THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

ACTION REQUIRED

1. If you are in any doubt as to the action that you should take, you should consult your banker, stockbroker, attorney, accountant or other professional adviser immediately.
2. If you have disposed of some or all of your shares in MGX, then a copy of this circular, together with the attached form of proxy should be forwarded to the acquiror to whom, or the stockbroker or agent through whom, you disposed of your MGX shares.
3. Shareholders holding certificated MGX shares or who have already dematerialised their MGX shares and have elected own-name registration in a sub-register through a CSDP, who are unable to attend the general meeting but wish to be represented thereat should complete and return the attached form of proxy, in accordance with the instructions contained therein, to the office of the transfer secretaries, Computershare Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 09:00 on Thursday, 15 January 2004, or if the general meeting is adjourned or postponed, by not later than 48 hours prior to the time of the adjourned or postponed general meeting.
4. Shareholders who have already dematerialised their MGX shares through a CSDP or broker and who have not elected “own name” registration, and who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend, or, if they do not wish to attend the general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.
5. MGX does not take responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.

MGX HOLDINGS LIMITED

MGX Holdings Limited

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

CIRCULAR TO MGX SHAREHOLDERS

relating to:

– the debt refinancing of MGX,

and incorporating

– a notice of general meeting; and

– a form of proxy.

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

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

Merchant bank

SCMB
Standard Corporate and Merchant Bank
(A division of The Standard Bank of South Africa Limited)
(Registration number 1962/000738/06)

Debt adviser

CMS
Credit Management Solutions (Pty) Ltd

Attorneys

WWB
Webber Wentzel Bowens

Independent adviser

Reporting accountants and auditors

Deloitte.
Deloitte & Touche Chartered Accountants (SA)
Registered Accountants and Auditors

Attorneys to the Capital Providers

Deneys Reitz
Attorneys
Deneys Reitz Inc.
1984/003385/21

Date of issue: 17 December 2003

CORPORATE INFORMATION AND ADVISERS

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Sandton
2196
(PO Box 784903, Sandton, 2146)

Date of incorporation of MGX

18 November 1983

Place of incorporation of MGX

Pretoria

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IMPORTANT DATES AND TIMES

	2004
Last day to lodge the form of proxy for the general meeting, by 09:00, on	Thursday, 15 January
General meeting at 09:00, 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, on	Monday, 19 January
Results of the general meeting published on SENS, on	Monday, 19 January
Results of the general meeting published in the press, on	Tuesday, 20 January

Notes:

1. These dates and times are subject to amendment. Any such amendment will be published on SENS and in the press.
2. If the date of the general meeting is adjourned or postponed, forms of proxy must be received by the transfer secretaries by not later than 48 hours prior to the time of the adjourned or postponed general meeting.

DEFINITIONS

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

"the board"	the board of directors of MGX;
"business day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"the Capital Providers"	Citibank, N.A., South Africa Branch, Standard Corporate Merchant Bank (a division of The Standard Bank of South Africa Limited), Momentum Group Limited, Nedbank Limited, Investec Bank Limited, Capital Africa Limited, the Trustees for the Time Being of the South Africa Private Equity Trust III, Drive Control Services (Proprietary) Limited and Eurevest;
"CCMA"	Commission for Conciliation, Mediation and Arbitration;
"certificated shareholders"	shareholders who hold MGX shares in certificated form;
"this circular" or "the circular"	this circular, dated 15 December 2003, incorporating a notice of general meeting of shareholders and a form of proxy for use by certificated shareholders and dematerialised shareholders who have elected "own name" registration in the sub-register through a CSDP or broker;
"the common terms agreement"	the common terms agreement between MGX and the Capital Providers, the original guarantors and the Guarantor signed on 20 November 2003;
"the Companies Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"the conditions precedent to the debt refinancing"	the conditions precedent to the debt refinancing as set out in paragraph 4.3 of this circular;
"the Court"	the High Court of South Africa (Witwatersrand Local Division);
"CSDP"	Central Securities Depository Participant;
"CSX"	CSX Customer Services (Proprietary) Limited (Registration number 1998/023995/07), a private company incorporated in South Africa;
"Cycad"	Cycad Financial Holdings Limited (Registration number 1998/0086387/06), a public company incorporated in South Africa and whose ordinary shares are listed on the JSE;
"the debt refinancing"	the refinancing of the existing debt in MGX into the Metrofile facilities and the MGX B facility, the term and conditions of which are more fully set out in this circular;
"the debt refinancing agreements"	the common terms agreement and the facility agreements signed by MGX, the Capital Providers and the original guarantors;
"DBS"	Dion Business Systems (Proprietary) Limited (Registration number 1970/004142/07), a private company incorporated in South Africa;

"dematerialised shareholders"	shareholders who hold MGX shares in dematerialised form through a CSDP or broker and shareholders who hold MGX shares in dematerialised form through a CSDP and who have elected "own name" registration in the sub-register;
"Didata UK"	Didata (UK) Limited (Registration number 3147167), a private limited company registered in accordance with the laws of England and Wales;
"Digital Initiatives"	Digital Initiatives (Proprietary) Limited (Registration number 2002/003921/07), a private company incorporated in South Africa;
"the directors"	the directors of MGX whose names are set out on page 8 of this circular;
"the disposals"	the sale of certain operating subsidiaries and commercial properties, namely, of the businesses as separate going concerns of MGX Enterprise Solutions (Proprietary) Limited, MGX Business Continuity Solutions (Proprietary) Limited and MGX Business Continuity Solutions (Cape) (Proprietary) Limited, and the shares and claims in respect of MGX's 50% interest in Drive Control Holdings (Proprietary) Limited, MGX 100% in MGX Storage Solutions (Proprietary) Limited, MGX's 95% interest in Software Futures, MGX's 79% interest in Didata UK (pending), MGX's 100% interest in DBS (Proprietary) Limited, MGX's 100% interest in MGX Property Faerie Glen (Proprietary) Limited, MGX's 100% in enTechnologies Corporation (USA) and MGX's 100% interest in MGX Property (pending);
"Document and Data Management"	Document and Data Management (Africa) (Proprietary) Limited (Registration number 1986/003229/07), a private company incorporated in South Africa;
"DOSW"	Department of Social Welfare of the Provincial Government of Kwa-Zulu Natal;
"EC-Hold"	EC-Hold Limited (Registration number 1998/020093/06), a public company incorporated in South Africa and whose issued ordinary shares are listed on the JSE;
"EPS"	earnings per share;
"Exsol"	Exsol Solutions Systems (Proprietary) Limited (Registration number 2001/015556/07), a private company incorporated in South Africa;
"Eureka"	Eureka Industrial Limited (Registration number 1938/010958/06), a public company incorporated in South Africa;
"Eurevest"	Eurevest Leasing (Proprietary) Limited (Registration number 1978/000001/07), a private company incorporated in South Africa;
"the facilities"	collectively, the Metrofile facilities and the MGX B facility;
"the facility agreements"	the agreements relating to the facilities, entered into between MGX and the Capital Providers;
"the Guarantor"	Micawber 305;
"the general meeting"	the general meeting of MGX shareholders to be held at 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, at 09:00, on 19 January 2004, including any adjournment or postponement thereof, to consider, and, if deemed appropriate, to approve the resolutions;

"HEPS"	headline EPS;
"JSE"	JSE Securities Exchange South Africa;
"last practicable date"	9 December 2003, being the last practicable date for completion of this circular;
"Mail Processing Systems"	Mail Processing Systems (Proprietary) Limited (Registration number 1986/000155/07), a private company incorporated in South Africa;
"Main Street"	Main Street 152 (Proprietary) Limited, (Registration number 2003/016054/07), a private company incorporated in South Africa;
"Metrofile"	Metrofile (Proprietary) Limited (Registration number 1996/008024/07), a private company incorporated in South Africa;
"the Metrofile A facility"	the credit facility granted and made available to Main Street of approximately R106 million in interest-bearing senior term debt;
"the Metrofile B facility"	the redeemable convertible interest-bearing loan granted and made available to Main Street of approximately R112 million;
"the Metrofile B1 facility"	the redeemable convertible interest-bearing loan granted and made available to Main Street of approximately R20 million;
"the Metrofile C facility"	the redeemable convertible interest-bearing loan granted and made available to Main Street of approximately R77 million;
"Metrofile Cape"	Metrofile Cape (Proprietary) Limited (Registration number 1982/002659/07), a private company incorporated in South Africa;
"the Metrofile disposal"	the disposal of the assets and liabilities of the Metrofile Division by MGX and the Metrofile Division to Main Street for the purchase consideration in terms of section 228 of the Companies Act;
"the Metrofile Division"	the subsidiaries of MGX involved in the document and records management division, including Metrofile, MGX Outsourcing, Metrofile Natal, Metrofile Cape, MGX Customer Services, Mail Processing Systems, Document and Data Management, The Paper Bank Marketing Company, Exsol and CSX;
"the Metrofile facilities"	collectively, the Metrofile A facility, the Working Capital Facility, the Metrofile B facility, the Metrofile B1 facility and the Metrofile C facility;
"Metrofile Natal"	Metrofile Natal (Proprietary) Limited (Registration number 1989/002628/07), a private company incorporated in South Africa;
"MGX" or "the Company"	MGX Holdings Limited (Registration number 1983/0012697/06), a public company incorporated in South Africa and whose issued ordinary shares are listed on the JSE;
"the MGX B facility"	the redeemable convertible interest-bearing loan granted and made available to MGX of R20 million;
"the MGX Customer Services"	MGX Customer Services (Proprietary) Limited (Registration number 1998/023995/07), a private company incorporated in South Africa;
"the MGX group"	the group of companies comprising MGX and its subsidiaries;

" MGX Outsourcing"	MGX Outsourcing (Proprietary) Limited (Registration number 1986/003229/07), a private company incorporated in South Africa;
"MGX Property"	MGX Property (Proprietary) Limited (Registration number 1999/006664/07), a private company incorporated in South Africa;
"the MGX notes"	the redeemable convertible interest-bearing notes to be issued to the scheme creditors in terms of the scheme as settlement of the claims that the scheme creditors may have against MGX, the terms and conditions of which are set out in Annexure 5;
"Micawber 305"	Micawber 305 (Proprietary) Limited (Registration number 2002/015866/07), a private company incorporated in South Africa;
"Motswedi"	Motswedi Technology Group (Proprietary) Limited (Registration number 1996/000064/07), a private company incorporated in South Africa;
"nacq"	nominal annual compounded quarterly;
"NAV"	net asset value;
"the original guarantors"	MGX Management Services (Proprietary) Limited, Archive Rental Systems (Proprietary) Limited, Record Storage & Management (Cape) (Proprietary) Limited, Record Storage & Management (North) (Proprietary) Limited, Digital and Paper Properties (Proprietary) Limited, Etsu Properties (Proprietary) Limited, Metrofile Properties (Proprietary) Limited and Record Storage & Management (Natal) (Proprietary) Limited;
"the prime rate"	the publicly quoted annual prime rate of interest levied from time to time, nominal annual compounded monthly in arrears and expressed as a rate per annum, at which The Standard Bank of South Africa Limited lends on unsecured overdraft to its most favoured corporate customers (a certificate from any manager of that bank, whose appointment or authority need not be proved, as to the prime rate at any time and the usual way at which it is calculated and compounded at such time shall, in the absence of clerical or manifest error, be final and binding on the parties);
"the purchase consideration"	R305 million to be paid by Main Street to the Metrofile Division in terms of the Metrofile disposal;
"the resolutions"	the resolutions reflected in the notice of general meeting attached to this circular;
"the scheme"	the scheme of arrangement proposed by MGX between MGX and the scheme creditors, in terms of section 311 of the Companies Act;
"the scheme creditors"	the creditors of MGX who, have claims against the Company, whether liquidated or unliquidated, actual or contingent;
"the security"	the guarantees issued by the Guarantor in favour of Capital Providers;
"SENS"	the Securities Exchange News Service of the JSE;
"shares" or "MGX shares"	MGX ordinary shares with a par value of 0.6146 cents each in the issued share capital of MGX;
"shareholders" or "MGX shareholders"	registered holders of MGX shares;

"Stuttaford Archive Services"	Stuttaford Archive Services (Proprietary) Limited (Registration number 1990/002865/07), a private company incorporated in South Africa;
"South Africa"	the Republic of South Africa;
"the SRP"	the Securities Regulation Panel, established in terms of section 440 (B) of the Companies Act;
"STRATE"	Strate Limited, (Registration number 1998/22242/06), a public company incorporated in South Africa and the electronic transaction system of the JSE;
"Sun"	collectively, Sun Microsystems and Sun Microsystems Schweitz;
"Sun Microsystems"	Sun Microsystems (South Africa) (Proprietary) Limited, (Registration number 1996/000585/07), a private company incorporated in South Africa;
"Sun Microsystems Schweitz"	Sun Microsystems Schweitz AG, a public company incorporated in Germany;
"The Paper Bank Marketing Company"	The Paper Bank Marketing Company (Proprietary) Limited (Registration number 1994/010260/07), a private company incorporated in South Africa;
"TNAV"	tangible NAV;
"transfer secretaries"	Computershare Limited (Registration number 2000/006082/06), a public company incorporated in South Africa and the transfer secretaries of MGX;
"Ukusa Technologies"	Ukusa Technologies (Proprietary) Limited, (Registration Number 1998/024812/07), a private company incorporated in South Africa; and
"the Working Capital Facility"	the short-term interest-bearing working capital facility granted and made available to Metrofile Division of R10 million.

MGX Holdings Limited

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

Directors

Christopher Stefan Seabrooke* (Non-executive chairman)
Anthony Charles Ball*
Danisa Eileen Baloyi*
Eduardo Gutierrez-Garcia**
Stephen Roy Midlane
Norman John Webster

**Non-executive*
***Alternate to Anthony Charles Ball*

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

MGX shareholders are advised that MGX, the Capital Providers and the original guarantors have entered into the debt refinancing agreements, subject to the conditions precedent to the debt refinancing, in terms of which the Capital Providers have agreed to refinance the interest-bearing debt of MGX.

In addition, the board has proposed the scheme, in terms of which the scheme creditors will receive the MGX notes in settlement of their claims against MGX.

The purpose of this circular is to convene the general meeting and to provide shareholders with information relating the debt refinancing, the important details of the scheme and full details of the MGX notes, to enable shareholders to consider and, if deemed fit, approve the resolutions.

2. RATIONALE FOR THE DEBT REFINANCING AND THE SCHEME

In December 2002, MGX embarked on a recovery plan, with the support of the Capital Providers, in terms of which the Company decided to:

– dispose of certain operating subsidiaries and commercial properties and use the proceeds of these disposals to reduce the debt of the company;
– refinance the interest-bearing debt of the Company to a position which could be sustained by the remaining operations in the MGX group;
– create a structure for the capitalisation of the remaining debt of the Company, to the extent that the debt is not repaid over a five-year period, thereby avoiding an immediate dilution to MGX shareholders and creating the opportunity for MGX to repay the debt; and
– create a smaller group which could be rebuilt into a profitable business after the refinancing of the Company's interest-bearing debt.

The total purchase consideration received by MGX for the disposals has been used by MGX to reduce its debt with the Capital Providers and other non-trade creditors from approximately R600 million to approximately R410 million.

After the disposals, the remaining operating business in the MGX group will be the Metrofile Division, which is involved in document and records management.

3. IMPORTANT DETAILS OF THE DEBT REFINANCING AND THE SCHEME

The debt of approximately R410 million, remaining after the disposals, will be refinanced as follows:

- MGX and the Metrofile Division will dispose of the assets and liabilities of the Metrofile Division, as a going concern, to Main Street, a wholly owned subsidiary of MGX and a special purpose vehicle created to facilitate the debt refinancing, in terms of section 228 of the Companies Act for a consideration of R305 million;
- Main Street will raise R305 million of interest-bearing debt from certain of the Capital Providers on in the following basis:
  - the Metrofile A facility (approximately R106 million);
  - the Working Capital Facility (approximately R10 million);
  - the Metrofile B facility (approximately R112 million); and
  - the Metrofile C facility (approximately R77 million);
- Main Street will assume an additional redeemable convertible interest-bearing loan of R20 million in the form of the Metrofile B1 facility, being debt in a foreign subsidiary of MGX;
- the Metrofile Division will pay an amount of R305 million to MGX in the form of a dividend and the repayment of inter-company loans and the Metrofile Division will be voluntarily wound-up by MGX in terms of sections 349 and 350 of the Companies Act;
- the Metrofile disposal will take place under the intra-group provisions of the South African Income Tax Act, 58 of 1962, as amended;
- MGX will settle R305 million of its domestic interest-bearing debt with the funds received from the Metrofile Division; and
- within MGX:
  - creditors will have their claims compromised in terms of the scheme and will receive the MGX notes; and
  - other secured creditors, with claims to the value of approximately R20 million against MGX, will convert their claims into the MGX B facility.

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

The values of the facilities and the MGX notes, as set out in paragraphs 3, 4 and 5 are calculated on the basis that:

- all the pending disposals, (except the possible disposal of Didata UK), are implemented;
- the proceeds from the disposals reduce the debt of MGX by the total purchase consideration received of approximately R190 million and scheme creditors claims are compromised in terms of the scheme; and
- the Court sanctions of the schemes.

EC-Hold shareholders with claims against MGX, arising from the ruling of the SRP detailed in paragraph 8.5.1 are not required or entitled to participate in the scheme.

Should any of the pending disposals, not become unconditional, the scheme is not sanctioned by the Court or if the disposal of Didata UK is concluded, then the amounts of some or all of the facilities or the MGX notes may change.

4. IMPORTANT TERMS AND CONDITIONS OF THE DEBT REFINANCING

The important terms and conditions of the debt refinancing are set out below.

4.1 The important terms and conditions of the Metrofile facilities

The important terms and conditions of the Metrofile facilities are set out below.

4.1.1 The Metrofile A facility

The Metrofile A facility will:

- be a 5 year senior loan facility made available to Main Street in the amount of R106 million;
- be paid down to R80 million by MGX in terms of a fixed repayment schedule; and
- accrue interest at the prime rate minus 1%, which interest will be capitalised on an nacq basis.

The Metrofile A facility lenders have the first right of recourse to the security, together with the providers of the Working Capital Facility referred to below.

4.1.2 The Working Capital Facility

The Working Capital Facility will:

- be a revolving working capital facility made available to Metrofile Division in the amount of R10 million;
- accrue interest at the prime rate minus 1%, which interest will be capitalised on an nacq basis;
- be repaid in full on the earlier of 12 months after the refinancing becomes unconditional or the date upon which the Metrofile A facility reaches a level of R80 million; and
- rank *pari passu* with the Metrofile A facility with regard to access to the security.

4.1.3 The Metrofile B facility

The Metrofile B facility will:

- be a five year credit facility made available to Main Street in the amount of approximately R112 million;
- accrue interest at the prime rate, which interest will be capitalised on an nacq basis;
- be repayable from the excess cash flows of Main Street after the Working Capital Facility has been repaid and the Metrofile A facility has been reduced to R80 million; and
- be secured by a second right of access to the security and rank *pari passu* with the rights of the Metrofile B1 facility.

The balance of the Metrofile B facility, inclusive of accrued and capitalised interest outstanding, will be convertible, at the election of the lenders of the Metrofile B facility and the Metrofile B1 facility, into Main Street shares on:

- the happening of certain default events which are more fully set out in the common terms agreement; or
- the final date for repayment of the Metrofile B facility.

4.1.4 The Metrofile B1 facility

The Metrofile B1 facility will:

- be a five year credit facility made available to Main Street in the amount of approximately R20 million;
- accrue interest at the prime rate, which interest will be capitalised on an nacq basis;
- be repayable from the excess cash flows of Main Street after the Working Capital Facility has been repaid and the Metrofile A facility has been reduced to R80 million; and
- be secured by a second right of access to the security and rank *pari passu* with the rights of the lenders of the Metrofile B facility; and
- be conditional on obtaining exchange control approval from the South African Reserve Bank.

The balance of the Metrofile B1 facility, inclusive of accrued and capitalised interest outstanding, will be convertible, at the election of the lenders of the Metrofile B1 facility and the Metrofile B facility, into Main Street shares on:

- the happening of certain default events which are more fully set out in the common terms agreement; or
- the final date for repayment of the Metrofile B1 facility.

4.1.5 The Metrofile C facility

The Metrofile C facility will:

- be a five year credit facility made available to Main Street in the amount of approximately R77 million;
- accrue interest, at the prime rate plus 2%, which interest will be capitalised on an nacq basis;
- be repayable from the excess cash flows of Main Street after settlement of the capital and interest of the Metrofile B facility and the Metrofile B1 facility; and
- be secured a third right of access to the security.

The balance of the Metrofile C facility outstanding, inclusive of accrued and capitalised interest will:

- automatically convert into Main Street shares, on the final repayment date of the Metrofile C facility; or
- automatically convert into Main Street shares, if the Metrofile B facility and the Metrofile B1 facility convert at any time.

In addition, on the happening of certain default events which are more fully set out in the common terms agreement, the Metrofile C facility will be convertible, at the election of the lenders of the Metrofile C facility, into Main Street shares even if the Metrofile B facility does not convert into Main Street shares.

4.1.6 The conversion of Metrofile facilities

In the event that there is a conversion of the Metrofile B facility or the Metrofile C facility, each of the Capital Providers will have the option to call on MGX to sell its shares in Main Street, *pro rata* to the outstanding amount owing to each of the Capital Providers, for R1.00.

4.2 **Effect of the disposal Didata UK disposal**

As discussed in paragraphs 3 and 7.1.2, MGX is currently attempting to dispose of its 80% interest in Didata UK. If this transaction is implemented, the purchase consideration for this transaction will be used to settle the Metrofile B1 facility. To the extent that there are funds remaining after settling the Metrofile B1 facility, the remaining funds will be used to settle a portion of the Metrofile B facility.

4.3 **Conditions precedent to the debt refinancing**

The debt refinancing is conditional upon, *inter alia*:

- the sanctioning of the scheme by the Court;
- the SRP waiving the requirement that the Capital Providers, collectively or individually, will be obliged to make an offer to the minority shareholders of MGX in the event that there is a change of control of MGX as a result of the debt refinancing and the scheme; and
- the shareholders of MGX, Main Street and the Guarantor, in general meeting, passing all of the resolutions necessary to implement the debt refinancing.

5. IMPORTANT TERMS AND CONDITIONS OF THE SCHEME, THE MGX NOTES AND THE MGX B FACILITY

5.1 **The scheme**

The debt remaining in MGX after the debt refinancing will be approximately R85 million of which approximately R55 million will be settled by MGX issuing the MGX notes to the scheme creditors in terms of the scheme, in the event that the scheme becomes unconditional. Of the balance of R30 million, R20 million will be converted into the MGX B facility as set out in paragraph 5.4 below and approximately R10 million is indemnified by Ronald Price as discussed in paragraph 8.5.1.

5.2 Important terms of the MGX notes

The MGX notes will:

- be issued at a nominal value of R1.00;
- accrue interest at the prime rate plus 3%, which interest will be capitalised on an nacq basis;
- be repayable from the excess cash flows from Main Street once the capital and interest on the Metrofile C facility has been repaid;
- have a fourth right of recourse to the security furnished by the Guarantor and rank *pari passu* with the rights of the MGX B facility; and
- be compulsorily converted into MGX shares:
  - if the Metrofile C facility converts into Main Street shares at any time; or
  - in the event that the MGX notes have not been redeemed for cash within 5 years of the date of the refinancing becoming unconditional.

In the event that the MGX notes are compulsorily converted, the formula to determine the number of MGX shares to be issued to a holder on a conversion of the MGX notes is the same as for the MGX B facility, as discussed in paragraph 5.4, and no voluntary conversion of the MGX notes into MGX shares is provided for. The full terms and conditions of the MGX notes are set out in Annexure 5.

5.3 Conditions precedent to the scheme

The scheme is conditional upon the following conditions precedent:

- the debt refinancing agreements becoming unconditional, save for any condition in those agreements requiring the schemes to become unconditional;
- the approval by the requisite majority of shareholders of MGX in general meeting of the:
  - debt refinancing; and
  - issue of the MGX notes,
- all regulatory approvals and consents necessary in respect of the debt refinancing and the scheme being obtained;
- the scheme being approved by a requisite majority of each class of the scheme creditors;
- the Court sanctioning the scheme;
- a certified copy of the order of the Court sanctioning the scheme being lodged with, and registered by, the Registrar of Companies in terms of the Companies Act; and
- the announcement by MGX on SENS, that all conditions precedent have been fulfilled or waived in accordance with the terms of the scheme.

5.4 The MGX B facility

The MGX B facility will:

- be a three year credit facility made available to MGX in the amount of R20 million;
- accrue interest at the prime rate plus 3%, which interest will be capitalised on an nacq basis;
- be repayable from the excess cash flows of MGX on a *pari passu* basis with the MGX notes; and
- be secured by Didata UK shares and a fourth right of access to the security and rank *pari passu* with the rights of the MGX notes to the extent not secured by the Didata UK shares.

The balance of the MGX B facility outstanding, inclusive of accrued and capitalised interest, after the exercise of the security over the Didata UK shares (in the event that MGX's interest in Didata UK has not been disposed of), will be compulsorily convertible into MGX shares at the end of 5 years.

In the event that the MGX B facility converts into MGX shares, it will convert on the following terms:

$$MCS = \frac{MCO}{MVPMS}$$

where:

MCS = the number of MGX shares which will be issued to the lenders converting the MGX B facility into MGX shares.

MCO = the principal amount outstanding, including any accrued and capitalised interest.

MVPMS = a. if MGX is listed on the JSE, the volume weighted average share price of an MGX share as quoted on the JSE for the three months prior to the date of the conversion of the MGX B facility into MGX shares; and

b. if MGX is not listed on the JSE, the Services Sector price: earnings multiple as quoted by the JSE on the date of the conversion of the MGX B facility into MGX shares less 10% and multiplied by the consolidated earnings of MGX and divided by the total number of MGX shares in issue.

6. FINANCIAL EFFECTS

The table below sets out the pro forma financial effects of the debt refinancing on the HEPS and EPS, based on the MGX's results for the year ended 30 June 2003. The debt financing has no effect on the NAV and TNAV per MGX share.

	Before the debt refinancing (cents)[1]	Pro forma after the debt refinancing (cents)[2]	Change
HEPS	(396.20)	(384.29)	3.01%
EPS	(1 054.35)	(1 042.44)	1.13%

Notes:

1. The HEPS and EPS, *Before the debt refinancing*, have been extracted from MGX's annual financial results for the year to 30 June 2003 and have been calculated based on 66.589 million MGX shares in issue, being the weighted average of the number of shares in issue during the year.
2. The pro forma HEPS and EPS, *After the debt refinancing*, have been calculated based on 66.589 million MGX shares in issue, being the weighted average of the number of shares in issue during the year, assuming that:
   - the debt refinancing was implemented on 30 June 2002;
   - the average prime rate over the period was 16.72%;
   - the remaining portion of the average borrowings for 2002 and 2003 was financed at the prime rate;
   - the Metrofile A facility attracted interest at the prime rate minus 1%, the Metrofile B facility attracted interest at the prime rate, the Metrofile B1 facility attracted interest at the prime rate, the Metrofile C facility attracted interest at the prime rate plus 2%, the Working Capital Facility attracted interest at the prime rate less 1%, the MGX notes attracted interest at the prime rate plus 3%, the MGX B facility attracted interest at the prime rate plus 3% and the balance of the borrowings attracted interest at the prime rate;
   - MGX's headline earnings and earnings are increased by R7.931 million, being the difference in the interest paid over the period on the average total borrowings had the debt refinancing taken place, compared with the actual interest paid for the year to 30 June 2003; and
3. Out of the total pro forma interest of R79.619 million, an amount of R16.509 million, relating to the Metrofile A facility, is due and payable. The balance is payable out of free cash flow as and when it becomes available.

7. **INFORMATION ON MGX**

7.1 **Nature and history of the MGX business**

MGX, which commenced business in 1969, is an investment holding company with investments in the information technology sector. The MGX group has become a specialist in the information management sector and a leading supplier of products and services for the conversion, storage, retrieval and distribution of documents and information. At the last practicable date MGX comprises the following operating entities.

7.1.1 The Metrofile Division

The Metrofile Division focuses on all aspects of enterprise document and records management including paper, analogue and electronic 'content'.

7.1.2 Didata UK

Didata UK is a subsidiary of MGX based in the United Kingdom which focuses on forms processing, document storage and document retrieval. Through software developed in-house by the subsidiaries of the MGX group, Didata UK has developed the ability to provide immediate online access to corporate records, providing a much needed service to the United Kingdom and European markets.

MGX is in the process of attempting to dispose of its 80% interest in Didata UK.

7.1.3 Commercial properties

MGX hold a 100% interest in the issued share capital of MGX Property, a property owning company which is the registered owner of the Midrand property. MGX is in the process of attempting to dispose of its interest in this company.

MGX holds a 100% interest in the issued share capital of DBS, a property owning company which is the registered owner of the Linbro Park property. MGX has disposed of its interest in DBS, subject to the fulfilment of certain conditions precedent, including the approval of MGX shareholders.

7.2 **Prospects for MGX**

The successful implementation of the recovery plan, of which the debt refinancing and the scheme are core components is integral to the strategy of the board to return the MGX group to a sustainable and profitable business.

Once the debt refinancing, scheme and the all the disposals become unconditional, the Metrofile Division will be the only remaining business in the MGX group. The Metrofile Division is a business that produces sound and regular cash flows, has growth opportunities and will be in a position to sustain the debt that it has been required to service in terms of the debt refinancing.

7.3 **Financial information**

Annexure 3 to this circular contains:

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

7.4 **Major shareholders**

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

	Number of shares	Interest (%)
Price family interests	15 160 012	22.56
STANLIB Limited	8 871 109	13.20
Capital Africa Limited	5 082 778	7.56
Caversham Trust Limited	4 375 039	6.51
African Harvest Limited	3 635 000	5.41
South Africa Private Equity Trust III	3 557 731	5.29
Total	40 681 669	60.53

Notes:

As at the last practicable date MGX had no controlling shareholder.

The percentage shareholding of major shareholders is calculated excluding 6 877 024 treasury shares based on total shares outstanding of 67 200 389.

7.5 **Loans and commitments**

Material loans to MGX, including material inter-company loans as at 30 June 2003 are set out in Annexure 3.

7.6 **Change of direction**

The trading object of MGX is to carry on business as an investment holding with interest in the information technology sector company, and has remained the same since its listing on the JSE in 1995 and will remain as such for the foreseeable future.

8. INFORMATION RELATING TO DIRECTORS

8.1 **Directors' interests**

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

	Beneficial		Non-beneficial		Total shares
Directors	**Direct**	**Indirect**	**Direct**	**Indirect**	**(%)**
Christopher Stefan Seabrooke*	–	25 500	–	51 000	0.11
Anthony Charles Ball	–	–	–	–	–
Danisa Eileen Baloyi*	–	8 000	–	–	0.01
Eduardo Gutierrez-Garcia***	–	–	–	–	–
Stephen Roy Midlane	–	–	–	–	–
Norman John Webster	100 000	–	–	290 000	0.53

* *Non-executive*

*** *Alternate to Anthony Charles Ball*

8.2 **Directors' interests in transactions**

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

8.3 **Significant contracts**

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

8.4 **Directors service contracts**

The aggregate remuneration and benefits paid to the directors of MGX for the year ended 30 June 2003 are set out in the table below.

	Salary and other benefits	Loss of office (Rand)	Bonuses (Rand)	Directors fees (Rand)	Total (Rand)
Danisa Eileen Baloyi*				36 000	36 000
Anthony Ball*				40 000	40 000
Raymond Dalais*				80 000	80 000
Peter Flack	1 218 493				1 218 493
Eduardo Gutierrez-Garcia*				40 000	40 000
Chris Hills	1 061 402	761 715			1 823 117
Aletha Ling	566 892				566 892
Patrick Landey*				100 000	100 000
Daniel Jackson McMahon	1 919 168				1 919 168
Stephan Midlane	479 078		300 000		779 078
Andrew Moffat	1 441 043				1 441 043
Ronald Price*	886 377				886 377
Lindsay Robertson	512 982				512 982
Christopher Seabrooke*				80 000	80 000
Rory Shirley	524 269				524 269
Norman Webster	1 164 964		199 200		1 364 164
Linda Wengrowe*	156 411				156 411
Total	9 931 079	761 715	499 200	376 000	11 567 994

* Non-executive director

8.5 **Litigation**

No investigation, litigation, arbitration or administrative proceedings of or before any court, arbitral body or government agency, , have been started or (to the best of MGX's knowledge and belief, after due enquiry) are pending or threatened against MGX or any of its subsidiaries, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the MGX group's financial position, save for:

8.5.1 SRP/MGX/EC-Hold

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

The offer price determined by the SRP was R2.40 per EC-Hold share and the offer to EC-Hold shareholders was in all other respects to comply with Section F, Rule 8 of the SRP Rules and Code on Takeovers and Mergers. As at the last practicable date, MGX had not complied with the ruling of the SRP and on 28 July 2003, a summons, issued by the High Court of South Africa, was served on MGX, in terms of which the SRP sought an order against MGX and several other defendants for, *inter alia*, compelling MGX and the other defendants to comply with its ruling of March 2002. MGX has entered an appearance to defend.

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

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

8.5.2 Motswedi

Motswedi initiated arbitration proceedings against MGX on 26 February 2002 in respect of its claim for damages for breach of contract in the amount of R52 800 000. MGX has defended the matter and its attorneys of record, Webber Wentzel Bowens, communicated in writing, that there is no reasonable prospect that the claim will succeed.

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

The board is considering whether to proceed with an action against Motswedi to recover the amount of the counterclaim, which, at the end of January 2002, amounted to R13 300 000.

8.5.3 Sun

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

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

As at the last practicable date, Sun has not filed its answering affidavit and further action has been stayed pending settlement discussions and a proposed payment by MGX of US$50 000 and payment by the purchasers of the business of MGX Enterprise Solutions (Proprietary) Limited, African Legend Indigo (Proprietary) Limited of US$50 000.

8.5.4 Metrofile Division Labour Action

During 1998, wage negotiations between Metrofile Division and a Trade Union deadlocked. The unionised members went on strike during the period 26 March 1998 to 15 April 1998. Pursuant thereto, Metrofile Division dismissed striking members due to their misconduct during the strike action. The matter was referred to the Labour Court, which ruled that the dismissals were substantively fair but concluded that the dismissals were procedurally unfair. However, the Labour Court held that, considering the nature of the misconduct of the employees during the strike action, no compensation was to be ordered in favour of the employees. The Labour Court made no order as to costs.

The matter was taken on appeal by the Trade Union to the Labour Appeal Court during 2002 and the hearing was concluded on 17 December 2002. As at the last practicable date, the Labour Appeal Court has not yet given its judgment. Metrofile Division has further been advised by its legal representatives, that it is possible, but not probable, that the Labour Appeal Court would order the reinstatement of the employees as from 1998. The consequences would be that Metrofile Division would be required to reinstate approximately 70 staff members for a period to be determined by the Court at a possible quantum between R2 000 000 and R4 000 000. Metrofile has not made a provision for this amount in its annual financial statements but has recorded it as a contingent liability of R1 280 000.

8.5.5 MGX Outsourcing/Ukusa Technologies

MGX Outsourcing instituted action for an amount of R1 600 000 in the High Court of South Africa in Durban against its JV Partner, Ukusa Technologies, pursuant to payment received under a joint tender from the DOSW, relating to the creation of an electronic registry database.

The cause of action arose from the directors of Ukusa instructing DOSW to make payment due to the joint venture vehicle, Digital Initiatives, directly into Ukusa's banking account as opposed to the banking account of Digital Initiatives. MGX Outsourcing obtained a High Court Order attaching all monies in Ukusa Technologies bank account, directing DOSW to pay monies owing under the tender to Digital Initiatives and interdicting Ukusa Technologies from operating the bank account. The amount allegedly misappropriated is R1 600 000, excluding further funds which are owing to Digital Initiatives in the sum of R1 200 000, which MGX Outsourcing is attempting to recover.

MGX Outsourcing has provided for the impairment of the aforesaid amount as it is unsure whether the amount of R1 600 000 will be recoverable. Ukusa Technologies instituted a separate action against MGX which the High Court of South Africa separated from the above action and which was adjourned on 21 October 2003 for Ukusa Technologies to file a replying affidavit. This affidavit was not lodged. MGX and MGX Outsourcing have no knowledge of any application for an Anton Piller Order and no such order has been served on the MGX group.

MGX Outsourcing believes that Ukusa's counter action has no merit at all. The Ukusa action is not for a sum of money – it is for an accounting order and for Ukusa Technologies to obtain control of Digital Initiatives' cash flow. MGX Outsourcing has previously invited Ukusa Technologies to audit the books of Digital Initiatives, which process has been completed. There appears to be no financial risk to MGX arising from the above matter.

8.5.6 Tzvi Appel's claim to Didata UK shares

Tzvi Appel, a previous director of EC-Hold (who resigned on 25 April 2003), has an alleged claim against MGX for the issue and allotment to him of approximately 2% or 880 shares of MGX's issued share capital in Didata UK resulting from his alleged claim to commission due and payable to him pursuant to raising investment finance in Didata UK.

Settlement discussions are, as at the last practicable date, underway and if such shares are to be issued and allotted to Mr Appel, MGX is to issue and allot shares from its shareholding in Didata UK whereby MGX's shareholding will be diluted, it being noted however that MGX will only so issue and allot upon Mr Appel proving his claim on the balance of probabilities doubt (the onus of proof being on Mr Appel) and the board of MGX has satisfied itself as to Mr Appel's claim.

8.5.7 Amir Lubashevsky

In terms of a sale of shares agreement entered into between MGX and Amir Lubashevsky on 13 July 2001, Lubashevsky sold to MGX 13 330 000 ordinary shares in EC-Hold. The purchase price was to be settled partly in cash and partly by MGX purchasing MGX shares for the benefit of Lubashevsky, in various tranches over a 24 month period. A reconciliation of the amounts expended/ advanced indicates that MGX has overpaid Lubashevsky an amount of approximately R2 212 848. At present, discussions are under way between MGX and Lubashevsky pertaining to the settlement of the aforesaid amount.

8.5.8 CCMA cases

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

9. RELATED PARTY TRANSACTION

The Price family interests are the controlling shareholders of Eureka which is a material shareholder of MGX. In addition, Eureka is the beneficial shareholder of 100% of the issued share capital of Eurevest, a capital provider to MGX and a party to the debt refinancing. Consequently, the debt refinancing and the scheme, collectively, constitute a related party transaction in terms of the Listings Requirements of the JSE, the Securities Regulation Code on Takeovers and Mergers and the SRP Rules. Accordingly, written confirmation from an independent professional, expert acceptable to the JSE Listings Division and the SRP, as to whether the terms conditions of the conversions of the relevant Metrofile facilities into Main Street shares and the MGX notes and the MGX B facility into MGX shares are fair and reasonable to the shareholders of MGX, is required.

In addition, in compliance with the Listing Requirements of the JSE, the Securities Regulation Code on Takeovers and Mergers and the Rules of the SRP, the Price family and their associates will be excluded when determining a quorum at the general meeting relating to the debt refinancing and their votes will not be taken into account in determining the results of the voting on the resolutions relating to the debt refinancing at such general meeting.

10. SETTLEMENT WITH CYCAD

In June 2002, MGX issued a summons against Cycad for an order directing Cycad to deliver share certificates and transfer declarations, blank as to transferee, in respect of 5 000 000 shares in EC Hold held by Cycad, within 14 days of the date of the order. The action arose pursuant to an agreement, partly oral and partly in writing, entered into between 10 August 2000 and 28 September 2000 between MGX, then represented by Ronald Price, and Cycad, represented by Mr Leonard Fine. Cycad defended the action.

On 16 October 2003, MGX and Cycad entered into an agreement, without either party acknowledging the merits of the other party's claim but purely in the interest of avoiding litigation, to settle the action and all other disputes in relation thereto. The agreement with Cycad provided for, *inter alia*, the purchase by MGX of 5 000 000 shares in the issued share capital of EC-Hold from Cycad, subject to the fulfilment of certain suspensive conditions. The agreements relating to this transaction will be available for inspection as set out in paragraph 18.

11. OPINIONS AND RECOMMENDATIONS

11.1 Deloitte & Touche Corporate Finance has been appointed by the board to act as an independent adviser to the board.

11.2 Deloitte & Touche Corporate Finance has advised the board that it has considered the terms and conditions of the debt refinancing and the scheme, and in particular the conversion of the facilities and the MGX notes into Main Street shares and MGX shares as discussed in paragraph 4 and 5, and has concluded that the terms and conditions of the debt refinancing and the scheme are fair and reasonable to the shareholders of MGX. A copy of the letter containing the opinion is set out in Annexure 4 to this circular.

11.3 The board is of the opinion, based on the independent advice of Deloitte & Touche Corporate Finance, that the terms and conditions of the debt refinancing and the scheme are fair and reasonable to MGX shareholders and that the implementation of the debt refinancing and the scheme, in the context of the recovery plan, will be to the long-term benefit of shareholders. Accordingly, the board recommends that shareholders vote in favour of the resolutions.

11.4 The directors with direct and/or indirect interests in MGX intend to vote in favour of the resolutions.

12. EXPERTS' CONSENTS

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

13. EXPENSES

The estimated expenses (exclusive of value added tax) in relation to the debt refinancing are set out below.

Adviser/service provider	Amount (Rand)
Credit Management Solutions (Proprietary) Limited	2 430 000
Standard Corporate and Merchant Bank	750 000
Deloitte and Touche Corporate Finance	160 000
Deloitte and Touche Chartered Accountants (SA)	15 000
Webber Wentzel Bowens	775 000
Deneys Reitz	2 100 000
Ince (Proprietary) Limited	67 000
Total	6 297 000

14. MATERIAL CHANGES

The directors report that, between the date of the last audited financial statements of MGX, being 30 June 2003, and the date of this circular, there have been no material changes in the financial and trading position of MGX, other than as disclosed in this circular.

15. DIRECTORS' RESPONSIBILITY STATEMENT

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

16. SUSPENSION OF THE MGX SHARES AND WORKING CAPITAL STATEMENT

The listing of the MGX share was suspended by the JSE at the request of the board. The debt refinancing and the scheme remain conditional upon the fulfilment of the conditions precedent set out in paragraph 4.3 and 5.3 respectively. Accordingly, the board continues to deem it appropriate that the listing of the MGX share remains suspended until the debt refinancing and the scheme become unconditional. In addition, until the debt refinancing and the scheme become unconditional the board is not in a position to provide shareholders with a working capital statement in accordance with the Listings Requirement of the JSE. However, the board advises shareholders that it has secured working capital facilities in the amount of R27 million from the Capital Providers.

17. TERMINATION OF JSE LISTING AND NAME CHANGE

In light of the suspension of MGX and the debt refinancing, the board has reviewed the rationale for the listing of MGX and has concluded that no benefits are being derived from MGX remaining listed on the JSE. Moreover, the costs of complying with Listings Requirements of the JSE in the financial year ended 30 June 2003 exceeded the market capitalisation of MGX at the date of its suspension. Consequently, the board has resolved to pursue the delisting of the MGX share from the JSE. Shareholders who do not wish to hold shares in a unlisted public company will be given an opportunity to exit from their investment.

The board further proposes that the Company's name be changed from MGX to Metrofile Group Limited as the business of the Metrofile Division will be the sole material trading operations subsequent to the current restructuring of the MGX group. Further details in relation to the proposed delisting and name change will be announced to shareholders in due course.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of MGX, 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton on business days during normal business hours from 17 December 2003 to the date of the general meeting, both days inclusive:

- the memorandum and articles of association of MGX;
- the common terms agreement;
- the agreement between MGX and Cycad relating to the settlement of the dispute as set out in paragraph 10;
- the facility agreements;
- the deed of trust creating the MGX noteholders trust dated;
- the reporting accountants' report of Deloitte & Touche, on the pro forma financial information of MGX;
- the circular containing details of the scheme dated 15 December 2003;
- service contracts with directors, managers and secretaries entered into in the last three years;
- a copy of the SENS announcement dated 29 January 2003 detailing the recovery plan for MGX;
- the historical financial statements of MGX for the years ended 30 June 2001, 2002 and 2003;
- the historical financial statements of the Metrofile Division for the years ended 30 June 2001, 2002 and 2003;
- letter from the independent adviser to the board regarding the debt refinancing;
- the letters of consent from the attorneys to MGX and the Capital Providers, the merchant bank and sponsor, the transfer secretaries, the debt adviser, the reporting accountants and auditors and the independent adviser, to act in their respective capacities and to their names being stated in this circular; and
- this circular, signed by Christopher Stefan Seabrooke on behalf of the board.

19. GENERAL MEETING

A general meeting of shareholders will be held at 09:00 on 19 January 2004 at 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, or such later time or date as that meeting may be adjourned to, at which shareholders will be asked to consider and, if deemed fit, approve the resolutions necessary to implement the debt refinancing.

A notice convening the general meeting forms part of this circular and a form of proxy, for use by shareholders who are unable to attend the general meeting, is attached hereto. Duly completed forms of proxy must be received by the transfer secretaries, Computershare Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 09:00 on 15 January 2004, or if the general meeting is adjourned or postponed, by not later than 48 hours prior to the time of the adjourned or postponed of the general meeting.

By order of the board

Christopher Stefan Seabrooke
MGX Holdings Limited

Sandton
17 December 2003

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE DEBT REFINANCING

"5 December 2003

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

Dear Directors

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL EFFECTS OF THE DEBT REFINANCING AND SCHEME ("THE TRANSACTION")

1. **INTRODUCTION**

We have reviewed the pro forma financial effects as set out in paragraph 6 and the audited pro forma consolidated income statement of MGX as set out in Annexure 2 ("the pro forma financial effects") of the circular to shareholders of MGX Holdings Limited ("MGX") dated on or about 17 December 2003 relating to the transaction.

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

2. **RESPONSIBILITIES**

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

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

3. **SCOPE**

We conducted our review in accordance with the guidance issued by the South African Institute of Chartered Accountants. Our work, which did not involve any independent examination of any of the underlying financial information, consisted primarily of agreeing the unadjusted financial effects to the audited financial statements of MGX for the year ended 30 June 2003, considering the evidence supporting the adjustments, re-performing the calculations based on the information obtained and discussing the pro forma financial effects with the directors of MGX.

4. **OPINION**

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

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

Yours faithfully

Deloitte & Touche
Johannesburg
Chartered Accountants (SA)
Registered Accountants and Auditors”

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF MGX

The unaudited pro forma consolidated income statement, set out below, has been compiled with reference to the unaudited financial statements of MGX for the year ended 30 June 2003. There was no effect on the balance sheet for the year ended 30 June 2003 of MGX as a result of the debt refinancing and the scheme.

	Audited 12 months ended 30 June 2003 R'000	Reduction in interest paid due to debt and scheme refinancing R'000	Pro forma 12 months ended 30 June 2003 R'000
Revenue	1 251 051		1 251 051
Cost of sales	716 561		716 561
Gross profit	534 490		534 490
Other income	4 892		4 892
Gross profit before operating expenditure	539 382		539 382
Distribution costs	29 369		29 369
Staff costs	386 344		386 344
Foreign exchange losses/(gains)	9 169		9 169
Administrative and other operating costs	118 011		118 011
Operating (loss)/income before depreciation, amortisation, exceptional items and finance costs	(3 511)		(3 511)
Depreciation and trademark amortisation	57 829		57 829
Operating (loss)/income before goodwill amortisation, exceptional items and finance costs	(61 340)		(61 340)
Goodwill amortisation	69 465		69 465
Operating (loss)/income before exceptional items and finance costs	(130 805)		(130 805)
Goodwill impairment	331 269		331 269
Exceptional items	47 343		47 343
Operating (loss)/income before finance costs	(509 417)		(509 417)
Net finance costs	78 687	7 931	70 756
(Loss)/income before taxation	(588 104)	(7 931)	(580 173)
Taxation - current	50 364		50 364
Deferred taxation reversal	65 265		65 265
(Loss)/income after taxation	(703 733)	(7 931)	(695 802)
Share of associate's income	–		
Outside shareholders' share of losses	1 657		1 657
Attributable (loss)/earnings	(702 076)	(7 931)	(694 145)
Number of ordinary shares in issue (thousands)	74 151		74 151
Number of ordinary shares held in treasury (thousands)	6 877		6 877
Number of ordinary shares excluded (thousands)	676		676
Number of ordinary shares in issue after deducting treasury and other excluded shares (thousands)	66 598		66 598
Weighted average number of ordinary shares in issue (thousands)	66 589		66 589
Headline (loss)/earnings per ordinary share (cents)	(396.2)		(384.3)
(Loss)/earnings per ordinary share (cents)	(1 054.3)		(1 042.4)

Notes:

1. The HEPS and EPS, *Before the debt refinancing*, have been extracted from MGX's annual financial results for the year to 30 June 2003 and have been calculated based on 66.589 million MGX shares in issue, being the weighted average of the number of shares in issue during the year.

2. The pro forma HEPS and EPS, *After the debt refinancing*, have been calculated based on 66.589 million MGX shares in issue, being the weighted average of the number of shares in issue during the year, assuming that:
   - the debt refinancing was implemented on 30 June 2002;
   - the average prime rate over the period was 16.72%;
   - the remaining portion of the average borrowings for 2002 and 2003 was financed at the prime rate;
   - the Metrofile A facility attracted interest at the prime rate minus 1%, the Metrofile B attracted interest at the prime rate, the Metrofile B1 facility attracted interest at the prime rate, plus 2%, the Metrofile C facility attracted interest at the prime rate, the Working Capital Facility attracted interest at the prime rate minus 1%, the MGX notes attracted interest at the prime rate plus 3%, the MGX B facility attracted interest at the prime rate plus 3% and the balance of the borrowings attracted interest at the prime rate; and
   - MGX's headline earnings and earnings are increased by R7.931 million, being the difference in the interest paid over the period on the average total borrowings had the debt refinancing taken place, compared with the actual interest paid for the year to 30 June 2003.
   - out of the total pro forma interest of R79.619 million, an amount of R16.509 million, relating to the Metrofile A facility, is due and payable. The balance is payable out of free cash flow as and when it becomes available.

HISTORICAL FINANCIAL INFORMATION OF MGX

Income statement for the year ended 30 June

	Notes	Audited 2003 R'000	Audited 2002 R'000	Audited 2001 R'000
Revenue		**1 251 051**	1 487 078	885 066
Cost of sales		**716 561**	810 774	439 982
Gross profit		**534 490**	676 304	445 084
Other income		**4 892**	67 351	5 001
Gross profit before operating expenditure		**539 382**	743 655	450 085
Distribution costs		**29 369**	6 904	6 421
Staff costs		**386 344**	348 211	196 283
Foreign exchange losses/(gains)		**9 169**	(10 784)	
Administrative and other operating costs		**118 011**	171 068	97 126
Operating (loss)/income before depreciation, amortisation, exceptional items and finance costs		**(3 511)**	228 256	
Depreciation and trademark amortisation		**57 829**	42 863	30 670
Operating (loss)/income before goodwill amortisation, exceptional items and finance costs		**(61 340)**	185 393	119 585
Goodwill amortisation		**69 465**	79 420	18 854
Operating (loss)/income before exceptional items and finance costs	2	**(130 805)**	105 973	100 731
Goodwill impairment		**331 269**	3 475	
Exceptional items	3	**47 343**	22 701	37 583
Operating (loss)/income before finance costs		**(509 417)**	79 797	63 148
Finance costs		**87 550**	55 660	14 262
Finance income		**(8 863)**	(9 818)	n/a
(Loss)/income before taxation		**(588 104)**	33 955	48 886
Taxation – current	6	**50 364**	29 962	33 067
– deferred	6	**65 265**	3 842	
(Loss)/income after taxation		**(703 733)**	151	15 819
Share of associate's income			2 020	15 069
Outside shareholders' share of losses/(gains)		**1 657**	6 184	(684)
Attributable (loss)/earnings		**(702 076)**	8 355	30 204
Number of ordinary shares in issue (thousands)		**74 077**	74 077	74 077
Number of ordinary shares held in treasury (thousands)		**6 877**	6 840	6 840
Number of ordinary shares excluded (thousands)		**602**	612	612
Number of ordinary shares in issue after deducting treasury and other excluded shares (thousands)		**66 598**	66 626	53 924
Weighted average number of ordinary shares in issue ((thousands)		**66 589**	66 563	66 563
Headline (loss)/earnings per ordinary share (cents)	7	**(383.8)**	145.3	138.9
Fully diluted headline (loss)/earnings per ordinary share (cents)	7	**(383.8)**	144.7	
(Loss)/earnings per ordinary share (cents)	7	**(1 054.3)**	12.6	56.0
Fully diluted (loss)/earnings per ordinary share (cents)	7	**(1 054.3)**	12.5	55.7

Balance sheet at 30 June

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

Statements of changes in equity for the year ended 30 June 2003

	Share Capital R'000	Share Premium R'000	Non-distri-butable Reserves R'000	Distri-butable Reserves R'000	Total R'000
Balance at 30 June 2000	290	41 574	192	226 650	268 706
Prior year adjustment				(2 700)	(2 700)
Restated balance at 30 June 2000	290	41 574	192	223 950	266 006
Attributable earnings				30 204	30 204
Issue of capital	166	219 240			219 406
Offset of treasury shares	(46)	(59 827)			(59 873)
Foreign currency reserve			544		544
Balance at 30 June 2001	410	200 987	736	254 154	456 287
Attributable earnings				8 355	8 355
Impairment of share incentive shares	(6)	(3 656)			(3 662)
Offset of treasury shares	3	4 463			4 466
Revaluation of associate in subsidiary			6 834		6 834
Vendor loan released in subsidiary			7 600		7 600
Foreign currency translation reserve			(6 114)		(6 114)
Balance at 30 June 2002	407	201 794	9 056	262 509	473 766
Attributable loss				(702 076)	(702 076)
AC133 transitional adjustments				(1 861)	(1 861)
Impairment of share incentive shares	2	(6 985)			(6 983)
Offset of treasury shares		852			852
Foreign currency reserve			(4 389)		(4 389)
Balance at 30 June 2003	409	195 662	4 667	(441 428)	(240 691)

Cash flow statement for the year ended 30 June

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

1. ACCOUNTING POLICIES

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

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

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

Basis of consolidation

Subsidiaries

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

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

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Joint ventures

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

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

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

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

Associates

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

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

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

Translation of financial statements prepared in foreign currencies

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

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

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

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

Property, plant and equipment

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

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

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

Investment property

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

Leased assets

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

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

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

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

Goodwill

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

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

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

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

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

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

Trademarks

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

Impairment of assets

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

Inventories

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

Taxation

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

Deferred taxation is provided using the balance sheet liability method.

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

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

Provisions

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

Financial instruments

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

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

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

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

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

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

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

Revenue

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

Sale of goods

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

Maintenance contracts and services rendered

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

Rental income

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

Cost of sales

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

Exceptional items

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

Translation of foreign currencies

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

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

Earnings per share

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

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years. Actuarial gains and losses which exceed 10% of the greater of the present value of the group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

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

Research and development costs

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

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

Cash flows

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

Comparative figures

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

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

	GROUP	
	2003	2002
	R'000	R'000
4. **PRIOR YEAR ADJUSTMENTS**		
4.1 **Change in accounting policy**		
Distributable reserves at 30 June 2002, as previously stated		262 509
AC133 transitional adjustment		(1 861)
Prior year cut-off error		
Distributable reserves at 30 June 2002, as restated		260 648
5. **FINANCE COSTS/(INCOME)**		
Funding costs	**87 550**	55 660
Finance income	**(8 863)**	(9 818)
Dividends received		
	78 687	45 842
6. **TAXATION**		
6.1.1 **Current taxation**	**50 364**	29 962
Current year	**17 798**	27 925
Prior year	**32 566**	2 037
6.1.2 **Deferred taxation**	**65 265**	3 842
Current year	**62 365**	5 697
Prior year	**2 900**	(1 855)
	115 629	33 804
6.2 **Taxation reconciliation**		
(Loss)/income before taxation	**(588 104)**	33 955
Taxation at statutory taxation rate of 30%	**(176 431)**	10 187
Net capital items	**(3 082)**	(2 954)
Non-deductible expenditure	**108 991**	102
Goodwill amortisation and impairment	**120 220**	24 869
Prior year taxation	**(25 282)**	170
Assessed loss utilised	**18 162**	5 062
Temporary differences not recognised	**73 051**	(3 632)
Effective taxation	**115 629**	33 804
	%	%
Taxation rate reconciliation		
Statutory taxation rate	**(30.0)**	30.0
Net capital items	**(0.5)**	(8.7)
Non-deductible expenditure	**18.5**	0.3
Goodwill amortisation	**20.5**	73.2
Prior year taxation	**(4.3)**	0.5
Assessed loss utilised	**3.1**	14.9
Temporary differences not recognised	**12.4**	(10.7)
Effective taxation rate	**19.7**	99.5

		GROUP
	2003	2002
	R'000	R'000

6.3 **Deferred taxation**

	2003 R'000	2002 R'000
Property, plant and equipment	**(7 985)**	(6 576)
Capitalised leases		70
Trade receivables	**530**	(49)
Trademarks	**4 082**	4 857
Prepayments	**(80)**	(380)
Provisions	**1 963**	6 699
Deferred income		7 236
Other	**873**	3 140
Assessed losses	**2 810**	54 247
Total	**2 193**	69 244
Net deferred taxation asset		
Opening balance	**69 244**	60 008
Add: Subsidiaries acquired		5 214
Income statement movement – deferred tax reversal/impairment	**(65 265)**	(3 842)
Deferred taxation effects of fair value adjustments		9 723
Other	**(1 786)**	(1 714)
Translation difference		(145)
Closing balance	**2 193**	69 244
Deferred taxation asset	**2 931**	71 728
Deferred taxation liability	**(738)**	(2 484)

6.4 **Taxation losses**

	2003 R'000	2002 R'000
Estimated taxation losses claimable but not yet assessed available for set off against future taxable income amount to:	**270 532**	19 760

7. EARNINGS PER ORDINARY SHARE

7.1 **Basis for calculation**

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

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

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

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

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

		GROUP	
		2003	2002
		R'000	R'000
7.2	**Reconciliation of headline earnings**		
	Attributable earnings	**(702 076)**	8 355
	Adjusted for after tax:		
	Loss on sale of property, plant and equipment	**4 139**	4 997
	Capital loss/(profit) on sale of investments	**4 031**	(1 907)
	Amortisation and impairment of goodwill	**400 734**	82 895
	Impairment of property, plant and equipment	**22 831**	
	Impairment of investments	**11 280**	1 341
	Impairment of loans receivable	**3 513**	
	Exceptional items of a capital nature		1 046
	Headline (loss)/earnings	**(255 548)**	96 727
	Headline earnings as previously stated		87 319
	Profit on restructuring of long-term debt		10 929
	Exceptional items of a capital nature		(1 521)
	Headline (loss)/earnings restated in terms of AC306		96 727
		cents	**cents**
7.3	**Reconciliation of headline earnings per share**		
	Earnings per ordinary share	**(1 054.3)**	12.6
	Adjusted for after tax:		
	Loss on sale of property, plant and equipment	**6.2**	7.5
	Capital profit on sale of investments	**6.0**	(2.9)
	Amortisation and impairment of goodwill	**601.8**	124.5
	Impairment of property, plant and equipment	**34.3**	
	Impairment of investments	**16.9**	2.0
	Impairment of loans receivable	**5.3**	
	Exceptional items of a capital nature		1.6
	Headline (loss)/earnings per ordinary share	**(383.8)**	145.3

8. DIRECTORS' SERVICE CONTRACTS

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

GROUP

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

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

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

Impairments include:

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

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

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

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

	GROUP	
	2003	2002
	R'000	R'000

10.5 Investment loans

Motswedi investment loan •		9 200
Unsecured loan	**9 200**	9 200
Provision	**(9 200)**	
MGX Management Incentive Trust •		7 252
Unsecured loan	**10 644**	10 914
Provision	**(10 644)**	(3 662)
Sundry loans		360
		16 812
Total financial assets	**16 700**	49 517

10.6 Summarised financial information of joint venture

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

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

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

▲ For further details on security and other information refer to page 59 of this circular

11. GOODWILL

11.1 Goodwill

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

	GROUP 2003 R'000	2002 R'000
11.2 Negative Goodwill		
Cost	**(5 294)**	(5 294)
Accumulated amortisation	**5 294**	
Net carrying value at beginning of the year		(5 294)
Amortisation for the year		5 294
Net carrying value at the end of the year		
Cost	**(5 294)**	(5 294)
Accumulated amortisation	**5 294**	5 294
Total goodwill	**84 982**	417 692

Goodwill pertaining to the acquisition of EC-Hold, the Drive Control underpin and most of the CCH subsidiaries have been impaired in full.

12. TRADEMARKS

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

13. INVENTORIES

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

A general notarial bond has been taken over certain inventories.

14. ORDINARY SHARE CAPITAL AND SHARE PREMIUM

14.1 Share capital

Authorised		
100 000 000 ordinary shares of 0.6146 cents each	**615**	615
Issued		
74 077 413 ordinary shares of 0.6146 cents each	**456**	456
Less: Treasury shares offset	**(43)**	(43)
Impairment of share incentive shares	**(4)**	(6)
	409	407

	GROUP 2003 R'000	2002 R'000
As a consequence of the group's holding in, and the subsequent acquisition of Computer Configurations Holdings Limited, a subsidiary of MGX owns 6.9 million (2002: 6.8 million) ordinary shares in MGX Holdings Limited. In terms of AC 104 these shares are treated as treasury shares and have been excluded from any earnings per share and headline earnings per share calculations.		
14.2 **Share premium**	**195 661**	201 794
Total share capital and share premium	**196 070**	202 201

14.3 **Share incentive schemes**

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

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

Share options lapse within ten years after having been granted, if the offer has not been taken up.

14.3.1 **Share options**

The following options have been granted:

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

14.3.2 **Management incentive trust**

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

15. LONG-TERM LIABILITIES

	GROUP 2003 R'000	GROUP 2002 R'000
15.1 Non-interest-bearing liabilities		
Unsecured vendor loans	**73 477**	26 644
Interest free and repayable on achievement of warranted profits		
Unsecured shareholders' loan		6 170
Less: Amounts payable within one year reflected under current liabilities	**(73 477)**	(5 140)
Total non-interest-bearing liabilities		27 674
15.2 Interest-bearing liabilities		
Secured convertible debentures	**16 575**	16 729
Secured by a first mortgage bond over a property with a estimated net book value of R22.5 million (2002: R26 million). The debentures bear interest at 15.8% per annum and may be converted into ordinary shares in a subsidiary company on 7 May 2008. The interest rate is linked to movements in the 91 day bankers' acceptance rate. A group company holds the options to these conversion rights.		
Finance leases	**40 073**	77 118
Secured over assets held under finance leases having a book value of R25 million (2002: R31.0 million). A total of R20.1 million (2002: R37.2 million) is repayable within one year. The balance is repayable within 2-5 years.		
Unsecured convertible debentures	**50 000**	50 000
The debentures currently bear interest at 14.15% per annum paid semi-annually in arrears on the nominal amount of R50 million and may be converted into 2 343 018 ordinary shares in the capital of the company having a par value of 0.6146 cents on 10 March 2005. The interest rate is linked to movements in the 6 month JIBAR rate.		
Bond	**38 803**	26 777
Secured by first mortgage bonds over properties with estimated net book values of R60 million (2002: R44 million). The loans bear interest at prime less 1.25% and at prime less 1.0% and are repayable in equal monthly instalments. The last payment is due on 31 May 2013.		
British Pound denominated bank loans to a subsidiary *	**49 929**	21 562
Less amounts payable within one year reflected under current liabilities	**(26 305)**	(55 555)
Total interest-bearing liabilities	**169 075**	136 631
Total non-current liabilities	**169 075**	164 305

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

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

15.4 **Refinancing of the interest-bearing liabilities**

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

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

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

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

	2003 R'000
Interest-bearing senior term debt ("the Metrofile A facility") of approximately	**106 000**

being a 5 year senior loan facility, accruing interest at the prime rate minus 1% on a nominal annual compounded quarterly ("NACQ") basis and to be paid down to R80 million with fixed monthly repayments. The Metrofile A facility lenders have the first right of recourse to the security, together with the providers of the Working Capital facility.

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

	GROUP 2003 R'000	GROUP 2002 R'000
A redeemable convertible loan ("Metrofile B1 facility") of approximately	**20 000**	
being a five-year credit facility, accruing interest at the prime rate on a NACQ basis, repayable from excess cash flows after the Working Capital facility has been repaid and the Metrofile A facility has been reduced to R80 million, secured by a second right of access to the security, ranking *pari passu* with the rights of the providers of the Metrofile B facility and conditional on obtaining exchange control approval from the South African Reserve Bank. The balance of the Metrofile B1 facility, inclusive of accrued and capitalised interest, outstanding on the happening of certain default events or the final date for repayment of the Metrofile B1 facility, will be convertible, at the election of the lenders of the Metrofile B1 facility and the Metrofile B Facility, into Main Street ordinary shares.		
Sub-Total (collectively, "the Metrofile facilities")	**325 000**	
Within MGX the debt remaining after the debt refinancing, being certain concurrent creditors, will have their claims to the value of approximately R65 million compromised in terms of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended. The debt will be settled by MGX through:		
Issuing Notes, at a nominal value of R1 to the value of approximately	**65 000**	
The Issuing Notes will accrue interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, be repayable from the excess cash flows from Main Street once the capital and interest on the Metrofile C facility has been repaid, have a fourth right of recourse to the security and ranking *pari passu* with the rights of the MGX B facility (see below) and be compulsorily converted into MGX shares if the Metrofile C facility converts into Main Street ordinary shares at any time or in the event that the Notes have not been redeemed for cash within 5 years of the date of the debt refinancing becoming unconditional. Redemption is in terms of a pre-determined formula and no voluntary conversion of the Notes into MGX shares is provided for.		
Redeemable convertible loans ("MGX B facility") of approximately	**20 000**	
Other non-trade creditors with claims to the value of approximately R20 million will convert their debt into a three year credit facility, accruing interest at the prime rate plus 3% which interest will be capitalised on a NACQ basis, repayable from excess cash flows of MGX on a *pari passu* basis with the Notes and secured by Didata UK shares and a fourth right of access to the security, ranking *pari passu* with the rights of the Notes, to the extent not secured by Didata Limited shares. The balance of the MGX B facility, inclusive of accrued and capitalised interest, after the exercise of security over Didata UK shares, will be compulsorily convertible into MGX ordinary shares at the end of 5 years in terms of a pre-determined formula.		
	410 000	

	GROUP	
	2003	2002
	R'000	R'000
Security for the Metrofile facilities, the MGX B facility and the Notes, will be provided by Micawber 305 (Proprietary) Limited ("the Guarantor"), a special purpose vehicle created to facilitate a security mechanism for the Capital Providers, in the form of guarantees issued to the Capital Providers and to the holders of the Notes ("the security"). The Guarantor will hold the underlying assets of Main Street and MGX as security for its obligations under the guarantees provided by it to the Capital Providers.		

16. COMMITMENTS

16.1 Authorised capital expenditure

	2003 R'000	2002 R'000
Already contracted for		26 543

16.2 Operating leases

	2003 R'000	2002 R'000
Future leasing charges for premises, equipment and motor vehicles		
Payable within one year	**65 866**	91 472
Payable within two to five years	**98 659**	135 166
Payable thereafter	**76 958**	203 833
	241 483	430 471

16.3 Drive Control Corporation

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

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

16.4 Business Continuity Solutions

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

16.5 Didata Limited subscription and shareholders' agreement

A subscription and shareholders' agreement, relating to the reconstitution of the share capital of Didata Limited, was entered into between Brait Private Equity Limited, Copia Capital Partners, Insigner de Beaufort (Trust) Jersey Limited as Trustees of the Owen Dinsdale Life Interest Trust, MGX and Didata Limited on 9 May 2002. Various clauses within the agreement have a direct impact on the value of MGX's investment in Didata UK as MGX's shareholding in Didata UK is, *inter alia,* dependant on Didata's UK future performance and Brait's and Copia's internal rate of return achieved on their investment. In view of this uncertainty, no AC133 fair value adjustments have been made relating to this agreement.

17. CONTINGENT LIABILITIES

17.1 Securities Regulation Panel/MGX/EC-Hold

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

11 October 1999 to purchase all their shares in EC-Hold. The offer price determined by the SRP was 240 cents per EC-Hold share. MGX has not complied with the ruling of the SRP and in August 2003, a summons, issued by the High Court of South Africa, Witwatersrand Local Division, was served on MGX, in terms of which the SRP sought an order against MGX and several other defendants to, *inter alia,* comply with its ruling of March 2002. MGX has entered an Appearance to Defend.

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

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

17.2 **Cycad Financial Holdings Limited ("Cycad")**

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

17.3 **Sun Microsystems**

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

17.4 **Claim to Didata Shares**

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

17.5 **Labour Actions**

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

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

17.6 **Intellectual Property ("IP") Rights**

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

17.7 **EC-Hold letter of support**

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

– MGX is to remain a holder of a least 40% of the issued share capital of EC-Hold;

– There is to be no other majority shareholder of EC-Hold;

– The support envisaged herein does not breach any of MGX's bank covenants with its Banks;

– No party has made any application, whether provisionally or finally, for the liquidation of EC-Hold.

18. BORROWING POWERS

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

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

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

	GROUP 2003 R'000	GROUP 2002 R'000

19. FINANCIAL RISK MANAGEMENT

19.1 Foreign currency exposure

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

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

	Currency	Amount in foreign currency	Exchange rate used	Reported value	Reported value
Uncovered foreign denominated liabilities	US$'000	6 127	7.50	45 921	38 547
	GBP'000	5	12.39	63	2 813
	Euro'000	31	8.62	263	152
	JPY'000				46
Uncovered foreign denominated assets	US$'000	62	7.50	462	13 868
	GBP'000	67	12.39	833	1 381
	Euro'000	6	8.62	48	
Existing foreign currency forward exchange contracts covering balance sheet items are:					
Buy contracts	US$'000	1 919	7.52 - 8.79	15 117	52 393
	Euro'000				216

19.2 Interest rate risk

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

19.3 Credit risk

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

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

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

19.4 Fair values

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

20. RETIREMENT BENEFIT PLANS

All the retirement benefit plans operated by group companies domiciled in the Republic of South Africa are governed by the Pension Funds Act, 1956 (Act No 24 of 1956) ("the act").

Defined contribution plans

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

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

Defined benefit plan

A total of 538 of the group's employees participated in the MGX/Eureka Pension Fund ("the fund"). This fund is a multi-employer defined benefit fund, governed by the Pension Funds Act (Act No 24 of 1956), and was established with effect from 1 March 1988.

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

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

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

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

21. COMPARATIVE FIGURES

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

22. RELATED PARTY TRANSACTIONS

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

Inter-Company Trading and Group Management Fees

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

During the year, management fees in the amount of R38.0 million (2002: R22 million) were charged to subsidiaries.

Loans

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

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

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

Directors and Management

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

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

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

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

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

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

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

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

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

	GROUP 2003 R'000	2002 R'000

24. CASH FLOW STATEMENT

24.1 Convention

The following convention applies to figures other than adjustments. Outflow of cash is
represented by figures in brackets. Inflow of cash is represented by figures without
brackets.

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

	2003 R'000	2002 R'000
(Loss)/income before taxation	**(588 104)**	33 955
Adjusted by:	**586 807**	145 214
Loss on disposal of property, plant and equipment	**4 139**	4 997
Depreciation and trademark amortisation	**57 829**	42 863
Goodwill amortisation and impairment	**400 734**	82 895
Net finance cost	**78 687**	45 842
Loss on disposal of investments	**13 499**	
Impairment of investments	**11 281**	
Impairment of loans receivable	**14 926**	
Provision for liability in respect of BCS subscribing shareholders	**4 868**	
Other non-cash flow items	**844**	6 554
Cash effect of fair value adjustment		(37 937)
Operating (loss)/profit before working capital changes	**(1 297)**	179 169
Changes in working capital	**81 192**	(50 142)
Decrease/(increase) in inventories	**21 366**	(21 063)
Decrease/(increase) in receivables	**114 973**	(4 808)
(Decrease)/increase in payables	**(55 147)**	(24 271)
Cash generated from/(utilised in) operations	**79 895**	129 027

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

25. FAIR VALUE

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

25.1 EC-Hold Limited – Acquisition date 1 July 2001

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

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

26. SEGMENTAL ANALYSIS

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

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

28. DISCONTINUING OPERATIONS

28.1 Enterprise Solutions

On 27 June 2003, the group announced by way of circular its intention to sell the business of MGX Enterprise Solutions (Pty) Limited. The business was sold, effective 31 July 2003, for R19.0 million and is reported in these financial statements as a discontinuing operation. The revenue, EBITDA, assets,liabilities, depreciation and impairments, capital expenditure and trademark amortisation comprise the entire amounts shown as discontinuing operations for the 'Enterprise solutions' segment in note 26.

28.2 Business Continuity Solutions

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

28.3 Storage Solutions

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

28.4 Software development

Software Futures

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

enTechnologies

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

Subsidiaries

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

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

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

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

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

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

LETTER FROM THE INDEPENDENT ADVISER TO THE BOARD REGARDING THE DEBT REFINANCING

"9 December 2003

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

Dear Sirs

REPORT TO THE SHAREHOLDERS OF MGX HOLDINGS LIMITED ("MGX" or "the Company") ON THE PROPOSED DEBT REFINANCING IN MGX AND ITS SUBSIDIARIES

Introduction

We refer to the proposed debt refinancing circular between MGX and Citibank N.A., South Africa Branch, Investec Bank Limited, The Standard Bank of South Africa Limited, Nedbank Limited, Capital Africa Limited, Drive Control Services (Proprietary) Limited, Eurevest Leasing (Proprietary) Limited ("Eurevest") and the Trustees for the time being of the South African Private Equity Trust III (collectively "the Capital Providers") and the creditors scheme proposed by MGX.

The agreement to refinance the interest-bearing debt ("the debt refinancing"), comprises:

– The sale of the assets and liabilities and business undertaking of Metrofile (Proprietary) Limited ("Metrofile") as a going concern to Main Street 152 (Proprietary) Limited ("Main Street"), a wholly owned subsidiary of MGX and a special purpose vehicle created to facilitate the debt refinancing;
– The capitalisation of Main Street by the Capital Providers by way of secured loans and a combination of redeemable convertible loan notes ("the Main Street Notes");
– The distribution of the disposal proceeds by Metrofile to MGX;
– The payment to the Capital Providers by MGX of an amount equal to the amount by which the Capital Providers capitalised Main Street; and
– The conversion of the Capital Providers' debt in MGX into a combination of redeemable convertible loan notes as set out in the scheme.

The issue by Main Street of the Main Street Notes, will, on conversion, constitute a disposal by the Company under section 228 of the Companies Act and therefore the approval of the majority of the votes of shareholders, other than shareholders who as related parties are parties to the debt refinancing or will have an interest in the Main Street Notes, are required.

In addition, the Board of MGX intends to propose a scheme of arrangement ("the scheme") in terms of section 311 of the Companies Act, 1973 (Act 61 of 1973) as amended ("the Companies Act") with creditors of MGX who have claims against the Company, whether liquidated or unliquidated, actual or contingent ("the scheme creditors"), which will result in the claims of the scheme creditors being settled by way of a compromise under the schemes, with scheme creditors receiving interest-bearing redeemable convertible loan notes to be issued by MGX ("the MGX Notes") in amounts equal to the face value of each scheme creditor's claims in settlement of such claims against MGX. The schemes will require the approval by the majority of the votes of shareholders, other than shareholders who as related parties are parties to the debt refinancing or will have an interest in the MGX Notes.

Scope

The Price family interests are the controlling shareholder of Eureka Industrial Limited ("Eureka") which is a material shareholder of MGX. In addition, Eureka is the beneficial shareholder of 100% of the issued share capital of Eurevest, a capital provider to MGX and a party to the debt refinancing. Consequently, the debt refinancing and the scheme, collectively, constitute a related party transaction in terms of the JSE Securities Exchange South Africa ("JSE") Listings Requirements ("the Listings Requirements"). Accordingly, an opinion is required from an independent professional expert acceptable to the JSE, as to whether the terms and conditions of the debt refinancing and the effects of the scheme are fair and reasonable to the shareholders of MGX.

As a consequence of the above, the board of directors of MGX has appointed us for the purposes of obtaining appropriate independent advice indicating whether the terms and conditions of the debt refinancing and the scheme are fair and reasonable to all the shareholders of MGX.

Information utilised and procedures carried out

In arriving at our opinion we have considered, inter alia, the following:

- a review of the signed Common Terms agreement ("the Common Terms") concluded between MGX and the Capital Providers;
- a review of the liquidation net recovery calculation report prepared by Credit Management Solutions ("CMS") dated March 2003;
- the recovery plan for MGX formulated by the board of directors of MGX;
- a review of published market data and other public information available to us relating to the Business Support Services and Development Capital sectors of the JSE;
- a review of the audited consolidated income statements and balance sheets of MGX and Metrofile for the two financial years to 30 June 2003 and the management accounts of MGX and Metrofile for the three months ended 30 September 2003, prepared by management;
- a review of the consolidated income statement forecast of Metrofile for the financial year ending 30 June 2004, prepared by management;
- the current financial position of MGX;
- a consideration of the possible alternative courses of action for MGX, other than the debt refinancing and the scheme;
- the prevailing economic conditions in South Africa;
- the historical and current market prices and trading volumes of MGX shares; and
- a review of comparable price earnings ("PE") multiples which we have applied to the historic and forecast earnings of Metrofile.

Our procedures and enquiries did not constitute an audit in terms of Statements of South African Auditing Standards. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

Our approach to considering the debt refinancing and the scheme

In considering the debt refinancing and the scheme we have looked at the impact on the ordinary shareholders of MGX. The debt refinancing effects a restructure of MGX's remaining R400 million of debt into senior loans and redeemable convertible loan notes, allowing for capitalisation in five years time to the extent that the redeemable convertible loan notes are not repaid. The scheme effects a compromise with scheme creditors whereby they receive interest-bearing redeemable convertible loan notes in MGX.

We considered the current financial position of MGX and its subsidiaries as presented in the financial information made available to us.

We examined the terms and conditions of the debt refinancing, in particular to gain an understanding of the terms whereby the respective redeemable convertible loan notes may convert into Main Street shares and MGX shares.

We considered and consulted on alternative courses of action open to MGX as advised by MGX management and the effect thereof on ordinary shareholders of MGX.

Finally, we compared estimates of the expected outcomes of alternative courses of action to the impact of the debt refinancing and the scheme on ordinary shareholders of MGX.

Current financial position of MGX

The management accounts presented to us showed that the aggregated liabilities of MGX exceeded its assets at 30 September 2003 and the MGX directors have represented to us that the financial position has not improved since that date.

Other than receivables in respect of subsidiaries, businesses, and other assets sold by MGX in recent disposals and disposals in progress, the major remaining asset of MGX is the business owned and operated by Metrofile.

Based on the outstanding interest-bearing debt owed to the Capital Providers per the Common Terms, and adjustments for disposals subsequently concluded, we were able to quantify the deficit and, thereby, quantify the amount that a market valuation of Metrofile would have to exceed in order for the assets of MGX to exceed its liabilities. We compared this value to the historic and forecast earnings of Metrofile and calculated the Price Earnings multiple implied by this value. Based on market research we performed on Price Earnings multiples, we concluded that this value could not be achieved in a disposal under current market conditions and that, therefore, the fair market valuation of Metrofile was considerably less than this value. Accordingly, we concluded that the liabilities of MGX exceed the fair value of its assets.

Conversion terms of the debt refinancing and scheme

In terms of the debt refinancing and the scheme, redeemable convertible loan notes are to be issued by MGX and by Main Street. The terms of the redeemable convertible loan notes to be issued by Main Street are such that they can convert (either compulsory or at the election of the lenders) into all the equity owned by MGX in Main Street after five years if any amount is still outstanding on these notes and if additional sources of funding cannot be raised to repay these notes. In addition, certain default events may trigger a conversion during the five year period.

The terms of the convertible loan notes to be issued by MGX are such that they can convert into MGX ordinary shares after five years if and to the extent that any amount is still outstanding under the notes and if additional sources of funding cannot be raised to repay the outstanding amounts. The conversion ratio is based on predetermined formulae set out in the Common Terms.

Alternative courses of action

Shareholders currently only have the choice of voting for or against the resolutions to approve the implementation of the debt refinancing and the scheme.

If shareholders choose to vote against the resolutions, the fate of MGX lies in the hands of the Capital Providers and according to our discussions with management there would appear to be four possible logical outcomes in this case. We have considered all four in order to assess the impact on MGX shareholders. They are set out below.

- The Capital Providers may apply for the liquidation of MGX and its subsidiaries.
- The Capital Providers may continue to extend finance to MGX while a buyer for Metrofile is sought and, thereafter, apply for the liquidation of MGX and its subsidiaries.
- The Capital Providers may threaten liquidation proceedings in order to force an immediate conversion of debt into MGX ordinary shares.
- The Capital Providers may extend an offer to MGX shareholders to acquire their shares at a nominal value, terminate the JSE listing and embark on the recovery plan for MGX as a private company.

In the event of either of the first two outcomes set out above, we consider that ordinary shareholders of MGX would receive nothing for their shares. An immediate debt conversion would cause a huge dilution of current MGX shareholders' interests in MGX and, thus their participation in a possible future recovery in the company would be insignificant.

The company has announced that it will propose to shareholders that its listing be terminated. The company will make a cash offer to shareholders at an amount in line with the current estimated value of MGX ordinary shares but shareholders will be able to remain invested in the unlisted entity. However, no firm offer has been made as yet.

Opinion

The value in the debt refinancing and the scheme for MGX shareholders is dependant on uncertain future events in terms of the financial performance of the business of Metrofile, and market conditions for a disposal of the Metrofile business in the future or a refinancing of unsettled balances at the end of the five year period of both the MGX and Main Street Notes.

At worst the debt refinancing and the scheme only defers conversion of debt into equity with a resultant dilution of existing shareholders' interests. At best MGX shareholders may realise a small amount of value for their interests in the future.

Based on the information considered and the current financial position of MGX, we are of the opinion that the terms and conditions of the transaction are fair and reasonable to the shareholders of MGX.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

We confirm that we have no financial interest in MGX, or the transaction. Furthermore, we confirm that our professional fees are not contingent upon the success of the transaction. Deloitte & Touche Chartered Accountants (SA) are the auditors of MGX.

We hereby consent to the inclusion of this letter and references thereto in the circular in the form and context in which they appear.

Yours faithfully

DELOITTE & TOUCHE CORPORATE FINANCE

Woodmead"

TERMS AND CONDITIONS OF THE MGX NOTES

1. DEFINITIONS AND INTERPRETATION

In these Terms and Conditions:

1.1 Unless the context clearly indicates a contrary intention:

1.1.1 the expressions defined or given a particular construction in the Common Terms Agreement (as defined below), shall have the same meaning in these Terms and Conditions;

1.1.2 the following expressions shall bear the following meanings and related expressions bear corresponding meanings:

1.1.2.1 "**Certificate**" means a certificate issued by the Issuer to a Noteholder in respect of the Notes held by that Noteholder;

1.1.2.2 "**Common Terms Agreement**" means a written Common Terms Agreement executed on Thursday, 20 November 2003 amongst, *inter alia*, Citibank, N.A., South African Branch, Investec Bank Limited, Nedbank Limited, Momentum Group Limited, Standard Corporate and Merchant Bank (a division of The Standard Bank of South Africa Limited), Capital Africa Limited, South African Private Equity Trust III, Drive Control Services (Proprietary) Limited, MGX Holdings Limited, Main Street 152 (Proprietary) Limited, Metrofile (Proprietary) Limited, Micawber 305 (Proprietary) Limited, Eurevest Leasing (Proprietary) Limited and the Original Guarantors listed in schedule 1 thereto (as the same may be amended, varied or supplemented from time to time in accordance with the provisions thereof);

1.1.2.3 "**Final Redemption Date**" means the 5th anniversary of the Effective Date;

1.1.2.4 "**Indebtedness**" means any indebtedness in respect of monies borrowed and guarantees given, whether present or future, actual or contingent;

1.1.2.5 "**Instrument of Transfer**" means an instrument of transfer (in form and substance satisfactory to the Facility Agent), which shall incorporate, *inter alia*:

1.1.2.5.1 an Accession Undertaking;

1.1.2.5.2 a Transfer Certificate;

1.1.2.5.3 written confirmation from the transferee of the Notes that it will assume the same obligations to the other Finance Parties as it would have been under if it was the registered Noteholder in respect of the Notes to be transferred to it;

1.1.2.6 "**Interest**" means interest payable on the Notes, calculated at the Interest Rate;

1.1.2.7 "**Interest Rate**" means Prime plus 3% per annum;

1.1.2.8 "**Issuer Shares**" means shares in the unissued share capital of the Issuer;

1.1.2.9 "**Issue Price**" means R1.00 per Note;

1.1.2.10 "**the Issuer**" means MGX Holdings Limited (Registration number 1983/012697/06), a public company incorporated under the company laws of the Republic of South Africa;

1.1.2.11 "**Note**" means an MGX "A" Note, being a secured note of R1,00, issued by the Issuer on these Terms and Conditions;

1.1.2.12 "**Noteholder**" means the registered holder of a Note from time to time;

1.1.2.13 "**Prime**" means the publicly quoted basic rate of interest per annum, compounded monthly in arrear and calculated on a 365-day year (irrespective of whether or not the year is a leap year) from time to time published by The Standard Bank of South Africa Limited as being its prime overdraft rate, as certified by any manager of such bank, whose appointment and designation need not be proved;

1.1.2.14 "**Redemption Date**" means a date on which Notes are redeemed pursuant to clause 7 or clause 8, as the case may be;

1.1.2.15 "**Redemption Notice**" means a notice given by the Issuer to the Noteholder redeeming all or some of the Notes held by a Noteholder;

1.1.2.16 "**Redemption Proceeds**" means the proceeds payable by the Issuer to a Noteholder on a redemption of Notes, being the nominal value of the Notes redeemed plus all accrued unpaid Interest thereon;

1.1.2.17 "**Register**" means the register of Noteholders to be opened and maintained by the Issuer;

1.1.2.18 "**Scheme**" means the MGX Scheme, a scheme of arrangement in terms of section 311 of the Companies Act between the Issuer and certain of its creditors, sanctioned by the High Court of South Africa (Witwatersrand Local Division), pursuant to which the scheme creditors are to compromise their claims against the Issuer by accepting Notes;

1.1.2.19 "**Security**" means the security given by the Debt Guarantor to, amongst others, the Trust for the benefit of Noteholders, comprising the MGX Facility Guarantee, as defined in the Common Terms Agreement;

1.1.2.20 "**these Terms and Conditions**" means the terms and conditions of the Notes, as set out herein;

1.1.2.21 "**the Trust**" means the MGX Noteholders Trust, established between the Debt Guarantor, Newco, Maitland Trust Limited and the Issuer;

1.1.2.22 "**the Trust Deed**" means the written instrument creating and governing the Trust; and

1.1.2.23 "**Trustee**" means the trustee for the time being of the Trust;

1.1.3 where any term is defined within the context of any particular clause, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, the term so defined shall bear the meaning ascribed to it for all purposes in terms of these Terms and Conditions, notwithstanding that the term has not been defined in this interpretation clause.

2. INCORPORATION OF TERMS AND DEEMED NOTICE

2.1 Common Terms Agreement

2.1.1 The provisions of the Common Terms Agreement are expressly and specifically incorporated into these Terms and Conditions, in accordance with the provisions of clause 2.5 (Application and Interpretation of this Agreement) thereof.

2.1.2 In the event of any conflict between the provisions of these Terms and Conditions and the provisions of the Common Terms Agreement, the provisions of these Terms and Conditions shall prevail.

2.2 **Trust Deed**

2.2.1 In addition to the provisions of these Terms and Conditions, the provisions of the Trust Deed shall apply to the Notes.

2.2.2 In the event of any inconsistency between the provisions of these Terms and Conditions and the provisions of the Trust Deed, these Terms and Conditions shall prevail in relation to the Notes.

2.3 **Intercreditor Agreement**

2.3.1 These Terms and Conditions and the rights and obligations of the Noteholders shall in all respects be subject to the provisions of the Intercreditor Agreement.

2.3.2 In the event of any inconsistency between the provisions of these Terms and Conditions and the Intercreditor Agreement, the provisions of the Intercreditor Agreement shall prevail.

2.4 **Subordination Agreement**

2.4.1 These Terms and Conditions and the rights and obligations of the Noteholders shall in all respects be subject to the provisions of the Subordination Agreement.

2.4.2 In the event of any inconsistency between the provisions of these Terms and Conditions and the Subordination Agreement, the provisions of the Subordination Agreement shall prevail.

2.5 **Deemed Notice**

2.5.1 The Noteholders are deemed to have notice of the provisions of the Common Terms Agreement, the Trust Deed, the Intercreditor Agreement, the Subordination Agreement, the MGX Facility Guarantee and any other Transaction Documents to which the Trustee is a party (in its capacity as Trustee).

2.5.2 Any Noteholder shall be entitled, upon written request to the Trustee, to receive copies of Common Terms Agreement, the Trust Deed, the Intercreditor Agreement, the Subordination Agreement, the MGX Facility Guarantee and any other Transaction Documents to which the Trustee is a party (in its capacity as Trustee), provided that a failure by the Trustee to provide any such copies to any Noteholder, shall not affect the validity or enforceability of the provisions of clause 2.5.1.

2.6 **Accession by Trustee**

To the extent as may be necessary or required, the Noteholders authorise the Trustee to accede as a party to the Common Terms Agreement, the Intercreditor Agreement, the Subordination Agreement, the MGX Facility Guarantee as well as any other Transaction Documents in which it is contemplated that the Trustee will become a party (in its capacity as Trustee).

3. **ISSUE OF NOTES**

3.1 Each Note shall be issued at its nominal value of R1.00.

3.2 The Issuer shall issue Notes to scheme creditors of the Issuer compromised under the Scheme. The number of Notes issued to a Noteholder shall equal the Rand value of the Noteholder's claim against the Issuer, rounded to the nearest R1.00, compromised by the issue of those Notes.

3.3 Payment of the Issue Price in respect of each Note shall be effected by set-off against the claims of the Noteholder against the Issuer settled by the issue of Notes.

3.4 No Note shall be issued for cash.

4. ESTABLISHMENT AND MAINTENANCE OF THE REGISTER

The Issuer shall establish and maintain the Register in accordance with section 128 of the Companies Act.

5. INTEREST

5.1 Interest on the Notes will accrue daily at the Interest Rate. Unpaid interest will be capitalised on a quarterly basis on the last day of every Quarterly Period.

5.2 Interest shall be paid, to the extent that the Issuer has sufficient funds to do so in accordance with and to the extent permitted by the Priority of Payments and/or clause 10 (Prepayments and Cancellations) of the Common Terms Agreement. There shall be no obligation on the Issuer to pay interest, otherwise than in accordance with the Priority of Payments and/or clause 10 (Prepayments and Cancellations) of the Common Terms Agreement.

5.3 Notwithstanding the preceding provisions of these Terms and Conditions, interest on Notes redeemed for cash pursuant to clause 7 (but excluding partial redemptions as contemplated in clause 7.3) shall cease to accrue from the Redemption Date of those Notes as specified in the relevant Redemption Notice.

6. SECURITY

6.1 It is recorded that the Trust has been established to take and hold the security in respect of the obligations of the Issuer under the Notes on behalf of all Noteholders. Such security comprises the MGX Facility Guarantee, given by the Debt Guarantor.

6.2 Save as provided in 6.1, the Notes are unsecured. Neither the Trust nor any Noteholder shall be entitled to any benefit from the MGX Facility Guarantee, otherwise than in accordance with the Priority of Payments.

6.3 No Noteholder shall be entitled to proceed directly against the Debt Guarantor for any payment under the MGX Facility Guarantee. The basis on which the Trust may enforce its rights under the MGX Facility Guarantee are set out in the MGX Facility Guarantee and the Trust Deed.

7. REDEMPTIONS FOR CASH

7.1 The Issuer shall only redeem Notes for cash, to the extent that it has sufficient funds to do so in accordance with the Priority of Payments and/or clause 10 (Prepayments and Cancellations) of the Common Terms Agreement and prior to the Final Redemption Date.

7.2 Any Notes not redeemed for cash by the Final Redemption Date shall be redeemed by the issue of Issuer Shares as contemplated in clause 8.

7.3 Any redemption for cash which constitutes a partial redemption of all Notes in issue shall be effected so as to redeem the same percentage of Notes from each Noteholder.

7.4 If the Issuer becomes obliged by the Priority of Payments and/or clause 10 (Prepayments and Cancellations) of the Common Terms Agreement to redeem Notes for cash, the Issuer shall send to the Noteholder, at the address of that Noteholder specified in the Register, a Redemption Notice:

7.4.1 specifying the number of Notes held by that Noteholder which are to be redeemed for cash;

7.4.2 specifying the Redemption Date of such redemption, which shall be a date not earlier than the 20th Business Day after the date of the Redemption Notice; and

7.4.3 calling on the Noteholder to surrender its existing Certificate prior to the Redemption Date in order to receive the Redemption Proceeds due to that Noteholder. The Redemption Notice shall draw the attention of Noteholders to the fact that Interest on the Notes will cease to accrue from the Redemption Date, irrespective of whether the Noteholder surrenders its Certificate as required by the Redemption Notice.

7.5 Payment of Redemption Proceeds due to Noteholders shall be procured and paid by the Issuer on the Redemption Date specified in the Redemption Notice, provided that if a Noteholder has not surrendered his Certificate by the Redemption Date, payment to that Noteholder shall be deferred and shall only be made within five Business Days after surrender of the relevant Certificate by the Noteholder.

7.6 Within five Business Days of redeeming any Notes for cash the Issuer shall send to the Noteholder, at its address specified in the Register and free of consideration, a replacement Certificate in respect of the balance, if any, of the Notes held by that Noteholder.

8. REDEMPTIONS BY ISSUES OF ISSUER SHARES

8.1 Should the Metrofile C Loan be repaid by the issue of Shares in Newco, as contemplated in the Common Terms Agreement, the Issuer shall forthwith compulsorily redeem all outstanding Notes by issuing Issuer Shares to Noteholders in accordance with clauses 8.3 and 8.4.

8.2 If, at the Final Repayment Date, any Notes have not been redeemed, the Issuer shall, with effect from the Final Repayment Date, redeem all such outstanding Notes by issuing Issuer Shares to Noteholders in accordance with clauses 8.3 and 8.4.

8.3 If the Issuer becomes obliged to redeem Notes by the issue of Issuer Shares, the Issuer shall send to the Noteholder, at the address of that Noteholder specified in the Register, a Redemption Notice:

8.3.1 advising the Noteholder of the redemption of Notes by the issue of Issuer Shares;

8.3.2 specifying the Redemption Date of such Notes. In the circumstances contemplated in clause 8.1 such date will be the date on which the Metrofile C facility was repaid by the issue of Shares in Newco. In the circumstances contemplated in clause 8.2 such date will be the Final Redemption Date; and

8.3.3 calling on the Noteholder to surrender its existing Certificate in order to receive the Issuer Shares due to it.

8.4 The number of Issuer Shares to be issued to a Noteholder pursuant to a redemption effected in terms of clause 8.1 or 8.2 shall be determined by applying the formula:

MCS = MCO/MVPMS

where:

MCS = the number of Issuer Shares which will be issued to a converting Noteholder (which will be issued as fully paid-up Shares in the share capital of the Issuer), with any fraction resulting from the above calculation being rounded up to the nearest whole number of Shares;

MCO = the nominal value of all Notes held by the Noteholder and not redeemed, plus any accrued and unpaid Interest thereon (including capitalised Interest);

MVPMS = means:

(a) if the Issuer is listed on the JSE Securities Exchange South Africa, the volume weighted average price of an Issuer Share for the 3 (three) month period preceding the relevant Redemption Date, as quoted on the JSE Securities Exchange South Africa; or

(b) if the Issuer is not listed on the JSE Securities Exchange South Africa, an average (as determined by the Facility Agent) of the services sector price: earning multiple over the 3 (three) month period preceding the relevant Redemption Date less 10% (ten percent) and multiplied by the consolidated earnings of the Issuer divided by the total issued Shares in the share capital of the Issuer.

8.5 Any stamp duty, marketable securities tax and/or uncertificated securities tax payable in respect of the issue of any Shares, and any tax payable on the creation of such Shares, shall be payable by the Issuer. If the Issuer fails to comply with this obligation to pay such stamp duty, marketable securities tax, uncertificated securities tax or other tax payable on the creation of the Shares, the Facility Agent or the relevant Noteholder may instead pay such amounts and all moneys expended by the Facility Agent or the relevant Noteholder in doing so shall be reimbursed by the Issuer to the Facility Agent or the relevant Noteholder, as the case may be, on demand and shall carry interest at the Default Rate from the date of payment by the Facility Agent or the relevant Noteholder, as the case may be, until reimbursed by the Issuer.

8.6 The Issuer and the relevant Noteholder will execute such documents and do all such acts and things and give all such assistance and assurances as may be required by the Facility Agent or under applicable law to give effect to the conversion of the Outstandings (or any part thereof) into Issuer Shares as contemplated by this clause 8.

8.7 The Facility Agent shall be entitled to require the Issuer to issue the Issuer Shares to the relevant Noteholders in renounceable form.

9. PAYMENT

9.1 All cash payments in respect of the Notes shall be paid by or on behalf of the Issuer in Rand in the Republic of South Africa.

9.2 All monies payable on or in respect of the Notes shall be paid by electronic funds transfer to the account of the Trustee, who shall as soon as is reasonably possible pay such monies by electronic funds transfer to the account of the Noteholder specified in the Register.

10. TAXATION

All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in the Republic of South Africa. In the event that withholding tax or such other deduction is required by law, then the Issuer will make such payments after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Such withholding or deduction (if any) will constitute a payment of Interest or principal, as the case may be, on the Notes to the Noteholders. The Issuer shall not be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

11. CERTIFICATE

11.1 The Issuer shall, within seven days after payment of the Issue Price in full and at no cost to the Noteholders, issue Certificates.

11.2 The Certificates shall be issued in accordance with the provisions of section 126 of the Companies Act.

11.3 If any Certificate is worn out or defaced then, upon its presentation to the Issuer, the Issuer may cancel that Certificate and issue a new Certificate in its place.

11.4 If a Certificate is lost or destroyed then, upon proof thereof to the satisfaction of the Issuer, a new Certificate in lieu thereof may be issued to the person entitled to the lost or destroyed Certificate, provided that the Noteholder shall provide the Issuer with an indemnity and pay any out-of-pocket expenses for investigating the loss. The person providing the indemnity and the form of the indemnity shall be to the satisfaction of the Issuer.

12. TRANSFERS OF NOTES

12.1 The Notes are transferable, subject to the provisions of clause 25 (Change of Party) of the Common Terms Agreement. An Instrument of Transfer shall be executed in respect of every transfer.

12.2 The Instrument of Transfer of any Notes shall be executed by both the transferor and the transferee and the transferor shall be deemed to remain the holder of the Notes until the date on which:

12.2.1 the name of the transferee is entered in the Register in respect thereof; and

12.2.2 the date on which the conditions set out in clause 25.3 (Conditions of Assignment and Transfer) of the Common Terms Agreement, read with clause 25.5 (Procedure for Transfer) of the Common Terms Agreement, have been met.

12.3 The Issuer may decline to recognise any Instrument of Transfer unless the Instrument of Transfer is accompanied by the Certificate of the Notes to which it relates and such other evidence as the Issuer may reasonably require to show the right of the transferor to make the transfer.

12.4 The executor of the estate of a deceased Noteholder shall be the only person recognised by the Issuer as having any title to the Notes held by such deceased Noteholder. In the case of a Note registered in the names of two or more holders, the survivors or survivor, or the executor of the deceased survivor shall be the only persons recognised by the issuer as having any title to the Notes held by such Noteholders.

12.5 Any person becoming entitled to a Note in consequence of the death or insolvency of a Noteholder shall, upon such evidence being produced as may from time to time be required by the Issuer, have the right, either to be registered as a Noteholder in respect of the Note or instead of being registered himself, to make such transfer of the Note as the deceased or insolvent could have made, but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Note by the deceased or insolvent before their death or insolvency.

12.6 The parent or guardian of a minor and the *curator bonis* of a lunatic Noteholder and any person becoming entitled to Notes in consequence of the death or insolvency of any Noteholder or the marriage of any female Noteholder or by any lawful means, other than by transfer in accordance with these terms and conditions may, upon producing such evidence as sustains the character in which he proposes to act under this clause, or of his title, as the Issuer thinks sufficient, transfer those Notes to himself or any other person subject to the clauses as to transfer set out above.

12.7 A person becoming entitled to a Note by reason of the death or insolvency of the Noteholder shall be entitled to the same advantages to which he would be entitled if he were the registered Noteholder.

12.8 A person who submits proof of his appointment as the executor, administrator, trustee, curator or guardian in respect of a deceased Noteholder or the estate of a Noteholder whose estate has been sequestrated, or who is otherwise under a disability or as the liquidator of any body corporate which is a Noteholder shall be entered in the Register *nomine officii*, and shall thereafter, for all purposes, be deemed to be a Noteholder.

13. SUBORDINATION

Notwithstanding anything to the contrary contained in any Finance Document, it is recorded that each of the Noteholders have, in terms of, and subject to, clause 29 (Subordination) of the Common Terms Agreement and for the sole purpose of restoring factual solvency to the relevant Borrower, undertaken in favour of any third party creditors (not being any Finance Party or any Shareholders) of the Issuer, that any liquidated claims of such third party creditors shall rank in priority to the Outstandings of the Noteholders *pro rata* to their Outstandings under the Notes.

14. MISCELLANEOUS MATTERS

14.1 Dispute resolution

Any dispute arising out of or in connection with these Terms and Conditions including, without limitation, any dispute concerning:

14.1.1 the existence of these Terms and Conditions apart from this clause;

14.1.2 the interpretation and effect of these Terms and Conditions;

14.1.3 the parties' respective rights or obligations under these Terms and Conditions;

14.1.4 the rectification of these Terms and Conditions; and

14.1.5 any breach, termination or cancellation of these Terms and Conditions,

shall be referred for summary determination, to an independent attorney of not less than 10 years' standing agreed by the parties or, failing agreement within seven days, appointed by the President of the Law Society of the Northern Provinces. Such independent attorney shall act as an expert and not as an arbitrator and such determination shall be binding on the parties in the absence of manifest error.

14.2 Entire contract

These Terms and Conditions, read with the scheme and the other agreements mentioned herein, contain all the terms and conditions applicable to the Notes.

14.3 Amendment of these Terms and Conditions

These Terms and Conditions may only be amended by agreement of the Issuer and the Trustee. The Trustee shall not agree to any such amendment unless authorised to do so by a Special Resolution (as defined in the Trust Deed).

14.4 No representations

Neither the Issuer nor the Noteholder may rely on any representation which allegedly induced that party to enter into these Terms and Conditions, unless the representation is recorded in these Terms and Conditions.

14.5 Applicable law

These Terms and Conditions shall be interpreted and implemented in accordance with the law of the Republic of South Africa.

14.6 Jurisdiction

The parties consent to the non-exclusive jurisdiction of the High Court of South Africa (Witwatersrand Local Division).

14.7 Illegality

If any term or provision of these Terms and Conditions is held to be invalid, unenforceable or illegal, then the remaining terms and provisions of these Terms and Conditions shall be severable therefrom and shall continue in full force and effect unless such invalidity, unenforceability or illegality goes to the root of these Terms and Conditions.

MGX
HOLDINGS LIMITED

MGX Holdings Limited

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

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders will be held at 09:00 on Monday, 19 January 2004 at 22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton, for the purpose of considering and if deemed fit, passing with or without modification, the ordinary resolutions set out below.

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

ORDINARY RESOLUTION NO.1

"Resolved that the assumption by Main Street of the Metrofile facilities, which, on conversion, will constitute a disposal by the Company under section 228 of the Companies Act, on the terms and conditions set out in the facility agreements, as read with the common terms agreement, copies of which, initialled by the chairman for purposes of identification, were tabled at the meeting, be and is hereby approved by a simple majority of the votes of shareholders, other than shareholders who as related parties are parties to the debt refinancing or will have an interest in the Metrofile facilities, and that any one director of the Company, acting alone, be and is hereby authorised to sign all such documents and do all such things as may be necessary or requisite to give effect to and implement the terms of the Metrofile facilities."

ORDINARY RESOLUTION NO. 2

"Resolved that the assumption by the Company of the MGX B facility, which, on conversion will convert into MGX share capital on the terms and conditions set out in the facility agreements, as read with the common terms agreement, copies of which, initialled by the chairman for purposes of identification, were tabled at the meeting, be and is hereby approved by a simple majority of the votes of shareholders, other than shareholders who as related parties are parties to the debt refinancing or will have an interest in the MGX B facility, and that any one director of the Company, acting alone, be and is hereby authorised to sign all such documents and do all such things as may be necessary or requisite to give effect to and implement the terms of the MGX B facility."

ORDINARY RESOLUTION NO. 3

"Resolved that the issue by the Company of the MGX notes on the terms and conditions set out in Annexure 5 of the circular, a copy of which, initialled by the chairman for purposes of identification, was tabled at the meeting, be and is hereby approved by a simple majority of the votes of shareholders, other than shareholders who as related parties are parties to the debt refinancing or will have an interest in the MGX notes, and that any one director of the Company, acting alone, be and is hereby authorised to sign all such documents and do all such things as may be necessary or requisite to give effect to and implement the terms of the MGX notes."

These resolutions must be passed by a simple majority of shareholders of the Company, present in person, by authorised representative or by proxy. The related parties as described in paragraph 9 of this circular will not be allowed to vote at the general meeting on any of the above resolutions.

INSTRUCTION AND PROXIES

Shareholders holding certificated MGX shares and shareholders who have already dematerialised their MGX shares, and who have elected own-name registration in a sub-register through a CSDP, who are unable to attend the general meeting but wish to be represented thereat should complete and return the attached form of proxy, in accordance with the instructions contained therein, to the office of the transfer secretaries, Computershare Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 09:00 on Thursday, 15 January 2004, or if the general meeting is adjourned or postponed, by not later than 48 hours prior to the time of the adjourned or postponed general meeting.

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

By order of the board.

MGX HOLDINGS LIMITED
Charl du Plessis
Company secretary

Sandton
17 December 2003

Registered office
22 Milkyway Avenue
Linbro Business Park
Linbro Park, Sandton, 2146
(PO Box 1697, Bramley, 2015)

Transfer secretaries
Computershare Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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MGX Holdings Limited

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

FORM OF PROXY

For use **only by** MGX shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their MGX shares and who have elected "own name" registration at the general meeting of shareholders of MGX, to be held at **09:00** at **22 Milkyway Avenue, Linbro Business Park, Linbro Park, Sandton,** on **Monday, 19 January 2004** or at any adjournment or postponement thereof.

I/We (BLOCK LETTERS please)

of

Telephone work ( ) Telephone home ( )

being the holder/s or custodians of [ ] MGX shares, hereby appoint (see note 1 overleaf):

1. or failing him/her,

2. or failing him/her,

the Chairman of the general meeting of shareholders,

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

	For	Against	Abstain
Ordinary resolution no.1			
Ordinary resolution no.2			
Ordinary resolution no.3			

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

Signed at on 2003/2004

Signature

Assisted by (where applicable)

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

Please read the notes on the reverse side hereof.

Notes:

A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the general meeting of shareholders", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

1. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting on a show of hands or on a poll, as the case may be, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

2. The completion and lodging of this form of proxy by shareholders holding certificated shares, nominee companies of CSDPs or brokers and shareholders who have dematerialised their shares or who have elected "own name" registration will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares through a CSDP or broker and who have not elected "own name" registration in the sub-register maintained by the CSDP, and who wish to attend the general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the general meeting, must provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

3. The form of proxy must be received by the transfer secretaries by no later than 09:00 on Thursday, 15 January 2004, or if the general meeting is adjourned or postponed, by not later than 48 hours prior to the time of the adjourned or postponed general meeting.

4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

6. On a show of hands, every shareholder shall have only one vote, irrespective of the number of shares they hold or represent, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote.

7. On a poll, every shareholder present in person or represented by proxy shall have one vote for every MGX share held by such shareholder.

8. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by the Chairman of the general meeting of shareholders or any person entitled to vote at such meeting.

9. If a poll is demanded, the resolutions put to the vote shall be decided on a poll.