in respect of the application for linked units in terms of the offer is payable in full in the currency of South Africa.

All monies received in respect of applications for certificated linked units will be held by Makalani in a designated trust account. If the condition referred to in paragraph 10.4 of this prospectus is not met, or waived by the JSE, by the closing date of the offer, or if there are over-subscriptions, such monies will be refunded by cheque, posted at the risk of the applicant within seven business days of such date.

10.8.11 Issue of linked units

Linked units subscribed for in terms of this prospectus will be issued at the expense of Makalani. All linked units issued will be allotted and issued subject to the provisions of the articles of association of Makalani.

10.9 Brokerages and commissions

No commission or consideration has been paid by Makalani in respect of the allotment or issue of shares during the three years preceding the date of this prospectus.

11. Expenses of the offer, private placement and the listing [15]

The cash expenses of the offer and the listing, as detailed below, are estimated to be approximately R32.3 million and relate, *inter alia*, to:

- the printing, publication and distribution costs of this prospectus and other related announcements of R120 000;
- fees payable to the transfer secretaries of R4 500;
- fees payable to the attorneys of R500 000;
- fees payable to the reporting accountants of R100 000;
- fees payable to the sponsor of R50 000;
- capital raising fees to RMB of 1% of all capital raised estimated at R25 000 000;
- stamp duties on the linked units to be issued in terms of the offer and private placement of R6 250 000; and
- JSE documentation and listing fees of R33 788 and R232 137 respectively.

All the above fees are exclusive of VAT.

12. Advisers' interests [17]

RMB will own 20% of the issued linked units of Makalani subsequent to the offer and private placement.

Other information

13. Vendors

Makalani will acquire the following assets from RMB with effect from 16 May 2005:

Asset acquired	Purchase consideration R'm	Cost to RMB R'm	Date of investment by RMB
Metropolitan investment	75.0	75.0	1 October 2004
Gold Fields investment	50.0	50.0	15 March 2004
Aberdare investment	25.0	25.0	1 March 2004
Mondi Newsprint investment	50.0	50.0	1 June 2004

All of the above assets are described in detail in Annexure 4. RMB has given no guarantees on these assets, although RMB will retain a portion of the assets on its own balance sheet. The assets were sold to Makalani for the purpose of providing seed investments and were sold at the same credit spread as that at which they were acquired by RMB. RMB is selling the fixed rate assets, including the original swaps put in place by RMB to hedge the investments into floating rate instruments guaranteeing a locked-in yield above JIBAR. RMB has no restraint of trade arrangements with Makalani. None of these assets are ceded or pledged or otherwise encumbered.

RMB has reviewed the credit quality of these assets since the date of inception and is of the view that the credit quality is at least equal to or better than that at the date of inception of such assets.

14. Material changes

As Makalani has no historical financial information, no material changes in either the financial or trading position of Makalani or the assets and liabilities of Makalani has occurred.

15. Material contracts [16]

There have been no material contracts entered into by Makalani, save for the following:

- the management agreement;
- the debenture trust deed; and
- the agreement for the acquisition of the assets referred to in paragraph 13.

16. Material acquisitions or disposals

All material acquisitions by Makalani are set out in Annexure 4 of this prospectus. Makalani has not disposed of any assets since incorporation.

17. Directors' responsibility statement

All of the directors of Makalani, whose names are set out in paragraph 6 above, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this prospectus contains all information required by law and the JSE Listings Requirements.

18. Litigation statement

Makalani is not, and has not in the 12 months preceding the date of the signature of this prospectus, been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of Makalani, nor is Makalani aware of any such proceedings that are pending or threatened.

19. Experts' consents

The merchant bank and sponsor, lead sponsor, attorneys, reporting accountants and auditors and transfer secretaries have consented in writing to act in the capacities stated and to their names being included in this prospectus and have not withdrawn their consent prior to the publication of this prospectus.

The reporting accountants and auditors have consented in writing to act in the capacity stated, to their names being included in this prospectus and to the inclusion of their report in the form and context in which it appears, and have not withdrawn their consent prior to the publication of this prospectus.

20. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of Makalani during normal business hours on any business day from the date of issue of this prospectus up to and including Friday 13 May 2005:

- 20.1 the memorandum and articles of association of Makalani;
- 20.2 the reporting accountants' report;
- 20.3 the management agreement;
- 20.4 the debenture trust deed;
- 20.5 the agreement for the acquisition of the assets referred to in paragraph 13;
- 20.6 the written consents referred to in paragraph 19 above; and
- 20.7 a signed copy of this prospectus.

21. Sections of the JSE Listing Requirements not applicable to this prospectus

7.A.2; 7.A.3; 7.A.5; 7.A.9; 7.A.11; 7.A.13; 7.A.16; 7.A.17; 7.A.19; 7.A.20; 7.A.21; 7.B.4; 7.B.8; 7.B.9; 7.B.10; 7.B.14; 7.B.15; 7.B.16; 7.B.18; 7.B.19; 7.B.21; 7.C.6; 7.C.7; 7.C.8; 7.C.12; 7.C.13; 7.C.14; 7.C.15; 7.C.6; 7.C.17; 7.D.3; 7.D.4; 7.D.6; 7.D.7; 7.D.8; 7.D.9; 7.D.10; 7.E.2; 7.E.4; 7.E.4; 7.F.4.

22. Paragraphs of Schedule 3 to the Act which are not applicable to this prospectus [50]

1(b); 6(a)(ii); 6(a)(iii); 6(a)(iv); 6(c); 6(d); 6(e), 6(f); 6(g); 6(h); 6(i); 8(b); 8(c), 8(d), 9; 11; 12; 13; 14; 17(b); 17(c); 21(a); 21(b); 24; 26; 27; 28, 29 30; 31 and the entire Part III.

Signed on behalf of all of the directors of Makalani Holdings Limited by

A H Arnott

Company Secretary

who warrants that he is duly authorised thereto in terms of powers of attorney granted to him by each of the directors of Makalani Holdings Limited

Johannesburg
28 April 2005

Definitions and interpretations

Throughout this prospectus and the annexures thereto, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the corresponding meaning stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and any reference to one gender shall include the other genders:

“Aberdare investment”	the investment of R25 million in cumulative redeemable preference shares forming part of the funding of the Aberdare BEE transaction, as discussed in Annexure 4;
“Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“BEE”	Black Economic Empowerment;
“BEE partners”	Tamela, WDB Investment Holdings and Thesele Group;
“benchmark return”	a return of the risk free rate plus 350 basis points;
“board of directors”	the board of directors of Makalani;
“business day”	any day of the week other than a Saturday, Sunday or proclaimed public holiday in South Africa;
“certificated linked units”	linked units held in certificated form;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
“CSDP”	Central Securities Depository Participant;
“debenture”	an unsecured variable rate debenture with a nominal value of R75, created and issued by Makalani subject to the terms and conditions of the debenture trust deed;
“debenture trust deed”	the debenture trust deed entered into between Makalani and Hofmeyr Trustees No. 1 (Proprietary) Limited on 19 April 2005;
“dematerialised linked units”	linked units held in dematerialised form;
“directors”	directors of Makalani;
“FirstRand”	FirstRand Limited (registration number 1966/010753/06), a public company duly incorporated in South Africa and listed on the JSE and the Namibian Stock Exchange;
“FirstRand investment”	the investment of R150 million in preference shares forming part of the funding of the FirstRand BEE transaction as discussed in Annexure 4;
“FSC”	Financial Sector Charter adopted by the Association of Black Securities and Investment Professionals, the Banking Council of South Africa, the Foreign Bankers Association of South Africa and other persons on 17 October 2003;
“FSC-compliant investments”	BEE transaction funding and other targeted investments as contemplated in the FSC;
“FSC scorecard”	the scorecard contained in the FSC that outlines the points available for each category of the FSC;
“the FirstRand group”	FirstRand and its subsidiaries;
“Gold Fields investment”	the investment of R50 million in preference shares forming part of the funding of the Gold Fields BEE transaction as discussed in Annexure 4;
“King Code 2002”	the Code of Corporate Practices and Conduct contained within the King Report on Corporate Governance for South Africa 2002;
“JSE”	JSE Securities Exchange South Africa;
“last practicable date”	close of business on Tuesday 19 April 2005, being the last practicable date on which information could be included in this prospectus prior to its finalisation;

“linked units” or “Makalani linked units”	a unit comprising one ordinary share of 0.01 cent, issued at a premium of R24.9999, and one debenture of R75 each;
“liquid instrument”	any call or fixed deposits, certificates of deposit and other guaranteed products of any bank registered as such pursuant to the Banks Act (Act 94 of 1990), which has a local South African short term senior debt rating of investment grade or better issued by a recognised rating agency;
“listing”	listing of the linked units on the JSE in the Investment Companies – “Investment Companies” sub sector under the abbreviated name “Makalani”;
“listing date”	date of the listing of the linked units, which is expected to be on Wednesday 18 May 2005;
“Makalani” or “the company”	Makalani Holdings Limited, (registration number 2005/000726/06) a public company duly incorporated in South Africa;
“Makalani Manco”	Makalani Management Company (Proprietary) Limited (registration number 2004/023302/07), a private company duly incorporated in South Africa;
“management agreement”	the management agreement entered into between Makalani and Makalani Manco on 19 April 2005;
“Metropolitan investment”	the investment of R25 million in preference shares forming part of the funding of the Metropolitan BEE transaction as discussed in Annexure 4;
“Mondi Newsprint investment”	the investment of R50 million in a loan forming part of the funding of the Mondi Newsprint BEE transaction, as discussed in Annexure 4;
“offer”	the public offer for subscription as contained in this document;
“ordinary shares” or “Makalani ordinary shares”	ordinary shares with a par value of R0.0001 each in the issued share capital of Makalani;
“prospectus”	this bound prospectus including its annexures and attachments, dated 28 April 2005;
“prime rate”	prime overdraft lending rate of FirstRand Bank Limited from time to time;
“private placement”	the private placement as discussed in this document;
“risk free rate”	on any date an interest rate equal to the three month Johannesburg Interbank Agreed Rate which appears on the Reuters screen SAFEY page under the caption “YIELD” at approximately 11:00 South African time on that date, which is a nominal annual compounded quarterly rate;
“RMB”	Rand Merchant Bank, a division of FirstRand Bank Limited;
“RMBAM”	RMB Asset Management (Proprietary) Limited;
“SENS”	the Securities Exchange News Service of the JSE;
“SMME”	small, medium and micro enterprise;
“South Africa”	the Republic of South Africa;
“STRATE”	STRATE Limited (registration number 1998/022242/06), a public company duly incorporated in South Africa and which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
“subscription price”	the subscription price per linked unit of R100;
“Tamela”	Tamela Group (Proprietary) Limited;
“Thesele Group”	Thesele Group (Proprietary) Limited;
“transfer secretaries”	Ultra Registrars (Proprietary) Limited (Registration number 2000/007239/07), a private company duly incorporated in South Africa; and
“WDB Investment Holdings”	WDB Investment Holdings Limited.

Summary of the FSC scorecard

The FSC scorecard is divided into the following six main categories, each of which has been allocated the weighting below:

Charter component	Scorecard
Human resources development	20
Employment equity	15
Skills development	5
Procurement and enterprise development	15
Access to financial services	18
Empowerment financing	22
Targeted investments	17
BEE transaction financing	5
Ownership and control	22
Corporate social investment	3
Total	100

Signatories to the FSC will receive points in each category of the FSC scorecard. Each category has certain thresholds to be achieved in order to score points. The higher the overall score achieved, the higher the empowerment status of the institution. Specific guidelines are set on how to score points.

Each institution's own empowerment financing investment target will be determined by the capital of the institution compared to the capital of the financial sector as a whole.

40% of the targets need to be reached in 2004, increasing on a linear basis each year to reach 100% by 2008.

For further information on the FSC scorecard visit www.makalani.co.za.

Investment mandate

The following investment mandate has been formally adopted by Makalani and is an extract from the management agreement.

“1. Executive Summary

1.1 Overview

In terms of the Financial Sector Charter (“FSC”), financial institutions have undertaken *inter alia* to invest some R50 billion of funding in BEE transactions, and R73.5 billion in targeted investments – namely R25 billion in transformational infrastructure, R42 billion in affordable housing, R5.0 billion in funding SMMEs and R1.5 billion in emerging agriculture.

The non-bank financial institutions face a challenge in meeting their commitments as their investment mandates are tightly written and in many instances preclude or limit investment in unlisted securities and below-investment grade counterparties. This means there is a relative shortage of funding for FSC commitments as the instruments are difficult to fit into existing investment mandates.

The company (“Makalani”) is able to offer institutional investors a suitable mechanism for meeting their commitments under the FSC by issuing linked units listed on the JSE Securities Exchange of South Africa (“JSE”).

1.2 Investment Themes

Makalani will invest in both BEE transactions and targeted investments in order to maximise point accumulation in terms of the FSC Scorecard. There are 17 points available for targeted investments and 5 for BEE transactions. Makalani’s portfolio will initially be skewed towards BEE transactions as a result of existing substantial deal flow in this area. Points in terms of targeted investments will accrue over time as a result of the roll-out of investment opportunities in infrastructure, affordable housing, SMME funding and agriculture.

The core principles of FSC-compliant investments as laid out in the FSC will be complied with:

- BEE ownership initiatives should be aimed at promoting the productive and sustainable participation of black companies and black people in each sector of the economy;
- ownership will be particularly encouraged if it adds value to the companies involved and includes meaningful participation in management and control;
- the funding structures should facilitate the transfer of full economic interest to the BEE partner and longer term shareholder-type relationships, as opposed to short-term portfolio investments (especially where the transaction has been facilitated);
- if the acquisition of equity by a BEE company is facilitated in terms of the provisions of this charter or through government assistance, the retention of the shareholding as a BEE share should be promoted to the greatest extent possible;
- initiatives aimed at achieving broad-based empowerment will be promoted. This would include employee ownership, community and collective ownership; and
- joint ventures or partnership arrangements should be meaningfully structured with equitable portions of the responsibility and benefit to each party.

(FSC clause 9.2)

2. Investment Opportunity

2.1 Investment Trends

FSC-compliant funding is a key imperative in achieving government’s goals for black ownership in corporate South Africa. The following sectors in the economy have already implemented charters or are actively working on charters:

- Petroleum
- Mining
- Financial Services
- ICT
- Agriculture
- Transport
- Construction
- Tourism

The charters are part of the so-called “third wave” of BEE in South Africa and are aimed at achieving sustainable empowerment over the long term.

As deals are becoming ever larger and more complex, funders need to become increasingly innovative and creative so as to effectively mitigate risk. In excess of R100 billion will be needed to meet the funding requirements of all the existing and planned empowerment charters.

2.2 Investment Focus

Makalani will make funding available for broad-based BEE transactions, transformational infrastructure, affordable housing, SMME development and emerging agriculture.

Makalani will invest in a wide range of instruments, including:

- mezzanine and subordinated debt;
- senior loans and debentures;
- preference shares;
- convertible securities and warrants; and
- where appropriate, common equity.

Instruments may be listed or unlisted and do not necessarily have to be rated by an independent rating agency.

Derivative instruments may be used for hedging purposes where applicable.

The target will be to diversify investments so as to ensure equitable access of all sectors to funding.

Makalani will seek to leverage funding available from financial institutions in compliance with the existing mandates of these investors. The specific aim is to address a market failure caused by the historic split in institutional investment mandates between debt and equity. Makalani will also fill the gap left as a result of the infancy of the mezzanine debt and unlisted equity markets for FSC-compliant investments in South Africa.

3. Investment Criteria

3.1 Investment Objective

As an investment company, Makalani expects to invest in a large number of transactions which comply with its investment criteria. The life expectancy of Makalani will be on-going and it is the intention that new investments will be made as capital is repaid from the original investments. The term of funding provided will generally be five to seven years, whilst certain targeted investment opportunities may have a term of up to 25 years.

Makalani will not provide subsidised or sub-commercial funding and all investments will have commercial returns, adequately rewarding investors for risk taken. This is essential to the sustainability of Makalani as a publicly traded company.

Makalani will seek to generate a pre tax weighted average return on investments of 350 basis points above the risk free rate, after taking into account the management fees payable. The benchmark return was determined by:

- the RMB house view of the equity risk premium (550 basis points); and
- the average risk premium for premium quality senior debt (100 basis points).

As Makalani will invest the majority of its funds in mezzanine funding, the benchmark return has been set between these two parameters.

3.2 Investment Process

Initially and to the extent that RMB is the majority shareholder of the manager, Makalani will use the existing RMB processes to evaluate credit and investment decisions.

To this end, specialised credit and investment analysts, dedicated to Makalani, will evaluate and motivate each transaction to the appropriate decision making forum dependant on size and profile i.e. credit decisions to the RMB Credit Committee and equity decisions to the RMB Investment Committee.

It is the intention that, over time, Makalani will run its own independent decision making processes once the appropriate skills have been built up within Makalani or the manager. These processes are envisaged to be similar to the RMB processes.

RMB will ensure the orderly transfer of the management of Makalani through a formal transition process, including a parallel process together with new management. RMB will remain the majority owner of the manager.

3.2.1 Deal flow generation

Makalani will initially not seek to be a primary originator of transactions but will use the existing network of established deal sources, being the investment banks and other originators of transactions.

Makalani will not have formal arrangements with any particular structuring house but will be open to approaches from all originators.

3.2.2 Transaction Section and Review

All potential transactions will be evaluated in terms of risk and reward with the obvious criteria of being FSC-compliant.

All reviews will be completed by skilled credit and investment analysts on a similar basis to that applied by RMB in terms of its deal evaluation and review.

3.2.3 Transaction Execution, Negotiation and Financing

Transaction execution will at all times be managed by the manager on behalf of Makalani in terms of the the agreement.

3.2.4 Investment Management

Makalani's portfolio will be reviewed on an ongoing basis with each investment being the subject of a detailed annual review.

Makalani will publish financial and FSC scorecard details of its FSC-compliant investments on its website (www.makalani.co.za) on a regular basis. This information will allow each investor to determine the FSC scorecard points achieved in each category. Written confirmations containing similar information will be available on request.

4. Investment Strategy

4.1 Risk Profile

Makalani's investment focus will predominantly be on mezzanine instruments, subject to acceptable risk adjusted return parameters. The portfolio effect achieved by Makalani's diversified portfolio of investments will significantly decrease the specific risks attached to each individual investment.

4.2 Investment Committee Representation

The board of directors of Makalani will have the ability to nominate representatives to the investment committee.

4.3 Seed Asset Compliance

RMB will re-acquire its original assets transferred to Makalani, should these assets not be FSC-compliant. This re-acquisition will take place at a similar price or credit spread as the transfer, save for a circumstance where the credit quality of the asset has significantly deteriorated.

5. Portfolio Guidelines

Makalani will be free to invest in any sector of the economy, in any FSC-compliant investment, subject to the opinion of the manager that the transaction embraces the spirit of the FSC.

As a result of the diverse nature of FSC-compliant investments specific guidelines in terms of how a transaction should be structured is not appropriate. Makalani will, however, only invest in transactions which are commercially priced and where it is adequately rewarded for the risk assumed. In this regard Makalani will follow similar philosophies and procedures as that of an investment bank.

Limits per counterparty across equity, mezzanine debt and senior debt will be decided by the manager subject to a maximum of 15% of the funds of Makalani being invested in any one transaction. This limit of 15% will apply after the first 18 months of Makalani's listing.

Makalani will manage its liquidity requirements to the extent necessary. Makalani will also invest in longer term instruments which will not be listed. If Makalani requires new equity to invest in a project this equity will be raised via additional capital raising through the issue of linked units for cash or a rights offer.

No specific restrictions on leverage in Makalani will apply, but any gearing will be subject to prudent financial parameters. As Makalani will already invest in geared instruments, gearing will be approached conservatively.

Makalani will have independent decision making ability through its board of directors, which will be representative of all stakeholders. It will thus not accept any substandard instruments from any party whatsoever. Makalani has a clearly commercial mandate.

Makalani will have an arrangement with RMB that should a transaction be brought to Makalani by RMB and RMB is also a funder to this transaction, Makalani will have the right, but not the obligation, to invest in all layers of the funding of the transaction to which RMB has access. This will prevent RMB from investing in the profitable layers and passing on the less profitable layers to Makalani.

Makalani will endeavour to have similar arrangements with other financial institutions.

6. Governance of the Company

Makalani will be governed by the following:

- board of directors;
- audit committee;
- investment committee; and
- credit committee.

Ultimately Makalani will have completely separate decision making bodies, but during the initial phase of operations, until such time as it has established an independent track record, RMB will provide assistance on the following functions:

Investment and credit committee; and

Accounting and administrative functions.

As an investment manager, the manager will employ its own specialist transactors and portfolio managers. Certain suitably qualified staff members of FirstRand Bank Limited may from time to time be seconded on a full time basis to the manager and will report directly to the CEO of the manager.

The manager will adopt a code of conduct which will adhere to the principles as contained in the proposed Asset Manager Code of Professional Conduct released by the CFA Institute, Centre for Financial Market Integrity in November 2004."

Information relating to Makalani's current investments

Metropolitan investment

Term sheet

Makalani investment:	R75 million.
Proportion of the total issue:	16.67%
Instrument:	Cumulative redeemable participating preference shares.
Issuer:	An SPV controlled by Kagiso Trust Investments.
Purpose of facility:	This facility has been utilised by the SPV to acquire convertible redeemable cumulative preference shares in Metropolitan.
Term of facility:	5 years from date of drawdown.
Drawdown date:	1 October 2004.
Preference share coupon rate:	
Variable:	74% of the prime rate of FirstRand Bank Limited (net annual compounded semi annually).
Equity upside participation:	Equity upside participation of 5.25%.

Other relevant information:

- Preference dividends to be paid semi-annually in arrears.
- Metropolitan and the SPV have consented upfront that all cashflows from Metropolitan relating to the Metropolitan preference shares be paid directly to the investors. Any additional cashflows above outstanding exposure to the investors will immediately be repaid to the SPV by the investors.
- Conversion of the preference shares is only possible with the consent of the investors.
- Subsequent to this sale RMB will be the owner of R95 million of this instrument.

Gold Fields investment

Term sheet

Makalani investment:	R50 million.
Proportion of the total issue:	3.71%
Instrument:	Cumulative redeemable preference shares.
Issuer:	Mezzanine SPV (Pty) Limited, a company owned by the mezzanine investors <i>pro rata</i> to their respective principal amounts.
Purpose of facility:	This facility, combined with senior debt of R1 349 million and equity of R1 690 million was utilised by Mvelaphanda Gold (Proprietary) Limited to purchase 15% of Gold Fields SA Limited.
Term of facility:	5 years from date of drawdown.
Drawdown date:	17 March 2004.
Preference share coupon rate:	
Fixed:	14.25% (net annual compounded semi annually).
Equity upside participation:	0%.

Other relevant information:

- Payments will either be paid semi-annually on each due date *pro rata* to the aggregate of each investor's principal amount and all its accrued but unpaid outstanding payment amounts, or accrued semi-annually.
- Mvelaphanda Gold (Proprietary) Limited's investment in Gold Fields SA Limited serves as security for the mezzanine debt providers. This equates to a cover ratio of 3.8 times at the outset, falling to 1.9 times at the end of five years if all the dividends and interest are rolled up.
- Subsequent to this sale RMB will be the owner of R70 million of this instrument.

Aberdare investment

Makalani investment:	R25 million.
Proportion of the total issue:	15.15%
Instrument:	Cumulative redeemable preference shares.
Issuer:	An SPV.
Purpose of facility:	This facility has been utilised by the SPV to acquire 30% of the ordinary shares and shareholder loans in Aberdare for R165 million.
Term of facility:	10 years from date of drawdown.
Drawdown date:	1 March 2004.
Preference share coupon rate:	
Fixed:	9.61% (nominal annual compounded semi-annually).
Equity upside participation:	0%.

Other relevant information:

- The funders have the right to put the preference shares in the SPV to Allied Electronics Corporation Limited.
- Subsequent to this sale RMB will be the owner of R153 million of this instrument.

Mondi Newsprint investment

Makalani Investment:	R50 million.
Proportion of the total issue:	9.1%
Instrument:	A floating rate loan facility.
Issuer:	An SPV registered in the Republic of South Africa.
Purpose of facility:	This facility is to be utilised by the SPV to acquire a stake in the business of Mondi Newsprint, a division of Mondi Limited.
Term of facility:	Eight year amortising term loan facility.
Drawdown date:	1 March 2004.
Interest rate:	
Variable:	Interest will be payable at 6 month JIBAR plus 2%.
Equity upside participation:	0%.

Other relevant information:

- First priority security over all of the assets of the borrower (including cession of debtors and specific notarial bonds over plant and stock and mortgage bonds over fixed property).
- Subsequent to this sale RMB will be the owner of R500 million of this instrument.

FirstRand investment

Makalani Investment:	R150 million.
Proportion of the total issue:	10.71%
Instrument:	Cumulative redeemable preference shares.
Issuer:	An SPV, which is a subsidiary of the FirstRand Empowerment Trust.
Purpose of facility:	This facility is to be utilised by the SPV to make a capital contribution to the FirstRand Empowerment Trust to enable it to purchase 6.5% of FirstRand's share capital.
Term of facility:	The preference shares are to be repaid 5 years from date of drawdown unless refinanced.
Drawdown date:	13 May 2005.
Preference share coupon rate:	
Fixed:	13.25%. (net annual compounded semi annually).
Equity upside participation:	0%.

Other relevant information:

- The roll-up of the dividends is possible, subject to the debt service cover ratio.
- The following debt service cover ratios will apply for the various years:
 - Year 1 50%
 - Year 2 50%
 - Year 3 55%
 - Year 4 60%
 - Year 5 60%
- To the extent that the indicated debt service cover ratios are not achieved, FirstRand will provide additional liquidity for these covers to be met.
- Makalani and other subordinated preference shareholders will have access to the residual security after the senior funders have been repaid, representing an initial capital cover of approximately 2.07 times at the date the pricing of the transaction was announced resulting in an illustrative capital breakeven price of R 7.84 per FirstRand share.

Management fee schedule

The following is an extract from the management agreement:

- “1.** The base fee and performance fee that the manager is entitled to levy in consideration for the services rendered to Makalani in terms of the agreement shall be calculated and paid in accordance with this schedule, read with clause 8 of the agreement.

- 2.** For purposes of this schedule:
 - 2.1** “benchmark return” for any specific year means the simple average of all the annualised daily yields that would provide a return, before the deduction of any taxes that may become payable by the company, of 350 (three hundred and fifty) basis points above the risk free rate;
 - 2.2** “cash” means all investments in liquid instruments held by the company;
 - 2.3** “excess return” means the amount, in respect of any year for the duration of the agreement, by which the total return exceeds the total expected return;
 - 2.4** “invested assets” means all investments held by the company, other than investments in liquid instruments;
 - 2.5** “the risk free rate” means on any date an interest rate equal to the three month Johannesburg Interbank Agreed Rate which appears on the Reuters screen SAFEY page under the caption “YIELD” at approximately 11h00 South African time on that date, which is a nominal annual compounded quarterly rate;
 - 2.6** “the total return” means an amount, in respect of any year for the duration of the agreement, equal to the sum of all capital profits accrued to the company and all dividends declared in favour of the company (whether or not paid) which dividends shall for the purpose of the calculation be grossed up at the effective corporate tax rate, including secondary tax on companies, which rate, as at the signature date, is 36,89% (thirty six comma eight nine *per centum*) and all interest paid to the company after the deduction of the base fee payable in respect of that year in accordance with this agreement and all other income generated by the company; and
 - 2.7** “total expected return” means an amount, in respect of any year for the duration of the agreement, equal to the benchmark return multiplied by the invested assets.

- 3.** Calculation and payment of base fee
 - 3.1** The manager shall calculate its base fee for each quarter in accordance with the formula set out in 3.3 and shall deliver a copy of such calculation to the company within 25 (twenty five) business days of the end of the relevant quarter.
 - 3.2** The company shall pay the base fee for any quarter to the manager within 7 (seven) business days of receipt of the applicable calculation from the manager, into an account nominated for that purpose by the manager. Any disputes between the company and the manager in relation to the base fee shall be dealt with in accordance with the provisions of clause 13 of the agreement.

3.3 The base fee shall, in respect of each quarter, be calculated in accordance with the following formula:

$$F = [(A \times B) \times (N \div 365)] + [(C \times D) \times (N \div 365)]$$

in which formula:

F = the base fee for the applicable quarter;

A = the aggregate of the cash on the last day of the applicable quarter;

B = 0.3 % (zero point three percent) per annum;

N = the number of days in the applicable quarter (inclusive of both the first and last days of such quarter);

C = the aggregate of the invested assets on the last day of the applicable quarter; and

D = 1.0% (one percent) per annum.

3.4 The base fee calculated in terms of 3.2 above is exclusive of VAT and the company shall be liable to make payment to the manager of the required VAT amount.

4. Calculation of performance fee

4.1 The manager shall calculate its performance fee for each year in accordance with the formula set out in 4.3 and deliver a copy of such calculation to the company within 25 (twenty five) business days of the end of the relevant year.

4.2 The company shall pay the performance fee for any year to the manager within 5 (five) business days of receipt of the applicable calculation from the manager, into an account nominated for that purpose by the manager. Any disputes between the company and the manager in relation to the performance fee shall be dealt with in accordance with the provisions of clause 13 of the agreement.

4.3 The performance fee shall be calculated in accordance with the following formula:

$$F = (A \times B)$$

in which formula:

F = the performance fee for the applicable year;

A = the excess return for the applicable year; and

B = 20% (twenty percent) per annum.

4.4 The performance fee calculated in terms of 4.2 above is exclusive of VAT.

4.5 If, in respect of any year for which a performance fee is calculated, the excess return is negative, then that negative return shall be deducted from the total return used for the calculation of the performance fee for the succeeding year(s)."

Extracts from the articles of association of Makalani [2(b), (c) & (e)]

The provisions of the articles of association of Makalani as regards directors, their appointment, qualification, remuneration and borrowing powers are extracted below.

“PART V – DIRECTORS

28. Composition

- 28.1.1 The number of the directors shall not be less than four and not be more than eighteen or such other number as the directors may from time to time determine.
- 28.1.2 The directors shall have the power to appoint further directors, provided that:
- 28.1.2.1 the total number of directors will not exceed the maximum number set out in article 28.1.1; and
- 28.1.2.2 no appointment in terms of this article 28.1.2 shall be valid unless at least two thirds of the directors of the company at the time approve such appointment.
- 28.1.3 A director shall not be required to hold any qualifying shares.
- 28.1.4 The directors shall be entitled to such remuneration as the company in general meeting may from time to time determine, which remuneration shall be divided among the directors in such proportions as they may agree, or in absence of such agreement, equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period during which he has actually held office.
- 28.1.5 Such remuneration shall accrue to the directors from day to day.
- 28.1.6 Any director who:
- 28.1.6.1 serves on any executive or other committee; or
- 28.1.6.2 devotes special attention to the business of the company; or
- 28.1.6.3 goes or resides outside South Africa for the purpose of the company; or
- 28.1.6.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director,
- may be paid such extra remuneration or allowance in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the directors or a remuneration committee appointed by the board may from time to time determine.
- 28.1.7 The directors shall also be paid all their travelling and other expenses necessarily expended by them in connection with:
- 28.1.7.1 the business of the company; and
- 28.1.7.2 attending meetings of the directors or of committees of the directors or of the company.
- 28.2 Without prejudice to any contrary provisions in the articles, a director shall vacate his office if:
- 28.2.1 his estate is sequestrated or he surrenders his estate or enters into a general compromise with his creditors;
- 28.2.2 he is found to be or becomes of unsound mind;
- 28.2.3 a majority of his co-directors sign and deposit at the office a written notice wherein he is requested to vacate his office, which shall become operative on deposit at the office (but without prejudice to any claim for damages);

- 28.2.4 he is removed by a resolution of the company of which proper notice has been given in terms of the Act (but without prejudice to any claim for damages);
- 28.2.5 he is, pursuant to the provisions of the Act or any order made thereunder, prohibited from acting as a director;
- 28.2.6 he resigns his office by notice in writing to the company; or
- 28.2.7.1 he is absent from meetings of the directors for six consecutive months without leave of the directors while not engaged in the business of the company; and
- 28.2.7.2 he is not represented at any such meetings during such six consecutive months by an alternate director; and
- 28.2.7.3 the directors resolve that his office be, by reason of such absence, vacated, provided that the directors shall have power to grant to any director leave of absence for a definite or indefinite period.
- 28.3 A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested *quorum* of the directors or a remuneration committee appointed by the board may determine.
- 28.4 A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors) he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.
- 28.5 Any director may act personally or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services rendered as if he were not a director.
- 28.6 A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company, shall declare the nature of his interest in accordance with the Act.
- 28.6.1 No director or intending director shall be disqualified by his office from contracting with the company with regard to:
- 28.6.1.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;
- 28.6.1.2 professional services rendered or to be rendered by such director;
- 28.6.1.3 any sale or other transaction.
- 28.6.2 No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested is voidable solely by reason of such interest.
- 28.6.3 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of his office as director or of the fiduciary relationship created thereby.
- 28.7 A director may not vote nor be counted in the quorum (and if he shall do so his vote shall not be counted) on any resolution for his own appointment to any other office or place of profit under the company or in respect of any contract or arrangement in which he is interested, provided that this prohibition shall not apply to:
- 28.7.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or
- 28.7.2 any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company which the director has himself guaranteed or secured; or
- 28.7.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or

- 28.7.4 any contract or arrangement with a public company in which he is interested by reason only of being a director, officer, creditor or member of such legal person, and these provisos may at any time be suspended or relaxed either generally, or in respect of any particular contract or arrangement, by the company in general meeting.
- 28.7.5 a contract which violates the terms of article 28.7 can be ratified by the company in general meeting.
- 28.7.6 The terms of article 28.7 shall not prevent a director from voting as a member at a general meeting at which a resolution in which he has a personal interest is tabled.
- 28.7.7 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors or officers of such other company.
- 28.7.8 A director may vote in favour of a resolution referred to in article 28.7.7 for the exercise of the voting rights in the manner described in article 28.7.7 notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

29. Alternate directors

- 29.1 A director may:
- 29.1.1 appoint another director or any person approved for that purpose by a resolution of the directors to act as alternate director in his place and during his absence;
- 29.1.2 remove such alternate director.
- 29.2 A person so appointed shall, except as regards authority to appoint an alternate director and remuneration, be subject in all respects to the terms and conditions existing in respect of the other directors of the company.
- 29.3 Each alternate director, whilst so acting, shall be entitled to:
- 29.3.1 receive notices of all meetings of the directors or of any committee of the directors of which his appointer is a member;
- 29.3.2 attend and vote at any such meeting at which his appointer is not personally present;
- 29.3.3 generally exercise and discharge all the functions, powers and duties of his appointer in such appointer's absence as if he were a director.
- 29.4 Any director acting as alternate director shall in addition to his own vote have a vote for each director for whom he acts as alternate.
- 29.5 An alternate director shall *ipso facto* cease to be an alternate director if his appointer ceases for any reason to be a director, provided that if any director retires by rotation or otherwise, but is re-elected at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired.
- 29.6 In the event of the disqualification or resignation of any alternate director during the absence or inability to act of the director whom he represents, the vacancy so arising shall be filled by the chairperson of the directors who shall nominate a person to fill such vacancy, subject to the approval of the board.
- 29.7 Any appointment or removal of an alternate director shall be effected by written notice delivered at the office and signed by the appointer.
- 29.8 The remuneration of an alternate director shall be payable only out of the remuneration payable to the director whose alternate he is and he shall have no claim against the company for any remuneration.

29.9 An alternate director shall not be required to hold any qualifying shares.

30. Retirement of directors by rotation

- 30.1.1 All the directors shall retire at the first annual general meeting and, subject to article 35 hereof, at every annual general meeting thereafter, one-third of the directors for the time being or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office.
- 30.1.2 The directors so to retire shall be those who have been longest in office since their last election, but in the case of persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.
- 30.1.3 Notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of three years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire by rotation or in addition thereto.
- 30.1.4 The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected.
- 30.1.5 A director retiring at a meeting shall retain office until the election of directors at that meeting has been completed.
- 30.1.6 Retiring directors shall be eligible for re-election.
- 30.1.7 No person, other than a director retiring at the meeting shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless:
- 30.1.7.1 not more than twenty eight, but at least seven clear days before the day appointed for the meeting, there shall have been delivered at the office of the company a notice in writing by a member (who may also be the proposed director) duly qualified to be present and to vote at the meeting for which such notice is given;
- 30.1.7.2 such notice sets out the member's intention to propose a specific person for election as director; and
- 30.1.7.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).
- 30.2 Subject to the preceding article, the company may at the meeting at which a director retires, fill the vacated office by electing a person thereto and in default the retiring director, if willing to continue to act, shall be deemed to have been re-elected, unless:
- 30.2.1 it is expressly resolved at such meeting not to fill such vacated office; or
- 30.2.2 a resolution for the re-election of such director was put to the meeting and rejected.
- 30.2.3 A person appointed by the directors as a director in terms of article 29.1.2:
- 30.2.4 shall retire at the following annual general meeting;
- 30.2.5 shall not be considered in determining the directors to retire by rotation;
- 30.2.6 shall be eligible for re-election.
- 30.3 If the number of directors should become less than the permissible minimum in terms of the articles, the remaining directors may only act:
- 30.3.1 to fill any vacancies on the board of directors; or
- 30.3.2 to convene general meetings.
- 30.4 If the company in general meeting increases or reduces the number of directors, it may also determine in what rotation such increased or reduced number is to retire.

31. Powers of directors

- 31.1.1 The management and control of the business of the company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the articles, may exercise all powers and authorities and perform all acts which may be exercised or done by the company, and are not hereby or by the Act expressly reserved to the company in general meeting.
- 31.1.2 Such management and control may not be inconsistent with the articles nor with the provisions of the Act.
- 31.1.3 The general powers granted in terms of this article shall not be limited or restricted by any special authority or power given to the directors by any other article.
- 31.2 The directors may:
- 31.2.1 in their discretion arrange that any branch of the business carried on by the company or any other business in which the company may be interested, shall be carried on by or through one or more subsidiary companies;
- 31.2.2 make such arrangements on behalf of the company as they think advisable:
- 31.2.2.1 for taking the profits or bearing the losses of any such branch or business; or
- 31.2.2.2 for financing, assisting or subsidising any such subsidiary company; or
- 31.2.2.3 for guaranteeing its contracts, obligations or liabilities.
- 31.3 The directors may:
- 31.3.1 establish any contributory or non-contributory pension, retirement, provident, medical or other funds for the benefit of; and
- 31.3.2 pay on behalf of the company a gratuity or pension or allowance on retirement or other benefit to, any director or ex-director or other officer or employee of the company, its holding or subsidiary company (if any), whether or not he has held any other salaried office with the company, or to his widow or dependants, and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits, subject to the provisions of the Act.
- 31.4 The directors may:
- 31.4.1 take all steps that may be necessary or expedient and incur any liability in order to enable the shares or debentures of the company to be:
- 31.4.1.1 negotiable in South Africa or elsewhere;
- 31.4.1.2 recognised by and quoted on any stock exchange in South Africa or elsewhere;
- 31.4.2 pay all taxes, duties, fees, expenses or other amounts which may be payable in relation to the matters referred to in article 31.4.1.
- 31.5 Save as otherwise expressly provided by the articles, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the company, shall be signed, drawn, accepted, endorsed or executed as the case may be in such manner as the directors shall from time to time determine.

32. Borrowing powers

- 32.1 Subject to the provisions of article 32.3 the directors may from time to time:
- 32.1.1 borrow for the purpose of the company such sums as they think fit;
- 32.1.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the company;

- 32.1.3 make such regulations regarding the transfer of debentures, the issue of certificates therefore (subject to article 7 hereof) and all such other matters incidental to debentures as the directors think fit.
- 32.2 No special privileges as to:
- 32.2.1 allotment of shares in the company; or
- 32.2.2 the attending and voting at general meetings; or
- 32.2.3 the appointment of directors,
or otherwise, shall be given to the holders of debentures of the company save with the sanction of the company in general meeting.
- 32.3 The directors shall procure (but as regards subsidiaries of the company only insofar as by the exercise of voting and other rights or powers of control exercisable by the company they can procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:
- 32.3.1 the company; and
- 32.3.2 all the subsidiaries for the time being of the company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the company or any of its subsidiaries for the time being for the share capital or indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),
shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the directors of the company's holding company (if any) in respect of that holding company and all the then subsidiaries of that holding company, provided that no such sanction shall be required to the borrowing of any moneys intended to be applied and actually applied within ninety days in the repayment (with or without any premium) of any moneys then already borrowed and outstanding and notwithstanding that new borrowing may result in the abovementioned limit being exceeded."

Information relating to Makalani directors

1. Directors' remuneration [2(c)]

As Makalani is a new company its directors have received no remuneration to date. Estimated payments to directors during a full financial year for services to be rendered are as follows:

	Services as directors R'000	Cash package R'000	Other benefits R'000	Performance related R'000	Total 2005 R'000
Executive					
Vusi Mahlangu	120	–	–	–	120
Sub total	120				120
Non-executive					
V W Bartlett	120	–	–	–	120
D Gihwala	80	–	–	–	80
L Konar	80	–	–	–	80
B van der Ross	80	–	–	–	80
D Prout-Jones	80	–	–	–	80
S Sebotsa	80	–	–	–	80
S Moloko	80	–	–	–	80
Sub total	600				600
Total	720				720

2. Directors' interests [17]

As Makalani has not yet undertaken its public offer, the directors of Makalani had no interests in the linked units of the company at the last practicable date.

Unaudited pro forma financial information relating to Makalani

The pro forma financial information of Makalani is included below.

The unaudited pro forma balance sheet has been prepared for illustrative purposes only to provide information on the effect of the offer and private placement. Because of its nature, the unaudited pro forma balance sheet may not give a fair reflection of Makalani's financial position after the offer and private placement.

The pro forma financial information is based on the assumption that the offer and private placement are fully subscribed;

The actual column is an extract from the audited financial statements of the company as at the last practicable date. Price WaterhouseCoopers performed an audit on the accounts of Makalani for the period ended on the last practicable date. The unqualified audit report will be available for inspection at the registered office of the Company until 13 May 2005.

The adjustments column reflects the impact of the offer, private placement and acquisition of assets from RMB as well as the making of the FirstRand investment.

The unaudited pro forma column reflects the pro forma financial position of Makalani as at the date of listing.

Balance sheets	Actual 19/04/2005 R'000	Adjustments for Listing R'000	Pro forma 18/05/2005 R'000
Advances			
– Available for sale	–	350 000	350 000
– Originated	–	–	–
Financial instruments held for trading	1	2, 117 999	2 118 000
Total assets	1	2 467 999	2 468 000
Share capital and share premium	–	616 438	617 000
Debentures	1	1 851 562	1 851 000
Total shareholders funds	1	2 467 999	2 468 000

Forecast financial information relating to Makalani

The forecast financial information set out below is based on the following main assumptions:

- the seed assets of Makalani are transferred from RMB to Makalani with effect from 16 May 2005;
- the FirstRand investment by Makalani to occur on 13 May 2005;
- the remaining cash in Makalani, save for R50 million, to be invested in FSC-compliant investments in equal amounts on the 1st of each month from June 2005 to March 2006;
- an average yield of 10% after tax is earned on the further investments;
- further investments to be made 75% in interest-bearing instruments and 25% in dividend-bearing instruments;
- dividend and interest payments on start-up assets are assumed to be serviced in accordance with the repayment schedule of each;
- further investments are assumed to service all dividend and interest payments semi-annually on 31 December and 30 June;
- 50% of income received from FSC-compliant investments to be distributed;
- 100% of income received from liquid instruments to be distributed;
- all expenses are paid as incurred in each financial period;
- expenses associated with the listing are set off against share premium and debentures in proportion to the amounts raised by each element;
- the amount set off against the debentures is being amortised over the period of the debentures;
- JIBAR is assumed to remain constant at 7.6% for the full period of the forecast;
- Makalani will meet the criteria for hedge accounting according to AC 133 in respect of any hedging activities entered into; and
- economic conditions will remain stable during the period of the forecast.

Balance sheets	Forecast 30/06/2005	Forecast 30/06/2006
Advances	R'000	R'000
– Available for sale	351 480	363 243
– Originated	206 800	2 068 000
	558 280	2 431 243
Financial instruments held for trading	1 908 360	105 231
Accounts receivable	2 487	7 329
Total assets	2 469 127	2 543 803
Share capital and share premium	616 438	616 438
Debentures	1 851 641	1 851 878
Distributable reserves	1 048	75 487
Total shareholders' funds	2 469 127	2 543 803

Income statements for the period ended 30 June

	Forecast 2005 R'000	Forecast 2006 R'000
Interest income	26 083	216 565
Non interest income	4 970	71 706
Total revenue	31 053	288 271
Operating expenses	2 998	22 216
Net profit before taxation	28 055	266 055
Taxation	(395)	18 900
Net profit attributable to linked unit holders	28 450	247 155
– Interest paid to linked unit holders	24 917	137 100
– dividends paid to linked unit holders	2 485	35 617
Retained income	1 048	74 439
Number of linked units in issue	25 000	25 000
Weighted average number of linked units in issue	3 082	25 000
Earnings per linked unit	9.23	9.89
Distribution per linked unit	1.10	6.91

Reporting accountants' report on the financial information relating to Makalani [25]

Reporting accountants' report on the pro forma financial information

19 April 2005

The Directors
Makalani Holdings Limited
2 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

Report of the independent reporting accountants on the unaudited pro forma Balance Sheet

Introduction

Makalani Holdings Limited ("Makalani") is proposing an offer to subscribe for 5 million linked units ("the Offer") and a private placement of 20 million linked units ("the Private Placement"), both at a subscription price of R100 per linked unit. Following the offer and private placement, Makalani proposes to list its linked units on the JSE Securities Exchange South Africa ("JSE").

We report on the unaudited pro forma balance sheet set out in Annexure 8 of the prospectus relating to the Offer and Private Placement and subsequent Listing on the JSE ("the Prospectus").

The unaudited pro forma balance sheet has been prepared for illustrative purposes only to provide information on the effect of the Offer and Private Placement. Because of its nature, the unaudited pro forma balance sheet may not give a fair reflection of Makalani's financial position after the Offer and Private Placement.

At your request, and for purposes of the Offer and Private Placement, we present our report on the unaudited pro forma balance sheet of Makalani in compliance with the Listings Requirements of the JSE Securities Exchange South Africa ("the JSE Listing Requirements").

Responsibilities

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

It is our responsibility to form an opinion on the unaudited pro forma balance sheet and to report our opinion 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 balance sheet beyond that owed to those to whom those reports were addressed at their dates of issue.

Basis of opinion

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 audited financial statements of Makalani for the period ended 19 April 2005, considering the evidence supporting the adjustments to the unaudited pro forma balance sheet, recalculating the amounts based on the information obtained and discussing the unaudited pro forma balance sheet with the directors of Makalani.

Because the above procedures do not constitute either an audit or a review made in accordance with statements of South African Auditing Standards, we do not express any assurance on the fair presentation of the unaudited pro forma balance sheet.

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

Opinion

In our opinion:

- the unaudited pro forma balance sheet has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Makalani; and
- the adjustments are appropriate for the purposes of the unaudited pro forma balance sheet in terms of Section 8.30 of the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc

Chartered Accountants (SA)

Registered Accountants and Auditors

Sunninghill

Reporting accountants' report on the forecast financial information

19 April 2005

The Directors
Makalani Holdings Limited
2 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

Gentlemen and lady

Report on the profit forecasts of Makalani Holdings Limited ("Makalani")

We have examined the profit forecasts of Makalani for the financial periods ending 30 June 2005 and 30 June 2006. The profit forecasts amount to net profit attributable to unit holders of R28.5 million and R247.2 million for the periods ending 30 June 2005 and 30 June 2006 respectively. The forecasts were compiled by you and you are solely responsible therefore.

Our examination was carried out in accordance with the guidelines laid down by the South African Institute of Chartered Accountants. In carrying out the examination, we have reviewed the accounting policies of Makalani and have checked the calculations used in the profit forecasts. We have confirmed that the underlying information used in the profit forecasts have been presented on a basis consistent with the accounting policies to be adopted by the entity. We consider that our procedures were appropriate in the circumstances to enable us to express our opinion presented below.

In our opinion:

- the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the profit forecasts;
- the profit forecasts have been properly compiled on the basis of the assumptions; and
- the profit forecasts have been presented on a basis consistent with the accounting policies.

Since the profit forecasts are based on assumptions concerning future events, actual results may vary from the forecasts which have been presented and the variations may be material. Accordingly, we express no opinion on whether or not the forecasts will be achieved.

Yours faithfully

PricewaterhouseCoopers Inc

Chartered Accountants (SA)

Registered Accountants and Auditors

Exchange Control Regulations

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your professional adviser.

South African Exchange Control Regulations

In terms of the South African Exchange Control Regulations:

- a former resident of the Common Monetary Area who has emigrated may use emigrant blocked funds to subscribe for linked units in terms of this prospectus;
 - all payments in respect of subscriptions for linked units by an emigrant using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets;
 - any linked unit certificates issued pursuant to the use of emigrant blocked funds will be endorsed “non-resident” and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and
 - if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for linked units in terms of this prospectus emanating from emigrant blocked accounts will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants’ blocked accounts.
- Applicants residing outside the Common Monetary Area should note that, where linked unit certificates are in fact issued, such linked unit certificates will be endorsed “non-resident” in terms of the South African Exchange Control Regulations.

Applicants resident outside the Common Monetary Area

- In terms of the Exchange Control Regulations of South Africa, non-residents, excluding former residents of the Common Monetary Area, will be allowed to subscribe for linked units in terms of this prospectus provided payment is received either through normal banking channels from abroad or from a non-resident account. All applications by non-residents must be made through an authorised dealer in foreign exchange.
- A person who is not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable a subscription to be made in terms of the offer.
- This prospectus is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, this prospectus and application form are sent for information purposes only.



Makalani Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number 2005/000726/06)

Share code: MKL ISIN: ZAE000066700

("Makalani")

Prospectus registered on 28 April 2005

Application form – Offer

Offer of linked units ("linked units") at an issue price of R100.00 per linked unit

THIS APPLICATION SHOULD ONLY BE COMPLETED BY APPLICANTS WISHING TO RECEIVE CERTIFICATED LINKED UNITS IN TERMS OF THE OFFER. PLEASE REFER TO THE INSTRUCTIONS OVERLEAF BEFORE COMPLETING THIS APPLICATION FORM

Certificated linked units

Completed application forms should be sent to the transfer secretaries marked "Makalani – Linked unit offer" together with a cheque or bankers draft (crossed "not transferable" with the words "or bearer" deleted) drawn in favour of "Makalani – Linked unit offer" either by post (PO Box 4844, Johannesburg, 2000) or by hand (5th Floor, 11 Diagonal Street, Johannesburg, 2001) to be received by not later than 12:00 on Friday 13 May 2005.

Dematerialised linked units

Applicants electing to receive dematerialised linked units should make application through their duly appointed CSDP or broker in the manner and time stipulated in the agreement governing their relationship with their CSDP or broker, together with the required payment in terms of the agreement governing their relationship with their CSDP or broker. Applicants are advised to ensure that their duly appointed CSDP or broker receives appropriate instructions in respect of their application by the cut-off time stipulated by their CSDP or broker.

Each application submitted must be in one name only and show only one address. Makalani reserves the right to accept or reject any application if the instructions overleaf are not properly complied with.

To:

Makalani Holdings Limited

I/We, the undersigned, confirm that I/we have full legal capacity to contract and hereby irrevocably apply for the undermentioned number of linked units or any lesser number that may, in your absolute discretion, be allotted to me/us.

I/We enclose a crossed cheque made out in favour of "Makalani – Linked unit offer" for the total amount due in terms of this application.

I/We understand that the issue of linked units in terms of the document is conditional on the granting of a listing of the linked units, on or about Wednesday 18 May 2005, on the JSE Securities Exchange South Africa.

Dated

2005

Telephone number (office hours) ()

Signature

Assisted by (where applicable)

Surname of individual or name of corporate body	Mr Mrs Miss Other title
First names in full (if an individual)	
Applicant's identity number (if an individual) Note: A certified copy of the applicant's identity document should be attached to the application	
Postal address (preferably PO Box address) Refund cheque (if any) and linked unit certificate will be sent to this address at the risk of the applicant Note: Contrary instructions will not be accepted	Postal code:
Total number of linked units applied for (Minimum subscription of 100 linked units)	(enter figures only – not words)
Total amount of cheque to cover the number of linked units applied for herein at R100.00 per linked unit (enter figures only – not words)	R

Please note:

- **Linked units issued in respect of this application will be in certificated form.**
- **Linked units will only be traded in electronic form and as such all linked unit holders who elect to receive certificated linked units will have to dematerialise their certificated linked units should they wish to trade therein.**
- **Subscriptions for linked units in terms of the offer may only be made for a minimum subscription amount of R10 000.**

Instructions:

1. Applications may be made on this application form only. Copies or reproductions of the application form will not be accepted.
2. Applications are irrevocable and may not be withdrawn once submitted to Ultra Registrars (Proprietary) Limited.
3. Please refer to the terms and conditions of the offer set out in paragraph 10 of the document to which this form is attached. Applicants should consult their broker, banker or other professional adviser in case of doubt as to the correct completion of this application form.
4. Applicants must submit only one application form and one cheque or banker's draft in respect of each application.
5. No receipts will be issued for application forms, application monies or any supporting documentation.
6. If any cheque is dishonoured, Makalani may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
7. All alterations on this application form must be authenticated by a full signature.
8. Blocked Rand may be used by former residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this offer and reference should be made to Annexure 10 of the document to which this application form is attached which deals with Exchange Control Regulations.
9. Should the listing not be successful, all monies will be appropriately refunded within seven days of the closing of the offer.

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