



ENTERPRISE RISK MANAGEMENT LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1995/001603/06)
Share code: ERM ISIN: ZAE000037701
("the company" or "the group")

Group income statement

	Reviewed Six months to 31 August 2006 (R'000)	Reviewed Restated Six months to 31 August 2005 (R'000)	Audited Twelve months to 28 February 2006 (R'000)
Turnover	–	–	–
Operating loss	(3 150)	(1 090)	(2 518)
Realised capital gains on sale of investments	5 353	2 784	16 031
Investment income	3 990	1 886	4 836
Profit before taxation	6 193	3 580	18 349
Taxation	(1 101)	(533)	(1 874)
Profit for the period	5 092	3 047	16 475
Weighted average number of shares (000's)	54 568	53 576	53 576
Earnings per share (cents)	9,3	5,7	30,8
Diluted earnings per share (cents)	9,3	5,7	30,3
Reconciliation of headline earnings:			
Earnings attributable to shareholders	5 092	3 047	16 475
Realised capital gains on sale of investments (net of tax)	(4 577)	(2 380)	(13 709)
Headline earnings	515	667	2 766
Headline earnings per share (cents)	0,9	1,2	5,2
Diluted headline earnings per share (cents)	0,9	1,2	5,1

Group balance sheet

	Reviewed 31 August 2006 (R'000)	Reviewed Restated 31 August 2005 (R'000)	Audited 28 February 2006 (R'000)
Assets			
Non-current assets			
Financial assets	36 534	66 119	50 217
Deferred taxation	3 646	5 623	3 948
Loan receivable	–	10 767	–
Current assets	60 679	2 547	44 638
Accounts receivable	122	807	666
Loan receivable	2 000	–	11 287
Cash and cash equivalents	58 557	1 740	32 685
Total assets	100 859	85 056	98 803
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
	99 342	84 806	98 394

Consolidated reviewed results for the six months ended 31 August 2006

Group statement of changes in equity

	Reviewed Six months to 31 August 2006 (R'000)	Reviewed Restated Six months to 31 August 2005 (R'000)	Audited Twelve months to 28 February 2006 (R'000)
Stated capital			
Opening balance	59 001	59 001	59 001
– Share options exercised	1 722	–	–
– Treasury shares bought back (at cost)	(1 186)	–	–
Closing balance	59 537	59 001	59 001
Retained earnings			
Opening retained earnings as previously reported	24 197	16 686	16 686
Prior year adjustment	–	(1 163)	(1 163)
– Deferred tax	–	(1 163)	(1 163)
– Change in accounting policy as a result of IFRS	–	(158)	(158)
Restated balance	24 197	15 365	15 365
Transfer to fair value reserves as a result of IFRS conversion	–	(7 643)	(7 643)
Net profit for the period	5 092	3 047	16 475
Closing balance	29 289	10 769	24 197
Fair value reserves			
Opening balance	14 522	–	–
Transfer from distributable reserves as a result of IFRS conversion	–	7 643	7 643
Fair value (losses)/gains net of tax	(130)	9 540	20 547
Transfer to income statement on disposal net of tax	(4 577)	(2 380)	(13 668)
Closing balance	9 815	14 803	14 522
Other reserves			
Opening balance as previously reported	674	–	–
Change in accounting policy as a result of IFRS	–	158	158
Restated balance	674	158	158
Value of services provided	27	75	516
Closing balance	701	233	674
Fair value and other reserves	10 516	15 036	15 196

Notes to the interim financial statements

1. Accounting policies

The reviewed results of the group for the six months ended 31 August 2006 have been prepared in accordance with the group's accounting policies, which comply

Loan receivable	2 000	-	11 287
Cash and cash equivalents	58 557	1 740	32 685
Total assets	100 859	85 056	98 803
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Stated capital	99 342	84 806	98 394
Retained earnings	59 537	59 001	59 001
Fair value and other reserves	29 289	10 769	24 197
	10 516	15 036	15 196
Current liabilities	1 517	250	409
Accounts payable	158	91	225
Financial liabilities	1 200	-	25
Shareholders for dividend	159	159	159
Total equity and liabilities	100 859	85 056	98 803
Number of shares in issue ('000)	54 633	53 576	53 576
Net asset value per share (cents)	181,8	158,3	183,7

Group cash flow statement

	Reviewed	Reviewed	Audited
	Six months	Six months	Twelve months
	to 31 August	to 31 August	to 28 February
	2006	2005	2006
	(R'000)	(R'000)	(R'000)
Cash generated from operations	6 649	1 197	(3 086)
Cash generated from movements in working capital	477	64	339
Decrease in accounts receivable (Decrease) in accounts payable	544 (67)	228 (164)	369 (30)
Cash generated from/ (utilised in) operating activities	7 126	1 261	(2 747)
Investment income	2 371	1 030	1 540
Dividend income	980	856	2 205
Taxation refunded	-	-	380
Net cash flows from operating activities	10 477	3 147	1 378
Net cash flows from investing activities	13 532	(2 888)	29 826
Net cash flows from financing activities	1 863	-	-
Net increase in cash and cash equivalents	25 872	259	31 204
Cash and cash equivalents at the beginning of the period	32 685	1 481	1 481
Cash and cash equivalents at the end of the period	58 557	1 740	32 685

Commentary on the results

Earnings and diluted earnings of 9,3 cents (2005: 5,7 cents) per share, headline and diluted headline earnings of 0,9 cents (2005: 1,2 cents) per share and a net asset value of 181,8 cents (2005: 158,3 cents) per share were achieved. The increase in the net asset value of the company results mainly from an increase in the value of the company's investment portfolio during the period. Earnings for the six months to 31 August 2005 have been restated to take into account an adjustment to deferred tax relating to realised capital gains on sale of investments for the year ending 28 February 2004. Headline earnings for the six months to 31 August 2005 have been restated to exclude realised capital gains on sale of investments from earnings.

fair value and other reserves 10 516 15 036 15 196

Notes to the interim financial statements

1. Accounting policies

The reviewed results of the group for the six months ended 31 August 2006 have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards and are consistent with those of the previous year. This interim report complies with International Accounting Standards 34 – Interim Financial Reporting.

2. Investments

At 31 August 2006 the company's investment portfolio comprised the following:

Name of investment	At 31 August 2006			At 31 August 2005		
	Quantity ('000)	Market price (cents)	Market value (R'000)	Quantity ('000)	Market price (cents)	Market value (R'000)
JCI Convertible Debentures	-	-	-	3 000	89	2 670
Apex Hi Properties "A" units	800	1 330	10 640	1 000	1 185	11 850
Anglo American PLC ordinary shares	30	31 075	9 323	20	16 200	3 240
Bidvest Limited ordinary shares	60	10 910	6 546	380	8 740	33 212
Sasol Limited ordinary shares	15,5	25 000	3 875	67	21 500	14 405
Highveld Steel & Vanadium Limited ordinary shares	100	6 150	6 150	15	4 949	742
TOTAL		36 534			66 119	

3. Accounts receivable

IAS 39 requires that financial assets be initially measured at the fair value of the consideration receivable. On 10 August 2006, the company received payment in an amount of R8,0 million relating to the deferred payment of R12 million due from First South Risk Solutions (Proprietary) Limited ("FSRS"). On a discounted present value basis, the balance of the loan is R2,0 million payable by 31 December 2006 (2005: R10,8 million). The difference between the present value and future value is recognised on the effective interest rate basis over the life of the financial asset. The amount so recognised in this period is R0,6 million (2005: R0,6 million).

4. Auditors' review report

Grant Thornton has issued an unmodified review report, which is available for inspection at the company's registered office. The company's previous results were qualified on the basis of a lack of evidence to support the recoverability of an amount that was owed to the company. In view of the fact that the company has reached a settlement on the loan, and payments in terms thereof have been met, the qualification is no longer required. Shareholders are referred to the commentary on the results for details of the settlement and its effect on the income statement. The company will be applying to the JSE Limited for the removal of the annotation to its share.

Share buy-back

At the last annual general meeting held on 18 May 2006, shareholders voted to renew the general authority granted to the company to purchase its own shares. To date the company has bought back 742 620 shares at an average price of 159,7 cents per share. These shares are housed as treasury shares in a wholly-owned subsidiary of the company, Risk Outsourcing (Proprietary) Limited.

Dividend

The board has resolved not to declare any dividend to shareholders for the period under review.

the net asset value of the company results mainly from an increase in the value of the company's investment portfolio during the period. Earnings for the six months to 31 August 2005 have been restated to take into account an adjustment to deferred tax relating to realised capital gains on sale of investments for the year ending 28 February 2004. Headline earnings for the six months to 31 August 2005 have been restated to exclude realised capital gains on sale of investments from earnings.

During the period under review the share traded between a high of 190,0 cents (2005: 130,0 cents) per share and a low of 140,0 cents (2005: 89,0 cents) per share. The volume of shares traded during the period was 50 816 million (2005: 12 468 million) shares at an average price of 154,4 cents (2005: 99,8 cents) per share. This represents 91,8% of the company's total issued shares (2005: 23,4%).

In August 2006 the company and FSRS entered into discussions regarding the loan owed to it by FSRS, relating to the sale of a business in August 2003. Settlement was reached on 11 August 2006. The amount so settled was R10 million of which R8 million was received on 17 August 2006. The balance of R2 million is payable by 31 December 2006. As a result of the settlement an impairment loss of R1,9 million was recognised in profit and loss for the period.

As previously reported, arising from the arbitrated reduction in income of the prior years, the company believes an amount of R9,27 million plus interest is refundable by SARS. SARS is of the opinion that the amount gives rise to an assessed loss, not a refund. The company has lodged its grounds of appeal and awaits a pre-trial conference. The amount has been included in the deferred tax asset.

Contingent liability

The company is still defending claims of approximately R1,0 million from three former executive employees relating to their service agreements with the company. No provision has been made for these claims as the directors believe it is unlikely that the claims will be successful.

Stated capital

During the period under review, two former directors exercised their share options, resulting in the issue of 1,8 million shares by the company, bringing the total number of shares in issue to 54,633 million shares, net of 0,7 million treasury shares.

company has bought back 742 620 shares at an average price of 159,7 cents per share. These shares are housed as treasury shares in a wholly-owned subsidiary of the company, Risk Outsourcing (Proprietary) Limited.

Dividend

The board has resolved not to declare any dividend to shareholders for the period under review.

Future direction

By virtue of a number of changes to the board since May 2006 and a change in one of its major shareholders in July 2006, the company is in the process of embarking on a new strategic direction mainly in the area of commercial, industrial, retail and storage properties. The company will however also be seeking out a number of small to medium sized private equity investments which will further enhance shareholder value. In addition to this the company continues to actively invest in listed shares. This portfolio of shares is of a long-term nature and is included in non-current assets. The company has also engaged in a short-term trading portfolio to maximise shareholder funds. This portfolio is included in current assets and/or liabilities and is managed separately from the long-term portfolio.

By order of the board

C de Beer CA (SA)

Company secretary

Randburg
6 October 2006

Directors	BL Gruzd (Chairman)*, MA Stein (CEO), Dr DE Baloyi*, E Gerber* <i>*non-executive</i>
Sponsor	Merchant Sponsors (Proprietary) Limited
Transfer secretaries	Computershare Investor Services 2004 (Proprietary) Limited
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