



BRIMSTONE–STYLE EMPOWERMENT GETS GREEN LIGHT AT OLD MUTUAL

BRIMSTONE is the major shareholder in a consortium with Mtha-we-Mpumelelo, a coalition of South African black business people tied together through the common thread of entrepreneurial spirit. Together they are part of one of South Africa's biggest empowerment deals in the Financial Sector to date, a series of transactions that are aimed at introducing broad-based ownership to the Old Mutual Group's South African subsidiaries, Old Mutual (SA), Nedcor and Mutual & Federal.

In terms of the deal, the BRIMSTONE Consortium will end up with an effective 0.71 percent of Old Mutual plc which amounts to 1.70 percent of Old Mutual (SA), as well as 0.91 percent of Nedcor. At its current share price BRIMSTONE's market capitalisation is around R240 million. Its 67 percent stake in the consortium values its portion of the Old Mutual Transaction at about R500 million over the 10 year period.

The BRIMSTONE Consortium is led by BRIMSTONE's non-executive chairman Professor Jakes Gerwel, executive deputy chairman Fred Robertson and CEO Mustaq Brey. BRIMSTONE holds 67% of the equity of the BRIMSTONE Consortium. The remaining 33% of the BRIMSTONE Consortium is owned by Mtha-we-Mpumelelo, a company whose shareholders include Izingwe Financial Investments founded and chaired by Sipho Pityana, Chestnut Hill Investments headed by Bulelani Ngcuka, South African Medical and Dental Practitioners, the Black Lawyers Association and the National Association of Democratic Lawyers.

For BRIMSTONE, which has established itself as a significant and well managed empowerment company since its 1998 listing, it's the formalisation of a longstanding relationship with Old Mutual that goes back almost 25 years, in the case of some of the BRIMSTONE executives. Old Mutual (SA) owns 9.95% of BRIMSTONE'S 'N' ordinary shares.

Brey says the Old Mutual Group was impressed by BRIMSTONE's active management style, its successful partnership approach and its empowerment profile. "More than 52 percent of our economic value is in the hands of some 3 700 historically disadvantaged individuals. We directly employ 1 100 employees with almost 20 000 in our underlying investments," he says.

Brey says the initial 2.5 percent entry tranche would be funded through BRIMSTONE's current cash resources. "It's obviously an attractively priced deal. What is important to us are the performance agreements, which could see us saving significantly on debt funding over the next five years," he says.

Robertson, who picked up his 10-year long service award at Old Mutual in 1990 before starting his own insurance business, is enthusiastic about the opportunities presented by the empowerment deal. "Our shareholder base which stretches from the Cape Flats to the Limpopo River now has an investment in one of the top company's in South Africa with an international revenue stream. The Old Mutual Transaction is the best endowment policy we could have bought for our shareholders and employees."

"We look forward to our relationship with the Old Mutual Group as an active partnership which will create real value for the shareholders of Old Mutual (SA), Nedcor and Brimstone."

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