VUNANI

LIMITED

Reviewed preliminary condensed consolidated results for the year ended 31 December 2011

The reviewed preliminary condensed consolidated results have been prepared under the supervision of the chief financial officer, Aphrodite Judin CA (SA)

VUNANI LIMITED ("Vunani" or "the company" or "the group")
Incorporated in the Republic of South Africa
Registration number 1997/020641/06
JSE code: VUN ISIN: ZAE000163382 Listed on Alt-X on the JSE Limited ("JSE")

These results are available on our website www.vunanilimited.co.za

Reviewed preliminary condensed consolidated results
for the year ended 31 December 2011

VUNANI LIMITED

Salient features

Revenue from continued operations increased by 58% on the back of a heightened focus on the professional services operations | Benefit of disposal-led restructuring resulted in net finance costs decreasing by 57% | Loss per share reduced by 55%

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

Figures in R'000s	Note	Reviewed 31 December 2011	Audited 31 December 2010
CONTINUING OPERATIONS			
Revenue		106 755	67 454
Other income		9 360	25 637
Operating expenses		(152 140)	(95 078)
Operating loss		**(36 025)**	**(1 987)**
Investment income		4 737	12 747
Loss on disposal of assets		(6 099)	(1 235)
Fair value adjustments and impairments	1	47 381	(141 322)
Income from associates, net of taxation		5 715	54 094
Net finance cost		(39 337)	(91 027)
Net loss before taxation		**(23 628)**	**(168 730)**
Taxation		(1 263)	15 069
Loss from continuing operations		**(24 891)**	**(153 661)**
DISCONTINUED OPERATIONS			
(Loss)/profit from discontinued operations (net of taxation)	3	(33 944)	108 959
Loss and total comprehensive loss for the period		**(58 835)**	**(44 702)**
Loss and total comprehensive loss attributable to :			
Equity holders of Vunani Limited		(47 603)	(95 551)
Non-controlling interest		(11 232)	50 849
		(58 835)	**(44 702)**
Loss per share (cents)			
Basic loss per share		(1.0)	(2.2)
Diluted basic loss per share		(1.0)	(2.2)

SEGMENTAL REPORTING
FOR THE YEAR ENDED 31 DECEMBER 2011

Figures in R'000s	Note	Revenue	Reportable segment profit/ (loss) for the year	Total assets
Reviewed 31 December 2011				
Continuing operations				
Asset management		22 663	5 916	34 895
Investment banking and advisory		22 174	8 733	12 991
Investment holdings		-	(13 899)	536 972
Securities broking		50 693	(791)	129 273
Properties	5	6 516	8 594	84 572
Group overhead		4 709	(33 444)	-
		106 755	(24 891)	798 703
Discontinued operations				
Asset management		2 157	411	-
Properties		77 799	(34 355)	-
		79 956	(33 944)	-
Audited 31 December 2010				
Continuing operations*				
Asset management		16 334	(17 105)	202 466
Investment banking and advisory		10 227	(3 587)	136 229
Investment holdings		(41)	(108 679)	504 996
Securities broking		26 271	14 062	158 550
Properties	5	4 764	(21 414)	1 033 184
Group overhead		9 899	(16 938)	-
		67 454	(153 661)	2 035 425
Discontinued operations				
Asset management		5 085	945	-
Properties		120 648	108 014	-
		125 733	108 959	-

* Comparatives have been re-presented to reflect "Group overhead" as a new segment.

CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

Figures in R'000s	Note	Reviewed 31 December 2011	Audited 31 December 2010
ASSETS			
Non current assets			
Investment property		4 000	915 623
Property, plant and equipment		4 191	32 514
Goodwill		34 123	46 858
Investment and loans to associates		97 333	93 434
Other investments	2	238 741	380 243
Deferred tax asset		93 886	62 475
Other non current assets		4 709	3 323
Other intangible assets		1 466	2 443
		478 449	1 536 913
Current assets			
Other investments	2	181 687	180 565
Non-current asset held for sale		-	147 939
Inventory		3 287	3 335
Taxation prepaid		154	389
Trade and other receivables		21 289	19 253
Accounts receivable from trading activities		95 638	124 939
Trading securities		1 030	19
Cash and cash equivalents		17 169	22 073
		320 254	498 512
Total assets		**798 703**	**2 035 425**
EQUITY			
Share capital and share premium		595 812	602 008
Share based payment reserve		2 524	-
Accumulated loss		(399 480)	(351 877)
Equity attributable to equity holders		198 856	250 131
Non-controlling interest		13 842	174 088
Total equity		**212 698**	**424 219**
LIABILITIES			
Non current liabilities			
Other financial liabilities	2	137 936	843 013
Deferred tax liabilities		46 784	73 823
		184 720	916 836
Current liabilities			
Other financial liabilities	2	263 789	391 825
Non-current liabilities held for sale		-	111 871
Taxation payable		445	3 538
Trade and other payables		47 225	50 105
Accounts payable from trading activities		89 666	122 668
Bank overdraft		160	14 363
		401 285	694 370
Total liabilities		**586 005**	**1 611 206**
Total equity and liabilities		**798 703**	**2 035 425**
Net asset value per share		3.8	5.3
Net tangible asset value per share		3.1	4.2

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

Figures in R'000s	Reviewed 31 December 2011	Audited 31 December 2010
Net cash inflows from operating activities	27 494	124 353
Net cash inflows from investing activities	295 928	48 912
Net cash outflows from financing activities	(314 123)	(169 328)
Increase in cash and cash equivalents	9 299	3 937
Cash and cash equivalents at beginning of the year	7 710	3 773
Cash and cash equivalents at end of the year	17 009	7 710

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

Figures in R'000s	Total attributable to equity holders of Vunani	Non-controlling interest	Total equity
Audited			
Balance as at 31 Dec 2009	21 693	117 960	139 653
Issue of shares	323 989	-	323 989
Acquisition of subsidiary	-	5 279	5 279
Total comprehensive (loss)/income for the period	(95 551)	50 849	(44 702)
Balance as at 31 December 2010	**250 131**	**174 088**	**424 219**
Reviewed			
Issue of shares	35 832	-	35 832
Treasury shares	(14 277)	-	(14 277)
Cancellation of shares	(27 751)	-	(27 751)
Share based payment reserve	2 524	-	2 524
Disposal of subsidiaries	-	(149 014)	(149 014)
Total comprehensive loss for the period	(47 603)	(11 232)	(58 835)
Balance as at 31 December 2011	**198 856**	**13 842**	**212 698**

OVERVIEW AND PROSPECTS

Vunani presents the results for the financial year ended 31 December 2011 against a background of volatility in global markets in 2011. Significant increases in the oil price, rising global inflation and poor consumer demand were the main features of the economic environment. Austerity measures imposed on Greece Italy and Spain squeezed business confidence, with signs of a mild recession creeping into the EU, a significant trading partner with South Africa. Domestically the country did not escape the pervasive negative sentiment, a situation not helped by political developments on the continent related to the "Arab Spring". A season of violent industrial action by NUMSA coupled with Moody's placing the country on negative watch, threatened to make 2011 a forgettable year. As it turned out a year expected to be dominated by rising interest rates and rising inflation did not materialise. Interest rates remained steady allowing South Africa to achieve modest growth close to 3% and inflation in the upper end of the 6% inflation band.

Vunani's objective for the year was to limit the negative impact of expected interest rate increases on the statement of financial position and reduce debt service costs. Accordingly the group restructured the statement of financial position through asset sales and, where possible, used the proceeds to redeem debt and strengthen the cash generating businesses. The structural changes in the business model mean that the current year's results are differentiated on the basis of continuing and discontinued operations, in order to separately disclose the impact of businesses that will no longer form the core of Vunani's activities.

Continuing operations

Revenue increased by 58% from R67.5m in 2010 to R106.7m to in 2011, on the back of a heightened focus on the professional services operations. **Other income** declined by 63% to R 9.3m (2010: R 25.6m) primarily because of the inclusion of a R22.8m gain in the 2010 results, arising from the bargain purchase of Kagiso Securities Limited.

Operating expenses increased by 60% to R152.1m (2010: R95.1m), reflecting the growth of operating business segments. The group now employs 120 people. Key contributors were the consolidation of a full year of Vunani Fund Managers costs, the skilling up of Vunani Technology Ventures to meet deadlines on a significant advisory mandate and the costs associated with integrating Kagiso Securities. Whilst a number of these costs are not expected to recur, the impact on the group results showed a higher **operating loss** of R36.0m (2010: R2.0m), the biggest contributor being personnel costs.

The disposal of some dividend paying investments reduced **Investment Income** by 63% to R 4.7m (2010: R12.7m). **Losses on disposal of assets** of R6.1m (2010: R 1.2m) highlight the intensity of restructuring activity during the year. This was mitigated by positive **fair value adjustments** of R47.4m (2011: R141.3m loss) reflecting the improved valuation of residual investments as markets ended 2011 stronger.

Income from associates declined to R5.7m in 2011 (2010: R54.1m) due mainly to the disposal of the group's interest in Edge Holding Company Proprietary Limited, in which Vunani was a significant non-controlling shareholder. The benefit of this disposal-led restructuring is mostly seen in the 57% reduction in **finance costs** to R39.3m (2010: R91.0m), an achievement which management are particularly satisfied with.

Whilst the loss of R24.9m for continuing operations is considerably better than the R153.7m loss in 2010, management is disappointed with the overall result.

Discontinued operations

Discontinued operations are represented by the group's disposal of its investment property portfolio and Vunani Portfolio Solutions Proprietary Limited (refer to note 3). The total loss of R33.9m is largely attributable to losses incurred on the sale of units to pay down debt on listing of the fund. The loss from discontinued operations contributes 0.5c (2010: profit of 1.1c) per share to the basic loss per share of 1.0c in 2011 (2010: loss of 2.2c).

Asset management

The asset management segment of the business performed significantly better than last year with revenues rising by 39% to R 22.7 m (2010: R 16.3 m). The team is winning new mandates and profitability has improved to R5.9m, reversing a loss of R17.1m in 2010.

Investment banking and advisory

The investment banking segment, underpinned by the group's corporate finance division, performed commendably. Revenues more than doubled to R 22.1m and the segment made a profit of R8.7 m (2010: R3.6m loss). The business opened a satellite office in Harare Zimbabwe and has been appointed the primary advisor to the National Indigenisation Board.

Securities broking

The securities broking division made a small loss of R0.8m (2010: R14m profit) as it struggled to digest the integration of Kagiso Securities. Management is pleased with the progress made and big gains were made in the positioning of the franchise as the equities broking business improved its JSE ranking from 39th to 19th on volume and value traded.

Properties

The properties segment made a profit of R 8.6m (2010: R21.4m loss) as a result of profits made in associate companies. Revenues of R6.5 million, up from R 4.8m in 2010, represent asset management revenue derived from the management of VPIF. The biggest development in this division was the listing of VPIF, dropping the value of investment property on the statement of financial position from R915.6m to R4.0m and long term debt from R843.0m to R 137.9m. Going forward Vunani will reflect its investment in VPIF under Other Investments at fair value on the group statement of financial position.

Investment holdings

Long-term Investment holdings reduced from R380.2m to R 238.7m, which positively influenced the drop in finance costs in the current financial year. There are two particularly difficult investments that remain in the portfolio, PSV and Brikor, which are key to resolving the residue of the legacy debt and stabilising the investment portfolio.

Group overhead

Group overhead is where the statement of comprehensive income has suffered the most. Group overhead includes expenses that have not been allocated to other business segments because they are not directly related to operations. This includes expenses associated with the restructuring activity that took place during the year. Revenue of R 4.7m (2010: R9.9m) generated through opportunistic transactions was R 5.2m lower than the previous year. Operational expenses increased on the back of the establishment of a group IT department; recruitment costs; share based payment recognition in terms of IFRS; provision for anticipated legal fees and claims relating to outstanding restructuring matters and accrued performance bonus and incentives. As a result the segment made losses of R33.4m (2010: R16.9m). This highlights the difficulties encountered in trying to resolve outstanding issues designed to right size the business. Notwithstanding once-off costs in 2011, it is an area where management will be looking for improvement in the 2012 financial year.

Statement of financial position

Following the restructuring of investments and debt and listing of the investment property portfolio, the group's statement of financial position has changed considerably. Total assets have decreased from R2.0 billion to R798.7m and the net asset value has decreased from R250m (tangible 4.2 cents per share) to R198.9m (tangible 3.1 cents per share). R705.1m of long-term debt and R128.0m of short-term debt was paid down on the back of the restructuring. This has left the statement of financial position considerably lighter, which management believes will be helpful in the bid to return the group to profitability.

Prospects

Vunani's short term objective is to get to the point where operating profits and residual investment activity yields a comprehensive profit. Management believes the group is on track; this being confirmed by the profit from continuing operations of R0.4m in the second half of the 2011 financial year. We look forward to developments in public sector infrastructure investment initiatives where Vunani has significant business exposure and a strong franchise.

NOTES TO THE CONDENSED CONSOLIDATED RESULTS (all figures in R'000)

BASIS OF PREPARATION

The preliminary condensed financial statements for the year ended 31 December 2011 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in particular, the presentation and disclosure requirements of IAS 34 Interim Financial Reporting, the AC 500 series issued by the Accounting Practices Board, the Listing Requirements and the Companies Act of South Africa.

The accounting policies as set out in the audited financial statements for the year ended 31 December 2010 have been consistently applied for the year ended 31 December 2011. The preliminary condensed consolidated financial statements have been presented on the historical cost basis, except for investments and other financial liabilities, which are fair valued. These condensed consolidated financial statements are presented in Rand rounded to the nearest thousand, which is the group's functional and presentation currency.

These condensed consolidated financial statements incorporate the financial statements of the company, its subsidiaries and special purpose entities that, in substance, are controlled by the group and the group's interest in associates. Results of subsidiaries and associates are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

NOTES

1. Fair value adjustments and impairments for continuing operations

	Reviewed 31 December 2011	Audited 31 December 2010
Investment property	810	3 858
Financial assets and liabilities designated as fair value through profit and loss	47 786	(88 819)
Impairment of non-current assets held for sale	(201)	(30 700)
Goodwill impairment	-	(20 011)
Impairment of investments and loans to associates	-	(5 472)
Other impairments	(1 014)	(178)
	47 381	(141 322)

2. Other investments and other financial liabilities

Unlisted investments are fair valued annually by the directors. Listed investment prices are determined with reference to the share price at year end. Both listed and unlisted investments are designated as fair value through profit and loss. Financial liabilities are either accounted for at amortised cost or designated as fair value through profit and loss. An independent valuer is used to determine the fair values of listed assets and their related liabilities.

3. Discontinued operations

A strategic decision was made early in the year to restructure the property assets of the group in order to reduce debt on the statement of financial position. This culminated in Vunani listing a significant portion of its investment property portfolio on the JSE Limited on 11 August 2011. As these assets related to a major line of Vunani's business, the related activities have been presented as a discontinued operation. The segment was not classified as held for sale or a discontinued operation at 31 December 2010. The comparative for the December 2011 condensed consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

The group also disposed of its investment in Vunani Portfolio Solutions Proprietary Limited ("VPS"). This investment was previously classified in the asset management segment. It was not classified as held for sale or a discontinued operation at 31 December 2010. The comparative for the December 2011 condensed consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

	Reviewed 31 December 2011	Audited 31 December 2010
Results of discontinued operation		
Revenue	79 956	125 733
Other income	96	973
Operating expenses	(36 171)	(50 365)
Operating profit	43 881	76 341
Fair value adjustments and impairments	(206)	116 580
Net finance cost	(54 234)	(67 983)
Results from operating activities	(10 559)	124 938
Taxation	(262)	(15 979)
Results from operating activities after taxation	(10 821)	108 959
Loss on sale of discontinued operation	(23 123)	-
(Loss)/profit for the year	(33 944)	108 959
Attributable to non-controlling interest	8 101	(61 084)
Attributable to equity holders of Vunani Limited	(25 843)	47 875
Effect on basic (loss)/earnings per share (cents)	(0.5)	1.1
Effect on diluted earnings per share (cents)	(0.5)	1.1
Effect on headline earnings per share (cents)	(0.2)	0.1

4. Authorised and issued share capital

The authorised share capital at 31 December 2011 was 10 billion (2010:10 billion) ordinary shares of R0.0001 each.

The following movement in the number of shares occurred during the year:

Number of shares in issue at the beginning of the year	4 763 502 216
• Unwinding of Edge Holdings Company Proprietary Limited transaction on 15 April 2011	(114 367 925)
• Acquisition of 20 million shares in BSI Steel Limited on 18 July 2011	239 852 770
• Acquisition of 49% of Vunani Fund Managers Proprietary Limited on 12 August 2011	100 000 000
• Acquisition of investment in Buttonwood Proprietary Limited on 20 October 2011	31 104 000
• Issue in terms of VPS sale agreement 20 October 2011	12 684 762
• Issued to the Vunani Employee Share Scheme on 29 June 2011	237 956 639
Number of shares in issue at the end of the year	**5 270 732 462**

Weighted average number of ordinary shares (000s)	Reviewed 31 December 2011	Audited 31 December 2010
Issued ordinary shares at the beginning of the year	4 763 502	1 340 562
Less cancelled shares	(32 900)	-
Less treasury shares	(121 260)	-
Effect of issued shares	277 612	2 941 903
Weighted average number of ordinary shares at the end of the year	4 886 954	4 282 465

5. Properties (continuing operations)

The properties segment is broken down as follows:

Reviewed 31 December 2011	Revenue	Reportable segment profit/(loss) for the year	Total assets
Continuing operations			
Property developments	249	2 131	45 567
Asset management - properties	6 267	(671)	398
Properties investments	-	7 134	38 607
	6 516	8 594	84 572
Audited 31 December 2010			
Continuing operations			
Property developments	4 283	15 891	41 469
Asset management - properties	481	(25)	101
Properties investments	-	(37 280)	991 614
	4 764	(21 414)	1 033 184

6. Headline loss

	Reviewed 31 December 2011	Audited 31 December 2010
Total comprehensive loss attributable to equity holders of Vunani	(47 603)	(95 551)
Adjusted for:		
- Loss on disposal of investment property in subsidiaries	23 007	-
Taxation	(77)	-
Non-controlling shareholders' interest	(5 045)	-
-Revaluation of investment property in subsidiaries	(604)	(116 580)
Deferred taxation	85	16 321
Non-controlling shareholders' interest	114	58 730
- Revaluation of investment property in associates	(3 476)	(20 859)
Deferred taxation	231	4 045
Non-controlling shareholders' interest	714	3 699
- Goodwill impairment	-	20 011
- Loss on disposal of subsidiaries	14 269	-
Taxation	(1 998)	-
- Loss on disposal group	-	30 700
Taxation	-	(4 298)
- Profit on disposal of associates	(7 969)	-
Taxation	1 116	-
- Profit on disposal of other investments	-	(2 573)
Taxation	-	360
- Business combinations - bargain purchase	(346)	(22 770)
Taxation	48	3 188
	(27 534)	(125 577)
Headline loss/ (earnings) per share (cents)		
Basic and diluted loss per share	(0.6)	(2.9)
- Continuing operations	(0.4)	(3.0)
- Discontinuing operations	(0.2)	0.1

SUBSEQUENT EVENTS

Subsequent to year end:

- Vunani Limited converted its ordinary shares to no par value shares and subsequently consolidated its share capital on a 50:1 basis. The consolidation was effective on 12 March 2012. The number of issued shares after the consolidation amounted to 105 414 701 ordinary shares of no par value.
- The group increased its investment in Vunani Technology Ventures from 51% to 75% for a notional consideration.

DIVIDENDS

No dividends were declared or paid to shareholders during the year under review (2010: R nil).

GOING CONCERN

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not continue as a going concern for the foreseeable future.

REVIEWED RESULTS

The condensed consolidated financial statements of Vunani Limited for the year ended 31 December 2011 have been reviewed by the company's auditor KPMG Inc. In their review opinion dated 30 March 2012, which is available for inspection at the company's registered office, KPMG Inc. state that their review was conducted in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the independent auditor of the entity and have expressed an unmodified conclusion on the preliminary condensed consolidated financial statements.

CORPORATE INFORMATION

Executive directors	**Independent non-executive directors**
EG Dube (Chief Executive Officer)	WC Ross (Chairman)
BM Khoza (Managing Director)	Dr.BA Khumalo
A Judin (Chief Financial Officer)	NS Mazwi
CE Chimombe-Munyoro	G Nzalo
NM Anderson	JR Macey
Company secretary	A Judin

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Lead Designated Adviser
Grindrod Bank Limited

Joint Designated Adviser
Vunani Corporate Finance


EG Dube
30 March 2012

A Judin