

PRESS RELEASE

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Tandem Capital spends millions and empowers thousands

Tandem Capital celebrates two years of broad based empowerment this month, and will look back in pride on R85 million worth of investments and a dramatic increase in value for its empowerment scheme participants.

Formed in October 2004, Tandem Capital is an empowerment investment group controlled by The Olwethu Trust. Safika Holdings and RMB Corvest, a private equity business within the Rand Merchant Bank Group have minority shareholdings in the business.

“With 51% of Tandem Capital owned by almost 4 500 employees from the 25 companies who participate in The Olwethu Trust, the company is truly a broad-based, black-owned investment company,” Tandem Capital MD Vuli Cuba said.

He said 40% of value generated by the trust benefited previously disadvantaged women.

Cuba said that during March this year, empowerment ratings agency EmpowerDex awarded Tandem Capital the full 20 points allocated to ownership in the scorecard of the Department of Trade and Industry's Draft Codes of Good Practice.

It has been an eventful two years for Tandem. The group has invested R85 million in seven companies across various industries including medical, hygiene, mining components and paint:

- Tandem Capital concluded its first deal in October 2004, when it acquired 40% of deep cleaning and hygiene services business Industrial Health Services, which required a BEE shareholder.
- In the same month Tandem participated in the management buy-out of Insimbi Alloy Supplies. The trader of metal alloys parted ways with its previous shareholder, Metallurg Inc. The company is now owned by Tandem Capital, RMB Corvest and management.

- October 2004 also saw the acquisition of Surgitech, a distributor of disposable medical devices. Surgitech has private and state hospitals as clients, both of which require their suppliers to be empowered.
- In January 2006 Tandem Capital acquired 40% of Gazelle Plastics, one of the country's leading HDPE and PVC piping manufacturers. RMB Corvest took a 7.5% direct stake, with management retaining the remaining 52.5%.
- In the same month, Tandem Capital took a 40% stake in a merger of filter distributors, being Filter Flow, First Filtration and Francol. RMB Corvest has a direct 10% stake in the business, and the three management teams retained 50%.
- January 2006 also saw the R205 million management buy out and BEE investment into one of SA's leading paint manufacturers, Chemical Specialities (Pty) Ltd (Chemspec).
- Tandem Capital's latest deal was an empowerment investment in Al Clad Interior Systems, a store fittings manufacturer, in March this year. This deal empowered an existing investment of RMB Corvest's.

Investments in strong, growing businesses saw Tandem deliver a robust financial performance in its second set of Annual Financial Statements. As at the company's financial year end, 30 June 2006, the Olwethu scheme units - which allow its broad base of investors to participate in Tandem's investments, were valued by the trustees at R6.00 each, representing six times the issue price of R1.00 at inception. At 30 June 2005 the trustees valued the units at R2.80.

"This shows that Tandem Capital's investments are performing according to their forecast scenarios and that value is being created for the employees that are participating," Cuba said.

Stephen Brown, who represents RMB Corvest on the Tandem Capital board, said RMB Corvest had initially made R50 million available for Tandem to invest.

"In the last year, we have made another R100 million available in return for an increased shareholding in Tandem. The Participants' Employee Share Trust was also renamed The Olwethu (meaning 'ours' in Xhosa) Trust," Brown said.

Tandem Capital is now 8.5% held by Safika Holdings, (initially 10%), The Olwethu Trust: 51.3% (initially 60%), and RMB Corvest: 40.2% (initially 30%).

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Notes to editors

RMB Corvest is a private equity company in the FirstRand Group. It was established in 1989 by Neil Page, Dick Merks and Dave Rissik with the aim of investing in established, well-managed businesses with a demonstrable record of performance. It has completed more than 100 deals to date and has a professional staff complement of nine people with collective experience in investment banking of about 90 years.

The company specialises in orchestrating and funding private equity deals in the medium enterprise sector, especially those with a BEE component. RMB Corvest provides specialist services including funding for BEE consortiums to secure equity stakes and providing BEE solutions to companies.

RMB Corvest initiatives include Tandem Capital, a broad-based black managed and controlled investment company that is 40% owned by RMB Corvest; and 8.5% by Safika Holdings, one of SA's leading empowerment investment companies, with whom RMB Corvest co-invests in selected empowerment deals.