VUNANI

LIMITED

Integrated Report

for the year ended 28 February 2017

Contents

The development of Vunani Limited has taken place in three distinct phases:

inception, platform building and expansion

OUR CAPITALS

FINANCIAL | HUMAN | SOCIAL AND RELATIONSHIP | INTELLECTUAL | MANUFACTURED | NATURAL

STRATEGIC OBJECTIVES

1. Achieving a positive and consistent return for shareholders.
2. Sustaining a healthy capital structure and utilising capital to maximise stakeholder value.
3. Investing in talented individuals to ensure that each segment is driven by experienced leaders and staffed by skilled people who share in the group's vision.
4. Build and maintain strategic alliances and key partnerships.
5. Leverage off BEE status.
6. Ensuring that group's established platforms are competitive and meet client requirements and expectations.
7. Delivering creative solutions and innovative products to clients.
8. Maintain a robust and steady infrastructure that supports and facilitates opportunities in each segment.
9. Innovate through the use of technology.
10. Minimise the environmental footprint of the organisation and promote the preservation of natural capital.

About this report

Vunani's integrated reporting aims to:

- improve the quality of information available to stakeholders;
- promote a consistent and efficient approach to reporting;
- enhance accountability to stakeholders; and
- support integrated thinking, decision-making and actions.

In order to achieve this, the integrated report includes information on strategy, risk management, financial reporting, social and environmental factors and aspires to meet the needs of a wider group of stakeholders.

Vunani is incorporated in South Africa and is listed on the JSE. The integrated report has therefore been prepared with reference to the following standards, legislation and guidelines:

- The International Financial Reporting Standards.
- The JSE Listings Requirements.
- The Companies Act No 71 of 2008, as amended.
- King III. To the extent that these principles have not been applied, explanations have been provided in the King III Compliance Report on page 72 to 81.
- Recommendations released by the International Integrated Reporting Council in the <IR> Framework.

The recommendations within the <IR> Framework have been considered and implemented into the integrated report as far as practicable with a plan to make enhancements over time. Vunani strives to provide a more holistic view of the group in one document and regards this process as a valuable opportunity to engage with its stakeholder groups.

Scope and boundary

The integrated report covers the financial period from 1 March 2016 to 28 February 2017. In the prior year, Vunani changed its financial reporting period from 31 December to the last day of February. The change was primarily motivated by Vunani's acquisition of a 70% interest in Fairheads in May 2015, which has a February year-end. Thus, the comparative period will be for a 14-month period, which renders the information not entirely comparable.

Vunani's scope of reporting remains focused on its reportable business segments. The content included in this integrated report is considered beneficial and relevant to Vunani's stakeholders. The content specifically aims to provide stakeholders with an understanding of the economic, environmental, social and governance matters pertaining to the group and their related impact on the group in order to enable stakeholders to evaluate the group's ability to create and sustain value.

Responsibility for the integrated report

This report was prepared under the supervision of the chief financial officer Tafadzwa Mika (CA)SA.

The board of directors is ultimately responsible for ensuring the integrity of the integrated report, assisted by the audit and risk committee and further supported by management, which convened and contracted the relevant skills and experience to undertake the reporting process. The board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the relevant standards, legislation and guidelines described in the "About this report" section and approved it for publication on 6 July 2017.

Vision creates strength

We are committed to improving our reporting further and would appreciate your constructive feedback. Any comments or feedback can be emailed to integratedreport2017@vunanigroup.co.za.

Establishing materiality

Vunani considers a matter to be material when it has the ability to influence the group's strategy, financial performance, reputation or ability to operate. The processes adopted in identifying issues that are material to the group's business and its stakeholders are aligned with the organisational structure, decision-making processes and strategies.

Assurance

Vunani contracts a number of independent service providers to assess and to provide assurance at various levels of the group's business operations.

External audit

The consolidated and separate financial statements for the group for the year ended 28 February 2017 were approved by the board of directors on 6 July 2017. KPMG Inc., the independent auditors, have audited the financial statements and their unmodified audit report is presented on page 88 to 92 of this integrated report.

BBBEE audits

In line with the requirements of the Department of Trade and Industry's Codes of Good Practice, the individual operating business' BBBEE scorecards and ratings have been independently verified by Empowerlogic Proprietary Limited and Empowerdex Proprietary Limited, SANAS accredited rating agencies. Please refer to page 70 and 71 for the BEE ratings of the operating businesses and the group.

Sustainability information

The information relating to sustainability has not been assured for the current reporting period. An overview on the group's strategy and sustainability is presented on pages 18 and 19 of this integrated report.

Forward-looking statements

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 28 February 2017. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate.

The company cannot guarantee that any forward-looking statement will materialise and accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

Vunani at a glance

AWARDS WON

ASSET ADMINISTRATION

- Fairheads won **Best Practice Certificate for Excellence in Communication** awarded by the Institute of Retirement Funds Africa

FUND MANAGEMENT

- **Raging Bull Awards** – Tony Bell, CIO of VFM, top performing fund manager in the Domiciled global multi-asset flexible category

INVESTMENT BANKING

***Financial Mail's* Ranking the Analysts 2017 awards:**

- Anthony Clark – Number 1 financial and industrial, small- and medium-market-cap companies sector
- Irnest Kaplan – Number 3 in the computing and electronics sector
- Hurbey Geldenhuys – Number 5 in the platinum and precious metals sector
- Hurbey Geldenhuys – Number 4 in the Resource small- and mid-cap companies sector

Financial highlights

Revenue of

R188.6m

compared to R154.2 million at 29 February 2016

Profit for the year of

R40.0m

compared to R8.2 million at 29 February 2016

Basic earnings per share of

30.1c

compared to 6.2c at 29 February 2016

Basic headline earnings per share of

19.2c

compared to 5.8c at 29 February 2016

Acquired an additional 30%

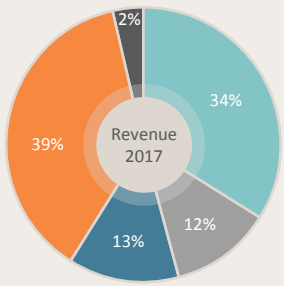
interest in Fairheads

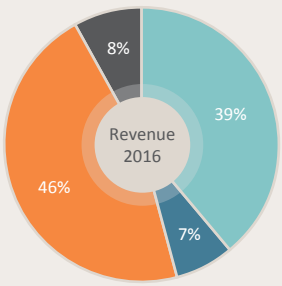
during the year

Total dividend declared of

R8.4m

(2016: R6.0 million) during the year





- Fund management
- Asset administration
- Private equity
- Investment banking
- Private wealth and investments

About Vunani and our group structure

Vunani is an independent, black-owned and managed diversified financial services group characterised by a unique positioning within the South African business environment. Its owner-managed culture is complemented by a passion for entrepreneurship, which makes it one of the country's leading boutique service providers. It operates off a strong operational platform and offers a fully-integrated range of products and services.

Vunani's history

Vunani was formed as a diversified financial services group in the late 1990s and listed on the JSE's AltX in November 2007. From the start, it set out to gain a competitive advantage through meaningful black economic empowerment (BEE), as well as by consistently providing the very best management credentials in the local financial services sector.

Nearly two decades later, Vunani has established a notable footprint, not only in South Africa but in the rest of Africa as well. It has secured differentiated market positioning through its commitment to BEE and by maintaining a management team of the highest calibre. Together with the strength and breadth of its structure, this has made Vunani a force to be reckoned with both at home and abroad.

Mission

To be South Africa's foremost boutique financial services group.

Vision

To differentiate the group through a strong focus on its operating businesses. Recruiting high-calibre management and staff, coupled with the prudent and successful management of these businesses, remains at the core of the group's strategy and the way in which it does business.

Business segments

The group's business activities include:

- Fund management;
- Asset administration;
- Investment banking (institutional securities broking and advisory services);
- Private wealth and investments; and
- Private equity.

Please refer to pages 40 to 55 for a detailed overview of each of these segments.

Locations

In South Africa, the group has offices in Johannesburg and Cape Town, while the Zimbabwean office is situated in Harare and in Malawi the office is situated in Blantyre.

Staff

As at 28 February 2017, the group employed 301 people through companies in which it holds more than a 50% equity interest.

Each individual employed by the group makes an important contribution to its overall success. Vunani is committed to the application of employment equity in the workplace and to the transformation principles embodied within the broad-based black economic empowerment (B-BBEE) codes of good practice.

Listing information

Listed on the JSE

Nov 2007

Market capitalisation

R354.9 million

Number of shares

161 296 081

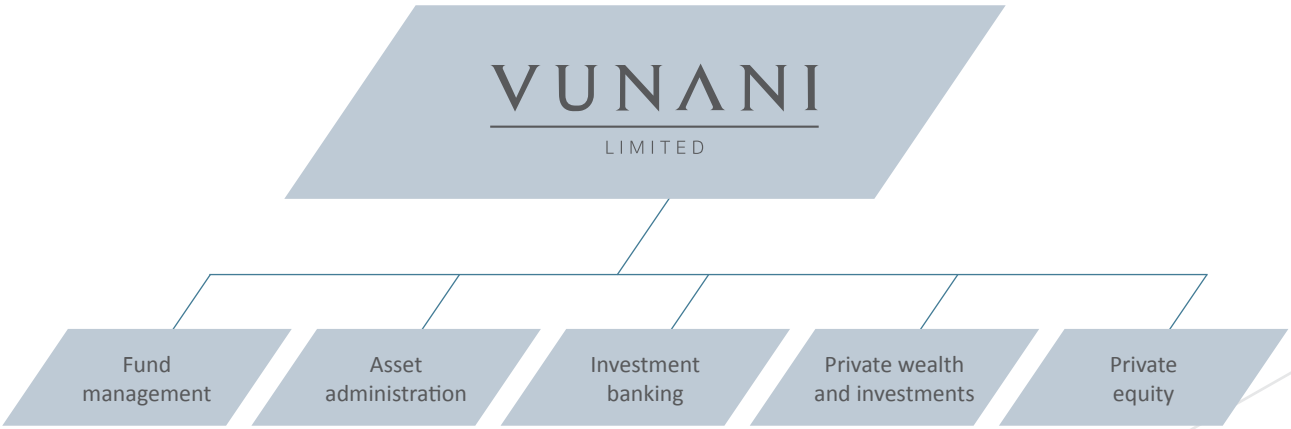
Lowest share price

117c

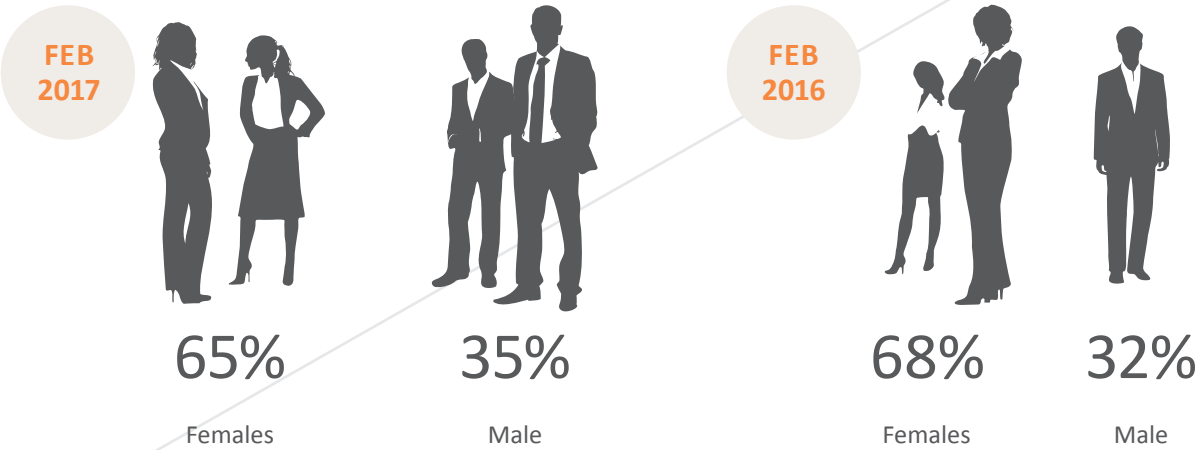
Highest share price

230c

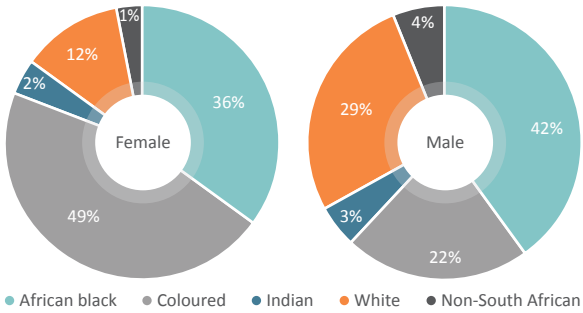
Group structure



The percentages reflect the split between male and female staff across all companies in the group where Vunani's equity ownership is over 50%.



Employee split for the year ended February 2017 (% Work force)



*Vunani employees hold more than **44%** of the equity interest in the company*

Directorate

1. Ethan Dube (58)

Chief executive officer

MSc (Statistics), Executive MBA (Sweden)

Ethan has extensive corporate finance and asset management experience gained at Standard Chartered Merchant Bank, Southern Asset Managers and Infinity Asset Management. Ethan was a founder and has been chief executive officer of Vunani Limited since its inception in the late 1990s.

2. Tafadzwa Mika (34)

Chief financial officer

BAcc, CA(SA)

Tafadzwa qualified as a Chartered Accountant (SA) in 2009, after completing his training contract with Moore Stephens South Africa. He worked as an audit manager at Rain Chartered Accountants from May 2009 to February 2010 and joined Vunani in 2010. In 2011, he was promoted to group financial manager. In December 2016, he was appointed as the chief financial officer of the group.

3. Butana Khoza (50)

Executive director

BCom, PG Dip (Accounting), CA(SA)

Butana established African Harvest Capital with Ethan Dube and has served in a number of senior executive roles within the group. Prior to Vunani, Butana worked at Southern Asset Management and Futuregrowth. Butana is the CEO of Vunani Fund Managers Proprietary Limited.

4. Mark Anderson (57)

Executive director

BCom (Hons), CTA, CA(SA)

Having initiated a number of early BEE deals, Mark formed a corporate finance boutique and then advised on the formation of African Harvest Limited in 1997. Mark is responsible for Vunani Capital Proprietary Limited's private equity segment.

5. Lionel Jacobs (73)

Independent non-executive chairman

BCom, MBA

Lionel served as an executive director of Bidvest Group Limited from October 2003 to November 2012, where he was the commercial director of Bidserv, in the services division. He remains a non-executive director of many of the subsidiaries of Bidvest Group Limited. Lionel is an entrepreneur with extensive negotiating and investment skills. He is currently fully engaged in furthering the prospects of his company, Bassap Ventures Proprietary Limited and its subsidiaries, where he is executive director.

6. Dr Xolile P Guma (60)

Independent non-executive director

PhD (Economics) United Kingdom, MA (Economics) Canada

Xolile began his career as lecturer in the Economics Department at the University of Swaziland in 1978 and rose to become the director of the Social Science Research Unit in 1990. He returned to South Africa in 1994 and sat on various academic boards, as well as serving as an economic consultant to the United Nations, the African Development Bank, government departments and the private sector. He joined the South African Reserve Bank in July 1995 as an economist, progressed through the ranks and was ultimately appointed as Deputy Governor of the South African Reserve Bank. He served in this position until 2009 when he was appointed Senior Deputy Governor, and retired in 2011.

7. Nambita Mazwi (43)

Independent non-executive director

BProc LLB, Dip Company Law, Programme in Business Leadership

Nambita is an admitted attorney of the High Court of South Africa and is currently general manager of Legal Services for Multichoice South Africa Holdings Proprietary Limited ("Multichoice"), a significant video entertainment and internet company, located in Johannesburg. Prior to Multichoice, she held senior management positions at PPC Limited South African Airways SOC. Southern Enterprise Development fund, a venture capital fund with a pan-African focus. She has also practised as a corporate attorney in South Africa. She has completed executive leadership courses at Harvard Business School, Boston, MA, and Insead, Fontainebleau, France. She was also a fellow of the International Women's Forum 2013/2014.

8. Sithembiso N Mthethwa (47)

Non-executive director

BCom (Maritime Economics)

Sithembiso has over 15 years' experience in the maritime industry having worked in many ports in South Africa, Europe and in the Far East. In 2000 he worked with Smit International BV and was successful in buying out Pentow Marine during the unbundling of Safmarine Limited (following the demutualisation of Old Mutual Ltd in 1999). Pentow Marine changed its name to Smit SA and subsequently Smit Amandla Marine (SAM). In 2005 he co-founded Mion Holdings which now owns various investments including a substantial interest in SAM. Sithembiso has been in charge of all the investing and M&A activity at Mion since inception.

9. Gordon Nzalo (51)

Independent non-executive director

BCom, BAcc, CA(SA)

Gordon is the group internal audit executive of Imperial Holdings Limited, and has been an independent non-executive director of Vunani Limited since November 2009. Gordon has also served on a number of other boards including Austro Group Limited and PSV Holdings Limited. At different times in his work career he served as partner at KPMG, SizweNtsaluba and PricewaterhouseCoopers.

10. John Macey (55)

Independent non-executive director

B Bus Sci (Hons), BCom (Hons) CA(SA)

John is a Chartered Accountant (SA) and Registered Auditor with over 25 years' financial experience. He has held positions as an academic lecturer in financial accounting at UCT, as financial director of manufacturing companies, and is currently practising as an auditor in public practice. John serves on the board and audit committees of two other listed companies.

11. Marcel JA Golding (56)

Non-executive director

B Arts (Hons)

Marcel has over 30 years of experience working in various industries in South Africa. Marcel served as an office-bearer in the National Union of Mineworkers from 1987 to 1994, ultimately becoming deputy general secretary. He was also involved in the Congress of South African Trade Unions since its inception in 1986 and served as a member of parliament from 1994 to 1997. Marcel was a founding member and the chairman of the Mineworkers Investment Company in 1994. In 1997, Marcel cofounded Hosken Consolidated Investments Limited ("HCI") and served as the executive chairman of HCI between 1997 and 2014. Marcel has served on numerous boards in various capacities, including as the chief executive officer of ETV from 1999 to 2014. His current significant directorships include Tsogo Sun Holdings, Geomer Investments Proprietary Limited, Rex Trueform Clothing Company Limited and African & Overseas Enterprises Limited.

Definition of success and material issues

Our definition of success is based on three key objectives:

1

ADDING VALUE FOR OUR SHAREHOLDERS AND OTHER STAKEHOLDERS

In terms of adding value for our shareholders and other stakeholders, we strive for continual improvement in all aspects of our operations and aim to deliver results in terms of all key metrics every year. More specifically, we aim to create and maintain a diverse but integrated portfolio of products and services that enable our clients to achieve their own personal and organisational goals. We also strive to foster a climate of engagement and cooperation throughout the group, to entrench the very best employment practices, and to leverage off our partnerships with strategic partners.

2

BEING A GOOD AND RESPONSIBLE CORPORATE CITIZEN

When it comes to good corporate citizenship, we adhere to all appropriate regulations and legislation, as well as to the codes of good practice outlined in the King Reports on Corporate Governance (King III and King IV).

3

MAKING A REAL CONTRIBUTION TO SOCIO-ECONOMIC TRANSFORMATION IN SOUTH AFRICA

We take our role as a facilitator of transformation in South Africa very seriously. This is evident not only in the fact that Vunani is an independent, black-owned and managed group, but also in our strong commitment to the principles of broad-based black economic empowerment (B-BBEE) and the goals of the National Development Plan (NDP).

Material issues

Material issues are factors – both internal and external – that impact a business's ability to be successful and sustainable. They are an indicator of what requires priority attention in the management of that business. Material issues may be categorised as either threats or opportunities, and can include anything from macroeconomic policy to IT security.

At Vunani, the most significant material issues facing the group at present are:

- The uncertain economic climate in South Africa; and
- The related fluctuations in the value of the rand.

Both of these have a direct impact on the investment and financial services environment.

Our approach within this context is to maintain a diversified portfolio of products and services, as well as an equally diversified investment portfolio. Together with stringent cost management measures and a strong focus on recruiting staff of the highest calibre, we believe this makes the group resilient in the current economic climate.

Operating environment

The world around us

Economic overview: 2016/17 financial year

The 2016/17 financial year commenced with evidence of a tentative recovery in the global economic cycle as both developed and emerging-market economies reflected marginally higher rates of expansion. International commodity prices also bottomed, and in some instances, started recovering, though Southern Africa still suffered the aftermath of a severe drought. The resultant negative impact of weak domestic and international demand pushed South Africa's real economic growth into negative territory in the first quarter of 2016. The lagged impact of a significant weakening in the Rand exchange rate during 2015, coupled with surging food prices, pushed domestic headline consumer inflation beyond the upper limit of the inflation target by early 2016, triggering two interest rate hikes, in January and March.

Global developments

Global economic activity remained subdued over the course of 2016 with a slowdown in activity in advanced economies evident by the fourth quarter. Nevertheless, inflation accelerated somewhat by late 2016/early 2017 as the international prices for crude oil, metals and mineral commodities increased. That culminated in the long-anticipated tightening in US monetary policy in December 2016. The raising of the US benchmark interest rate revealed a marked divergence in monetary policy in developed countries though, since underlying inflation pressures generally remained fairly muted with some countries maintaining an accommodating monetary stance.

Local developments

Domestic business conditions remained challenging as real economic growth slowed further towards the end of the year and turned negative in the fourth quarter of 2016, contracting at an annualised pace of -0.3%. This culminated in the lowest annual economic growth rate for a calendar year since 2009 at a mere 0.3% Output in the mining sector also fluctuated, but generally remained weak over the course of the year, culminating in the primary sector subtracting 0.5 percentage points from overall GDP growth, as the gross value added by the primary sector declined by 5.4%.

Conversely, activity in the services sector remained fairly buoyant, registering positive quarterly growth throughout the year. Accelerated activity in the trade, transport and finance sectors outpaced moderate real output growth of general government services, resulting in accelerated growth of 1.6% by the services sector by the fourth quarter of 2016. Activity in the finance, insurance, real estate and business services sector also posted accelerated growth towards the end of the year, achieving growth of 1.6% by the fourth quarter. Trading activity in equities and derivatives contracted in the last quarter of the year.

- International prices increased for crude oil, metals and mineral commodities
- Domestic business conditions remained challenging as real economic growth slowed further towards the end of the year
- Lowest annual economic growth rate for a calendar year since 2009 at a mere 0.3%
- Depressed consumer and investor confidence levels
- The rand recovered rather strongly by more than 17% against the us dollar
- There will always be opportunities in an emerging economy like South Africa and even more so in the region of Sub-Saharan Africa

The lackluster domestic performance over the course of 2016 is largely attributable to sustained depressed consumer and investor confidence levels, which culminated in a 0.8% contraction in real gross domestic demand. Even though consumer demand increased by 0.8%, it was not enough to offset and counter significant and further contraction in demand for fixed investment purposes (-3.9%) and a further erosion of inventory.

Therefore, general business conditions remained tight over the course of the financial year, despite some green shoots being evident. Political developments, causing uncertainty and the concomitant concerns of likely further sovereign rating downgrades suppressed a potential recovery in confidence in general. In addition, concerns regarding key policies, i.e. mining, remained a key contributing factor to depressed business confidence and ultimately, low investor confidence and investment. The risk of further rating downgrades, as well as doubt regarding future company earnings prospects in conjunction with the poor performance of the economy, acted as a damper for performance on the domestic financial markets.

Nevertheless, the Rand recovered rather strongly – by more than 17% against the Dollar and even more spectacularly (by more than 26%) on a trade-weighted basis over the financial year. This can partly be attributed to foreigners taking advantage of the so-called "carry trade" as domestic assets offered much more attractive yields to them. While the stronger Rand was of great assistance in containing domestic inflation and eventually, prevented further rate hikes, export-oriented business did suffer as a result of lower Rand prices despite some improvement in Dollar prices.

How this affected our businesses

The abovementioned factors impact the groups' ability to do business either directly or indirectly. The low economic growth made it challenging to grow the group's revenue base. Interestingly, bond and share market activity was brisk in the first few months of the financial year, registering record-high turnover as share prices recovered and indices fluctuated close to previous record levels. The volatility in the Rand/Dollar exchange rate presented planning and budgeting challenges during the year.

Outlook

Our expectation is that the year ahead may prove to be even more challenging in many respects, even though the overall growth performance should be slightly better than that of the current reporting period. Consequently, the business will need to be carefully stewarded to avoid pitfalls and exploit areas of opportunity amidst the "patchy" recovery in the economy. There will, however, always be opportunities in an emerging economy such as South Africa and even more so in the region of Sub-Saharan Africa.

Business model and analysis of the six capitals

Our business model is designed to create stakeholder value by bringing together diversified financial service platforms and product offerings that are unique to the markets we operate in.

Capitals

Financial capital

The pool of funds that is provided to support the group's operating activities and enables the businesses to implement and execute their strategy. Financial capital includes share capital, retained income generated by the businesses and funds provided by lenders.

Human capital

The individuals that are employed within the group. This includes people's skills, capabilities, knowledge and experience, and how this is applied to develop and improve the products and services offered by the group to its clients.

Social and relationship capital

The supportive relationships that have been developed and are maintained with clients, shareholders, regulators, lenders, other stakeholders and other networks.

Intellectual capital

The knowledge of our people, our intellectual property, institutional memory, brand and reputation. This is closely linked to human and manufactured capital.

Manufactured capital

Tangible and intangible infrastructure (including information technology assets) that has been developed and is available for use within our operating businesses.

Natural capital

The renewable and non-renewable natural resources that are utilised to provide services that support the value creation and returns for stakeholders. As a financial services group we must deploy our financial capital in such a way that promotes the preservation of natural capital.

Inputs

Our capital inputs provide the resources we need to carry out our operations and activities in each of our five business segments.

- Share capital
- Retained income
- Other financial liabilities

- Board of directors
- 301 employees

- Shareholders
- Outsourced service providers
- Associates and strategic business partnerships
- Membership of and affiliation to professional bodies and industry associations
- The communities in which we operate

- Client relationships
- Brand
- Reputation and integrity
- Regulatory approvals and licensing

- Internally developed information technology platforms and systems.

- Water, electricity, paper and other consumables utilised in providing services.
- Within the private equity segment, mining assets are also considered to fall within this category.

VUNANI LIMITED

Fund management

Our primary operation is the provision of fund management services to institutional, corporate and retail clients. Products include equity, bond and money market products, which are structured through single asset and multi-asset class funds.

Asset administration

Our primary operation is the administration of death benefits on behalf of minor dependents of deceased retirement fund members.

Investment banking

Our primary operations include both corporate finance services and institutional securities broking services.

Private wealth and investments

Our primary operations are to offer wealth management and asset management services to high net worth individuals.

Private equity

Our primary operations entail investing as principals into opportunities specifically focused on mining, property and opportunities to become business partners with established South African corporates as they seek to expand their operations into the African continent.

OUR CAPITAL OUTCOMES FOR THE YEAR UNDER REVIEW

- Market capitalisation of R354.9 million.
- Return on equity of 10.67%.
- Debt to equity ratio of 238.01%.
- Adequate levels of capital, as required by the respective regulators, held by each of the regulated entities in the group as at 28 February 2017.

- 301 staff members
- R114.8 million invested in salaries during the year.
- R0.8 million expended in training and development.
- Staff wellness and team building initiatives held.

- Member of multiple industry associations.
- Ongoing relationships with shareholders and lenders.
- In good standing with regulators.
- Various CSI initiatives undertaken during the year.

- Compliance with JSE and FSB licensing requirements, including capital adequacy.

- Existing IT infrastructure evaluated and maintained, to maximise the useful life of assets.

- Staff encouraged to use paper, electricity and water wisely. Promotion of paper recycling through the provision of recycling bins.

Outcomes

We aim to operate our businesses to both create and sustain value for the long-term. As a result, we achieve the above outcomes.

Sustainability focus areas

Sustainability reporting is the practice of measuring, disclosing and accounting to internal and external stakeholders for organisational performance towards the achievement of the goal of sustainable development. The information in this report sets out Vunani's sustainable business practices for the year ended 28 February 2017 and has not been assured.

	FINANCIAL CAPITAL	HUMAN CAPITAL
SUSTAINABILITY FOCUS AREA	• Group and segment profitability • Cash generation • Sufficient capital and efficient deployment thereof • Share price and market capitalisation	• Training and development • Safety, health and environment • Employee incentives
RESPONSE TO SUSTAINABILITY FOCUS AREAS	• Ongoing monitoring of financial performance of the group, with bi-annual reporting to shareholders. • Regular interaction with various levels of stakeholders. • Projection of capital utilisation monitored by business segments. • Use of forecasts, budgets and cash projections to monitor and manage liquidity.	• Opportunities are provided to staff to further their education through financial assistance and provision of paid study leave. • Employees are supported through learnership programmes such as CFA and MBA. • In-house training facilitated by senior employees to transfer knowledge to junior employees. • Vunani Securities Training Academy is aimed at young black graduates, provides training by rated equity analysts. • Vunani Fund Managers graduate recruitment program is aimed at young black graduates and provides structured, on-the-job training and mentorship for junior analysts. • A health and safety committee is responsible for ensuring a safe, healthy working environment. The committee reports to the social and ethics committee. • Annual wellness days are held to encourage employee health awareness. • Short-term incentives are in place at each operating business and staff within these businesses are eligible to participate. • Long-term incentives are in place through a share incentive scheme that will allow management and key employees to acquire a meaningful stake in the group and/or underlying businesses.

SOCIAL AND RELATIONSHIP CAPITAL	INTELLECTUAL CAPITAL	MANUFACTURED CAPITAL	NATURAL CAPITAL
• Stakeholder relations • Delivering social value	• Protection of intellectual capital and institutional memory • Brand and reputation management	• Maintenance of the information technology infrastructure, which includes physical hardware, off site services, internally developed and purchased systems	• Use of natural resources in a conservative manner and utilisation of technology, where possible, as an alternative
• Presentations are made to all stakeholders on a regular basis to provide objective, balanced, relevant and understandable updates on developments within the group. • Promoting Broad-Based Black Economic Empowerment within the group. • Promoting economic growth through enterprise and supplier development.	• Safeguarding the group's intellectual property through the implementation of appropriate controls. • Aligning employee and company interests. • Appointment of a public relations and investor relations manager. • Regular review of the brand to ensure it relates to our stakeholders.	• Formulation of appropriate processes to ensure ongoing availability of all information technology platforms. • Staff are encouraged to be aware of consumption of water, electricity and paper.	• Recycling facilities are made available, including e-waste management. • Building facilities include the use of water tanks filled by rain water, where possible.

Stakeholder relationships

The relationship with our key stakeholders is a critical element that contributes to the achievement of our strategic objectives and creating sustainable long-term value for the group and stakeholders alike. These relationships contribute directly and indirectly to the way we do business and our reputation as a financial services group.

Engagement with key stakeholders is facilitated through various levels of interaction that are aimed at providing insight into our strategy, significant business developments, material issues operating business performance and prospects.

	SHAREHOLDERS AND INVESTOR COMMUNITY	LENDERS	CLIENTS
STAKEHOLDER GROUP	• Presentations to strategic shareholders following the publication of interim and year-end results. • Annual general meeting. • Regular interaction with institutional asset managers and potential shareholders. • Print, radio and television media programmes followed.	• Strategic objective of reducing third party debt. • Regular discussions with funders' senior management. • Specific funders attend board meetings and are represented on the investment committee.	• Developing good relationships with clients through regular interaction. • One-on-one presentations to clients and prospective clients. • Facilitation of workshops and training. • Corporate website.
NATURE OF ENGAGEMENT	• Growth of the group. • Sustainability of business segments. • Operational performance and profitability.	• Shareholder return. • Liquidity and ability to service loans.	• Providing high quality, competitively priced products and services.
KEY ISSUES RAISED	• A focus on organic growth of each operating business. • Acquisitive growth opportunities sought out where appropriate and earnings accretive. • Unprofitable businesses given the necessary support required to return to profitability. Should improvement not be achieved, these businesses will be restructured. • Maintain a dividend-paying culture.	• Repayment of loans in terms of agreed timelines. • Renegotiation of facilities where required. • Regular interaction and updates on financial position.	• Senior executives are involved at transaction level and engage with clients regularly. • Feedback from clients is critical to enhancing our products and services.

The ways in which we engage with our stakeholders, and the frequency with which we do so, varies according to each identified stakeholder group. The groups' executive and operational management bodies identify stakeholder groups, issues and areas of concern that may impact stakeholders. The most appropriate level of management then assumes responsibility for engagement, identification of further stakeholder concerns and determining the most appropriate action to be followed to address these concerns.

The group chief executive officer oversees all stakeholder engagement and plays a key role in analysing relevant issues and concerns and providing guidance on appropriate responses.

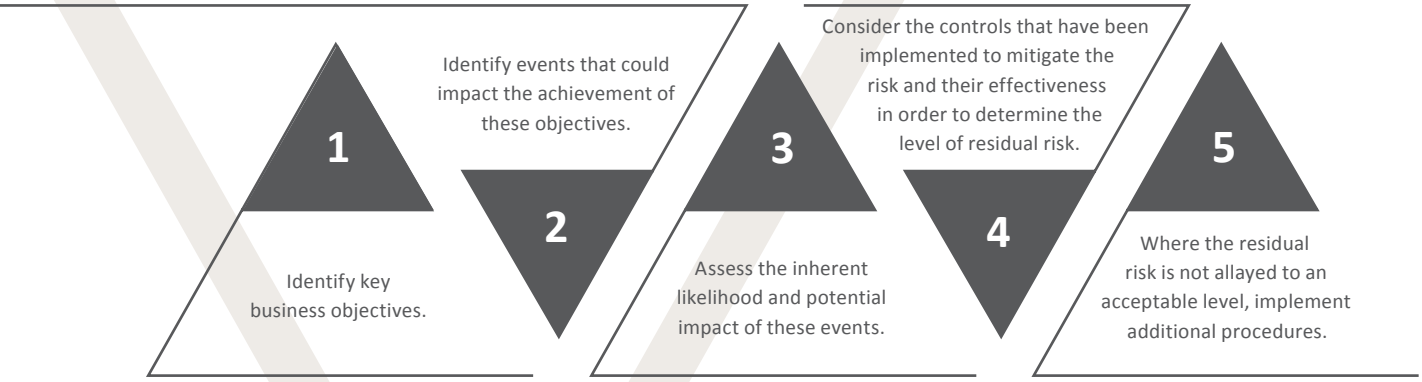
EMPLOYEES	SUPPLIERS AND SERVICE PROVIDERS	GOVERNMENT, REGULATORY BODIES, AUTHORITIES AND INDUSTRY ASSOCIATES
• Regular staff engagement and communication, both at group and segmental levels. • Identification of leadership potential and formulation of succession plans. • Training facilitated, based on individual goals and company-specific requirements. • Ethical climate and employee wellness surveys conducted annually. • A staff wellness day is held annually to encourage health awareness and work-life balance.	• Periodic contact with strategic service providers. • Agreed terms of service.	• Personal contact with relationship managers at regulatory and industry associations. • Contact via compliance advisors.
• Career growth and opportunities. • Learning and development. • Diversity and empowerment. • Recognition of performance. • Work-life balance.	• Continued support from Vunani. • Prompt payment.	• Compliance with all relevant laws and regulations. • Maintenance of sufficient qualifying capital.
• Efforts made to fill vacancies internally prior to the commencement of external recruitment processes. • Succession planning in place to ensure there is sufficient depth and experience in the event of staff turnover. • Personal development plans are considered in conjunction with individuals. • Short- and long-term incentive schemes in place to align individual and company objectives. • Monitoring of staff demographics and responding to gaps where opportunities present themselves. • Foster an output-focused working environment.	• Maintain close relationships with suppliers and service providers. • Implementation and monitoring of service level agreements.	• Continuous education and training with regards to changing and new legislation. • Reporting on the impact of new legislation. • Interaction with regulatory authorities to discuss concerns.

Key risks and mitigating controls

Vunani operates in a regulated environment and the board acknowledges that, with assistance from the audit and risk committee, it is accountable for the risk management processes as well as the systems of internal control.

Risk management is a central part of the group's strategic management. It is a structured process whereby risks associated with the group's activities are identified and plans are put in place to manage and mitigate those risks.

The process followed to identify the key risks and areas of focus is summarised as follows:



Objectives and approach

The group's risk management objectives ensure that strategic and operational risks are identified, documented and managed appropriately. Risk management forms an integral part of normal business practice with a culture of risk awareness promoted throughout the group. Key to this is key management personnel working together to identify the significant risks that the group faces and involving them in developing mitigation plans. This includes implementing appropriate internal controls and identifying risk owners to take responsibility for individual risks and the management of those risks.

Given the diverse nature of the business, Vunani is exposed to a wide range of risks, some of which may have material impact. Identifying these risks and developing plans to manage them is part of each business unit's prerogative. Group management assesses these periodically and the board, through its audit and risk sub-committee, receives assurances from senior management regarding the effectiveness of the risk management process.

Risk management plans and processes are presented, discussed and approved at audit and risk committee meetings in line with the audit and risk committee's work plan for the year. The process encompasses both an enterprise-wide risk assessment and divisional assessments. The plans and processes include detailed risk registers of significant strategic and operational risks facing the group, existing controls, perceived control effectiveness and the level of risk tolerance. Risks that are below a tolerable level require a plan for the implementation of additional controls and management's actions to bring these risks within acceptable levels.

Internal audit provides a written assessment of the system of internal controls, including financial controls and risk management processes, and conducts annual reviews to assess the adequacy of the risk management process. To meet its obligations, internal audit has to work with underlying businesses and design, test and embark on a combined assurance review process that is risk-based and draws upon appropriate functional expertise.

Furthermore, each operating subsidiary that is subject to regulatory supervision has an appointed compliance officer who is responsible for liaising with the regulator and ensuring compliance with all the relevant regulations.

The process described above is undertaken both at group level and at an operating entity level.

The key risks faced by the operating businesses are described in the business segment overview section of this report (refer to pages 40 to 55).

Key risks

The group has identified the following key risks and areas of focus in terms of the capital bases employed within the group:

Capital	Key risks identified	Probability assuming no mitigating controls	Impact	Mitigating controls
FINANCIAL CAPITAL	The group's ability to meet its financial obligations and the maintenance of working capital.	○●○	○●○	• Group management operates through an executive committee that manages a dashboard of metrics, designed to ensure that the group has a good sense of how individual businesses are performing. This allows group management to respond to adverse developments and to support underlying businesses in achieving their performance objectives. • Daily cash management is undertaken by the heads of the operating businesses and responsibility for the overall group cash management is undertaken by the CFO and ultimately, the CEO of Vunani. • Monthly management meetings are held with each operating business to track their financial performance, cash generation and changes to the business environment. • Executive management supports non-performing business areas and assists them to return to profitability. • The financial management process includes the preparation of forecasts (profit and cash flow) that take into account changes in the business environment. • The group's performance and its ability to meet its obligations on both a short- and long-term basis is further analysed by the board and discussed with stakeholders.
	Unnecessarily expending resources on activities that will not yield the desired objectives.	○●○	○●○	• Strategy review is embedded into the regular interaction between group management and executives in the subsidiaries. • The group's strategy is formulated by the group executives and heads of business based on the group's objectives. This is documented with implementation monitored to ensure that progress is being made so that ultimately, the desired objectives are achieved.

KEY

Low ●○○ *Medium* ○●○ *High* ○○●

Key risks and mitigating controls (continued)

Capital	Key risks identified	Probability assuming no mitigating controls	Impact	Mitigating controls
HUMAN CAPITAL	The inability to attract and recruit competent, skilled, experienced and talented individuals.	Medium	Medium	• Recruitment and assessment procedures go beyond the conventional and decisions around key skills are discussed at different levels of the organisation. • Reward and incentive mechanisms are very important and have been implemented at both the operating entity level and at a group level. These include a combination of market-related salaries, short- and long-term incentives.
SOCIAL AND RELATIONSHIP CAPITAL	The evolution of BEE and transformation legislation and its increasing imperative means that the current level of compliance may not be sufficient to secure business.	High	Medium	• BEE is integral to doing business and transformation-centric processes are embedded into each business. • Each business strives to improve its BEE rating and hold periodic interactive workshops to formulate a strategy to improve BEE ratings.
INTELLECTUAL CAPITAL	Group subsidiaries operate in a highly competitive market, where the products are relatively commoditised. Price and service factors are an important consideration, which could have a significant impact on the performance.	High	Medium	• Operational management is responsible for keeping abreast with environmental developments and factors that have a significant bearing on products and services remaining relevant and in demand. • Monitoring and tracking of progress in product and business development activities. • Client relationship management and retention are an integral part of management's functions.
	Insufficient and/or inappropriate risk management and mitigation processes at a group and operational level.	Medium	High	• The group assesses risk from the top-down, based on the potential risks to achieving its strategic objectives, while operating businesses consider risks that are particular to their businesses. • Risks are documented in risk registers which are submitted to the group audit and risk committee, where risks are categorised in terms of the priority they should be dealt with
	Non-compliance in terms of the regulations that govern the various business activities within the group, some of which are onerous.	High	High	• Dedicated personnel are appointed at operational level to monitor compliance and interact with regulators as required.
	The approach to making, managing and realising investments is undertaken in a manner that is not structured and/or disciplined.	High	High	• The group has an investment committee, which is made up of the chairman of the board, a non-executive director, two executive directors and an independent appointee. The investment committee ensures that all existing and prospective investments are subjected to the necessary scrutiny to justify their inclusion on the group's portfolio and the allocation of capital. The investment committee meets regularly to evaluate progress and to ensure that there is accountability for the investments the group makes.

KEY

Low *Medium* *High*

Capital	Key risks identified	Probability assuming no mitigating controls	Impact	Mitigating controls
MANUFACTURED CAPITAL	Significant reliance on information technology and communication systems. This is a pervasive risk that affects the group as a whole.	○○●	○○●	• The group's IT Steering committee as well as an outsourced IT service provider manages relationships with internal stakeholders and all external service providers to ensure that a high service level is maintained. • The IT Steering committee and the IT service provider ensure that the group's IT strategy is appropriately formulated and implemented in the most cost-beneficial manner. • A separate IT risk register is maintained and processes are put in place to ensure that the key IT-related risks are mitigated to an acceptable level.
NATURAL CAPITAL	Vunani's private equity focus includes mining related initiatives. As our interest in these types of businesses grow, the risk exists that Vunani does not extract optimal value from the natural resources on a sustainable basis.	○●○	●○○	• Investments of this nature are always made in partnership with well-established companies that are experienced within the industry. • Vunani is a financial services business and its strategy is to responsibly extract value from its investments. Industry-specific knowledge and expertise is critical to achieve this and appropriate skills to address and manage this are added where necessary.

KEY

Low ●○○ *Medium* ○●○ *High* ○○●

Strategy

Strategic objectives

At Vunani, we always strive to improve on our performance in relation to our strategic objectives. In terms of building and preserving financial capital, we continuously aim to provide significantly improved results year on year. We have also created and sustained a healthy capital structure and have used the capital at our disposal to maximise value for our shareholders.

	FINANCIAL CAPITAL	HUMAN CAPITAL
STRATEGIC OBJECTIVES	• Achieving a positive and consistent return for shareholders. • Sustaining a healthy capital structure and utilising capital to maximise stakeholder value.	• Investing in talented individuals to ensure that each segment is driven by experienced leaders and staffed by skilled people who share in the group's vision.
MATERIAL ISSUES	• Profitability • Cash generation • Allocation of capital • Source of capital • Debt management	• Transformation • Staff recruitment and retention • Core skills and talent management • Employee performance
STRATEGIC RESPONSE	• Focus efforts on organic growth within the existing operating businesses. • Emphasise revenue growth while containing costs. • Restructure or sell under-performing businesses. • Closely monitor capitalisation of each business and redeploy capital appropriately. • Identify new business opportunities in Africa.	• Employ qualified individuals with the requisite skill set. • Develop our people through formal and informal training programmes based on their individual career progression objectives. • Appropriately reward staff for performance through short-term and long-term incentives, which are uncomplicated and transparent.
STAKEHOLDERS	• Shareholders • Investor community • Lenders • Government • Regulatory bodies and authorities	• Employees • Clients

In the area of human capital, we have consistently invested in talented individuals to secure both growth and sustainability in each segment. We also maintain a robust infrastructure that creates a solid platform for maximising opportunities.

More broadly, we continue to build the group's social capital by leveraging off its BEE status and by building and maintaining strategic alliances and partnerships. We also focus strongly on minimising our environmental footprint and on contributing to the long-term preservation of the natural environment.

SOCIAL AND RELATIONSHIP CAPITAL	INTELLECTUAL CAPITAL	MANUFACTURED CAPITAL	NATURAL CAPITAL
• Build and maintain strategic alliances and key partnerships. • Leverage off BEE status.	• Ensuring that group's established platforms are competitive and meet client requirements and expectations. • Delivering creative solutions and innovative products to clients.	• Maintain a robust and steady infrastructure that supports and facilitates opportunities in each segment. • Innovate through the use of technology.	• Minimise the environmental footprint of the organisation and promote the preservation of natural capital.
• Relationships vest with individuals and not the organisation	• Competitive product and service offering • Maintaining client service standards • Compliance with all required laws and regulations	• Hardware and software availability and operation	• Sensitivity to possible impact on environmental footprint
• Use established business relationships and market intelligence to identify potential investments and/or opportunities. • Understand relevant legislation and actively manage each component of the operating business' scorecards striving to improve from year to year.	• Facilitate greater cooperation and coordination between the group's operating businesses. • Increase interaction with clients and service providers to understand changing needs, business requirements and available solutions. • Strengthen existing business relationships through exceptional service and a competitive product offering. • Enhance existing products and services offered to a diverse client base to better suit their requirements.	• Invest in the right level of infrastructure that has got sufficient capacity, backup and redundancy to support the operational requirements of the group.	• Increased use of technology to reduce environmental impact. • Staff awareness initiatives undertaken.
• Shareholders	• Clients • Shareholders	• Employees • Clients	• Employees • Government

Integrated performance and future outlook

A message from our CEO and chairman

Organic growth and effective management of margins remains central to our plans.

Ethan Dube
Chief executive officer

Lionel Jacobs
Chairman

Introduction

The 2016/17 year has been another good year demonstrating continuation of positive growth and our corporate structural realignment. Vunani remains uniquely positioned as a boutique financial services group which looks to the future with renewed energy and focus. Additionally, we are pleased to reaffirm Vunani's status as an independent black-owned and managed diversified financial services group, which is growing in scale and stature across the Sub-Saharan continent.

We have realigned our organisational structure, based on experienced management and focused skill sets, into a robust platform intent on unlocking shareholder value over time. We believe we have a fundamentally solid basis and now the critical mass upon which to deliver sustainable growth.

Our leadership statement reflects the year to end-February 2017, however, the annual results were compared with performance over the previous 14 month period due to the extended financial reporting period as a consequence of Vunani's change of financial year to February following the acquisition of a majority stake (increased to 92.5%) in Fairheads Benefits Services Proprietary Limited (South Africa's largest beneficiary fund administrator) in May 2015.

The business framework

Vunani was established in the late 1990s and listed on the JSE's AltX in November 2007. The organisation immediately set out to gain a competitive advantage through its BEE and management credentials in the domestic financial services landscape. Since then, the organisation has evolved into a platform structure, steadily expanding into selective African markets. Our footprint in the SADC region is now represented in four countries including Malawi, Swaziland, Zambia and Zimbabwe.

In each country, our presence is characterised by strength of quality leadership and local relevance enabled by an owner-managed corporate culture. Local entrepreneurialism and ambitions ensure a sharp focus on all the operating businesses. We are admittedly ambitious but also prudent. Successful management of these businesses remains at the core of our strategy.

The streamlined company's operating segments now include Fund management, Asset administration, Investment banking (advisory services and institutional securities broking), Private equity and Private wealth and investments.

The environment

Domestic economic conditions deteriorated further over the past financial year culminating in the sovereign downgrade and on watch for further possible downgrades. Volatility in the equity market has been further aggravated by the downgrade by the rating agencies.

There were also external macro-economic dynamics exacerbating volatility such as Brexit and the US elections in November. The prospect of improved business conditions into 2018 are muted, therefore it is imperative that Vunani remains responsive to this environment and adapts to these changes.

The organisation is competitively-positioned in its chosen niche areas across South Africa and Southern Africa, with sufficient scale and quality to deepen customer relationships by meeting their specific needs and requirements for specialised financial-services and product offerings.

For a boutique, financial services player like ours this changing environment should also bring opportunities for acquisitive growth as well as organic growth in niche markets. All these add to our respective businesses and synergistic benefits will translate into value that is greater than the sum of its parts.

Organic growth and effective management of margins remains central to our plans, yet we remain vigilant and receptive to all opportunities based on their respective merits evaluated on strict criteria of value-enhancement for shareholders.

Sustainability

Our corporate objective remains to build sustainable businesses that make valuable contributions to society and communities in which we operate and service, over long periods of time. One of the two principal pillars of the group is attracting and developing a strong, diverse and capable workforce. The other, is to preserve and grow clients' and stakeholders' wealth, based on relationships and trust.

In March, we paid tribute to the Vunani Securities Analyst Training programme which has over the past decade and a half, produced 23 analyst alumni, all of whom are previously disadvantaged individuals who have gone on to contribute positively to industry and South Africa in various ways. This is just one of the indicators of the depth of talent that Vunani cultivates and embodies. Special recognition goes to seasoned analysts Arnold Werbeloff and Hurbey Geldenhuys for their tireless efforts in this regard.

A message from our CEO and chairman
(continued)

"The Vunani Securities Training Academy focuses on bridging the gap between academic proficiency and unlocking the potential of bright, young analysts to make a meaningful contribution in the workplace. The Academy strives to contribute to the empowerment of previously disadvantaged individuals and hence the transformation of the South Africa financial services industry."

People and our collective intellectual capital are indeed our main assets. To sustain our success as a business and as a positive contributor to society we will remain focused on our three cornerstones of people, intellectual capital and markets/services.

Performance

The exceptional financial results for the full year ended 28 February 2017 were due to improved performances from all Vunani's business units. The successful integration of Fairheads together with the streamlining of internal systems and efficiencies means that we have now laid a solid foundation for sustainable future growth.

The group's excellent performance is best reflected in the headline earnings per share which improved to 19.2 cents (5.8 cents: 14 months to Feb 2016) and basic earnings per share was higher at 30.1 cents per share for the 12 months to 28 February 2017 (6.2 cents: 14 months to Feb 2016).

Group revenue, which includes trading and various services fees increased by 22% to R188.6 million for the 12 months to 28 February 2017 (R154.2 million: 14 months to Feb. 2016). Profit after tax was R40 million for the year under review (R8.2 million: 14 months to February 2016).

Operating expenses including once-off costs increased by 6% from R183.3 million to R194.4 million despite our rigorous focus on spending and cost containment. The devaluation of the rand also resulted in increases in information and technology costs which are dollar denominated. Cost and margin management remain a key focus across business segments.

Looking ahead

We reflect positively on the growth that was achieved in the past year and expect the momentum created, to be maintained into the immediate future. Two specific areas were identified for growth at the beginning of the current year. Firstly to maximise involvement in existing Private Equity funds engaging in management companies as well as leveraging our considerable experience in the property sector.

Additionally, we will continue to strive for further improvement and management of our margins and to leverage the organisational structure for sustainable growth, both locally and on the continent. Additionally, we will engage with local African partners to meet local client needs and to further strengthen strategic integration of operational units.

Vunani's board and people

The board is well balanced in terms of skills and independence while gender equality and diversity is very important to the board. Strategic non-executive shareholder appointments in Marcel Golding, appointed during the year, and Sithembiso Mthethwa from MION are advantageous to the board and have introduced new dynamic intent for targeted business and value creation. We look forward to further interactions and strategic value from their board interactions being realised in the medium-term. The board and management remain vigilant for growth opportunities, large or small and are guided by the frameworks of good governance and best practice.

At the end of 2016 we bade farewell to the outgoing CFO Aphrodite Judin after 11 years at Vunani. Simultaneously, we welcomed Tafadzwa Mika to the role of CFO after spending five years as the group finance manager at Vunani, in a seamless handover process and look forward to further contributions from him.

Vunani's 301 employees hold more than a 44% equity interest in the company. The splits of 104 male employees of which 67% are black Africans, and females 197 of which 88% are black, is advantageous to the organisation. Around 2% of Employees are not South African. Vunani's market capitalisation as at 28 February 2017 was R354 851 376 with 161 296 081 shares in issue.

Dividend

A capitalisation share award in the ratio of 4 shares for every 100 shares held was declared on 29 August 2016 with an alternative option of 6 cents per share. Shareholders not electing to receive the capitalisation shares received a gross ordinary dividend of 6 cents per share. A dividend of 5.2c per share was declared in April 2017. The company remains committed to paying an annual dividend each year.

Appreciation

Firstly, we express our deep appreciation to our clients, who are the lifeblood of our businesses, for their continued support and interest. Secondly, to all Vunani's people across the organisation, you are our primary asset, we are grateful for your dedication, passion and hard work which has made our success to date possible. We will continue to look positively to the future and together we will achieve our targets and goals in shaping our future. To our fellow board members, thank you for your contributions to all board matters, for your guidance and positive encouragement to lead this professional organisation towards realising its objectives. We look forward to next year with renewed focus and determination.

Chief financial officer's report

Vunani has worked consistently and in a strategic way to build up the capability of its operating businesses, as well as to establish a strong brand that is known for innovation and excellence.

Tafadzwa Mika
Chief financial officer

Executive summary

Vunani is pleased to report a total comprehensive income for the year-end of R37.8 million compared to R8.3 million for the 14-month period ended 29 February 2016. This increase was partly due to improved performance from the groups' operating businesses, as well as to profit realised on the stepped-up acquisition of Mandlalux, which amounted to R12.1 million.

Profit on continuing operations increased by 382% to R40.0 million (2016: R8.3 million). Earnings per share also showed significant growth, rising to 30.1 cents per share in 2017 from 6.2 cents per share in 2016. Headline earnings per share increased to 19.2 cents in 2017 from R5.8 cents in 2016. Details of dividends declared are given in the appropriate section below.

The group's results are based on the results of the business segments as summarised on page 41 of this report. In January 2017 Vunani acquired an additional 30% in Fairheads, which is accounted for under the Asset Administration segment. The increase in shareholding resulted in Vunani controlling Fairheads. Thus, Fairheads was equity accounted for 10 months and consolidated for the last two months of the year.

During the year Vunani also acquired a 45% interest in an asset management business in Malawi, called Alliance Capital Limited. This is in line with Vunani's strategy to expand into Africa. Alliance was accounted for under the fund management segment.

Chief financial officer's report (continued)

Statement of comprehensive income

Revenue from continuing operations increased by 22% to R188.6 million (2016: R154.2 million). The investment banking segment currently contributes the highest percentage of the group's revenues at R68.0 million (2016: R69.8 million). As expected, the fund management segment was the next highest contributor. The fund management segment is expected to become the main revenue contributor in the foreseeable future.

Other income includes the benefit of a reduction on the amount due on the deferred payment on the acquisition of Fairheads. Historically, this revenue stream included the amortisation of deferred income, but this was fully amortised in the previous period.

Investment income of R1.6 million in the form of dividends from Vunani's listed investments was received during the year. Interest received from investments reduced slightly from R2.0 million in 2016 to R1.7 million in 2017. The contribution to profits from the sale of disposable assets was made up of R2.8 million from the disposal of the retail stockbroking business and R12.2 million from the profit on the stepped-up acquisition of Fairheads.

In addition, the group recorded favourable fair value adjustments of R8.6 million (2016: negative R11.2 million) and an impairment reversal of R0.6 million (2016: impairments of R7.7 million).

Equity accounted earning reduced to R23.3 million for the year from R31.8 million in 2016. Equity accounted earnings included Vunani's share of post-tax earnings for both Fairheads and Workforce.

Operating expenses increased by 6% in the reporting period, slightly below the average inflation rate for the year. A portion of the increase in expenses is due to the consolidation of Fairheads for two months. Staff costs – including remuneration and costs for short- and long-term incentives – accounted for 59% of expenditure, remaining the group's single largest line item. This is appropriate for a financial services group, where success and sustainability depends so heavily on investment in human capital. Communications and information costs accounted for 11% of expenditure, which are critical for the nature of the business of Vunani. It is important to note that many of the group's communications expenses are Dollar-denominated and fluctuations in the value of the Rand had a direct impact on these. The group remains very sensitive to costs, and minimising expenditure is an ongoing management priority.

Finance income decreased to R2.8 million for the year compared to R4.5 million in 2016. This was due to lower cash balances at the beginning of the year. Finance costs increased to R3.9 million for the year compared to R2.7 million in 2016, due to the increase in debt from the consolidation of Fairheads.

Statement of financial position

The goodwill value of the group increased by R105.6 million during the reporting period and intangible assets increased by R98.6 million due to the consolidation of Fairheads.

In the previous reporting period, certain listed investments were accounted for as non-current assets held for sale as it was Vunani's intention to dispose of these assets. The sale of these assets was not concluded within 12 months and these investments have been transferred to other investments and investment in associates respectively. This transfer contributed to the increase in the investment in associates.

The group's unlisted investments are valued annually. The valuation of these investments is performed in consultation with the investment and corporate finance professionals within Vunani. For the current year Vunani obtained third party valuations for the group's unlisted investments. The valuations are then submitted to the investment committee for scrutiny and approval prior to their submission for audit. Please refer to the group's accounting policy in note 3 on fair valuing investments and note 42 which provides additional details regarding the current year considerations.

Accounts receivable and payable from trading activities relate to outstanding settlements in the securities trading business. Trades settled on a T+3 basis at 28 February 2017, so the receivables and payables reflected on the statement of financial position would have been settled within three business days after the end of the year. Please refer to note 22 in the financial statements for additional information.

A share capitalisation issue award (scrip dividend) resulted in a R6.8 million increase in stated capital. Additional shares to the value of R68.8 million were issued during the year, contributing to the increase in stated capital. The share-based payments reserve movement of R3.2 million is attributable to the current period IFRS 2 charge (2016: charge of R1.6 million). Additional shares were issued to employees at the end of the year in terms of the long-term incentive strategy of Vunani.

Liabilities increased by R122.2 million on the consolidation of Fairheads. These liabilities include loans, leases and deferred payments.

Dividends

As mentioned in the leadership statement, a capitalisation share award in the ratio of four shares for every 100 shares held was declared on 29 August 2016, 4.3 million shares were issued in this regard. Shareholders were given the alternative option of receiving a gross dividend of 6 cents per share. A gross dividend of 5.2 cents per share was also declared in April.

Cash flow

Cash flow and cash equivalents increased to R82.1 million during the reporting period (2016: R17.1 million). Net cash utilised in operating activities amounted to R7.8 million (2016: R29.9 million). Net cash inflow from investing activities amounted to R4.0 million (2016: R2.7 million) and net cash inflow from financing activities amounted to R49.1 million (2016: outflow R22.3 million). The issue of new shares and consolidation of Fairheads increased Vunani's net cash reserves.

Conclusion

Vunani has worked consistently and in a strategic way to build up the capability of its operating businesses, as well as to establish a strong brand that is known for innovation and excellence. The results for the 2017 financial year demonstrate that we are on the right path and we aim for additional growth in the new financial year.

Investment case

In today's volatile socio-economic climate, making sound investment decisions that will deliver value is more challenging than ever. Businesses, institutions, parastatals and individuals all need an investment partner they can trust and depend on in the short- medium- and long-term.

Vunani Limited aims to be just such a partner in all aspects of investment planning and management.

With a well-established performance record, exceptional human capital and a reputation for superior client service, the group is a compelling choice for any investors, both large and small. As an independent, black-owned and fully diversified financial services group, Vunani also brings impeccable BEE credentials to the table.

In all of these ways, it demonstrates its deep commitment to creating long-term value for stakeholders, as well as to being an instrument of meaningful transformation within the South African context.

Vunani creates value by:

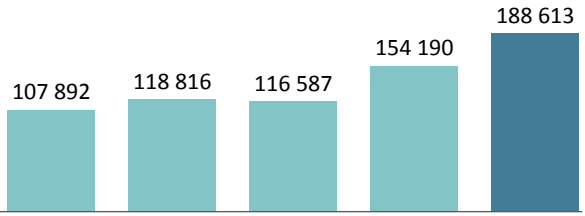
- Focusing on organic growth within the existing business;
- Undertaking strategic mergers and acquisitions in order to extend reach and impact:
  - Vunani acquired a 45% interest in Alliance Capital Limited (Malawi);
  - Vunani established an asset management business in Swaziland; and
  - Acquired a further 30% interest in Fairheads.
- Maintaining a lean and cost-efficient organisational structure;
- Employing high-calibre management and staff;
- Building and maintaining strong relationships with clients;
- Providing market-leading investment research;
- Developing and using proprietary information technology platforms and systems;
- Leveraging off relationships with strategic shareholders;
- Unlocking value in private equity deals;
  - With a focus on mining, property and expansion into Africa, the Private equity segment is exploring equity initiatives with well-established partners such as Anglo American, Bidvest and Mion Holdings.
- Exploring investment opportunities both locally and abroad; and
- Identifying and optimising investment opportunities in Africa's fast-growing markets.

Value is created through:

- Share price appreciation;
- Dividends paid to shareholders;
  - A dividend per share of 5.2 cents declared for the year.
- The employment for over 300 staff;
- High-level skills training and development;
  - Since 2004, the Vunani Securities Training Academy has been responsible for developing 23 previously disadvantaged graduates into equity analysts who have, over the years, been ranked in prestigious local and international surveys.
  - Three have since completed their CFA, three have graduated with MBAs and one is a CFP.
- Support for BEE and socio-economic transformation; and
- Payment of statutory taxes and levies.

Five-year financial review

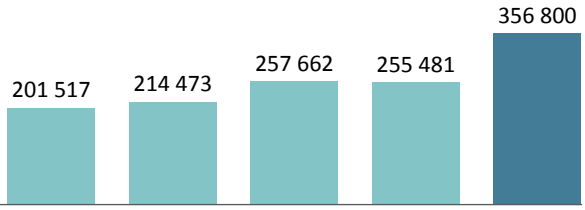
STATEMENT OF COMPREHENSIVE INCOME



Total revenue (R'000)

	Dec 2012	Dec 2013	Dec 2014	Feb 2016	Feb 2017
		(note 1)	(note 1)	(note 1)	
Results from operating activities (profit/(loss)) (R'000)	61 935	17 124	80 420	6 128	**49 758**
Profit for the year (R'000)	11 755	8 306	66 985	8 169	**40 038**
Headline earnings/(loss) (R'000)	(11 245)	2 545	(28 273)	6 355	**24 213**
Headline earnings/(loss) per share (cents)	(11.0)	2.5	(27.5)	5.8	**19.2**

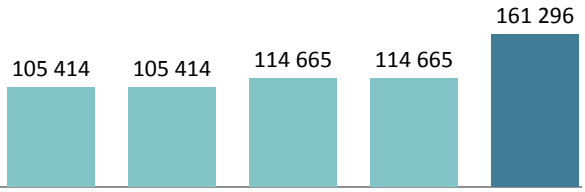
STATEMENT OF FINANCIAL POSITION



Equity attributable to equity holders (R'000)

	Dec 2012	Dec 2013	Dec 2014	Feb 2016	Feb 2017
		(note 1)	(note 1)	(note 1)	
Total assets (R'000)	591 025	433 284	469 094	963 730	**1 284 289**
Total liabilities (R'000)	376 714	225 037	214 250	706 579	**931 510**
Net tangible asset value per share (cents)	158.0	169.0	194.0	192.9	**73.4**

SHARE PRICE STATISTICS



Number of shares in issue at year end ('000)

	Dec 2012	Dec 2013	Dec 2014	Feb 2016	Feb 2017
		(note 1)	(note 1)	(note 1)	
Closing price at end of the year (cents)	225	190	170	160	**220**
Closing high for the year (cents)	399	225	220	185	**220**
Closing low for the year (cents)	4	119	106	115	**117**
Volume traded during the year ('000)	12 875	4 198	14 635	2 880	**8 504**
Ratio of volume traded to shares in issue (at year end) (%)	12.21	4.00	12.76	2.51	**5.27**

Notes

Note 1 – For continuing and discontinued operations.

Business segment reviews

Business segment reviews

FUND MANAGEMENT

Vunani Fund Managers

Despite challenging market conditions, negative investor sentiment, a slowdown in the outperformance of fees and significant lead times between business being secured and transactions being finalised, Vunani Fund Managers remained a profitable business.

- Assets under management increased by 12.8% from R14.1 billion to R15.9 billion.
- Profit after tax increased by 66.4%.
- Revenue remained stable at R50.7 million for the reporting period, compared to R51.2 million for the previous period (14 months).

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
Generate a good annual return on equity.	A minimum ROE of 25% per year.	ROE of 43%.	ROE of 41%.
Recruit and retain talented investment professionals.	Recruitment and retention of top investment professionals.	One key executive recruited.	One senior investment professional recruited.
Increase market share.	Obtain a 5% to 10% increase in market share.	Rated amongst the Top 10 black-owned asset managers in South Africa (Source: 2015 BEE. conomics survey).	Rated amongst the Top 10 black-owned asset managers in South Africa (Source: 2016 BEE. conomics survey).
Provide relevant and cost-effective investment products.	High levels of performance and new inflows.	Top quartile ranking for most products.	Second and third quartile performance with some products.
		12% increase in AUM.	12.8% increase in AUM.

2017 Performance outcomes

- Increase in AUM of R1.8 billion
- Increase in profit after tax of 66.4%
- ROE of 41%
- Sufficient capital to meet regulatory requirements
- Staff complement of 27 with R25.1 million invested in salaries
- 0.5% of salary budget invested in training and development
- High level of client retention
- Raging Bull Award for the global equity fund

Overview

Vunani Fund Managers is a boutique provider that manages a range of investment funds for corporate and institutional investors, including retirement funds, medical schemes, parastatals and trusts. Its objectives are to achieve investment returns that exceed client expectations; to recruit and retain the best available human capital; to continuously increase market share; and to provide relevant and cost-effective investment products.

The company, which has been operating since 1999, has a diverse product suite with both domestic and global capability. Its team of investment professionals, which has extensive experience in portfolio construction and risk management, enables it to offer its clients world-class investment products and services.

Vunani Fund Managers has a strong capability in the areas of absolute return (CPI + range), specialist bonds, property funds, and domestic and global equities. It is differentiated from its competitors by its established client base; its highly experienced team of fund managers; its solid and in-depth research; its track record of delivery to client expectations; and its recognised reputation for service excellence.

The company's strategic plan is to continue to offer a different approach to managing assets in the various product categories in order to deliver unmatched investment performance. It will also strive to ensure that the investment team consistently offers top-quartile performance across the different investment horizons. It further aims to understand the challenges and objectives of the various segments in which its clients operate in order to offer a bespoke service but, at the same time, to ensure that all clients within a particular segment are treated fairly.

In the medium-term, Vunani Fund Managers intends to expand its product offering into alternative asset classes such as hedge funds, as well as to launch a product that gives its clients exposure to opportunities on the African continent via its parent company, Vunani Capital.

In the area of corporate social investment and development, the company launched a graduate development programme in 2016. This is designed to provide candidates with foundational skills for a career in investment management. The programme's primary objective is to increase the pool of investment professionals from historically disadvantaged communities.

Operating environment

The business operates in a highly competitive fund management industry and in a constantly changing global macro-economic and technological environment. Its sustainability therefore depends on product differentiation and investment processes that involve creative and innovative thinking.

Its business approach is fundamental in nature. Its team of investment professionals devotes a great deal of time to analysing the key drivers of value within each of the companies it invests in. This approach has served both the company and its clients well by identifying investment outperformance opportunities and focussing attention on continuous improvement in risk management.

Within this context, Vunani Fund Managers' global equity fund has consistently outperformed its benchmark and has remained ahead of its peers over both long and short periods. Its core equity fund has, however, declined slightly in value due to certain stock positions and as a result of the markets being extremely volatile. The performance of multi-asset products has also declined due to defensive positioning in the portfolios.

While there has been slight underperformance in the short term, Vunani Fund Managers' fixed interest performance has been consistently in the top quartile over the longer-term. The company's passive funds are also tracking in line with their strategies. Finally, new higher-margin products have already delivered a credible performance and are ranked in the top quartile against their peers.

Performance

Profit increased by 66.4% from R3.5 million in the previous period to R5.8 million in 2017. Revenue decreased slightly by 1.2% from R51.1 million in the previous period (14 months) to R50.7 million. This was largely due to the fact that AUM targets were met significantly later than anticipated and to the withdrawal of a large client as a result of a change in its investment strategy. Lower-than-expected performance fees were due to underperformance against benchmarks on some of the company's products.

The company could have traded better had there not been such significant lead times between business being secured and transactions being finalised. Vunani Fund Managers is nevertheless trading off a solid base, which will yield a stronger performance in the new financial year.

Outlook

The fund management industry is facing a barrage of regulatory changes and there is increasing pressure from the market to lower costs.

In terms of investor focus, there is an increase in foreign equity allocation and a greater interest in less traditional assets. This is evident in an increased appetite for passive exchange-traded funds, hedge funds and more unusual categories of private equity. There is a parallel interest in infrastructure and corporate credit products, while increasing longevity is driving a need for suitable healthcare funding products.

In order to remain a relevant and competitive player in the fund management segment, Vunani Fund Managers needs to be fully equipped to offer tailored solutions designed to meet changing investment needs, while simultaneously ensuring that costs are managed effectively and efficiently.

Business segment reviews (continued)

FUND MANAGEMENT

Purpose Vunani

The 2017 financial year was very successful for Purpose Vunani as the company was able to achieve profitability after having posted a loss in 2016. This is attributable to the growth in funds under management, increased trades in treasury bills and the implementation of stringent cost management measures.

- Assets under management increased by 89% from US$17.8 million to US$33.7 million.
- Revenue increased by 50% from R9.2 million to R13.7 million.
- Trades in treasury bills issued by government to fund its expenditure were a significant source of revenue.

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
To improve returns for shareholders.	A minimum ROE of 25%.	Negative ROE due to losses.	ROE of 42%.
To achieve profitability or, at the very least, to break even.	Profitability.	A loss of R0.1 million.	A profit of R4.9 million.
Growth in assets under management.	Achieve a target of US$40 million.	AUM of US$17.8 million.	AUM of US$33.7 million.
Revenue growth.	Achieve at least a 10% growth annually.	Achieved 78% increase.	Achieved a growth of 50%.

2017 Performance outcomes

- Revenue: R13.7 million
- Operating expenses: R6.6 million
- EBITDA: R7.3 million
- PAT: R4.9 million

Overview

Vunani Capital owns 65% of Purpose Vunani, a Zimbabwean asset management business registered with the Reserve Bank and Securities Exchange Commission of Zimbabwe. It is a top-tier independent asset management company that offers diversified solutions to corporate clients, insurance companies, pension funds and individuals.

Purpose Vunani has been trading since 2005 and its key activities include money market portfolio management, stock market portfolio management, investment advisory services, cash management and outsourced treasury solutions.

Its vision is to exceed every client's ROI expectations through the focused and continuous pursuit of highly rewarding investment opportunities that deliver superior performance. The company also seeks to position itself for further growth within the market in which it operates.

Strategically, Purpose Vunani aims to continue to diversify in order to offer a balanced asset class that includes fixed income securities, property funds, private equity, prescribed assets and treasury bills. The company's robust investment processes are driven by a highly experienced team of investment and corporate finance professionals. The fact that it is backed by a JSE-listed group makes it particularly attractive to its clients.

Operating environment

The Zimbabwean economy continues to remain under stress due to such economic challenges as tight liquidity and low domestic production across most sectors, resulting in low economic growth.

Within this context, Purpose Vunani operates in a regulated market made up of 16 asset managers. One of the greatest challenges it faces is the fact that the regulatory capital amount of US$250 000 required to enter the market is not restrictive enough to prevent new companies from being established in this tightly traded environment.

Purpose Vunani nevertheless differentiates itself from its competitors by offering personalised service, a responsive and efficient organisational culture, and an established reputation for performance and ethics. It is also differentiated by the fact that it is an independent asset manager with a versatile, qualified and experienced board and management team, as well as a highly experienced investment team.

Performance

Net revenue increased by 50% from R9.1 million in 2016 to R13.7 million in 2017, mainly due to increased trade in treasury bills. Despite the difficult environment in which the company operates, it also posted a profit after tax of R4.9 million. This was partly as a result of the implementation of cost-cutting measures, which led to a drop of 27% in operating expenses from R9 million in 2016 to R6.6 million in 2017.

The money market portion of the business grew steadily, but growth in equities was insignificant.

Key developments during the year included the introduction of bond notes in November 2016. Taking the form of US$1 bond coins and US$2 bond notes, these have added to the currency basket in Zimbabwe. They are intended to ease the liquidity crunch and facilitate imports and exports. Active trading of treasury bills on the secondary market also improved during the year, while on the regulatory front, strict exchange control regulations were introduced to minimise illicit financial outflows.

From a customer service point of view, a survey conducted during the reporting period showed that most clients were satisfied with the returns on investments achieved and believe that their investments are secure.

Outlook

The Zimbabwean economy continues to be marred by uncertainty and most indicators point to the fact that an even lower growth rate can be expected during the current financial year. This will obviously have an effect on the performance of the business, which is also likely to be impacted upon by the introduction of even more stringent regulatory controls.

The company will nevertheless remain alert to all opportunities and intends to increase the value of assets under management, partly by focusing on pensions funds for its long-term portfolios. It will also continue to focus on such revenue sources as the trade in treasury bills. If these strategies are successfully implemented, Purpose Vunani expects to report an increase in both revenue and profitability in 2017.

Business segment reviews (continued)

ASSET ADMINISTRATION

Fairheads

Fairheads' results for the year ending 28 February 2017 were satisfactory. The asset administration segment made a profit after tax of R16.6 million (2016: R7.4 million), which was achieved by maintaining a strategic focus on core competencies and by working with like-minded partners in specialist areas.

- Assets under administration decreased by 22% from R7.8 billion to R6.1 billion due to the cancellation of a contract by a major client.
- Revenue decreased by 13% from R153 million to R133 million for the same reason.
- New administration agreements were signed with two major corporate clients and capital inflows from these clients commenced during the final quarter of the reporting period.
- Operational efficiencies achieved over the past year will result in cost savings of approximately R2.5 million in the current financial year.

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
Generate a good annual ROE.	ROE of 25% per year.	ROE of 20%.	ROE OF 23%.
Increase market share.	Increase in market share of 25% a year over the next two years.	42% increase in market share.	25% increase in market share.
Enhance operating efficiencies.	Continuously improve AUA per employee.	AUA of R30.8 million per employee.	AUA of R28.7 million per employee.

2017 Performance outcomes

- Revenue: R22.9 million
- R2.5 million in cost savings during the year
- 25% increase in market share

Overview

Fairheads is a niche trust and beneficiary fund administrator responsible for administering funds on behalf of minor dependants of deceased retirement fund members. The business administered R6.1 billion on behalf of around 80 000 members and beneficiaries during the 2017 financial year.

The company's dedication to client service remains fundamental to its business approach. Key clients are broken down into two groups: those who use its services, namely members and their guardians; and those who determine that the funds should be placed in its care, namely retirement fund trustees. Fairheads' primary aim is to provide impeccable service delivery to its members because, in many cases, the funds paid to them contribute significantly to their overall household income.

The company also strives to improve educational and well-being outcomes for its members, with over 80% of the capital requests distributed being for education-related expenses. Management further recognises that it has a fiduciary responsibility to keep trustees in retirement funds informed about the well-being of members, and the company has developed strong relationships based on openness and transparency in order to do this.

Fairheads differentiates itself through operational strategies that focus on client centricity, operational efficiencies and an integrated IT solution. Phase One of the company's custom-developed and client-centred IT solution was launched during the last quarter of the reporting year.

Operating environment

Fairheads, like all other business segments in the Vunani group, operates within a challenging economic environment. The impact of the rise in inflation makes it imperative that the business continually tries to increase its AUA to improve its profitability.

Performance

On 1 January 2017, Vunani increased its investment in Fairheads to 92.5% by acquiring the remaining 30% interest in the company from Fairheads management in exchange for shares in Vunani Limited. The segment made a profit after taxation of R16.6 million, taking into account the debt servicing requirements relating to the acquisition of the business.

Income distributed to beneficiaries and guardians remained in line with portfolio expectations and reflected the difficult circumstances of many of the company's members. Income, capital and termination distributions contribute significantly to the social upliftment of vulnerable members of the community and Fairheads is proud to have a role to play in doing this.

Outlook

The retirement industry has been a focus area for government reform for a number of years, with specific emphasis being placed on improved retirement outcomes for retirees in order to reduce the social burden on the state.

Important components of the reform process have been pressure on fees and a push towards consolidation in the industry. Consolidation will continue to create opportunities for leaders in their industry segments and Fairheads is well placed to take advantage of this. The company's core capabilities of administering assets in the non-contribution phase of retirement resonates with government's aim of providing simple, value-for-money retirement products for the mid-to-low LSM market.

Fairheads will continue to position itself as South Africa's leading administrator of non-contributory retirement fund products, delivering key competencies in communication, distribution and client relationship management.

Business segment reviews (continued)

INVESTMENT BANKING

Institutional Securities Broking

Vunani Securities and Vunani Capital Markets

Despite operating under challenging conditions, the institutional securities broking segment performed relatively well during the 2017 financial year. Improvements in revenue were due to the fact that both Vunani Securities and Vunani Capital Markets continued to recruit only the best human capital, to provide the highest quality of research, and to offer continuously excellent client service. This has enabled the segment to stay well ahead of the curve in terms of performance relative to the overall performance of the JSE.

- Revenue of R68 million.
- Vunani Securities remained one of the Top 25 brokers on the JSE.
- Vunani Securities concluded a joint venture agreement with Panmure Gordon, one of the foremost stockbrokers in the UK.

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
Generate a good annual return on equity.	A minimum ROE of 15% per year.	ROE of 19%.	ROE of 15%.
Increase market share.	To rank amongst the Top 20 brokers in terms of volume traded on the JSE.	An average ranking of 23/56 in terms of volume traded during the period.	Maintained a ranking of 23/56.
Increase international exposure through joint ventures with international partners.	Link up with at least one new international partner a year.	Signed a joint venture agreement with one international company.	Entered into a joint venture agreement with Panmure Gordon.
Develop and expand relationships with clients.	Increase the number of institutional clients.	Ten institutional clients added during the period.	Six institutional clients added during the period.

2017 Performance outcomes

- Significant improvement in profit before tax
- Retained market share
- Expanded international offering
- Maintained and added to service value proposition to clients

Overview

Vunani Securities and Vunani Capital Markets are institutional stockbroking companies that trade in equities, derivatives, bonds and the money market, mainly in the small- to mid-cap tier. Together, they make up the group's investment banking segment and they service corporate, parastatal and institutional clients, both locally and abroad. Equity, derivatives and related trading is handled by Vunani Securities, while fixed-interest business offerings in bonds and money market instruments is handled by Vunani Capital Markets.

The segment's product offering includes equity trading, index futures, single stock futures, currency and interest rate futures, global futures, equity options, over-the-counter stocks and options, transition management, money market instruments and fixed interest rate instruments. In terms of advisory services, analysts provide daily, weekly and monthly reports to institutional clients and also conduct frequent investment banking roadshows. The segment operates in a number of different sectors, including platinum, diversified industrials, transport, financial and industrial, food production, and information technology.

Vunani Securities was established in the late 1990s under the name African Harvest Securities and, over the next decade, acquired Vector Equities, Vector Securities & Derivatives and Kagiso Securities.

The company's primary objective is to become the foremost independent and indigenous stockbroking service provider in South Africa. Focused on domestic stocks, it boasts particularly broad coverage in the mid-cap section of the market. Its highly experienced research analysts and advisors offer clients both top-down analysis of the market as a whole and bottom-up research on approximately 90 listed companies.

In addition, the Vunani Securities Training Academy is recognised as providing exceptional added-value to the investment banking skills pool. A unique institution, it continually trains and certifies quality analysts.

The team at Vunani Capital Markets has a deep understanding of the bond market and exceptional bond execution capabilities. The company is also renowned for its high standard of ethics and its uncompromising work ethic.

Operating environment

The South African economy remains constrained, featuring a low level of growth, a relatively high level of inflation, a high level of unemployment and significant fluctuations in the value of the rand. Together with on-going political instability, this will continue to impact on the segment's operations and performance.

Performance

The segment achieved a profit of R2.6 million before tax in the reporting period, compared to R5.1 million in the previous period. It also achieved an ROE of 15%. This is notable when compared to the fact that the value of the equity on the JSE rose by only 8.3% over the same period.

Sustained margin squeeze nevertheless remains a challenge for the segment, and the ill-health of senior staff during the 2017 financial year affected performance in the bonds division.

Despite these challenges, it continues to achieve recognition for its contributions in the area of research, as reflected in the annual *Financial Mail* ratings. Vunani Securities was ranked in the Top 3 in the small- and medium-cap financial and industrial category. It was also ranked amongst the Top 6 in the platinum and precious metals category, and achieved the same ranking in the small- and medium-cap resources category.

A highlight of the year was that the company was selected for inclusion in the ASISA Stockbroker Development Programme for Black Stockbrokers.

Outlook

The outlook for the investment banking segment remains cautiously optimistic. There is, however, a risk that the value of equities traded will fall in the foreseeable future and this implies there will be a related reduction in available brokerage. Margin squeeze could also continue to erode its share of the brokerage market.

In addition, low overall trading volumes imply even lower volumes in the less liquid, mid- to small-tier area of the market, which is the segment's primary area of focus.

Business segment reviews (continued)

INVESTMENT BANKING

Advisory services

Vunani Corporate Finance ("VCF") delivered a satisfactory performance in the 2017 financial year, but results were affected by the fact that a number of transactions had to be rolled over into the current financial year. The corporate finance team nevertheless managed to reduce operating loss by 78% compared to the previous period (14 months).

- Revenue increased by 420% from R1 million to R5.2 million.
- Operating loss decreased by 78% from R2.5 million to R0.5 million.
- An accelerated bookbuild was successfully completed for MTN.
- An Africa-focused EFT was successfully listed.

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
Generate a good annual return on equity.	A minimum ROE of 25% per year.	Negative ROE as a result of losses.	
Entrench Vunani Corporate Finance as the advisor of choice for coal-related transactions.	60% of revenue to be generated from mining.	A number of mandates were awarded in the 2016 financial year, but were only completed in the 2017 financial year.	26% of revenue generated from mining-related mandates.
Further entrench Vunani in the SOC space.	Close one transaction for an SOC per year.	Vunani Corporate Finance was shortlisted for two large transactions during the reporting period, but both were cancelled by the client.	The company was awarded one mandate from an SOC.

2017 Performance outcomes

- Earned revenue from resource-related mandates, proving the appropriateness of the strategic focus on advising resource companies
- Maintained a strong reputation based on good performance
- Maintained sufficient capital to meet operational requirements
- Retained a small, efficient staff complement of five
- Continued to generate revenue from sponsor fees

Overview

Vunani Corporate Finance has a rich history in the corporate finance segment, having advised on a number of high-profile transactions across the SOC ("State-owned companies"). It has also assisted many BEE start-ups in the process of entering into their first transactions.

VCF has worked with most of the major banks in South Africa on joint mandates. These relationships and networks continue to underpin many of the division's advisory activities.

Vunani Corporate Finance, which is a division of Vunani Capital, provides a full range of corporate finance services, including M&A conceptualisation and execution; raising of both debt and equity capital; listings; empowerment transactions; due diligence; valuations; and sponsor work.

The company operates across a number of sectors, but its core strength is in mining and financial services. It has one of the strongest mining sector capabilities in the market, as the advisory team is able to provide advice from both a financial and operational perspective. Clients in this sector have included exploration companies as well as some of the country's biggest corporates.

Vunani Corporate Finance has a strong track record and is differentiated from its competitors by its ability to build long-standing and enduring client relationships. This is supported by thoughtful advice and superior execution.

The sustainability of the business depends on its value proposition. The advisory team uses an entrepreneurial approach to support client relationships, recognising that success is driven by being nimble and innovative.

The segment's key objectives in the current financial year are to close all transactions that have rolled over from the previous financial year, and to close at least three M&A mandates, one advisory mandate with an SOC, and one advisory mandate in the resources sector.

Operating environment

Slow economic growth is having a direct impact on corporate activity from both an M&A and capital raising perspective. It is also impacting on the time taken to close transactions which, in turn, is affecting revenue.

Performance

Vunani Corporate Finance achieved a significant increase in revenue compared to the previous reporting period. The company also managed to secure an additional mandate during the year, but mandates are taking longer to finalise and therefore to reflect on revenue figures.

Outlook

The future outlook for Vunani Corporate Finance is positive, as the completion of the mandates secured in the 2017 financial year will make a significant contribution in the new year. Mandates currently under negotiation are also likely to be finalised and will make an important contribution to revenue in the medium-term.

Business segment reviews (continued)

PRIVATE WEALTH AND INVESTMENTS

Vunani Wealth and Investments

There were several changes in the wealth and investments segment during the reporting period. Most significantly, the stockbroking component of the business was sold to the minority shareholder as part of a strategy aimed at focussing on high-net-worth asset management. This strategic transition was made successfully and the segment recorded a profit of R0.2 million compared to a loss of R3.4million in the previous period (14 months).

- Assets under management increased by 93% from R203 million to R447 million.
- Revenue decreased by 65% from R12.8 million to R4.4 million.
- The process of consolidating offshore platform facilities progressed with the inclusion of Swissquote and the Sovereign Group.
- A distribution agreement with Sanlam Bluestar created a unique offering in the industry and significantly improved capacity in the employee benefit space.

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
Grow AUM.	Increase AUM by R120 million per year.	AUM increased by R38 million.	AUM increased by R215 million.
Increase employee benefits portfolio.	Add four new clients a year.	N/A	One new client added.
Broaden and improve the quality of both domestic and international products.	Add five new domestic and international products per year.	N/A	New international products added via Swissquote.

2017 Performance outcomes

- Increased AUM from R215 million to R447 million
- Introduced new international products
- Concluded a distribution agreement with Sanlam Bluestar

Overview

Vunani Wealth and Investments is a niche provider of asset, wealth and risk management services for private clients. It also offers estate planning services through a number of established providers.

The company's client base consists of high-net-worth (HNW) and ultra-high-net-worth (UHNW) individuals currently resident in South Africa. Its strategic objective is to provide these individuals with investment options that are both flexible and cost-effective. In order to do this, it offers a diverse portfolio of both local and offshore voluntary and compulsory funds within a personalised service framework.

The Vunani Wealth and Investments product and services portfolio offers multi-managed funds, short- and long-term risk products, wills, trusts and estate planning services, with a specific focus on niche solutions and offshore estate planning structures.

The stockbroking component of the business was disposed of at the beginning of the reporting period in order to allow the business to focus on asset management for HNW and UHNW clients. No acquisitions to strengthen this aspect of the business were, however, considered during the course of the year as no opportunities presented themselves.

In both the short- and medium-term, the company aims to grow its portfolio in order to focus on assets that deliver higher margins. It also aims to diversify investment product and service providers in order to achieve a greater spread of earnings locally and, in particular, offshore.

The segment differentiates itself from its competitors through its personalised customer service and superior reporting capabilities. Building trust and personalised relationships is a key priority, as is delivering returns that outperform the industry average in the long-term.

The company also differentiates itself by adopting a unique approach to developing solutions for its clients, which include instruments such as employee benefits with wrap funds and segregated personal share portfolio offerings. It also makes use of specialised and highly targeted marketing strategies. In addition, it partners with leading IT service providers to deliver highly accessible and personalised reporting.

Securing growth in the offshore client portfolio is perhaps one of the most immediate challenges facing the business, but this is possible through platform, fund and differentiated offerings.

Operating environment

Vunani Wealth and Investments operates in a highly competitive environment, one in which all asset managers are experiencing tough market conditions. There are few opportunities for growth by acquisition and, as a result, newly listed asset managers are finding it particularly difficult to operate in the current environment. Conversely, this presents opportunities for Vunani Wealth and Investments, which is well positioned to use customised product and services solutions to grow market share and AUM organically.

On a macro level, markets continue to follow the same trends in the current financial year as they did in the previous reporting period, with the YTD all-share index performance being 5.74%. More specifically, passive tracker funds have fared well given the market conditions but, in contrast, active managers have generally underperformed against the indices.

Performance

The segment returned to profitability during the reporting period. It also introduced new products and distribution agreements for projects that will improve capability and capacity in the current financial year. Revenue decreased to R4.4 million due to the restructuring of the segment.

Revenue contributions by product were as follows:

- Personal Share Portfolio ("PSP") (Local): 67.09%
- Personal Share Portfolio (Offshore): 6.91%
- Multimanager Unit Trusts: 12.23%
- Managed Unit Trust 4.71%

This breakdown indicates that there is a need to focus on core retail PSP business in segregated accounts.

Outlook

The outlook for the segment remains challenging and will remain so until both political and social conditions in South Africa stabilise.

Within this context, Vunani Wealth and Investments will need to focus on correctly structured financial, infrastructural, product and services capacity, as well as on the effective management of financial resources. It will also need to focus on skills retention and on incentivising performance, as well as on clearly differentiating itself from its competitors.

Historically, the company has an exceptional track record, and the business is expected to deliver a solid performance in the current financial year.

Business segment reviews (continued)

PRIVATE EQUITY

The private equity segment performed exceptionally well in the 2017 financial year, resulting in a profit of R15.2 million (2016: R1.2 million). The increase in profitability was due to the improved performance of underlying assets and coal trading operations.

- Revenue increased by 133% from R10.1 million to R23.6 million.
- The asset portfolio grew by 27% from R101.5 million to R132.7 million.
- Significant profits were generated from coal investments.
- Mining rights were obtained for Butsanani Energy Investment Holdings.
- A scratch card lottery business was established in Zambia.

Strategic objectives	Key performance indicators	Performance achieved 2016	Performance achieved 2017
Generate a good annual return on investment.	Net return on investment of 15%.	Net return on investment of 10%.	Net return on investment of 23%.
Dispose of non-core investments.	Complete a minimum of two transactions with a value of R20 million during the 2016 financial year.	Completed two transactions to a value of R27.9 million.	No disposal of non-core investments.
Complete transactions in focus areas.	Complete one coal/energy transaction per year.	No energy or coal transactions completed.	Coal investment operations commenced. Mining rights obtained.
	Complete two property transactions per year.	No property transactions completed.	One property transaction completed.
	Complete one African transaction per year.	One African investment transaction completed.	One African investment transaction completed.

2017 Performance outcomes

- Return on investment of 23%
- Sufficient capital to complete acquisitions
- Staff complement of 11, with R11.3 million invested in salaries
- Completed an African transaction with a key partner
- Obtained mining rights for the investment in Butsanani

Overview

For Vunani, private equity refers to the investment of its own financial capital and human resources – rather than those of a third party – in companies that generally fall outside the financial services sector.

The Private equity segment has been in operation since 2004 and is a business unit of Vunani Capital, which holds its investments either through subsidiaries or as an associate. Direct investments include shares held in the JSE and in BSI. Investments in coal mining are held by Vunani Mining, which owns 37.5% of Black Wattle Colliery and 33.3% of Butsanani Energy Investment Holdings. Coal trading operations are housed under Vunani Resources, while property ventures are housed under Vunani Mion Properties.

Private equity has a broad mandate to acquire equity stakes in both listed and unlisted companies, principally as an active black economic empowerment (BEE) partner. Its key objectives are to generate a good annual return on investment, to focus on core investments, and to undertake transactions in defined focus areas. These focus areas include the energy and coal sector, commercial property ventures, and African initiatives with partners. The investment team has extensive experience in undertaking and managing private equity investments, and has played a strategic and active role in assisting investee companies to expand and grow their operations.

Operating environment

On a macro level, coal mining investments are affected by fluctuations in both coal prices and the value of the rand. Property ventures are affected by interest rates, which affect the yields on property investments.

Private equity investors are also heavily reliant on choosing the right investment and management partners. As such, Vunani Private Equity's strategy is to focus on investing alongside well-capitalised strategic partners and to use structured funding mechanisms in order to minimise risk.

It is also vital that the investment team has appropriate sector expertise and a thorough understanding of the opportunities being targeted. Partnering with key individuals who can offer this value is also a key component of the company's strategy. In addition, the team works closely with senior executives at investee companies to ensure that the strategic objectives of the company and its partners are aligned with those of the group.

Private equity differentiates itself from its competitors through its team's ability to leverage off its extensive investment banking experience and sectoral expertise. In this way, it is able to offer corporate advisory services (including capital raising, M&A and BEE advisory services); research and distribution (through its securities trading activities); and sector-specific advisory services in such areas as mining engineering and geology. The application of this knowledge capital ensures a maximum return on investments.

Performance

The company's performance is driven by the performance of the companies in which it invests.

In the 2017 financial year, coal investments resulted in increased revenue and profits for the segment. Black Wattle has been generating steady monthly revenues for the past three years, while coal investment operations have begun yielding monthly revenues in the current financial year.

Focusing on its three main areas of operation has resulted in significant growth in the private equity segment. Improved performance of underlying assets has also resulted in positive fair value adjustments.

Outlook

Despite challenging macroeconomic conditions, Private equity has a positive outlook for the 2018 financial year.

The company intends to focus on maximising revenue and profit from the coal mining sector, but faces challenges from fluctuations in commodity prices and the value of the rand. As much as possible, this has been allowed for in both operational planning and budgeting.

The company also intends to focus on extending its investment footprint in Africa. Together, these two activities are expected to unlock value and generate cash for the group. Finally, the segment will look to rebuild its property portfolio, as the group has had significant success in this sector historically.

Corporate governance

General governance

The board of directors endorses the King Codes on Corporate Governance (King III and King IV), and the Johannesburg Stock Exchange (JSE) Listings Requirements as they apply to AltX-listed companies. It strives to ensure that the interests of all Vunani stakeholders are properly protected and that adherence to the principles of good corporate governance advocated in these documents remains a fundamental commitment for the group. It is the intention of the directors that the principles of integrity and the highest ethical standards are upheld by all who serve the group and its stakeholders.

The board is dedicated to ensuring that Vunani maintains the highest standards of corporate governance. It is therefore committed to governance processes based on integrity, transparency, independence and accountability. It recognises that this is an evolutionary process that serves all stakeholders.

All the members of the board are individually and collectively aware of their responsibilities to the company's stakeholders, and the board reviews its performance and governance principles in accordance with the King Codes and the JSE Listings Requirements at regular intervals. In line with both King III and King IV, the directors will continue to state the extent to which the company applies good corporate governance principles in order to create and sustain value for stakeholders in the short-, medium- and long-term, as well as to fully explain any instances of non-compliance.

Internal audit

Nkonki Inc. is the appointed external provider of internal audit services to the group. An internal audit plan for the 2017 financial period was presented to, and approved by, the audit and risk committee prior to the beginning of the period.

The internal audit plan is based on an assessment of risk areas identified by internal audit and management, and is reviewed and updated annually. The approved internal audit plan was executed in various stages throughout the 2017 year. The first step in this process was a risk-based assessment of the adequacy and effectiveness of the group's system of internal controls and risk management.

Internal audit reports directly to the audit and risk committee, and Nkonki Inc. representatives attended all the audit and risk committee meetings during the year. At each meeting, they provided feedback to the committee covering progress in relation to the audit plan, highlighting areas of significant control weakness and presenting recommendations to correct these weaknesses.

Industry associations

As at 28 February 2017, Vunani is represented at the following industry associations or organisations:

- Vunani Securities and Vunani Capital Markets are members of the JSE (www.jse.co.za).

Certain Vunani employees are members of or are registered with the following professional associations:

- The South African Institute of Chartered Accountants (www.saica.co.za).
- The South African Institute of Stockbrokers (www.sais.co.za).
- The Chartered Financial Analyst Society of South Africa (www.cfasociety.org/southafrica).
- The Investment Analysts Society of Southern Africa (www.iassa.co.za).
- The JSE (www.jse.co.za).
- The Institute of Directors (Southern Africa) (www.iodsa.co.za).
- The Association of Black Securities and Investment Professionals (www.absip.co.za).

Certain Vunani group companies are:

- licensed as financial service providers by the Financial Services Board (www.fsb.co.za);
- registered with the JSE as a sponsor in terms of the JSE Listings Requirements; and
- members of the Association for Savings and Investment South Africa (www.asisa.co.za).

The key responsibilities of the internal audit department include:

- evaluating the group's governance processes and ethics;
- performing an objective assessment of the effectiveness of risk management and the internal control framework;
- systematically analysing and evaluating business processes and associated controls; and
- providing information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

Dealing in securities

A formal policy has been adopted whereby all directors and employees are prohibited from trading in the group's securities during defined closed periods. These periods run from the end of the interim and annual reporting periods until the financial results have been disclosed on SENS. Similar restrictions apply during any period in which the company is trading under a cautionary notice.

In terms of the JSE Listings Requirements and group policy, the directors, the company secretary, employees and directors of major subsidiaries, which contribute more than 25% to Vunani Limited's revenue, require advance approval from the chief financial officer for dealings in Vunani shares. Once a trade is executed, this is released on SENS.

Governance of information technology

Vunani's IT Steerco is responsible for the implementation of an IT governance framework at group level. This framework is designed to ensure that IT expenditure and investments in IT infrastructure are managed effectively and are aligned with business objectives.

All the group's subsidiaries are responsible for IT governance in their respective business environments and this is monitored at a group level. In terms of the board charter, the board assumes responsibility for the overall supervision of IT risk.

IT steering committee

The IT steering committee comprises Vunani executive directors and executive managers from the group's various subsidiaries. The committee reports to the audit and risk committee and meets at least once a quarter.

Authority is delegated to the IT steering committee is on the following basis:

- It does not divest the board of directors of their responsibilities regarding IT governance.
- It integrates both IT and business representation.
- The committee's authority may at any time be varied by the chief executive officer in consultation with the committee chairman.
- The board of directors may confirm or vary any decision taken by the steering committee in consultation with the committee chairman.

The committee is responsible for directing, controlling and measuring the IT activities and processes of the group and has full oversight of the IT function.

The key responsibilities of the committee include:

- organisational relationships, frameworks and processes;
- strategic alignment;
- value delivery;
- resource management;
- performance management; and
- risk management.

Financial reporting

The group provides financial reports to its shareholders twice a year. Details regarding significant transactions are reported in the appropriate format, as required by the JSE Listings Requirements and according to the International Financial Reporting Standards (IFRS).

Company secretary

The company secretary plays a vital role in the corporate governance of the group and is responsible for ensuring that the board complies with statutory regulations and procedures. Together with a designated advisor, the company secretary ensures compliance with listings requirements and is responsible for the submission of the annual compliance certificate to the JSE.

CIS Company Secretaries Proprietary Limited ("CIS") is the company secretary of Vunani Limited. CIS is led by Neville Toerien as the principal consultant. He holds a BA degree, LLB degree and is an attorney of the High Court of South Africa. He has 26 years' experience as a company secretary, and many of which are in a listed entity. In accordance with the JSE Listings Requirements, his assessment is performed annually by the entire board, including the executive directors.

Based on an assessment performed by the Audit and Risk committee, which included review of the group company secretary's qualifications, experience and demonstration of competence in execution of the abovementioned functions, the committee is of the opinion that CIS, the group company secretary, possesses the requisite competence, qualifications and experience and has confirmed that Neville Toerien as the principal consultant of CIS, is suitably qualified, competent and experienced to hold the position of group company secretary. The academic and professional qualifications of the group company secretary were externally verified prior to his appointment. The board is satisfied that an arms-length relationship is maintained between the company secretary and the board and its sub-committees and confirms that he is neither a director nor a public officer of the company or any of its subsidiaries.

Board of directors

The board of directors' key purpose is to promote the group's success by directing the company's affairs; to fulfil the appropriate interests of its shareholders and stakeholders; and to deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

Board composition and meeting attendance	18 May 2016	8 Jul 2016	5 Oct 2016	6 Dec 2016
E Dube	✓	✓	✓	✓
BM Khoza	x	✓	✓	✓
NM Anderson	✓	✓	✓	✓
A Judin*	✓	✓	✓	✓
T Mika**	–	–	–	–
LI Jacobs***	✓	✓	✓	✓
JR Macey	✓	✓	✓	✓
NS Mazwi	✓	✓	✓	✓
G Nzalo	✓	✓	✓	✓
XP Guma	✓	✓	✓	✓
S Mthethwa	✓	x	✓	x
M Golding****	–	–	–	x

* *Resigned 9 December 2016*
** *Appointed 9 December 2016*
*** *Independent non-executive chairman*
**** *Appointed 5 October 2016*

The key responsibilities of the board include:

- promoting the interests of stakeholders and acting fairly;
- formulating and approving strategy;
- ensuring the correct implementation of corporate governance, risk management and internal control policies and structures;
- retaining effective control over the business;
- providing strategic leadership;
- leading the group in achieving its goals and objectives;
- managing the performance and affairs of the company;
- delegating authority to management and monitoring and evaluating the implementation of policies, strategies and business plans; and
- embracing transparency, integrity and ethical business conduct.

During the year, the board:

- approved the acquisition of an additional 30% interest in Fairheads;
- approved the group's strategy and focus areas;
- reviewed and approved budgets and forecasts in line with the group's strategy;
- exercised oversight over the group's financial performance;
- approved and published the group's financial results; and
- approved a dividend payment of 5.2 cents per share.

In the 2018 financial year, the board intends to:

- continue to support and guide the executive team;
- measure progress against strategic objectives;
- monitor the group's operational and financial performance; and
- continue to expand relationships with partners in Southern Africa.

Vunani has successfully built a strong financial services platform with a diverse financial-service product offering.

Board of directors (continued)

Composition of the board

The board is composed of individuals with a diverse range of skills, knowledge and experience. It comprises seven non-executive directors and four full-time, salaried executive directors. Promotion of gender diversity is paramount to the board. Currently the female representation on the board is 9%. The gender diversity policy aims to double the current female representation by 2020. King III and King IV recommend that the majority of the non-executive directors be independent and, accordingly, the majority of the Vunani non-executive directors are independent in terms of both the King guidelines and the JSE Listings Requirements.

Executive directors

The executive directors are responsible for the day-to-day management of the operations of the group and have service contracts with the group, which may be terminated with one month's written notice. None of the executive directors have fixed-term contracts. They meet regularly to ensure that effective management and control is exercised over the group's affairs.

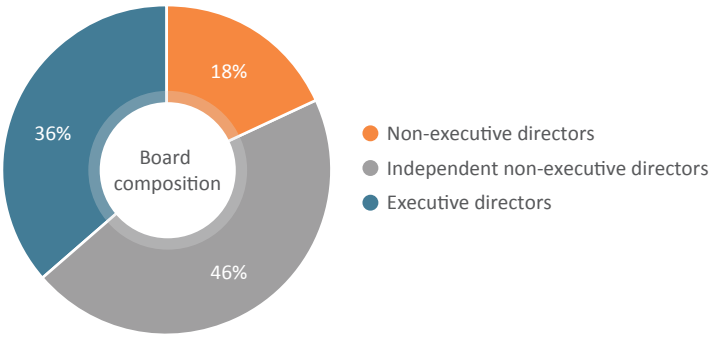
A group executive committee, which includes the heads of each business unit and key members of management, meets monthly to monitor the group's performance and track progress against strategy and objectives.

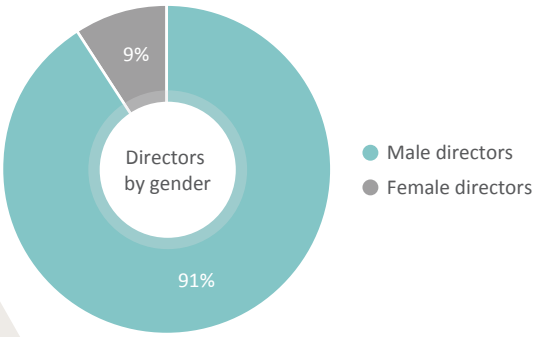
Information technology, human resources, compliance, risk, stakeholder relationship management and other relevant policies must be approved by this committee before being forwarded to the audit and risk committee and the board for final approval. This is in line with the delegation of authority framework for the group and its subsidiaries.

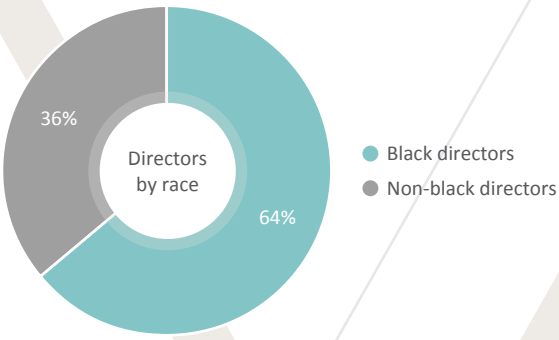
The executive directors are individually mandated and held accountable for:

- implementing policies and strategies as determined by the board;
- managing and monitoring the business and the affairs of the group in accordance with approved plans and budgets;
- prioritising the allocation of capital and other resources; and
- establishing the best managerial and operational practices.

The majority of executive directors are shareholders in the company. The directors' interests are disclosed in the directors' report and the analysis of shareholders on pages 87 and 184 respectively.







Non-executive directors
The non-executive directors are individuals of high calibre and credibility. They serve for variable periods of time, but do not have service contracts or participate in the share incentive scheme. The board measures their independence, in line with policy, on an ongoing basis.

Board charter
The composition, scope of authority, responsibility and function of the board is contained in a formal charter, which is reviewed on a regular basis.

The main purpose of the board charter is to set and regulate the parameters within which the board operates and to ensure the application of the principles of good corporate governance.

The charter requires the board to represent and promote the legitimate interests of the group and its stakeholders in a manner that is both ethical and sustainable.

The board charter governs the level of authority and the responsibilities of the board to ensure that an appropriate balance of power is maintained.

The charter states that directors are required to:

- exercise effective leadership;
- exercise integrity and judgement;
- act fairly;
- be accountable;
- take responsibility; and
- embrace transparency and ethical business conduct.

Directors' induction and training

A JSE/AltX induction programme is in place at Vunani and it is mandatory for all new directors to attend this course. The company also covers the cost of attendance at appropriate external training courses.

Board meetings

The board recognises that careful preparation of an agenda and supporting documentation for board meetings enhances productivity and strengthens the board's strategic and supervisory role. The agenda and supporting documentation for board meetings is distributed to all directors before each meeting. Explanations and motivations for items of business requiring decisions are provided in the meeting by the appropriate executive director.

Discussions at board meetings are open and constructive and no single director has unfettered powers in the decision-making process. Consensus is sought on items requiring decisions, and emerging issues that could affect the business are discussed. When necessary, decisions are also made by written resolution between scheduled meetings, as provided for in the company's MOI and the Companies Act.

Directors have access to all relevant company information, records, executive officers and members of senior management within the group. They are apprised, whenever relevant, of new legislation and changing commercial risks that may affect the business interests of the company.

In fulfilling their responsibilities, directors may seek professional advice from external professional advisors at the company's expense. The company's JSE-registered designated advisor attends all board meetings.

Board appointments

Directors are appointed in a formal and transparent manner. Nomination and approval of appointees to the board and board committees is dealt with in accordance with the remuneration and nomination charter. Directors are at liberty to accept other board appointments as long as they do not conflict with Vunani's business interests and do not detrimentally affect the performance of the directors involved.

Vunani's MOI requires one-third of the directors of the company, with the exception of the chief executive officer and the chief financial officer, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting. Accordingly, Dr XP Guma, LI Jacobs, and SN Mthethwa will retire by rotation at the company's forthcoming annual general meeting. The re-election of directors will be dealt with via individual resolutions.

Declaration of interest

In line with the requirements of section 75 of the Companies Act, directors are obliged to disclose any material interests in contracts at every board meeting. The disclosures are noted and kept in a separate register of directors' disclosures.

Remuneration and nomination committee report

The remuneration and nomination committee makes proposals to the board regarding the remuneration policy, the remuneration of individual directors, the evaluation and re-appointment of directors, and the appointment and induction of new directors.

Committee composition and meeting attendance	5 Oct 2016	13 Feb 2017
LI Jacobs (Chairman of the nomination component of the committee)	✓	✓
JR Macey (Chairman of the remuneration component of the committee)	✓	✓

The committee assists the board in discharging its duties related to:

- reviewing the performance of the executive directors;
- determining the remuneration strategy, conditions of employment and remuneration packages of executives;
- determining the remuneration structure for non-executive directors;
- approving cost-of-living adjustments, market-based salary adjustments and performance-based incentives;
- reviewing the performance of the CEO and executive directors;
- developing succession plans for the CEO and executive directors;
- approving the terms and allocation of awards from any scheme providing performance-based incentives;
- identifying, evaluating, recommending and approving appointees to the board and board committees;
- implementing the gender diversity policy;
- considering and making recommendations on a periodic basis regarding the composition and membership of the board, the needs of the board and any gaps perceived in the composition of the board;
- conducting annual evaluations of the effectiveness and performance of the board as a whole and considering the contribution of each non-executive director; and
- reviewing the board's training, development and orientation needs, including induction programmes for new directors and training and development needs arising from the annual director/board performance evaluation process and the annual board training/workshop programme.

During the year, the committee:

- approved the allocation of conditional share awards to executives and key members of management;
- approved the executive short-term incentive pool and related payments;
- recommended remuneration for non-executive directors for the 2018 financial year; and
- the appointment of M Golding and T Mika to the board.

In the 2018 financial year, the committee intends to:

- continue to ensure that the remuneration of individuals is in line with performance and market benchmarks;
- align short-term executive remuneration with the group's long-term goals; and
- ensure the accurate allocation of conditional shares to executives and key members of management.

Remuneration philosophy and policy

The group recognises that it operates in a competitive environment and that one of the drivers of its performance is its people. It therefore strives to provide a level of remuneration that attracts, retains and motivates employees of the highest calibre and rewards them for good performance.

The group defines total remuneration as a combination of all types of rewards, including financial, non-financial, direct and indirect. It rewards individual performance while nevertheless ensuring that there is a distribution of remuneration around the market median.

Vunani's remuneration philosophy is based on:

- motivating individuals in line with the overall business strategy to maximise shareholder value;
- setting levels of remuneration that are fair, reasonable, relevant and competitive;
- consistently applying policies and practices throughout the group; and
- fostering a focus on long-term sustained performance and growth within the group.

Components of total remuneration

Basic remuneration

The levels of basic remuneration are reviewed and revised annually. Criteria for determining remuneration increases include inflation (CPI), market comparisons, group performance, individual performance and affordability based on group budgets.

Annual salary increases are approved by the remuneration committee. Provident fund contributions are based on a scale of between 10% and 20% of total annual remuneration, with individual contributions being selected by employees themselves. These contributions ensure monetary security and dignity for employees and, in the case of death, for their beneficiaries.

Remuneration consists of the following guaranteed components and is applicable to all employees:

- Basic salary;
- Group life assurance;
- Medical aid; and
- Provident fund.

Short-term incentives

Annual incentive bonuses are paid if key performance targets, which include, but are not limited to, financial targets, are met.

All employees are eligible to participate in the group's incentive bonus scheme, which is well established within each of the business units. The bonus is conditional on both company and individual performance. It is paid annually subject to the achievement of performance targets against key performance indicators that have been agreed to by the chief executive and the remuneration committee.

The short-term executive incentive plan is based on the following principles:

- as the group's executive directors provide leadership, support and guidance to all subsidiaries, incentives are dependent on overall group performance;
- incentives are biased towards realisations and therefore non-cash items and minority interests are discounted when determining the adjusted profit pool;
- the profit pool is split between investment activities and non-investment activities, which are treated differently;
- the incentive on the investment pool is based on a carried interest model according to which the reward is calculated as a percentage of the realised capital growth after a notional cost of capital charge has been applied; and
- the incentive on the non-investment pool is calculated as a percentage of the adjusted profit pool on a sliding scale.

Long-term incentives

The group has two share schemes in place, the share purchase scheme and the conditional share scheme, both of which offer long-term incentives.

The share purchase scheme, which enables employees to purchase shares in Vunani on fulfilment of certain vesting conditions, was introduced in June 2011. A second issue was made available in December 2012. As at 28 February 2017, 100% of the shares issued in June 2011 and 100% of the shares issued in December 2012 had been vested. The maximum number of shares that can be issued to an individual is 900 000 shares.

The purchase of the shares was funded by the VSIST and the employees taking up the offer became indebted to the VSIST for the value of their shares. These pledged as security to the VSIST until the employee has paid for them in full. The employee's debt includes interest charged at the official rate as published by the South African Revenue Service (SARS) from time to time.

Remuneration and nomination committee report (continued)

Once shares have vested, employees are entitled to settle the outstanding debt though the sale of their shares in the following way:

- 20% of the shares may be sold after the first anniversary of the acceptance date;
- 25% of the shares may be sold after the second anniversary of the acceptance date;
- 25% of the shares may be sold after the third anniversary of the acceptance date; and
- 30% of the shares may be sold after the fourth anniversary of the acceptance date.

Employees may instruct the trustees to sell the shares once they have been vested. The proceeds from the sale will firstly be used to settle the cost of purchase. None of the shares issued in the June 2011 tranche were exercised and have therefore all lapsed. While 100% of the shares issued in December 2012 have vested, none of these options have been exercised. Employees are entitled to exercise 100% of these options on vesting.

The company implemented the second of its two share schemes in November 2015. The conditional share scheme entitles employees to receive performance and retention shares in the company upon the fulfilment of certain performance conditions. The conditional awards were made on 11 November 2015 and 29 February 2016. The second issue for the scheme was done on 24 February 2017. The maximum number of shares that can be issued to an individual is 3 000 000 shares.

The shares will vest on the fulfilment of certain performance conditions at the end of a three-year period. Performance conditions include financial, which include the company meeting the agreed budgeted profit and non-financial measures which include obtaining a minimum rating at the biannual performance appraisals. It is anticipated that allocations will be made annually.

Executive directors' remuneration

The group aims to adhere to the guidelines for executive remuneration as set out in King III and King IV.

Overall remuneration principles include:

- establishing an appropriate and competitive balance between fixed and variable remuneration structures in order to achieve performance excellence;
- establishing a performance-oriented culture with a pay-for-performance approach that aligns with sustainable shareholder value;
- using market and industry benchmarks to ensure competitive remuneration that is aligned to the market median; and
- driving sustainable business results through short-term and long-term performance-driven incentives.

Please refer to note 41 of the annual financial statements for details of the executive directors' remuneration.

Non-executive directors' remuneration

Non-executive directors receive fixed fees for their services to the board and as members of board committees. The remuneration committee proposes the fees for non-executive directors which have to be agreed to by the board and approved by shareholders. Fees are reviewed annually and non-executive directors do not participate in the group's incentive bonus plan or share option schemes.

For details regarding fees paid during the year and prior period, refer to note 41 of the financial statements.

Prescribed officers

Prescribed officers fall into a category created by the 2008 Companies Act. The purpose of this category is to include within the scope of the Act anyone who fulfils the role of a director but who is operating – whether intentionally or otherwise – under a different designation.

In order to comply with the requirements of the Act, the group discloses all remuneration paid to prescribed officers in its annual financial statements. Details for the remuneration and benefits are available on page 180.

Investment committee report

The primary purpose of the investment committee is to consider projects, acquisitions and the disposal of assets in line with the group's overall strategy.

Committee composition and meeting attendance	15 Apr 2016	18 Apr 2016	25 Apr 2016	11 May 2016	7 Jun 2016	22 Aug 2016	12 Sep 2016	6 Dec 2016	13 Feb 2017
JR Macey*	✓	✓	✓	✓	✓	✓	✓	✓	✓
E Dube	✓	✓	✓	✓	✓	✓	✓	✓	✓
NM Anderson	✓	✓	✓	✓	✓	✓	✓	✓	✓
LI Jacobs	✓	✓	✓	✓	x	✓	✓	✓	✓
D Tew **	x	x	x	✓	✓	✓	✓	✓	✓

* *Independent non-executive chairman*
** *Independent investment committee member*

The committee assists the board in discharging its duties related to:

- the disposal or transfer of any business, share, asset or other investment within the limits of its authority;
- the establishment of or the acquisition or purchase of any business – either directly or indirectly – by means of purchasing shares or an interest in or assets of the entity to which such business may belong, within the limits of its authority;
- the encumbering of any assets in any manner whatsoever;
- any transactions or agreements with related parties as defined in the JSE Listings Requirements;
- the liquidation or winding-up, de-registration or the discontinuance or suspension of any business activities;
- the implementation of any re-structuring, merger or joint venture agreements;
- the amendment of the MOI of any designated group company;
- any variation to the authorised and/or issued share capital or rights attaching to any shares or class of shares of any designated group company;
- any matter concerning the financing of capital or borrowings which would have the effect of directly or indirectly reducing the proportionate shareholding of any ordinary shareholder in a designated group company;
- the issue of guarantees or other similar undertakings of any nature;
- a change in the business of any designated group company; and
- performing such other investment-related functions as may be designated by the board from time to time.

During the year, the committee:

- reviewed and approved the group's valuations of unlisted investments;
- considered and approved the disposal of non-core listed investments;
- considered and approved the acquisition of a 45% interest in Alliance Capital;
- considered and approved the acquisition of an additional 30% in Fairheads; and
- considered and approved the acquisition and disposal of investments for the group.

Investment committee report (continued)

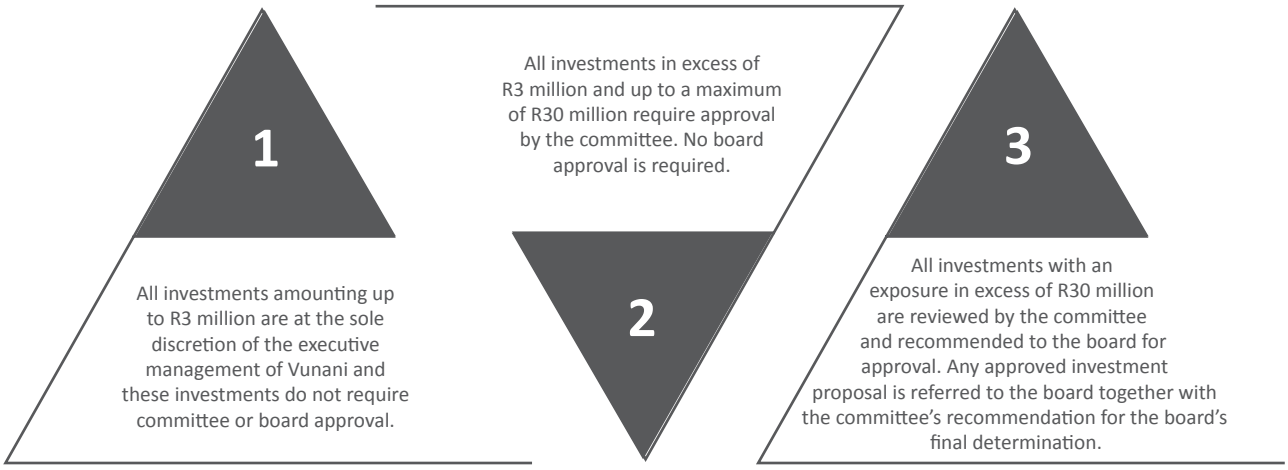
In the 2018 financial year, the committee intends to:

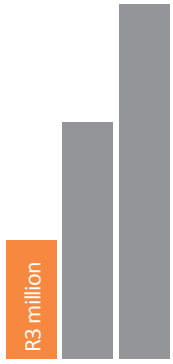
- review the impact of significant transactions on the group's capital;
- monitor the investment strategy and policies in order to ensure that investments are in line with group strategy;
- identify investment opportunities to ensure sustainable growth for the group; and
- review and approve unlisted investment valuations.

Levels of authority

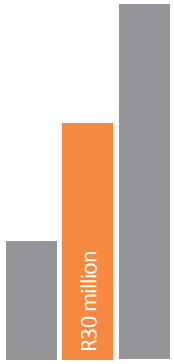
The approval of investment transactions by the committee are subject to the limits of authority as specified in the JSE Listings Requirements as transactions exceeding a set financial limit also require shareholder approval.

The limits of authority approved by Vunani's board are as follows:

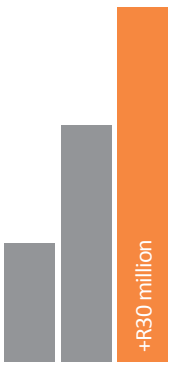




The sole discretion of the executive committee.



Requires the approval of the investment committee.



Requires final approval from the board.

Social and ethics committee report

The social and ethics committee was established to monitor adherence to ethical standards, to provide guidelines for acceptable behaviour and to allow for formal oversight of the company's activities, all with reference to the prevailing codes of best practice.

Committee composition and meeting attendance	4 Jul 2016	22 Sep 2016
NS Mazwi	✓	✓
A Judin (resigned 9 December 2016)	✓	✓
I Ross	✓	✓

The committee assists the board in discharging its duties related to:

- the group's legal obligations;
- prevailing codes of good practice pertaining to social and economic development and good corporate citizenship;
- the environment, health and public safety, including the impact of the company's activities and of its products or services;
- consumer relationships, including the company's policies and record relating to advertising, public relations and compliance with consumer protection laws;
- labour and employment matters;
- assessment of potential CSI projects; and
- compliance with applicable laws and regulations.

During the year, the committee:

- monitored the group's CSI projects and its contribution to socio-economic development;
- monitored compliance against the group's ethics policy and employment equity plan; and
- reviewed the BBBEE scorecards for major subsidiaries and their plans for improving on levels of employment equity.

In the 2018 financial year, the committee intends to:

- continue to monitor the implementation of the group's CSI strategy and projects;
- exercise oversight of the legal universe and changes affecting the group; and
- review policies relating to labour and employment matters.

Social and ethics committee report (continued)

Social and ethics committee sub-committees

The social and ethics committee has two sub-committees that assist it in discharging its duties to the board.

SOCIAL AND ETHICS COMMITTEE SUB-COMMITTEES

Corporate social investment committee ("CSI committee")

The CSI committee operates through The Vunani Foundation which is a non-profit company without members. The responsibilities of the CSI committee include the review and recommendation of projects of a CSI nature to the Social and ethics committee that fall within the framework of the committee's objectives.

Health and safety committee ("HS committee")

The HS committee was established in terms of the Occupational Health and Safety Act, with a mandate to ensure the continued provision and maintenance of a safe and healthy working environment.

The committee assists the social and ethics committee by:

1. conducting health and safety audits;
2. identifying potential hazards, risks and dangers;
3. conducting inspections of the working environment;
4. investigating incidents; and
5. making recommendations regarding health and safety to the social and ethics committee.

Broad-based Black Economic Empowerment (B-BBEE)

The B-BBEE status of Vunani's various business units is as follows:

Vunani Fund Managers	Level 2
Fairheads	Level 2
Vunani Capital	Level 2
Vunani Securities	Level 2
Vunani Capital Markets	Level 2
Vunani Private Wealth and Investments	Level 2

B-BBEE Commission Compliance Report (in terms of Section 13G(2) of the Broad-Based Black Economic Empowerment Act Act)

Industry/Sector	Financial Services
Relevant Code of Good Practice	FSC Generic
Name of Verification Agency	Empowelogic Proprietary Limited
Name of Technical Signatory	Eric Ackroyd

Information as verified by the Broad-Based Black Economic Empowerment Verification Professional as per scorecards

B-BBEE Elements	Target Score Including	Bonus Points	Actual Score Achieved
Ownership	14	2	15.00
Management Control	23	–	14.86
Skills Development	10	–	9.23
Enterprise and Supplier Development	31	–	28.17
Socio-Economic Development	3	–	3
Total Score	**81**	**2**	**70.25**
Priority Elements Achieved	N/A		
Empowering Supplier Status	Yes – Value adding vendor		
Final B-BBEE Status Level	**2**		

King III and King IV

The Institute of Directors in Southern Africa (IoDSA) is the custodian of the King Reports. One of the IoDSA's principal objectives is to promote good corporate governance through the application of the King Reports on Corporate Governance (King III and King IV) and related codes.

King IV, a substantive update of King III, was published in November 2016 and the new governance codes contained in the report become mandatory for listed companies with financial years commencing on or after 1 April 2017. The codes have been updated to bring them into line with the latest developments in corporate governance and best practice, as well as to consider emerging risks, changing technologies, extended compliance requirements, new governance structures, shareholder activism and changes in reporting standards for integrated reports. The changes to the codes are also intended to make them more accessible for smaller companies and non-profit organisations, as well as to make them easier to implement.

Some of the key issues addressed in King IV include executive remuneration as well as improved methodologies to assist companies of all sizes to align investment and compliance practices with the Code for Responsible Investing in South Africa.

The IoDSA aspires to facilitate an economy that is founded on good governance principles, including strong ethics, beneficial relationships, better training, improved competency, greater transparency, greater accountability, credibility and trust. It believes this will provided a strong platform for sustainable business growth in South Africa.

Challenges in implementing King III and King IV

There are two primary challenges for organisations when attempting to implement the governance codes outlined in King III and King IV:

- The codes have to be interpreted and understood within the context of the nature, size and complexity of the organisation; and
- there is no credible and generally accepted national standard against which the application of King III and King IV can be benchmarked.

Dealing with challenges

Taking into account these challenges, Vunani uses the Governance Assessment Instrument (GAI) provided by the Global Platform for Intellectual Property to assess and report on compliance. GAI is an online tool licensed by the IoDSA and is used to assist in:

- Evaluating the implementation of governance structures and processes as recommended in King III and King IV;
- Providing for ongoing tracking of the progress of implementation, understanding that this is a process;
- Providing a simplified framework for the board to use to conduct risk-based reviews of the application of King III and King IV;
- Facilitating a meaningful scoring mechanism to reflect an organisation's level of adoption of King III and King IV;
- Providing a framework by which governance can be assured by independent service providers;
- Providing holding companies with a concise view of their subsidiaries' governance status;
- Providing an audit programme for internal and external service providers; and
- Offering a reporting benchmark that is appropriate for peer-to-peer comparisons of organisations, which enhances confidence in governance reporting.

Vunani has used the GAI for the purposes of assessing the level of application of King III during the reporting period and will use it to assess the level of application of King IV in the 2018 financial year, once the new codes have become mandatory. Vunani's overall GAI rating is AAA.

Category		Score	
Board composition			AAA
Remuneration			AAA
Governance office bearers			AAA
	Chairman	AAA	
	CEO	AAA	
	Company secretary	AAA	
Board role and duties			AA
	Focal point of corporate governance	AAA	
	Fiduciary duties	AAA	
	Strategy	AAA	
	Ethical leadership	AA	
	Corporate citizenship and leadership	AAA	
	Risk	AA	
	IT governance	AAA	
	Compliance	AAA	
	Internal audit	AAA	
	Business rescue	AAA	
Accountability			AAA
	Stakeholder relations	AAA	
	Integrated reporting and disclosure	AAA	
Performance assessment			BB
	Performance assessment	BB	
Board committees			AAA
	Audit committee	AAA	
	Risk committee	AAA	
	Remuneration committee	AAA	
	Nomination committee	AA	
	Social and ethics committee	AAA	
Group boards			C

Ratings key

AAA – *Highest Application*
AA – *High application*
BB – *Notable application*
B – *Moderate application*
C – *Application to be improved*
L – *Low application*

Application of King III principles

Vunani continuously strives to improve its compliance with the King Codes and to provide additional information in areas that need improvement. Details of how this was done during the year are detailed in the table below:

Principle	Principle description	Extent of compliance	Extent of compliance
1. Ethical leadership and corporate citizenship			
Principle 1.1	The board provides effective leadership based on an ethical foundation.	Applied	The board promotes and adheres to good corporate governance principles in order to ensure ethical and sustainable growth.
Principle 1.2	The board ensures that the company is and is seen to be a responsible corporate citizen.	Applied	Vunani is committed to meeting its legal, economic, social and ethical responsibilities. The board also promotes and ensures a safe and healthy environment.
Principle 1.3	The board ensures that the company's ethical guidelines are effectively applied.	Applied	The board promotes a strong ethical environment and has instituted a code of conduct to which all employees must adhere.
2. Board and directors			
Principle 2.1	The board acts as the focal point for and custodian of corporate governance.	Applied	The board is the focal point of corporate governance and through its sub-committees and the company secretary, ensures the highest levels of compliance.
Principle 2.2	The board appreciates that strategy, risk, performance and sustainability are inseparable.	Applied	In order to ensure sustainable growth, the board recognises that strategy and performance are closely linked. On an annual basis, it therefore reviews and updates the group's business strategy.
Principle 2.3	The board provides for effective leadership based on an ethical foundation.	Applied	Refer to principle 1.1
Principle 2.4	The board ensures that the company is and is seen as a responsible corporate citizen.	Applied	Refer to principle 1.2
Principle 2.5	The board ensures that the company's ethics are managed effectively.	Applied	Refer to principle 1.3
Principle 2.6	The board ensures that the company has an effective and independent audit committee.	Applied	Refer to principle 3.1
Principle 2.7	The board is responsible for the governance of risk.	Applied	Refer to principle 4.1
Principle 2.8	The board is responsible for information technology (IT) governance.	Applied	Refer to principle 5.1

King III and King IV (continued)

Principle	Principle description	Extent of compliance	Extent of compliance
Principle 2.9	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	Refer to principle 6.1
Principle 2.10	The board ensures that there is an effective risk-based internal audit.	Applied	Refer to principle 7.1
Principle 2.11	The board appreciates that stakeholders' perceptions affect the company's reputation.	Applied	Refer to principle 8.1
Principle 2.12	The board ensures the integrity of the company's integrated report.	Applied	Refer to principle 9.1
Principle 2.13	The board reports on the company's effectiveness in internal controls.	Applied	Refer to principle 7.3
Principle 2.14	The board and its directors act in the best interests of the company.	Applied	The board charter requires the board and its directors to promote the legitimate interests of the group and its stakeholders in a manner that is both ethical and sustainable. The declaration of interests by directors is noted at every board meeting.
Principle 2.15	The board will consider appropriate business rescue proceedings or other turnaround mechanisms should the company become financially distressed as defined in the Companies Act of 2008.	N/A	The board and the audit and risk committee review financial information on a quarterly basis and are satisfied that the business is a going concern.
Principle 2.16	The chairman of the board is an independent non-executive director. The CEO of the company does not also fulfil the role of chairman.	Applied	The roles of the chairman and CEO are separate. The chairman of the board is LI Jacobs, who is an independent non-executive director, and the CEO is E Dube. Please refer to pages 8 to 9 for full details of the board of directors.
Principle 2.17	The board has appointed the CEO and has established a framework for the delegation of authority.	Applied	The board has appointed E Dube as the CEO. The duties and responsibilities of the CEO are detailed in the board charter.
Principle 2.18	The board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent.	Applied	The board is made up of eleven directors (refer to pages 8 to page 9); • four executive directors; • five independent, non-executive directors; and • two non-executive directors.

Principle	Principle description	Extent of compliance	Extent of compliance
Principle 2.19	Directors are appointed through a formal process.	Applied	The procedure for appointments to the board is conducted by the board as a whole. A nominations committee has been appointed as part of the remuneration and nomination committee. Changes to the board composition are infrequent and, to the extent required, relevant board members are consulted for input.
Principle 2.20	The induction, ongoing training and development of directors is conducted through a formal process.	Applied	A JSE-AltX induction programme is in place and is mandatory for all new directors. In addition, new directors are furnished with relevant company information and records to help them better understand the business. They also have access to executives and senior management within the group.
Principle 2.21	The board is assisted by a competent, suitably qualified and experienced company secretary.	Applied	The board appointed CIS Company Secretaries Proprietary Limited to act as an independent company secretary for the group. During the reporting period, the board reviewed the qualifications and business experience of the principal consultant to ensure that he is competent and suitably qualified.
Principle 2.22	The evaluation of the board, its committees and individual directors is performed every year.	Applied	The responsibilities of the board and its committees are listed in their respective charters. Performance appraisals are done on an annual basis.
Principle 2.23	The board delegates certain functions to well-structured committees without abdicating any of its own responsibilities.	Applied	The board has appointed four sub-committees to assist it in the performance of its duties. The sub-committees support the board but do not relieve it of its duties and responsibilities. They include: • The audit and risk committee; • The remuneration and nomination committee; • The investment committee; and • The social and ethics committee. Please refer to pages 60 to 70 of the corporate governance report for details of the board sub-committees.

King III and King IV (continued)

Principle	Principle description	Extent of compliance	Extent of compliance
Principle 2.24	A governance framework has been agreed upon between the group and the boards of its subsidiaries.	Partially applied	Group executives are represented on subsidiary boards and report back to the group board on the subsidiaries' operations. A formal framework is planned to be established in the next financial year.
Principle 2.25	The company remunerates its directors and executives fairly.	Applied	Vunani remunerates its directors and executives fairly. Details of the directors' remuneration and benefits are disclosed on page 160 and 161 of the consolidated financial statements.
Principle 2.26	The company has disclosed the remuneration of each individual director and prescribed officer.	Applied	Details of the directors' remuneration and benefits are disclosed on page 160 and 161 of the consolidated financial statements. Details of the prescribed officers' remuneration and benefits are disclosed on page 180 of the company financial statements.
Principle 2.27	The shareholders have approved the company's remuneration policy.	Applied	The company remuneration policy is approved at the annual general meeting.
3. Audit committee			
Principle 3.1	The board has ensured that the group has an effective and independent audit committee.	Applied	The audit and risk committee is made up of three independent non-executive directors. It has conducted its affairs and discharged its duties and responsibilities as stipulated in the committee's terms of reference. Please refer to the report of the audit and risk committee on page 84 and 85 further information.
Principle 3.2	Audit committee members are suitably skilled and experienced independent non-executive directors.	Applied	The members of the committee are all independent, non-executive directors. They all have the appropriate academic qualifications, skills and experience to fulfil their responsibilities. Please refer to pages 8 to 9 for brief resumes of the members: • G Nzalo; • JR Macey; and • NS Mazwi.

Principle	Principle description	Extent of compliance	Extent of compliance
Principle 3.3	The audit committee is chaired by an independent non-executive director.	Applied	The audit and risk committee chairman, G Nzalo, is an independent non-executive director.
Principle 3.4	The audit committee oversees integrated reporting.	Applied	The audit and risk committee oversees integrated reporting.
Principle 3.5	The audit committee has ensured that a combined assurance model has been applied, which provides a coordinated approach to all assurance activities.	Applied	The audit committee has ensured that a combined assurance model has been applied and has also ensured proper coordination between the activities of the external and internal auditors.
Principle 3.6	The audit committee is satisfied with the expertise, resources and experience of the company's finance function.	Applied	As detailed in its report on page 84 and 85, the audit and risk committee is satisfied with the expertise and experience of the finance team and the CFO.
Principle 3.7	The audit committee should be responsible for overseeing the internal audit.	Applied	The audit and risk committee approves the internal audit plan and the group's budgets. The head of Internal audit reports issues and findings directly to the audit and risk committee.
Principle 3.8	The audit committee is an integral component of the risk management process.	Applied	The audit and risk committee has oversight over the risk management process.
Principle 3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The audit and risk committee ensures the independence of the external auditor and approves the fees paid to the auditor in terms of the budget and the external audit plan.
Principle 3.10	The audit committee has reported to the board and the shareholders as to how it has discharged its duties.	Applied	The chairman of the audit and risk committee reports to the board at every board meeting. A report of the audit and risk committee is presented on page 84 and 85 of the consolidated financial statements.

King III and King IV (continued)

Principle	Principle description	Extent of compliance	Extent of compliance
4. The governance of risk			
Principle 4.1	The board is responsible for the governance of risk.	Applied	A risk policy and plan for the group has been circulated to the audit and risk committee. The group strategic risk register and risk registers for all of the business units have been presented to the audit and risk committee.
Principle 4.2	The board has determined the levels of risk tolerance.	Applied	Through the audit and risk committee, the board guides the levels of risk tolerance and the risk appetite of the group.
Principle 4.3	The risk committee and/or audit committee has assisted the board in carrying out its risk responsibilities.	Applied	The audit committee oversees the risk management process.
Principle 4.4	The board has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	Key members of management prepare risk registers and these are presented to the audit and risk committee.
Principle 4.5	The board has ensured that risk assessments are performed on a continual basis.	Applied	A risk identification and monitoring process is in place, which includes the completion of risk registers showing the nature of the risk, mitigating controls and residual risks. These are presented to the audit and risk committee regularly.
Principle 4.6	The board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The risk management process and regular reporting to the board demonstrates the measures that are in place to anticipate both predictable and unpredictable risks.
Principle 4.7	The board has ensured that management has considered and has implemented appropriate risk responses.	Applied	The risk registers and reports to the board ensure that appropriate risk responses have been identified. These are presented and discussed with the audit and risk committee.
Principle 4.8	The board has ensured continual risk monitoring by management.	Applied	The risk registers are maintained by each operating entity. Registers are presented to the audit and risk committee regularly.
Principle 4.9	The board has ensured that management has considered and has implemented appropriate risk responses.	Applied	The risk registers and reports to the board ensure that appropriate risk responses have been identified.
Principle 4.10	The board has ensured that there are processes in place that provide for complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	Assessments of the risks that each of the business units face are included in the business segment reviews of this report. This disclosure is done on an annual basis.

Principle	Principle description	Extent of compliance	Extent of compliance
5. The governance of information and technology			
Principle 5.1	The board is responsible for information technology (IT) governance.	Applied	The board has delegated its duties and responsibilities relating to IT governance to the IT steering committee, which reports into the audit and risk committee.
Principle 5.2	IT has been aligned with the performance and sustainability objectives of the company.	Applied	The board understands that IT is an integral part of the business and that value is achieved through direct engagement between the head of IT and the heads of the various business units.
Principle 5.3	The board has delegated to management the responsibility for the implementation of an IT governance framework.	Applied	A detailed assessment has been performed of the risks associated with IT within the group. Senior management meets with the head of outsourced IT on a regular basis to discuss the implementation of formal structures, processes and mechanisms throughout the group. Management is also represented on the IT steering committee.
Principle 5.4	The board monitors and evaluates significant IT investments and expenditure.	Applied	The delegation of authority provides the framework for IT investments and expenditure. The head of outsourced IT recommends significant investments for approval by the IT steering committee.
Principle 5.5	IT is an integral part of the company's risk management plan.	Applied	The IT steering committee reports on risks and mitigating controls to the audit and risk committee. Risk registers are presented and monitored on a regular basis.
Principle 5.6	The board has ensured that information assets are managed effectively.	Applied	The board has put in place various measures to ensure the confidentiality, integrity and availability of information assets.
Principle 5.7	A risk committee and an audit committee assists the board in carrying out its IT responsibilities.	Applied	The audit and risk committee has oversight over the IT steering committee, which is made up of executive directors, executive management and the head of outsourced IT.

King III and King IV (continued)

Principle	Principle description	Extent of compliance	Extent of compliance
6. Compliance with laws, rules, codes and standards			
Principle 6.1	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	Compliance with all applicable laws and regulations is monitored by the audit and risk committee and the company secretary, who ultimately report to the board.
Principle 6.2	The board and each individual director has a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business.	Applied	The board and its directors are kept abreast of any changes or updates in the applicable laws, rules, codes and standards.
Principle 6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	The board has delegated the risk management process to the group risk and compliance committee.
Principle 6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Partially applied	Each operating entity has established a compliance function. A group compliance and risk committee was established to encourage co-operation between the compliance functions in the group.
7. Internal audit			
Principle 7.1	The board should ensure that there is an effective risk-based internal audit function.	Applied	The internal audit function has been outsourced to Nkonki Inc, which has adopted a risk-based approach to conducting audits.
Principle 7.2	Internal audit should follow a risk-based approach to its plan.	Applied	The internal audit function adopts a risk-based approach to the auditing process. The audit plan is approved by the risk and audit committee.
Principle 7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	Internal audit presents its assessment of the company's system of internal controls to the audit and risk committee.
Principle 7.4	The audit committee should be responsible for overseeing internal audit.	Applied	Refer to principle 3.7
Principle 7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	Internal audit reports directly to the audit and risk committee and its access to the committee is not mediated through management.

Principle	Principle description	Extent of compliance	Extent of compliance
8. Governing stakeholder relationships			
Principle 8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	The board engages with stakeholders on a number of levels and understands the impact that stakeholder perceptions have on company reputation.
Principle 8.2	The board should delegate certain functions to management in order to proactively deal with stakeholder relationships.	Applied	Stakeholder relations are proactively dealt with by management as stipulated in the stakeholder engagement section of the integrated report.
Principle 8.3	In the best interests of the company, the board should strive to achieve the appropriate balance between its various stakeholder groupings.	Applied	The board understands that all stakeholders are imperative to the growth of the business and engages with them all appropriately.
Principle 8.4	Companies should ensure the equitable treatment of shareholders.	Applied	The group has processes in place to ensure that all shareholders are treated equally and that investor relationships are managed in an appropriate manner.
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The group has processes in place which ensure that there is transparent and effective communication with stakeholders.
Principle 8.6	The board should ensure that disputes are resolved effectively and as expeditiously as possible.	Applied	A dispute resolution process is in place to ensure that disputes are resolved effectively and timeously.
9. Integrated reporting and disclosure			
Principle 9.1	The board should ensure the integrity of the company's integrated report.	Applied	Based on the input of and discussions with management, internal audit and the external auditor, the board is satisfied with the integrity of the integrated report.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Applied	The sustainability report and disclosures are closely aligned with the group's financial reporting.
Principle 9.3	Sustainability reporting and disclosure should be independently assured.	Not applied	The sustainability report is not independently assured. The board will consider obtaining independent assurance as sustainability reporting progresses.

Financial statements

The financial statements have been audited in terms of Section 30 of the Companies Act of South Africa, 2008.
The financial statements were published on 6 July 2017.
The financial statements have been prepared under the supervision of the group chief financial officer, Tafadzwa Mika CA(SA).

Report of the audit and risk committee

The audit and risk committee operates under a formal mandate that has been approved by the board and has conducted its affairs in compliance and discharged its responsibilities as stipulated in the committee terms of reference.

Audit and risk committee members

The committee's composition is in line with the requirements of the Companies Act, comprising three independent non-executive directors. The committee held four meetings during the year as detailed below:

Committee composition and meeting attendance	10 May 2016	7 Jul 2016	27 Sep 2016	6 Dec 2016
G Nzalo*	✓	✓	✓	✓
JR Macey	✓	✓	✓	✓
NS Mazwi	✓	✓	✓	x

** Independent non-executive chairman*

The members of the committee have the necessary financial skills and experience to adequately fulfil their duties as members of the committee.

The chief executive officer, chief financial officer, group financial manager and representatives from external and internal audit attend the committee meetings by invitation.

Key terms of reference

The committee's roles and responsibilities include its statutory duties as defined in the Companies Act and the responsibilities assigned to it by the board and these were performed as detailed below:

External audit

During the year under review, the committee undertook the following:

- considered and satisfied itself that the external auditor was independent and agreed to recommend them for appointment for the 2018 financial year.
- approved the fees to be paid to the external auditor for the 2017 engagement.
- determined the nature and extent of all non-audit-related services performed.
- confirmed that the auditor and the designated auditor are accredited by the JSE.
- confirmed that no reportable irregularities had been identified or reported by the auditors under the Auditing Profession Act.

Internal audit

- reviewed and approved the annual internal audit plan and evaluated the independence, effectiveness and performance of the internal audit function.
- reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response.
- reviewed the effectiveness of the company's systems of internal control, including internal financial control and business risk management and the maintenance of effective internal control systems.
- reviewed the co-operation and co-ordination between the internal and external audit functions and co-ordinated the formal internal audit work plan with external auditors to avoid duplication of work.
- assessed the adequacy of the performance of the internal audit function and found it to be satisfactory.

Adequacy and functioning of the group's internal control

- reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.
- as noted above, the committee also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

Finance function and chief financial officer

- satisfied itself of the appropriateness of the qualifications, expertise and experience of the chief financial officer, Tafadzwa Mika.
- considered the expertise, resources and experience of the finance function, and concluded that these were satisfactory.

Integrated report

- reviewed the integrated report, including the audit report on the financial statements prior to board approval.
- satisfied themselves that the financial statements were prepared on a going-concern basis.
- considered the appropriateness of accounting policies and any changes thereto and the adequacy of disclosures in the integrated report.
- reviewed the accounts and financial statements taken as a whole to ensure they present a balanced and comprehensive assessment of the position, performance and prospects of the company.

Legal, regulatory and corporate governance requirements

- ensured the company secretary relationship is at arm's-length.
- ensured the establishment and maintenance of effective processes for compliance with applicable statutory and regulatory requirements.
- monitored compliance with the Companies Act, the JSE Rules and Listings Requirements, and all other applicable legislation and governance codes.
- reviewed compliance matters that could have a significant impact on the financial statements.

Risk management and IT governance

The committee established an IT steering committee that oversees risks and processes relating to IT governance. This does not, however, divest the committee of their responsibilities regarding IT governance. The IT steering committee reports regularly to the audit and risk committee. During the period the committee:

- reviewed and approved the group's risk management plan;
- reviewed the group risk registers containing pertinent risks; and
- reviewed the group's policies on the risk assessment and risk management and were satisfied with the risk management plan and policies.

Recommendation of the integrated report for approval by the board

Based on the information and explanations given by management and discussions with the internal auditor and the independent external auditor regarding the results of their audits, the committee is satisfied the financial statements of Vunani Limited and the group for the year ended 28 February 2017 comply, in all material respects, with the requirements of the Companies Act of South Africa, 2008, International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements.

GS Nzalo

Chairman of the audit and risk committee

6 July 2017

Sandton

Directors' responsibility statement

and approval of the financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Vunani Limited, comprising the statements of financial position at 28 February 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate financial statements

The consolidated and separate annual financial statements of Vunani Limited, as identified in the first paragraph, were approved by the board of directors on 6 July 2017 and signed by:

E Dube
Chief executive officer
Authorised director

T Mika
Chief financial officer
Authorised director

6 July 2017
Sandton

Certification by the company secretary

In our capacity as company secretary, I hereby certify to the best of our knowledge and belief, that for the financial year ended 28 February 2017, Vunani Limited has filed with the Companies and Intellectual Properties Commission, all such returns and notices as are required in terms of the Companies Act of South Africa, and that all such returns appear to be true, correct and up-to-date.

CIS Company Secretaries Proprietary Limited
Company secretary

6 July 2017
Sandton

Directors' report

for the year ended 28 February 2017

Review of activities

Main business and operations

The company was incorporated on 1 December 1997 and carries on the business of a financial services company with certain strategic investments. It has operations in fund management, asset administration, investment banking (institutional securities broking and advisory services), private wealth and investments and private equity.

The operating results and state of affairs of the group and company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Directors

Executive directors

E Dube (chief executive officer)
A Judin (chief financial officer) – resigned 9 December 2016
T Mika (chief financial officer) – appointed 9 December 2016
BM Khoza
NM Anderson

Non-executive directors

LI Jacobs (chairman) – independent
GS Nzalo – independent
JR Macey – independent
NS Mazwi – independent*
XP Guma – independent
S Mthethwa
M Golding – appointed 5 October 2016

*Having served for more than nine years as an independent non-executive director, Nambita Sinazo Mazwi's independence was considered and assessed by the board and the board is satisfied that there are no factors that impair her independence. Nambita continues to be classified as an independent non-executive director.

Secretary

The company secretary for Vunani is CIS Company Secretaries Proprietary Limited.

Shareholding of directors

The shareholding of directors in the issued share capital of the company as at 28 February 2017 was as follows:

Shareholding per director	Number of shares held Beneficially direct ('000s)	Beneficially indirect ('000s)	Total Number of shares ('000s)
E Dube	–	24 786	24 786
BM Khoza	–	15 468	15 468
NM Anderson	16	15 468	15 484
	16	55 722	55 738

In June 2017 E Dube acquired an additional 21 500 Vunani shares. There has been no change in shareholding of the other directors of the listed company between 28 February 2017 and the date of approval of the integrated report.

Independent auditor's report

To the Shareholders of Vunani Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Vunani Limited (the Group) set out on pages 93 to 184, which comprise the consolidated statement of financial position at 28 February 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Vunani Limited at 28 February 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill *Refer to notes 2.6 and 15*	

For purposes of impairment testing for the Group, goodwill has been allocated to 3 cash-generating units (CGUs).
 	
Management's assessment of impairment of the Group's goodwill requires the following significant judgements in its value in use model:
• forecast cash flows;
• discount rates applied; and
• the assumptions underlying the forecast growth and terminal growth rates.
 	
The judgements applied by management have a significant impact on the valuation.
 	
Due to the significant judgement applied by management, the valuation of goodwill was considered a key audit matter.
	Our procedures include amongst others:
	• We assessed management's determination of the Group's CGUs based on our understanding of the group's business. We analysed the Group's internal reporting, to assess how earnings are monitored and reported and determining the implications to CGU identification in accordance with the accounting standards
	• We assessed the accuracy of the previous Group forecasts to assist us in evaluating the forecasts incorporated in the value in use model
	• We used our knowledge of the client, and their industry to challenge the Group's value-in-use model and significant judgements and assumptions. This included:
	  • Comparing management's growth assumptions and discount rates to known market and industry trends; and
	  • Evaluating forecast cash flows in light of the expected continuation of depressed market conditions and capital constraints, challenging the Group's estimation of rate of turnaround and how this impacted their CGUs.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax asset *Refer to note 2.16; 13 and 18*	
The Group carries significant deferred tax assets, only to the extent that it is probable that future taxable profits will be available to utilise the tax losses carried forward. When considering the availability of future taxable profits, judgement is applied by management when assessing the projections of the future taxable income which are based on approved business plan and cash flow projections. Due to the significant estimation and judgement involved by management and the work effort from the audit team, this matter was considered to be a key audit matter.	Our procedures include amongst others: • We involved our tax specialists to evaluate the recognition and measurement of the deferred tax asset by analysing the deferred tax calculation for compliance with the relevant tax legislation • We evaluated management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realised by agreeing to cash flow forecasts, business plans, minutes of directors meetings and our knowledge of the business • We challenged the assumptions made by management for uncertain deferred tax positions to assess whether appropriate deferred tax provisions have been recognised and are based on the most probable outcome
Valuation of investments *Refer to note 2.2.3; 17 and 19*	
The Group has significant investments in unlisted investments included in other investments and other non-current assets at year end. The fair value of these unlisted investments is determined using various valuation techniques. Management applied significant judgement and involved third party valuers in determining these fair values. Due to the level of judgement required by management and the involvement of third party valuers in determining the fair values, the valuation of unlisted investments was considered a key audit matter.	Our procedures include amongst others the following: • We used our valuation experts and assessed and challenged the appropriateness of the valuation techniques used to determine the fair values • We challenged management's and the third party valuers key assumptions and significant inputs used in preparing these valuations, such as earnings multiples, discount rates and risk-free rates, and confirmed that these assumptions and inputs were within an appropriate range with reference to other comparable company multiples and transactions multiples • We assessed the independence and competence of the third party valuers • We assessed the valuation of unlisted investments in accordance with the applicable accounting standards

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition *Refer to notes 2.12 and 5*	
Revenue comprises of 3 main revenue streams: • Commission income • Brokerage revenue • Fund management fees The current market conditions and the variability of capital markets fee income and the significant volume of revenue transactions during the year increases the risk of inappropriate revenue recognition. The revenue is recognised as follows for the respective streams: • Fund management fees are recognised in proportion to the stage of completion of the transaction at the reporting date • Commission income and brokerage revenue are recognised when the Group acts in the capacity of an agent rather than as the principal in a transaction. This is recognised when the transaction giving rise to the commission is concluded Due to the significance of the revenue balance and the significant volume if revenue transactions during the year, resulting in significant work effort from the audit team, revenue recognition was considered a key audit matter.	Our procedures included amongst others: • We determined whether the accounting treatment for all 3 main revenue streams were in accordance with the relevant accounting standards • We tested key controls for operating effectiveness of the 3 main revenue streams including whether reconciliations for underlying trading product systems and confirmation procedures were performed, whether appropriate segregation of duties between front office, middle office and back office was in place, reconciliation and clearing of misdeals, and appropriate management reviews of trading activities and exception reports, including exception reports relating to misdeals, deal allocation, reverse substitution and other share movements • We tested a sample of revenue transactions throughout the year, and agreed to signed contracts relating to fund management fees • We recalculated a sample of commission income throughout the year, and we agreed the a sample of brokerage revenue to the JSE BDA system reports

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report (continued)

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Vunani Limited for 8 years.

KPMG Inc.
Registered Auditor

Per P Fourie
Chartered Accountant (SA)
Registered Auditor
Director
6 July 2017

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Consolidated statement of comprehensive income

for the year ended 28 February 2017

Figures in R'000	Note	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
Continuing operations			
Revenue from trading services	5	**188 613**	154 190
Other income	6	**4 717**	12 546
Investment revenue	7	**1 624**	8 263
Interest received from investments	8	**1 646**	2 047
Net profit on disposal of assets	9	**15 006**	–
Fair value adjustments and impairments	10	**9 247**	(18 934)
Equity accounted earnings (net of income tax)	16	**23 305**	31 797
Operating expenses	11	**(194 400)**	(183 291)
Results from operating activities		**49 758**	6 618
Finance income	12	**2 784**	4 505
Finance costs	12	**(3 866)**	(2 697)
Net finance (costs)/income		**(1 082)**	1 808
Profit before income tax		**48 676**	8 426
Income tax	13	**(8 638)**	(116)
Profit from continuing operations		**40 038**	8 310
Discontinued operations			
Loss from discontinued operations (net of taxation)		**–**	(141)
Profit for the year		**40 038**	8 169
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(2 243)**	142
Total comprehensive income for the year		**37 795**	8 311
Profit from continuing operations for the year attributable to:			
Owners of the company		**38 081**	6 860
Non-controlling interest		**1 957**	1 450
		40 038	8 310
Profit for the year attributable to:			
Owners of the company		**38 081**	6 750
Non-controlling interest		**1 957**	1 419
		40 038	8 169
Total comprehensive income for the year attributable to:			
Owners of the company		**36 793**	6 417
Non-controlling interest		**1 002**	1 894
		37 795	8 311
Basic and diluted earnings per share		**30.1**	6.2
Basic and diluted earnings per share from continuing operations (cents)	36	**30.1**	6.3
Basic and diluted loss per share from discontinued operations (cents)	36	**–**	(0.1)
Headline and diluted headline earnings per share (cents)		**19.2**	5.8
Headline and diluted headline earnings per share (cents) from continuing operations		**19.2**	5.9
Headline and diluted headline earnings per share (cents) from discontinued operations		**–**	(0.1)

Consolidated statement of financial position

at 28 February 2017

Figures in R'000	Notes	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
Assets			
Property, plant and equipment	14	**10 535**	8 655
Goodwill	15	**139 766**	34 123
Intangible assets	15	**98 613**	184
Investments in and loans to associates	16	**84 242**	76 909
Other investments	17	**38 109**	34 318
Deferred tax asset	18	**47 280**	46 203
Other non-current assets	19	**29 802**	22 504
Total non-current assets		**448 347**	222 896
Other investments	17	**4 291**	3 769
Other current assets	19	**1 712**	1 598
Taxation prepaid	28	**1 343**	1 267
Non-current assets held for sale	20	**–**	42 504
Trade and other receivables	21	**52 702**	25 186
Accounts receivable from trading activities	22	**693 427**	648 817
Trading securities	23	**183**	131
Cash and cash equivalents	24	**82 284**	17 562
Total current assets		**835 942**	740 834
Total assets		**1 284 289**	963 730
Equity			
Stated capital	25	**700 022**	624 888
Treasury shares	25	**(15 915)**	(15 571)
Share-based payments reserve	26	**16 100**	12 871
Foreign currency translation reserve		**(2 521)**	(1 233)
Accumulated loss		**(340 886)**	(365 474)
Equity attributable to equity holders of Vunani Limited		**356 800**	255 481
Non-controlling interest	38	**(4 021)**	1 670
Total equity		**352 779**	257 151
Liabilities			
Other financial liabilities	27	**107 714**	10 150
Deferred tax liabilities	18	**31 311**	2 152
Total non-current liabilities		**139 025**	12 302
Other financial liabilities	27	**35 580**	10 982
Taxation payable	28	**8 327**	4 498
Trade and other payables	29	**57 615**	30 458
Accounts payable from trading activities	22	**688 819**	647 872
Trading securities	23	**1 934**	–
Bank overdraft	24	**210**	467
Current liabilities		**792 485**	694 277
Total liabilities		**931 510**	706 579
Total equity and liabilities		**1 284 289**	963 730
Shares in issue ('000s)	25, 36	**161 296**	114 665
Net asset value per share (cents)	36	**221.2**	222.8
Net tangible asset value per share (cents)	36	**73.4**	192.9

Consolidated statement of changes in equity

for the year ended 28 February 2017

							VUNANI LIMITED – Group		
Figures in R'000	Notes	Stated capital	Treasury shares	Share-based payment reserve*	Foreign currency trans-lation reserve	Accu-mulated loss	Total attribu-table to equity holders	Non-control-ling interest	Total equity
Balance at 31 December 2014		624 888	(15 571)	13 249	(900)	(364 004)	257 662	(2 818)	254 844
Total comprehensive income for the period									
Profit for the period		–	–	–	–	6 750	6 750	1 419	8 169
Other comprehensive income for the period									
Foreign currency translation		–	–	–	(333)	–	(333)	475	142
Total comprehensive income for the period		–	–	–	(333)	6 750	6 417	1 894	8 311
Transactions with owners, recorded directly in equity									
Transactions with owners, recorded directly in equity									
Dividends paid		–	–	–	–	(6 014)	(6 014)	(1 618)	(7 632)
Share-based payments	26	–	–	1 628	–	–	1 628	–	1 628
Transfer between reserves	26	–	–	(2 006)	–	2 006	–	–	–
Acquisition of non-controlling interests		–	–	–	–	(4 212)	(4 212)	4 212	–
Total transactions with owners		–	–	(378)	–	(8 220)	(8 598)	2 594	(6 004)
Balance at 29 February 2016		624 888	(15 571)	12 871	(1 233)	(365 474)	255 481	1 670	257 151
Total comprehensive income for the year									
Profit for the year		**–**	**–**	**–**	**–**	**38 081**	**38 081**	**1 957**	**40 038**
Other comprehensive income for the year									
Foreign currency translation		**–**	**–**	**–**	**(1 288)**	**–**	**(1 288)**	**(955)**	**(2 243)**
Total comprehensive income for the year		**–**	**–**	**–**	**(1 288)**	**38 081**	**36 793**	**1 002**	**37 795**
Transactions with owners, recorded directly in equity									
Issue of shares	25	**68 332**	**–**	**–**	**–**	**–**	**68 332**	**–**	**68 332**
Capitalisation share issue award	25	**6 802**	**(344)**	**–**	**–**	**(6 458)**	**–**	**–**	**–**
Dividends paid		**–**	**–**	**–**	**–**	**(503)**	**(503)**	**–**	**(503)**
Share-based payments	26	**–**	**–**	**3 229**	**–**	**–**	**3 229**	**–**	**3 229**
Business combination	35	**–**	**–**	**–**	**–**	**–**	**–**	**(7 775)**	**(7 775)**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**(6 532)**	**(6 532)**	**1 082**	**(5 450)**
Total transactions with owners, recorded directly in equity		**75 134**	**(344)**	**3 229**	**–**	**(13 493)**	**64 526**	**(6 693)**	**57 833**
Balance at 28 February 2017		**700 022**	**(15 915)**	**16 100**	**(2 521)**	**(340 886)**	**356 800**	**(4 021)**	**352 779**

** The share-based payments reserve is as a result of employees being given the right to acquire shares of the company for services rendered. Refer to note 26 for additional information.*

Consolidated statement of cash flows

for the year ended 28 February 2017

Figures in R'000	Note	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
Cash flows from operating activities			
Net cash utilised by operating activities	31	**(171)**	(28 523)
Investment revenue received		**1 624**	8 263
Finance income received		**2 784**	5 421
Finance costs paid		**(1 220)**	(1 965)
Dividends paid to shareholders		**(503)**	(6 014)
Dividends paid to non-controlling interest		**–**	(1 618)
Income tax paid	32	**(10 278)**	(5 472)
Net cash utilised by operating activities		**(7 764)**	(29 908)
Cash flows from investing activities			
Proceeds on disposal of businesses		**494**	15 000
Acquisition of property, plant and equipment	14	**(2 161)**	(1 575)
Proceeds on disposal of property, plant and equipment	14	**6**	–
Increase in investments and loans to associates		**(1 664)**	(50 949)
Proceeds from loans to associates repaid	16	**606**	–
Acquisition of other investments	17	**(298)**	(1 010)
Proceeds on disposal of other investments	17	**6 990**	40 994
Increase in other non-current assets		**–**	(4 032)
Proceeds from repayments of other non-current assets	19	**8**	4 257
Net cash inflow from investing activities		**3 981**	2 685
Cash flows from financing activities			
Proceeds on issue of stated capital		**51 066**	–
Repayments of other financial liabilities		**(2 064)**	(22 338)
Increase in other financial liabilities		**70**	–
Net cash inflow/(outflow) from financing activities		**49 072**	(22 338)
Net increase/(decrease) in cash and cash equivalents		**45 289**	(49 561)
Cash and cash equivalents at the beginning of the year		**17 095**	66 656
Cash disposed of during the year		**(323)**	–
Net cash acquired in business combinations	35	**20 013**	–
Total cash and cash equivalents at the end of the year	24	**82 074**	17 095

Notes to the consolidated financial statements

Reporting activities

Vunani Limited ("the company") is a company domiciled in South Africa at Vunani House, Vunani Office Park, 151 Katherine Street in Sandton. The consolidated and separate financial statements of the company at and for the year ended 28 February 2017 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in structured entities and associated entities. The group operates in the financial services industry.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of the Companies Act of South Africa, 2008, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated and separate annual financial statements have been prepared under the supervision of T Mika, CA(SA), the group chief financial officer.

1.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for certain financial instruments (which include other investments, other non-current assets and certain other financial liabilities), which are measured at fair value and disposal groups held for sale, which are disclosed at the lower of the carrying amount and fair value less costs of disposal.

1.3 Functional and presentation currency

The financial statements are presented in South African Rand, which is the company's functional currency.

All financial information presented in South African Rand have been rounded to the nearest thousand unless indicated otherwise.

1.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 17, 19, 27 and 42.4 – fair value of financial instruments
- Note 15 – impairment of goodwill and intangible assets
- Notes 16 and 42 – impairment losses on loans and advances to associates
- Note 18 – utilisation of tax losses

1.5 Change in financial year-end

The audited financial statements cover a 12-month period from 1 March 2016 to 28 February 2017. Comparative results cover a period of 14 months from 1 January 2015 to 29 February 2016, as a result of a decision taken during 2015 to change the financial year-end of Vunani Limited and its subsidiaries from 31 December to the last day of February. The change was primarily motivated by Vunani's acquisition of a significant interest in Fairheads International Holdings Proprietary Limited ("Fairheads") in May 2015, which has a February year-end.

As a result of the change in year-end, this Integrated Report incorporates the comparative results for the 14 months period to 29 February 2016, which renders the information presented not entirely comparable.

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

2. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by group entities.

2.1 Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the holding company, its subsidiaries and investments in associates.

2.1.1 *Subsidiaries*

Subsidiaries are entities controlled by the group. The group controls the entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

The company accounts for subsidiaries at cost less accumulated impairment losses in the separate financial statements.

2.1.2 *Investments in associates*

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions but not control them.

Investments in associates are accounted for using the equity method ("equity-accounted investees") and are recognised initially at cost. The consolidated financial statements include the group's share of profit or loss and other comprehensive income of the equity accounted investee from the date that significant influence commences until the date that significant influence ceases.

When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments for which settlement is neither planned nor likely to occur in the foreseeable future, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the group has an obligation or has made payments on behalf of the investee.

When the group loses control of a subsidiary and as a result of that the remaining interest is accounted for as an associate, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee.

The company accounts for associates at cost less accumulated impairment losses in the separate financial statements.

2.1.3 *Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at acquisition date.

Changes in the group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

2.1.4 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments

2.2.1 *Classification*

The group classifies non-derivative financial instruments into the following categories: financial assets at fair value through profit or loss and loans and receivables.

The group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

2.2.2 *Non-derivative financial assets and financial liabilities – Recognition and Derecognition*

The group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the group and company becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group and company is recognised as a separate asset or liability.

Financial assets or liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group and company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.2.3 *Non-derivative financial assets – Measurement*

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are initially measured at fair value and changes therein are recognised in profit or loss through fair value adjustments and impairments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and other receivables comprise trade and other receivables, loans to associates, accounts receivable from trading activities and cash and cash equivalents.

Loans to group companies are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances used by the group in the management of short-term commitments. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are measured at amortised cost.

2.2.4 *Non-derivative financial liabilities – Measurement*

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The group has the following non-derivative financial liabilities: financial liabilities at fair value through profit or loss, other financial liabilities, trade and other payables and accounts payable from trading activities.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.4 *Non-derivative financial liabilities – Measurement* (continued)

Financial liabilities at fair value through profit or loss
The group designates certain financial liabilities at fair value through profit or loss on initial recognition. Ring-fenced structured entities have historically been used to house the group's geared equity investments and any financial liabilities that relate to such investments. Financial assets and liabilities that arise in terms of these ring-fenced structures are both fair valued through profit or loss in terms of IAS 39 *Financial Instruments: Recognition and Measurement*.

The reason for the above designation was to reduce the measurement inconsistency on ring-fenced liabilities relative to the assets that they funded. Because the liability to lenders is limited to the value of the assets, if the assets were fair valued through profit or loss and the liabilities carried at amortised cost, inconsistency would arise that would not reflect the true liability of the group. In order to eliminate this inconsistency on ring-fenced structures, these specific liabilities are designated at fair value through profit or loss on initial recognition.

Financial liabilities at amortised cost
Other financial liabilities, accounts payable from trading activities, and trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

2.2.5 *Derivative financial assets*

Derivatives are recognised initially at fair value. Any directly attributable costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss. Included in derivative financial assets are trading securities (refer to note 23) and the Black Wattle option (refer to note 19).

2.2.6 *Other non-current assets*

Other non-current assets consist of derivative and non-derivative financial assets not included in other investments and trade and other receivables. Other non-current assets include the derivative option which relates to the group's investment in Black Wattle and certain loan and receivables (refer to note 19). Derivative financial assets are recognised in terms of accounting policy 2.2.5. Non-derivative financial assets are recognised in terms of accounting policy 2.2.3.

2.2.7 *Non-derivative financial assets and financial liabilities – Offsetting*

Financial assets or liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group and company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.2.8 *Stated capital*

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the company's shareholders.

Treasury shares
Where share capital is repurchased and held by a subsidiary or structured entity, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

2. ACCOUNTING POLICIES (continued)

2.3 Dividend policy

The company distributes dividends to its shareholders as and when determined by the board of directors of Vunani Limited, subject always to:

- the liquidity and solvency requirements of the Companies Act of South Africa;
- any banking or other funding covenants by which Vunani Limited is bound from time to time; and
- the operating requirements referred to in this policy.

2.4 Property, plant and equipment

2.4.1 *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within net profit or loss on disposal of assets.

2.4.2 *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2.4.3 *Depreciation*

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Remaining lease period
Motor vehicles	4 years
Furniture and fittings	6 years
Office equipment	3 – 5 years
Computer equipment	3 years
Buildings	40 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2. ACCOUNTING POLICIES (continued)

2.5 Business combinations

The acquisition method is used when a business is acquired. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. A non-controlling interest at acquisition date is determined as the non-controlling shareholder's proportionate share of the fair value of the net identifiable assets of the entity acquired.

Fair values of all identifiable assets or liabilities included in the business combination are determined by reference to market values of those or similar items, where available, or by discounting expected future cash flows using the discount rate to present values. When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at their full fair value when control is obtained, and any adjustment to fair values related to these assets and liabilities previously held as an equity interest is recognised in profit or loss.

When there is a change in the interest in a subsidiary after control is obtained, that does not result in a loss in control, the difference between the fair value of the consideration transferred and the amount by which the non-controlling interest is adjusted is recognised directly in the statement of changes in equity.

The consideration transferred is the fair value of the group's contribution to the business combination in the form of assets transferred, shares issued, liabilities assumed or contingent consideration at the acquisition date. Transaction costs directly attributable to the acquisition are charged to profit or loss. On acquisition date, goodwill is recognised when the sum of the consideration transferred, the fair value of the previously held equity interest and the recognised amount of non-controlling interests exceeds the fair value of the net identifiable assets of the entity acquired. Goodwill is tested at each reporting date for impairment.

To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the consideration transferred and the recognised amount of non-controlling interests, the excess is recognised in profit or loss on acquisition date as a gain on bargain purchase. The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying amount of any related goodwill.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2.6 Goodwill

Goodwill arises on the acquisition of business combinations.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Goodwill is measured at cost less accumulated impairment losses and is tested for impairment on an annual basis.

2.7 Intangible assets

2.7.1 *Recognition and measurement*

Intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

2.7.2 *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in profit or loss as incurred.

2. ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

2.7.3 *Amortisation*

Amortisation is calculated on the cost of the asset.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods is as follows:

Brand	15 years
Customer lists	8 years
Software	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2.8 Impairment

2.8.1 *Financial assets (including receivables)*

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security.

The group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are assessed for impairment collectively. Collective impairment is carried out by grouping together assets with similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2.8.2 *Non-financial assets*

The carrying amounts of the group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. For goodwill, the recoverable amount is estimated annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

2. ACCOUNTING POLICIES (continued)

2.8 Impairment (continued)

2.8.2 *Non-financial assets* (continued)

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.9 Employee benefits

2.9.1 *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The group operates a retirement scheme, the assets of which are held in separate trustee-administered funds. The retirement scheme is funded by payments from employees and the relevant group entity. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Pre-paid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.9.2 *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.10 Share-based payment transactions

Share-based arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense with a corresponding increase in the share-based payment reserve in equity over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

2.11 Revenue

2.11.1 *Services rendered*

Revenue from services rendered including management fees, client services and advisory services, is recognised in profit or loss in proportion to the stage of completion (based on services performed as a percentage of total services to be performed) of the transaction at the reporting date.

2.11.2 *Commissions*

Commissions comprise brokerage fees, asset administration fees and asset management fees arise when the group acts in the capacity of an agent rather than as the principal in a transaction. The revenue recognised is the net amount of commission earned by the group. This is recognised when the transaction giving rise to the commission is concluded.

2.11.3 *Trading revenue*

Trading revenue consists of trading income earned from bond and money market trading activities. Trading income is recognised upon the successful conclusion of trades.

2. ACCOUNTING POLICIES (continued)

2.11 Revenue (continued)

2.11.4 *Investment revenue*

Investment revenue is recognised in profit or loss on the date that the group's right to receive payment is established, which in the case of quoted securities is the *ex*-dividend date.

2.11.5 *Interest received from investments*

Interest received from investments consists of interest on loans and receivables and investments. Interest from investments is recognised as it accrues in profit or loss, using the effective interest method.

2.11.6 Unclaimed dividend income

Unclaimed dividend income relates to dividends received by the group on behalf of any client which remains unclaimed for a period of three years after the payment date. Such dividend is forfeited and reverts to the company and is recognised in profit or loss after the three-year period has lapsed.

2.12 Leases

Finance leases

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

2.13 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and dividends on preference shares classified as liabilities. Borrowing costs are recognised in profit or loss using the effective interest method.

2.14 Non-current assets or disposal group held for sale

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is designated as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held for sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current asset or disposal group is marketed at a price reasonable to its fair value and the disposal is expected to be completed within one year from classification.

Where a disposal group held for sale will result in the loss of control or loss of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling interest in the former subsidiary is to be retained after the sale.

Upon classification of a non-current asset or disposal group as held for sale it is reviewed for impairment. The impairment loss charged to profit or loss is the excess of the carrying amount of the non-current asset or disposal group over its expected fair value less costs of disposal.

No depreciation or amortisation is provided on non-current assets from the date they are classified as held for sale. If a non-current asset or disposal group is classified as held for sale, but the criteria for classification as held for sale are no longer met, the disclosure of such non-current asset or disposal group as held for sale is ceased.

On ceasing such classification, the non-current assets are reflected at the lower of:

- the carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held for sale; or
- the recoverable amount at the date the classification as held for sale ceases. The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the CGU as determined in accordance with the group's policy on impairment of non-financial assets.

2. ACCOUNTING POLICIES (continued)

2.14 Non-current assets or disposal group held for sale (continued)

Any adjustments required to be made on reclassification are recognised in profit or loss on reclassification and are included in profit or loss from continuing operations. Where the disposal group was also classified as a discontinued operation, the subsequent classification as held for use also requires that the discontinued operation be included in continuing operations.

Comparative information relating to the classification as a discontinued operation is represented accordingly.

2.15 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current taxation comprises taxation payable calculated based on the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets or liabilities for financial reporting purposes and their tax bases.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets or liabilities using the taxation rate enacted or substantively enacted at the reporting date.

Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination that is an acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in the profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

Deferred taxation is not recognised for the following temporary differences:

The initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that the parent is able to control the timing of the reversal of the temporary differences and they will not reverse in the foreseeable future.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised. Deferred tax assets or liabilities are offset if there is a legally enforceable right to offset current tax liabilities or assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and they intend to settle current tax liabilities or assets on a net basis or their tax assets or liabilities will be realised simultaneously.

Dividends withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The company withholds dividend tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of a company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

Headline earnings per share is determined in terms of SAICA Circular 2/2013 by dividing headline earnings attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period adjusted for own shares held. Diluted headline earnings per share is calculated by dividing the headline earnings attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding for the period after an adjustment for the effects of all dilutive potential ordinary shares.

2. ACCOUNTING POLICIES (continued)

2.16 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenue and incur expenses, including revenue or expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's chief executive officer who is defined by the group as the group's chief operating decision makers, to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

The group has the following operating segments:

- Fund management – operations comprise institutional and retail product offerings, which include equities, bonds, inflation-linked bonds and property, as well as absolute return funds and smart beta funds.
- Asset administration – a niche beneficiary fund administrator responsible for administering funds on behalf of minor dependants of deceased retirement fund members.
- Advisory services – whose function is to provide corporate advisory and investment services.
- Institutional securities broking – provides securities broking services to institutional clients. Products traded include equity trading, ind*ex* futures, single stock futures, yield-X (currency and interest rate futures), equity options, over the counter options, money market and derivatives trading.
- Private wealth and investments – provides wealth investments products and asset management products for high net worth individuals.
- Private equity – whose mandate is to acquire equity stakes in both listed and unlisted companies.

2.17 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets or liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets or liabilities, measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates at the dates the fair value were determined.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the group's presentation currency are translated into Rand, as follows:

- assets and liabilities are translated at the foreign exchange rate ruling at the reporting date; and
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate rates ruling at the dates of the transactions.

Exchange differences arising on translation are recognised directly in other comprehensive income and presented in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

2.18 New standards and interpretations not yet adopted

In terms of IFRS, the group and company are required to include in their financial statements disclosure about the future impact of standards and interpretations issued but not yet effective at the issue date.

A number of new standards, amendments to standards and interpretations are not effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these (consolidated and separate) financial statements. Those which may be relevant to the group and company are set out below. The group and company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

All standards and interpretations will be adopted at their effective dates (except for the effect of those standards and interpretations that are not applicable to the entity).

2. ACCOUNTING POLICIES (continued)

2.18 New standards and interpretations not yet adopted (continued)

The directors believe the impact of the application of the remaining standards and interpretations will be as follows:

New or amended standard	Summary of requirements	Possible impact on consolidated financial statements
IFRS 9 Financial Instruments	IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Even though the measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the group. The standard is effective for annual beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the group. Based on its preliminary assessment, the group does not believe that the new classification requirements would have had a material impact on its accounting for trade receivables, loans, and investments in equity securities that are managed on a fair value basis.
Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses	The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.	The group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the group does not expect any significant impact.

2. ACCOUNTING POLICIES (continued)

2.18 New standards and interpretations not yet adopted (continued)

New or amended standard	Summary of requirements	Possible impact on consolidated financial statements
Amendments to IAS 7 Disclosure Initiative	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.	To satisfy the new disclosure requirements, the group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.
IFRS 16 Leases	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.	The group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the group will recognise new assets and liabilities for its operating leases of the office buildings and office equipment. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. No significant impact is expected for the group's finance leases. The group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16.

2. ACCOUNTING POLICIES (continued)

2.18 New standards and interpretations not yet adopted (continued)

New or amended standard	Summary of requirements	Possible impact on consolidated financial statements
IFRS 15 Revenue from contracts with customers	This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	The group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. i. Rendering of services The group generates revenue from trading bonds and money market instruments and obtains fees from advisory, asset administration, fund management, brokerage, client services and management fees. Revenue is currently recognised using the stage-of-completion method. The group has performed an initial assessment on its revenue streams and does not expect significant differences in the timing of revenue recognition for these services and does not expect that there will be a significant impact on its consolidated financial statements. The group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

Other amendments

The following new or amended standards are not expected to have a significant impact on the group's consolidated financial statements.

i. Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

ii. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

iii. Foreign Currency Transactions and Advance Considerations (IFRIC 22).

3. DETERMINATION OF FAIR VALUES

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

3.1 Investments in listed equity and debt securities

The fair value of listed financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at the reporting date.

3.2 Unlisted investments

Unlisted investments are fair valued annually by the directors using generally accepted valuation techniques. As with any valuation, a degree of subjective judgement is involved. These valuation techniques include reference to the value of the assets of underlying business, earnings multiples (e.g. unlisted investments), discounted cash flow analysis (e.g. unlisted investments, loans and advances) and various option pricing models. Operating businesses are valued using a combination of all of the following: discounted cash flow analysis, application of earnings multiples on sustainable after tax earnings, current and projected net asset values to determine overall reasonability. The cash flows are based on expected future dividends that will be paid by the businesses.

3.3 Derivative financial assets

The derivative is measured initially at fair value and subsequently at fair value with changes in fair value recognised in profit or loss.

IAS 39 does not permit a day 1 gain to be recognised in profit or loss if the fair value of the asset is not based on a valuation technique that uses data from only observable inputs. The valuation technique used is the Monte-Carlo Simulation technique, which includes unobservable inputs.

3.4 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3.5 Financial liabilities at fair value through profit or loss

The group's financial liabilities held at fair value through profit or loss are all linked to listed equity investments held by the group and are accounted for in structured entities. The fair value adjustments that relate to financial liabilities are not a result of the group's inability to discharge its obligation, but rather in terms of the agreements with its lenders. The terms of the financial liability are such that, in the event that asset fair value falls below the face value of the liability, the group is not obligated to pay the full face of the debt, but rather a value that is directly linked to the value of the related asset. The full fair value adjustment is considered to be as a result of a change in market conditions.

4. FINANCIAL RISK MANAGEMENT

The group and company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about the group's exposure to the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board is responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit and risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

4.1 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

4.2 Credit risk

Credit risk is the risk of financial loss to the group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group and company manages this risk by transacting with customers that have good credit records and good standing in the markets.

Financial assets, which potentially subject the group to concentrations of credit risk, consist principally of trade and other receivables and cash and cash equivalents.

The trade and other receivables relate to trade receivables and intercompany loan. Loans granted to group companies are reviewed annually for recoverability and impaired, if necessary.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the default risk of the industry. Each client is analysed individually for creditworthiness. The group reviews accounts receivable monthly. Unless customers have good payment records, an impairment allowance is created for any accounts greater than 60 days. Other impairment indicators considered include bankruptcy and the insolvency of clients.

The group deposits cash surpluses with major banks of good credit standing to address the related credit risk. The cash and cash equivalents are held with banks, which are rated P-2 based on rating agency Moody's ratings.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The group is exposed to interest rate risk as it borrows funds at variable interest rates. The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the prime rate over the period of the respective loan. The group is not exposed to significant currency risk.

The group is exposed to equity price risk on its listed investments that are not ring-fenced through underlying funding arrangements. The investments are not hedged and the pricing is reviewed on a daily basis. This risk is managed by linking the debt to the value of the underlying assets. This will ensure that the group will limit the amount payable on the underlying debt by limiting it to the value of the asset.

4.4 Currency risk

The group is exposed to currency risk on its investments in foreign operations, where fluctuations in exchange rates against the rand could impact the financial results. Exchange differences arising on translation are recognised directly in other comprehensive income. The group's investments in foreign operations are not hedged. Exchange differences on loans with foreign entities are recognised directly in profit or loss.

4.5 Capital management

The board's policy is to maintain a strong capital base to maintain investor, creditor and market confidences and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as: result from operating activities divided by total shareholders' equity and non-controlling interests. The board of directors also monitors the level of dividends to ordinary shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The capital structure of the group consists of debt, which includes other liabilities and trade and other payables disclosed in notes 27 and 29 and equity as disclosed in the statement of financial position. The group monitors capital based on the gearing ratio.

In all externally-regulated entities, there are capital adequacy requirements for the day-to-day operations. Each entity has a compliance officer who is responsible for monitoring these requirements. The compliance officers report to the board of directors of each entity to ensure the requirements are met. There have been no instances of non-compliance reported to the board of directors throughout the reporting year.

Figures in R'000	28 February 2017 R	29 February 2016 R
Gearing ratio		
Total debt	**931 510**	706 579
Less: Cash and cash equivalents	**(82 284)**	(17 562)
Net debt	**849 226**	689 017
Equity	**356 800**	255 481
Total capital managed	**1 206 026**	944 498
Debt equity ratio	**238.01%**	269.69%

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

	Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
5.	**REVENUE FROM TRADING SERVICES**		
	Trading revenue		
	Bond trading	**4 413**	11 315
	Money market	**7 820**	4 568
	Fees		
	Advisory	**5 236**	1 007
	Brokerage	**60 013**	65 954
	Fund management	**64 452**	60 468
	Asset administration*	**22 909**	–
	Client service fees	**130**	780
	Management fees	**23 640**	10 098
		188 613	154 190
	*Fees from asset administration arose as a result of the consolidation of Mandlalux Proprietary Limited into the group's results. Please refer to note 35 on details relating to the business combination during the current financial year.		
6.	**OTHER INCOME**		
	Foreign exchange gain	**–**	3 460
	Directors' fees for services rendered on external boards	**473**	590
	Recognition of amortisation of day one gain (refer to note 19)	**–**	3 574
	Deferred payment adjustment (refer to note 27.7)	**3 580**	–
	Unclaimed dividends	**–**	2 970
	Reversal of other financial liabilities (refer to note 27)	**–**	1 483
	Subscription fees from trading platform	**544**	246
	Accounting fees	**120**	223
		4 717	12 546
7.	**INVESTMENT REVENUE**		
	Dividend income		
	Dividend income from listed investments	**1 624**	1 603
	Dividend income from unlisted investments	**–**	6 660
		1 624	8 263
8.	**INTEREST RECEIVED FROM INVESTMENTS**		
	Recognised in profit or loss		
	Interest received – investments	**29**	784
	Interest received – other non-current assets (refer to note 19)	**–**	301
	Interest received – loans and receivables	**1 617**	962
		1 646	2 047
9.	**NET PROFIT ON DISPOSAL OF ASSETS**		
	Net profit on disposal of assets comprise of:		
	Profit on sale of associate (refer to note 35)	**12 153**	–
	Profit on sale of subsidiary (refer to note 33)	**2 806**	–
	Profit on sale of fixed assets	**47**	–
		15 006	–

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
10. FAIR VALUE ADJUSTMENTS AND IMPAIRMENTS		
Fair value adjustment on financial assets and liabilities		
– Held at fair value through profit or (loss) (refer below)	**8 639**	(11 233)
Impairment reversal/(charge) of loans to associates (refer to note 16)	**600**	(3 055)
Impairment reversal/(charge) of other non-current assets (refer to note 19)	**8**	(4 646)
	9 247	(18 934)
Adjustments on financial assets and liabilities at fair value through profit or loss comprise the following:		
Other financial liabilities (refer to note 27)	**(2 320)**	(4 157)
Other investments (refer to note 17)	**3 912**	(2 534)
Other investments – listed investments	**3 912**	3 740
Other investments – unlisted investments	**–**	(6 274)
Other non-current assets – options (refer to note 19)	**7 047**	(4 542)
	8 639	(11 233)
Refer to note 42.4 for details of assumptions used in determining the fair values of other investments and certain financial liabilities.		
11. OPERATING EXPENSES		
Operating expenses are arrived at after taking the following into account:		
Amortisation of intangible assets	**2 055**	858
Depreciation	**1 297**	1 743
External auditors' remuneration	**3 449**	2 951
Current year	**2 805**	2 899
Prior year	**644**	52
Internal auditors' remuneration		
Current period	**345**	283
Operating lease expense for office rentals	**5 535**	5 273
Directors remuneration and benefits (refer to note 41)	**20 173**	18 871
Non-executive directors' fees	**1 072**	1 131
Salaries	**10 851**	11 244
Bonuses accrued	**5 189**	4 541
Provident fund and medical aid contributions	**1 681**	1 543
Equity-settled share-based payment charge	**1 380**	412
Prescribed officers' remunerations (refer to note 61)	**10 378**	10 363
Staff costs (excluding directors' and prescribed officers' emoluments)	**76 804**	72 533
Staff provident fund and medical aid contributions (excluding directors' and prescribed officers' emoluments)	**5 569**	6 296
Bad debt expense	**1 097**	1 083
Equity-settled share-based payment charge (excluding directors)	**1 849**	1 216

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

		VUNANI LIMITED – Group	
12.	**FINANCE INCOME AND FINANCE COSTS**		
	Interest received – cash and cash equivalents	**2 784**	4 505
	Finance income	**2 784**	4 505
	Interest charge – bank overdraft	**(502)**	(272)
	Interest charge – long-term borrowings (refer to note 27)	**(2 619)**	(390)
	Interest charge – debentures (refer to note 27)	**(745)**	(2 034)
	Interest charge – trade and other payables	**–**	(1)
	Finance costs	**(3 866)**	(2 697)
	Net finance (expense)/income	**(1 082)**	1 808
	Interest expense on financial liabilities measured at amortised cost	**(3 866)**	(2 697)
13.	**INCOME TAX**		
	Current tax expense	**(9 688)**	(4 480)
	Current year	**(9 665)**	(4 752)
	Prior year adjustment	**(23)**	272
	Deferred tax expense		
	Current year	**1 050**	4 364
	– Origination and reversal of temporary differences	**382**	(7 111)
	– Previously unrecognised deferred tax assets	**668**	11 475
	Total income tax recognised in profit or loss	**(8 638)**	(116)
	Reconciliation of effective tax rate	**%**	%
	Company tax rate	**28.0**	28.0
	Donations, share-based payments, fines and amortisation	**2.4**	25.6
	Impairments	*****	10.5
	Previously unrecognised deferred tax asset	**(0.4)**	(37.9)
	Equity-accounted earnings	**(13.4)**	(105.7)
	Dividend income	**(1.1)**	(27.5)
	Fair value gains or losses at Capital Gains Tax rate	**(1.8)**	(4.8)
	Tax rate differences**	**(0.3)**	(0.3)
	Unrecognised deferred tax assets	**0.2**	56.9
	Fair value adjustments not taxed (asset recovered through dividends received)	**4.1**	49.5
	Prior year adjustment	*****	3.2
	Effect of change in Capital Gains Tax rate	**–**	3.9
		17.7	1.4

Basis of calculation

The above is a numerical reconciliation between the average effective tax rate and the applicable tax rate. The applicable tax rate is the national income tax rate of 28.0%. The effective Capital Gains Tax rate is 22.4%.

** Less than 0.1%*
*** The Zimbabwean tax rate is at 25.75%*

			VUNANI LIMITED – Group					
Figures in R'000	Land	Buildings	Leasehold improvements	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
14. PROPERTY, PLANT AND EQUIPMENT								
Cost								
Balance at 31 December 2014	1 044	4 177	3 939	282	1 996	1 572	8 130	21 140
Additions	–	–	23	–	120	72	1 360	1 575
Disposals	–	–	(5)	–	(11)	–	(116)	(132)
Effects of movement in exchange rates	318	1 572	–	41	22	64	19	2 036
Balance at 29 February 2016	1 362	5 749	3 957	323	2 127	1 708	9 393	24 619
Acquisition through business combination	**–**	**–**	**56**	**304**	**306**	**–**	**2 066**	**2 732**
Disposal of business	**–**	**–**	**(18)**	**–**	**(18)**	**(50)**	**(380)**	**(465)**
Additions	**–**	**–**	**1 347**	**290**	**125**	**52**	**348**	**2 161**
Disposals	**–**	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
Effects of movement in exchange rates	**(274)**	**(918)**	**–**	**(6)**	**(7)**	**(28)**	**(12)**	**(1 245)**
Balance at 28 February 2017	**1 088**	**4 831**	**5 342**	**911**	**2 527**	**1 682**	**11 415**	**27 796**
Accumulated depreciation and impairment losses								
Balance at 31 December 2014	–	–	(3 803)	(75)	(1 526)	(1 260)	(7 689)	(14 353)
Depreciation	–	(346)	(97)	(227)	(256)	(149)	(668)	(1 743)
Disposals	–	–	5	–	3	–	124	132
Balance at 29 February 2016	–	(346)	(3 895)	(302)	(1 779)	(1 409)	(8 233)	(15 964)
Depreciation	**–**	**(178)**	**(147)**	**(87)**	**(82)**	**(87)**	**(716)**	**(1 297)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 28 February 2017	**–**	**(524)**	**(4 042)**	**(389)**	**(1 861)**	**(1 496)**	**(8 949)**	**(17 261)**
Carrying amounts								
At 31 December 2014	1 044	4 177	136	207	470	312	441	6 787
At 29 February 2016	1 362	5 403	62	21	348	299	1 160	8 655
At 28 February 2017	**1 088**	**4 307**	**1 300**	**522**	**666**	**186**	**2 466**	**10 535**

The land and building is located on Stand 1642 Kumalo Township of Bulawayo Township Lands, 5 Chancellor Avenue, Kumalo, Bulawayo, Zimbabwe.

The land and building have been pledged to the Reserve Bank of Zimbabwe for the capital adequacy requirements of Purpose Vunani Asset Management (Private) Limited.

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	Goodwill	Customer lists	Brand	Software	Total
	VUNANI LIMITED – Group				
15. GOODWILL AND INTANGIBLE ASSETS					
Cost					
Balance at 31 December 2014	87 054	30 208	–	–	117 262
Balance at 29 February 2016	87 054	30 208	–	–	117 262
Acquisition through business combination	**105 643**	**57 675**	**7 977**	**34 832**	**206 127**
Balance at 28 February 2017	**192 697**	**87 883**	**7 977**	**34 832**	**323 389**
Accumulated amortisation and impairment					
Balance at 31 December 2014	(52 931)	(29 166)	–	–	(82 097)
Amortisation	–	(858)	–	–	(858)
Balance at 29 February 2016	(52 931)	(30 024)	–	–	(82 955)
Amortisation	–	(1 385)	(89)	(581)	(2 055)
Balance at 28 February 2017	**(52 931)**	**(31 409)**	**(89)**	**(581)**	**(85 010)**
Carrying amounts					
At 31 December 2014	34 123	1 042	–	–	35 165
At 29 February 2016	34 123	184	–	–	34 307
At 28 February 2017	**139 766**	**56 474**	**7 888**	**34 251**	**238 379**

Goodwill and intangibles in the group arose from the business combinations of Vunani Securities Proprietary Limited, Vunani Fund Managers Proprietary Limited and Mandlalux Proprietary Limited. The intangible assets arose on the acquisition of Mandlalux Proprietary Limited (refer to note 35 for additional information).

The goodwill that arose on the acquisitions of the businesses relate to synergies from combining operations and other intangible assets that do not qualify for separate recognition.

It is the group's policy to test the impairment of goodwill on an annual basis. Intangibles assets are tested for impairment when there is an indicator the asset is impaired. For the purposes of impairment testing, goodwill has been allocated to the following CGUs (operating companies) as follows:

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
Vunani Fund Managers Proprietary Limited	**27 703**	27 703
Vunani Securities Proprietary Limited	**6 420**	6 420
Mandlalux Proprietary Limited	**105 643**	–
	139 766	34 123

Assumptions applied in testing for the impairment of goodwill

Vunani Fund Managers Proprietary Limited

The carrying amount of goodwill that arose through the business combination is R27.7 million.

The recoverable amount was determined as the fair value less costs of disposal of the company.

The fair value less costs of disposal is determined using the funds under management at the date of disposal. The fair value measurement was categorised as a level 3 fair value based on the valuation technique used.

15. GOODWILL AND INTANGIBLE ASSETS (continued)

An established industry benchmark for valuing fund management companies is to apply a percentage to the funds under management. The percentage can vary based on a combination of factors, *inter alia,* quantum of funds under management; profitability; average term of mandates; average management fees charged and growth prospects. As any or all these factors improve, the higher the percentage applied. In applying the impairment test to goodwill held in respect of the investment in Vunani Fund Managers, fair value has been determined on the basis of a percentage of the funds under management. This percentage has been set at 1% and applied to R15.9 billion funds under management at 28 February 2017 to arrive at a fair value of R159.0 million. The value has been determined solely for the purpose of the impairment test.

The recoverable amount of the CGU exceeds the carrying amount of the cash generating by R131.2 million. As a result, the group does not believe that the goodwill is impaired.

Vunani Securities Proprietary Limited

The carrying amount of goodwill that arose through the business combination is R6.4 million.

The recoverable amount was determined as the value in use of the company. The key assumptions used in the calculation of the recoverable amount are discount rates and EBITDA growth rate. The values assigned to the key assumption represented management's assessments for future trends in the securities broking industries and were based on internal sources and historical data.

An after tax discount rate of 9% was used in the valuation, estimated based on past experience, which is consistent with previous periods.

Four years' cash flows were included in the discounted cash flow model. The cash flows were adjusted to take into account the expected growth rate of the EBITDA. An EBITDA rate of 12% was used.

The significant driver of the expected growth in EBITDA is due to increased research offering and stock, bonds and money market dealing capability. Assumptions are supported by past experience.

As a result of the above the group does not believe that the goodwill needs to be impaired.

Management has identified one key assumption for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The amount by which this one assumption would need to change individually in order for the estimated recoverable amount to equal the carrying amount of the CGU is shown below:

EBITDA growth rate of negative 12%.

The recoverable amount of the CGU the carrying amount of the cash generating by R40.0 million.

Mandlalux Proprietary Limited

The carrying amount of goodwill that arose through the business combination is R105.6 million.

The recoverable amount was determined as the value in use of the company. An after tax discount rate of 9% was used in the valuation, estimated based on past experience.

The recoverable amount was determined as the value in use of the company. The key assumptions used in the calculation of the recoverable amount are weighted average cost of capital and free cash flows. The values assigned to the key assumption represented management's assessments for future trends in the asset administration business and were based on internal sources and historical data.

A weighted average cost of capital of 17.4% was used in the valuation. Four years' cash flows were included in the discounted cash flow model. The cash flows were adjusted to take into account the expected growth rate of the EBITDA. An EBITDA rate of 5.4% was used.

Management has identified one key assumption for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The amount by which this one assumption would need to change individually in order for the estimated recoverable amount to equal the carrying amount of the CGU is shown below:

EBITDA growth rate of negative 5.4%.

The recoverable amount of the CGU exceeds the carrying amount of the cash generating by R19.5 million.

As a result of the above, the group does not believe that the goodwill is impaired.

Figures in R'000	Investment in associate	Loans to associates	Total
		VUNANI LIMITED – Group	
16. INVESTMENTS IN AND LOANS TO ASSOCIATES			
Balance at 29 February 2016	**49 611**	**27 298**	**76 909**
Increase in investments in associates	**4 803**	**–**	**4 803**
Loans advanced	**–**	**2 155**	**2 155**
Loans repaid	**–**	**(606)**	**(606)**
Impairment reversal of loans to associates (refer to note 10)	**–**	**600**	**600**
Translation gain on foreign loans	*****	*****	*****
Transfer from non-current assets held for sale	**35 244**	**–**	**35 244**
Equity-accounted earnings	**23 305**	**–**	**23 305**
Business combination	**(51 674)**	**(6 494)**	**(58 168)**
Balance at 28 February 2017	**61 289**	**22 953**	**84 242**
2016			
Balance at 31 December 2014	3 361	14 325	17 686
Increase in investments in associates	36 232	–	36 232
Loans advanced	–	15 430	15 430
Impairment of loans to associates (refer to note 10)	–	(3 055)	(3 055)
Transfer from subsidiaries	13 465	–	13 465
Translation gain on foreign loans	*	598	598
Transfer to non-current assets held for sale	(35 244)	–	(35 244)
Equity-accounted earnings – continuing operations	10 018	–	10 018
Equity-accounted earnings – held for sale	21 779	–	21 779
Balance at 29 February 2016	49 611	27 298	76 909

** Amount less than R1 000.*

Impairments

The group reviews the recoverability of investments in associates and loans to associates annually. Investments in associates and loans to associates are impaired if the investee is making losses and the cumulative losses are in excess of the carrying amount of the investment.

The loans to associates are impaired on the basis that the associates are making losses and the group believes it will not be able to recover the loans in the future.

Acquisitions

The following investment in associates was acquired in 2017:

- Alliance Capital Limited
- VMW Properties Proprietary Limited
- Lidtech Limited

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

VMW Properties Proprietary Limited

The investment in VMW Properties Proprietary Limited ("VMP") was acquired a 50% investment for a nominal amount. VMP is a property development and investment company.

Alliance Capital Limited

During the year, the group acquired a 45% investment in Alliance Capital Limited ("Alliance") for R4.8 million. Alliance is an asset management company based in Malawi. The acquisition of Alliance is in line with the group's strategy of establishing an asset management footprint in Southern Africa.

Lidtech Limited

The investment in Lidtech Limited ("Lidtech") was acquired a 37.5% investment for a nominal amount. Lidtech is a scratch card gaming company incorporated in Zambia. The group's acquisition of the investment is in line with its strategy to expand its footprint in the Southern part of Africa.

Accounting considerations

IAS 28 defines an associate as an entity over which an investor has significant influence. Significant influence as the power to participate in the financial and operating policy decisions of the investee, but is not a control or joint control of those policies.

The group holds more than 20% of the voting power of its associate invstee companies and has representation on the board of directors of these associate companies. The group has the ability to participate in policy-making processes which include dividend decisions. Where the group holds 50% or more of the equity of the associate company, the group does not have control based on the shareholders' agreements.

Business combination

The group increased its investment in Mandlalux Proprietary Limited from 70% to 92.5% during the year, which resulted in the investment being accounted for as a subsidiary. The investment was accounted for as an associate for 10 months to December 2016, and consolidated for the two months from 1 January 2016 to 28 February 2017. Please refer to note 35 for details on the business acquisition during the year.

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
Credit quality		
An analysis of the credit quality of loans to associates not impaired is as follows:		
Internal credit ratings		
Four or more years trading history with the group	**5 480**	5 356
Less than four years trading history with the group	**17 473**	21 942
	22 953	27 298

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

							VUNANI LIMITED – Group		
Figures in R'000	Effective ownership	Current assets	Cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
at 28 February 2017									
Avram International LLC (dormant)	26.0%	–	–	–	–	–	–	–	–
Alliance Capital Limited	45.0%	4 929	11	1 419	6 359	(671)	–	(671)	5 688
Before Sunset Properties 37 Proprietary Limited	25.3%	–	–	*	–	(11)	(57)	(68)	(68)
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	128 426	(44 345)	144 323	228 404	(130 085)	(58 826)	(188 911)	39 493
Butsanani Energy Investment Holdings Proprietary Limited	33.3%	64	5 833	65 084	70 981	(8 487)	(77 090)	(85 577)	(14 596)
English Breeze Investments (Private) Limited***	50.0%	–	–	1 013	1 013	–	(1 031)	(1 031)	(18)
Lidtech Limited#	37.5%	–	–	–	–	–	–	–	–
VMW Properties Proprietary Limited	50.0%	14	846	9 465	10 325	(8)	(10 325)	(10 333)	(8)
Marudi Proprietary Limited****	50.0%	–	–	2 165	2 165	–	(2 546)	(2 546)	(381)
Micawber 534 Proprietary Limited**	47.6%	–	3	–	3	(7)	(10 673)	(10 680)	(10 677)
Orion Properties 14 Proprietary Limited	39.0%	–	(80)	18 969	18 889	101	(19 363)	(19 262)	(373)
Papillon in Flight Proprietary Limited	26.0%	–	–	–	–	–	–	–	–
Phakamani Impact Capital Proprietary Limited	51.0%	10 188	2 008	22	12 218	(12 516)	(1 500)	(14 016)	(1 798)
Qinisa Steel Solutions Proprietary Limited	23.9%	–	–	–	–	–	–	–	–
Space Launch Investments (Private) Limited***	50.0%	–	–	2 513	2 513	–	(2 513)	(2 513)	*
Vunani Solar Power Proprietary Limited (dormant)	26.0%	–	–	–	–	–	–	–	–
Verbicept Proprietary Limited	50.0%	*	–	132 201	132 201	(253)	(78 829)	(79 082)	53 119
		143 621	(35 724)	377 174	485 071	(151 937)	(262 753)	(414 690)	70 381

** Less than R1 000.*
*** The company is in the process of being deregistered.*
**** The company is incorporated in Zimbabwe.*
***** The company is incorporated in Botswana.*
 # The company is incorporated in Zambia

No impairment has been raised on the loan with Butsanani Energy Investment Holdings Proprietary Limited ("Butsanani"), as Butsanani is a start up mining company which is expected to generate revenues and profits in the future.

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

							VUNANI LIMITED – Group		
Figures in R'000	Effective ownership	Current assets	Cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
at 29 February 2016									
Avram International LLC (dormant)	26.0%	–	–	–	–	–	–	–	–
Before Sunset Properties 37 Proprietary Limited	25.3%	*	–	–	*	(4)	(57)	(61)	(61)
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	127 055	16 805	122 655	266 515	(190 892)	(26 534)	(217 426)	49 089
Butsanani Energy Investment Holdings Proprietary Limited	33.3%	1 067	3 584	26 947	31 598	(68)	(36 397)	(36 465)	(4 867)
English Breeze Investments (Private) Limited***	50.0%	–	–	1 226	1 226	–	(1 244)	(1 244)	(18)
Future Horizon Technologies Proprietary Limited	33.3%	1	13	–	14	–	(889)	(889)	(875)
Mandlalux Proprietary Limited	62.5%	38 056	1 915	203 788	243 759	(12 922)	(167 008)	(179 930)	63 829
Marudi Proprietary Limited****	50.0%	–	–	2 165	2 165	–	(2 473)	(2 473)	(308)
Micawber 534 Proprietary Limited**	47.6%	–	3	–	3	(7)	(10 673)	(10 680)	(10 677)
Orion Properties 14 Proprietary Limited	39.0%	26	379	21 522	21 927	(38)	(20 769)	(20 807)	1 120
Papillon in Flight Proprietary Limited	26.0%	–	–	–	–	–	–	–	–
Phakamani Impact Capital Proprietary Limited	51.0%	2 407	2 481	392	5 280	(5 819)	(1 500)	(7 319)	(2 039)
Qinisa Steel Solutions Proprietary Limited	23.9%	–	–	–	–	–	–	–	–
Space Launch Investments (Private) Limited***	50.0%	–	–	3 052	3 052	–	(3 052)	(3 052)	*
Vunani Solar Power Proprietary Limited (dormant)	26.0%	–	–	–	–	–	–	–	–
Verbicept Proprietary Limited	50.0%	59 556	–	–	59 556	(24 312)	–	(24 312)	35 244
		228 168	25 180	381 747	635 095	(234 062)	(270 596)	(504 658)	130 437

** Less than R1 000.*

*** The company is incorporated in Zimbabwe.*

**** The company is in the process of being deregistered.*

No impairment has been raised on the loan with Butsanani Energy Investment Holdings Proprietary Limited ("Butsanani"), as Butsanani is a start up mining company which is expected to generate revenues and profits in the future.

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

	VUNANI LIMITED – Group				
Figures in R'000	Cost of invest-ment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
for the year ended 28 February 2017					
Avram International LLC#	1 833	–	–	–	1 833
Alliance Capital Limited	4 803	–	–	441	5 245
Before Sunset Properties 37 Proprietary Limited	*	–	–	–	–
Black Wattle Colliery Proprietary Limited (refer to note 19)	*	–	–	–	–
Butsanani Energy Investment Holdings Proprietary Limited	*	12 225	–	–	12 225
English Breeze Investments (Private) Limited***	1	–	–	–	1
Lidtech Proprietary Limited	*	936	–	–	936
VMW Properties Proprietary Limited	*	890	–	–	890
Marudi Proprietary Limited	*	2 546	–	–	2 546
Mandlalux Proprietary Limited	36 232	6 494	–	15 442	58 168
Micawber 534 Proprietary Limited**	*	5 160	(5 160)	–	–
Orion Properties 14 Proprietary Limited	*	5 480	–	(215)	5 265
Papillon in Flight Proprietary Limited	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	5	750	–	–	755
Qinisa Steel Solutions Proprietary Limited	*	–	–	–	*
Space Launch Investments (Private) Limited***	1	1 778	(1 778)	–	1
Vunani Solar Power Proprietary Limited #	1 300	–	–	–	1 300
Verbicept Proprietary Limited	13 465	125	–	39 654	53 244
	60 831	36 385	(10 129)	55 322	142 410
Business combination (refer to note 35)					(58 168)
Net carrying amount					84 242

** Less than R1 000.*
*** The company is in the process of being deregistered.*
**** The company is incorporated in Zimbabwe.*
 # Acquired in terms of vendor financed transaction (refer to note 27.2 and 27.3 for the corresponding liability).

A reconciliation of the movements in associates is shown below:

	Investment at cost	Loans to associates	Total
Investment at cost and loans to associates	60 831	36 385	97 216
Cumulative impairments	(3 191)	(6 938)	(10 129)
Cumulative equity earnings net of dividends	55 322	–	55 322
Business combination (refer to note 35)	(51 674)	(6 494)	(58 168)
	61 289	22 953	84 242

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

			VUNANI LIMITED – Group		
Figures in R'000	Cost of invest-ment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
for the period ended 29 February 2016					
Avram International LLC#	1 833	–	–	–	1 833
Before Sunset Properties 37 Proprietary Limited	*	–	–	–	*
Black Wattle Colliery Proprietary Limited (refer to note 19)	*	–	–	–	*
Butsanani Energy Investment Holdings Proprietary Limited	*	12 225	–	–	12 225
English Breeze Investments (Private) Limited***	1	–	–	–	1
Future Horizon Technologies Proprietary Limited	*	895	(895)	–	*
Mandlalux Proprietary Limited	36 232	6 494	–	9 680	52 406
Marudi Proprietary Limited	*	2 473	–	–	2 473
Micawber 534 Proprietary Limited**	*	5 160	(5 160)	–	*
Orion Properties 14 Proprietary Limited	*	5 356	–	559	5 915
Papillon in Flight Proprietary Limited	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	5	750	–	–	755
Qinisa Steel Solutions Proprietary Limited	*	–	–	–	*
Space Launch Investments (Private) Limited***	1	2 160	(2 160)	–	1
Vunani Solar Power Proprietary Limited#	1 300	–	–	–	1 300
Verbicept Proprietary Limited	13 465	–	–	21 779	35 244
	56 028	35 513	(11 406)	32 018	112 153
Transfer to non-current assets held for sale (refer to note 20)					(35 244)
Net carrying amount					76 909

** Less than R1 000.*
*** The company is in the process of being deregistered.*
**** The company is incorporated in Zimbabwe.*
 # Acquired in terms of vendor financed transaction (refer to note 27.2 and 27.3 for the corresponding liability).

A reconciliation of the movements in associates is shown below:

	Investment at cost	Loans to associates	Total
Investment at cost and loans to associates	56 028	35 513	91 541
Cumulative impairments	(3 191)	(8 215)	(11 406)
Cumulative equity earnings net of dividends	32 018	–	32 018
Transfer to non-current assets held for sale	(35 244)	–	(35 244)
	49 611	27 298	76 909

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

Associates' statement of comprehensive income is presented below:

	VUNANI LIMITED – Group							
Figures in R'000	Revenue	Fair value adjustments	Depreciation and amortisation	Interest income	Interest expense	Income tax (expense)	Other expenses	Profit/ (Loss) and total comprehensive income
for the year ended 28 February 2017								
Avram International LLC	–	–	–	–	–	–	–	–
Alliance Capital Limited	3 860	–	(125)	–	–	(430)	(2 324)	981
Before Sunset Properties 37 Proprietary Limited	–	–	–	–	–	–	–	–
Black Wattle Colliery Proprietary Limited (refer to note 19)	431 531	–	(3 387)	2 584	(6 039)	(3 086)	(431 198)	(9 595)
Butsanani Energy Investment Holdings Proprietary Limited	1 613	–	–	376	(4 527)	–	(2 738)	(5 276)
English Breeze Investments (Private) Limited***	–	–	–	–	–	–	–	–
Lidtech Limited	–	–	–	–	–	–	–	–
VMW Properties Proprietary Limited	–	–	–	*	–	–	(8)	(8)
Marudi Proprietary Limited	–	–	–	–	(166)	–	–	(166)
Micawber 534 Proprietary Limited**	–	–	–	–	–	–	–	–
Orion Properties 14 Proprietary Limited	1 742	(1 775)	–	–	(989)	604	(1 130)	(1 548)
Papillon in Flight Proprietary Limited	–	–	–	–	–	–	–	–
Phakamani Impact Capital Proprietary Limited	6 025	–	(6)	61	(4)	–	(5 792)	284
Qinisa Steel Solutions Proprietary Limited	–	–	–	–	–	–	–	–
Space Launch Investments (Private) Limited***	–	–	–	–	–	–	–	–
Vunani Solar Power Proprietary Limited	–	–	–	–	–	–	–	–
Verbicept Proprietary Limited	–	28 398	–	–	–	(10 394)	(49)	17 955
	444 771	26 623	(3 518)	3 021	(11 725)	(13 306)	(443 239)	2 627

** Less than R1 000.*
*** The company is in the process of being deregistered.*
**** The company is incorporated in Zimbabwe.*

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

	VUNANI LIMITED – Group							
Figures in R'000	Revenue	Fair value adjustments	Depreciation and amortisation	Interest income	Interest expense	Income tax expense	Other expenses	Profit/ (Loss) and total comprehensive income
for the period ended 29 February 2016								
Avram International LLC	–	–	–	–	–	–	–	–
Before Sunset Properties 37 Proprietary Limited	–	–	–	–	–	–	–	–
Black Wattle Colliery Proprietary Limited (refer to note 19)	479 903	–	(24 717)	2 093	(5 715)	(2 634)	(448 428)	502
Butsanani Energy Investment Holdings Proprietary Limited	1 111	–	–	140	–	–	(1 693)	(442)
English Breeze Investments (Private) Limited***	–	–	–	–	–	–	–	–
Future Horizon Technologies Proprietary Limited	–	–	–	*	–	–	(712)	(712)
Mandlalux Proprietary Limited	127 716	–	(1 897)	1 758	(8 003)	(6 872)	(98 873)	13 829
Marudi Proprietary Limited	–	–	–	–	(131)	–	(10)	(141)
Micawber 534 Proprietary Limited**	–	–	–	–	–	–	–	–
Orion Properties 14 Proprietary Limited	2 322	1 408	–	–	(1 105)	(297)	(1 652)	676
Papillon in Flight Proprietary Limited	–	–	–	–	–	–	–	–
Phakamani Impact Capital Proprietary Limited	2 902	–	–	1	–	–	(3 941)	(1 038)
Qinisa Steel Solutions Proprietary Limited	–	–	–	–	–	–	–	–
Space Launch Investments (Private) Limited***	–	–	–	–	–	–	–	–
Vunani Solar Power Proprietary Limited	–	–	–	–	–	–	–	–
Verbicept Proprietary Limited	–	35 961	–	–	–	(14 144)	(38)	21 779
	613 954	37 369	(26 614)	3 992	(14 954)	(23 947)	(555 347)	34 453

** Less than R1 000.*

*** The company is in the process of being deregistered.*

**** The company is incorporated in Zimbabwe.*

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

A reconciliation of the investments in and loans to associates:

VUNANI LIMITED – Group

Figures in R'000	Effective ownership	Net asset value	Share of net assets	Loans to associates	Goodwill/ (Bargain purchase)	Losses not accounted for	Impair-ments	Black Wattle option	Net carrying amount
for the year ended 28 February 2017									
Avram International LLC	26.0%	–	–	–	1 833	–	–	–	1 833
Alliance Capital Limited	45.0%	5 690	2 561	–	2 684	–	–	–	5 245
Before Sunset Properties 37 Proprietary Limited	25.3%	(68)	(17)	–	–	17	–	–	–
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	39 493	14 810	–	–	–	–	(14 810)	–
Butsanani Energy Investment Holdings Proprietary Limited	33.3%	(14 596)	(4 860)	12 225	–	4 860	–	–	12 225
English Breeze Investments (Private) Limited***	50.0%	(18)	(9)	–	1	9	–	–	1
Lidtech Limited	37.5%		–	890	–	–	–	–	890
VMW Properties Proprietary Limited	50.0%	(8)	(2)	935	–	2	–	–	935
Mandlamart Proprietary Limited	62.5%	71 946	51 674	6 494	–	–	–	–	58 168
Marudi Proprietary Limited	50.0%	(381)	(191)	2 546	–	191	–	–	2 546
Micawber 534 Proprietary Limited**	47.6%	(10 677)	(5 082)	5 160	–	5 082	(5 160)	–	–
Orion Properties 14 Proprietary Limited	39.0%	(373)	(215)	5 480	–	–	–	–	5 265
Papillon in Flight Proprietary Limited	26.0%	–	–	–	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	51.0%	(1 798)	(917)	750	5	917	–	–	755
Qinisa Steel Solutions Proprietary Limited	23.9%	–	–	–	–	–	–	–	–
Space Launch Investments (Private) Limited***	50.0%	*	–	1 778	1	–	(1 778)	–	1
Vunani Solar Power Proprietary Limited (dormant)	26.0%	–	–	–	1 300	–	–	–	1 300
Verbicept Proprietary Limited	50.0%	53 120	53 120	125	–	–	–	–	53 245
		142 330	110 871	36 385	9 015	11 079	(10 129)	(14 810)	142 410
Business combination (refer to note 35)									(58 168)
Net carrying amount									84 242

** Less than R1 000.*
*** The company is in the process of being deregistered.*
**** The company is incorporated in Zimbabwe.*

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

							VUNANI LIMITED – Group		
Figures in R'000	Effective ownership	Net asset value	Share of net assets	Loans to associates	Goodwill/ (Bargain purchase)	Losses not accounted for	Impair-ments	Black Wattle option	Net carrying amount
for the period ended 29 February 2016									
Avram International LLC	26.0%	–	–	–	1 833	–	–	–	1 833
Before Sunset Properties 37 Proprietary Limited	25.3%	(61)	(17)	–	–	17	–	–	–
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	49 089	18 408	–	–	–	–	(18 408)	–
Butsanani Energy Investment Holdings Proprietary Limited	33.3%	(4 867)	(1 621)	12 225	–	1 621	–	–	12 225
English Breeze Investments (Private) Limited***	50.0%	(18)	(9)	–	1	9	–	–	1
Future Horizon Technologies Proprietary Limited	33.3%	(875)	(291)	895	–	291	(895)	–	–
Mandlalux Proprietary Limited	62.5%	63 829	45 912	6 494	–	–	–	–	52 406
Marudi Proprietary Limited	50.0%	(308)	(71)	2 473	–	71	–	–	2 473
Micawber 534 Proprietary Limited**	47.6%	(10 677)	(5 082)	5 160	–	5 082	(5 160)	–	–
Orion Properties 14 Proprietary Limited	39.0%	1 120	559	5 356	–	–	–	–	5 915
Papillon in Flight Proprietary Limited	26.0%	–	–	–	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	51.0%	(2 039)	(1 040)	750	5	1 040	–	–	755
Qinisa Steel Solutions Proprietary Limited	23.9%	–	–	–	–	–	–	–	–
Space Launch Investments (Private) Limited***	50.0%	–	–	2 160	1	–	(2 160)	–	1
Vunani Solar Power Proprietary Limited (dormant)	26.0%	–	–	–	1 300	–	–	–	1 300
Verbicept Proprietary Limited	50.0%	35 244	35 244	–	–	–	–	–	35 244
		130 437	91 992	35 513	6 331	8 131	(11 406)	(18 408)	112 153
Transfer to non-current assets held for sale (refer to note 20)									(35 244)
Net carrying amount									76 909

** Less than R1 000.*

*** The company is in the process of being deregistered.*

**** The company is incorporated in Zimbabwe.*

16. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

All associates are incorporated in the Republic of South Africa, with the exception of English Breeze Investments (Private) Limited and Space Launch Investments (Private) Limited, which operates in Zimbabwe, Marudi Proprietary Limited, which operates in Botswana, Lidtech Limited which operates in Zambia and Alliance Capital which operates in Malawi. The carrying amounts of associates are shown net of impairment losses. The group cannot withdraw cash from the associates until such time as the funding provided to the associates has been repaid by the associate. The following associates have different year-ends to the group, and are equity-accounted on the basis of the associates' year-end unaudited financial information:

- Alliance Capital Limited
- Lidtech Limited
- Butsanani Energy Investment Holdings Proprietary Limited
- Black Wattle Colliery Proprietary Limited
- Phakamani Impact Capital Proprietary Limited
- Qinisa Steel Solutions Proprietary Limited

The group has accounted for losses incurred by associates to the extent of investments made. The group has not recognised losses relating to the following associates in 2017, since the group has no obligation in respect of these losses:

The group's share of associates' losses in excess of the carrying value of the investment:

	Current year losses		Cumulative losses	
Figures in R'000	**2017**	**2016**	**2017**	**2016**
Before Sunset Properties 37 Proprietary Limited	*	*	**2**	2
Butsanani Energy Investment Holdings Proprietary Limited	**1 757**	148	**4 860**	1 619
English Breeze Investments (Private) Limited*	–	–	**9**	9
Future Horizon Technologies Proprietary Limited	–	237	–	291
VMW Properties Proprietary Limited	**2**	–	**2**	–
Marudi Proprietary Limited	**166**	71	**191**	71
Micawber 534 Proprietary Limited	–	–	–	–
Phakamani Impact Capital Proprietary Limited	–	519	**917**	1 024
Qinisa Steel Solutions Proprietary Limited	–	–	–	–
	1 925	975	**5 982**	3 016

Below is a description of the nature of the operations and activities of associates:

Associate	Nature of operations and activities
Avram International LLC	Dormant entity
Alliance Capital Limited[@]	Asset management
Before Sunset Properties 37 Proprietary Limited	Dormant entity
Black Wattle Colliery Proprietary Limited	Mining operations
Butsanani Energy Investment Holdings Proprietary Limited	Mining operations
English Breeze Investments (Private) Limited[&]	Investment holding company
Lidtech Limited[$]	Investment holding company
VMW Properties Proprietary Limited	Property development and investment projects
Marudi Proprietary Limited[#]	Investment holding company
Micawber 534 Proprietary Limited	Dormant entity
Orion Properties 14 Proprietary Limited	Property development projects
Papillon in Flight Proprietary Limited	Dormant entity
Phakamani Impact Capital Proprietary Limited	Management services
Qinisa Steel Solutions Proprietary Limited	Steel and allied products
Space Launch Investments (Private) Limited[&]	Investment holding
Vunani Solar Power Proprietary Limited (dormant)	Dormant entity

** Less than R1 000.*
[#] The company is incorporated in Botswana.
[&] The company is incorporated in Zimbabwe.
[@] The company is incorporated in Malawi.
[$] The company is incorporated in Zambia

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
17. OTHER INVESTMENTS		
Balance at the beginning of the year	**38 087**	111 170
Fair value adjustments	**3 912**	(2 534)
Additions	**298**	1 010
Foreign exchange (loss)/gain	**(167)**	290
Disposals	**(6 990)**	(40 994)
Transfer to non-current assets held for sale	**–**	(23 595)
Transfer from/(to) non-current assets held for sale	**7 260**	(7 260)
Balance at the end of the year	**42 400**	38 087
Non-current	**38 109**	34 318
Current	**4 291**	3 769
	42 400	38 087

Refer to note 42 for additional disclosures on fair value of other investments

	Number of shares held ('000s)	% holding	Investments Listed R'000	Unlisted R'000	Fair value R'000
Non-current					
African Legends Limited	**2 248**	**2.4**	**–**	*****	*****
BSI Limited	**20 150**	*****	**7 663**	**–**	**7 663**
Ferrox Proprietary Limited	**4 800**	**1**	**–**	**6 810**	**6 810**
Johannesburg Stock Exchange Limited	**144**	*****	**23 440**	**–**	**23 440**
Prospect Resources Limited	**620**	**–**	**–**	**–**	**–**
Virimai Investments (Private) Limited	*****	**15.00**	**–**	**196**	**196**
Other investments – non-current			**31 103**	**7 006**	**38 109**
Current					
Listed portfolios managed by Vunani Private Clients Proprietary Limited	*****	*****	**2 120**	**–**	**2 120**
Purpose Vunani Asset Management (Private) Limited listed investments	*****	*****	**687**	**–**	**687**
Ujwala Proprietary Limited#	*****	**26**	**–**	**1 484**	**1 484**
Other investments – current			**2 807**	**1 484**	**4 291**
Total other investments			**33 910**	**8 490**	**42 400**

** Less than 1 000 shares or R1 000 or 0.1%.*

 # Management is in a process of disposing of the investment held in Ujwala Proprietary Limited.

The investments in BSI Limited was held for sale in the prior period, this has been transferred to other investments as the sale was not concluded within a 12-month period.

17. OTHER INVESTMENTS (continued)

Determination of fair values

Listed investments

The fair values of listed investments (that are traded in an actively traded market) are determined with reference to quoted bid prices at 28 February 2017 on the relevant securities exchange. Listed investments are designated at fair value through profit or loss.

Major unlisted investments

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted cash flow analysis, current and projected net asset value calculations and earnings multiple. Unlisted investments are designated at fair value through profit or loss.

The fair value of Ferrox Proprietary Limited was based on a valuation prepared by a third party, which was performed using the discounted cash flow method. Vunani applied additional discount factors to the third party valuation to take into account risks specific to its investment in order to determine the fair value. As such, additional minority and marketability discount factors were applied to determine the fair value.

The fair value of Ujwala Proprietary Limited was determined by using the discounted cash flow method.

			Investments		
at 29 February 2016	**Number of shares held (000s)**	**% holding**	**Listed** R'000	**Unlisted** R'000	**Fair value** R'000
Non-current					
African Legends Limited	2 248	2.4		*	*
Ferrox Proprietary Limited	4 800	1.08		6 810	6 810
Gidani Proprietary Limited**	*	12.11			–
Johannesburg Stock Exchange Limited	182	0.06	25 759		25 759
Ujwala Proprietary Limited	*	26		1 484	1 484
Prospect Resources Limited	620	0.09	28		28
Virimai Investments (Private) Limited	*	15.00		237	237
Other investments – non-current			25 787	8 531	34 318
Current					
Listed portfolios managed by Vunani Private Clients Proprietary Limited	*	*	2 810		2 810
Purpose Vunani Asset Management (Private) Limited listed investments	*	*	615		615
Sygnia Limited	22	*	344		344
Other investments – current			3 769	–	3 769
			29 556	8 531	38 087

** Less than 1 000 shares or R1 000 or 0.1%.*
*** Any investment revenue received until 31 May 2015 from the investment has been pledged to Investec Bank Limited.*

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted cash flow analysis, current and projected net asset value calculations, earnings multiples and directors' valuations. The fair value of Gidani Proprietary Limited is determined using expected cash flows based on future dividends that will be paid using an after tax discount rate. The Solethu Investments Proprietary Limited valuation was determined using earnings multiples on sustainable after tax earnings. As with any valuation a degree of subjective judgement is involved.

The fair values of listed investments is determined with reference to quoted bid prices at the close of business on the relevant securities exchange. Both the listed and unlisted investments are designated at fair value through profit or loss.

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
18. DEFERRED TAX		
Deferred tax comprises		
Deferred tax asset	**47 280**	46 203
Deferred tax liabilities	**(31 311)**	(2 152)
	15 969	44 051
Recognised deferred tax asset and liabilities comprise		
Fair value adjustments		
Other investments	**(252)**	174
Other financial liabilities	**1 481**	961
Intangible assets	**(27 612)**	–
Trade and other receivables	**1 588**	–
Accruals	**3 508**	4 892
Tax losses carried forward	**37 481**	38 206
Prepayments	**(225)**	(182)
	15 969	44 051
Reconciliation of movement in deferred tax		
Balance at the beginning of the year	**44 051**	37 065
Recognised in profit or loss – continuing operations	**1 050**	4 364
Recognised in profit or loss – discontinued operations	**–**	1 282
Transfer to investment in associates	**–**	1 043
Effect of exchange differences	**(193)**	297
Intangible assets arose on consolidation	**(28 135)**	–
Acquired through business combination	**1 041**	–
Disposal of subsidiaries	**(1 845)**	–
Balance at the end of the year	**15 969**	44 051
Deferred tax assets acquired through business combination relate to deductible temporary differences.		
Unrecognised deferred tax assets		
Estimated tax losses available for utilisation against future taxable income	**169 832**	153 771
Recognised as deferred tax assets	**(133 861)**	(136 786)
Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**35 971**	16 985
Estimated capital tax losses available for utilisation against future capital tax profit	**341 864**	323 980
Recognised as deferred tax assets	**–**	–
Unrecognised estimated capital tax losses carried forward not accounted for in deferred tax	**341 864**	323 980

The group has recognised certain deferred tax assets as they are expected to be utilised against future taxable profits. The basis of future taxable profits has been established through a detailed budgeting process performed by the group. The group's budgeting process is based on a bottom-up approach. Each operating entity in the group has its own detailed monthly budget for the next year. The budgets also include forecasts for the next three years, which are adjusted for expected changes in revenues for the forecasted years. These are then incorporated to create a group budget.

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have in instances not been recognised in respect of estimated tax losses carried forward because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	Other loans	VUNANI LIMITED – Group Black Wattle Option	Total
19. OTHER NON-CURRENT ASSETS			
2017			
Balance at the beginning of the year	**5 030**	**19 072**	**24 102**
Interest	**365**	**–**	**365**
Repayments	**(8)**	**–**	**(8)**
Impairment reversal (refer to note 10)	**8**	**–**	**8**
Fair value adjustment (refer to note 10)	**–**	**7 047**	**7 047**
Balance at the end of the year	**5 395**	**26 119**	**31 514**
2016			
Balance at the beginning of the period	4 788	20 040	24 828
Additions	8 790	–	8 790
Foreign exchange gain	54	–	54
Interest	301	–	301
Repayments	(4 257)	–	(4 257)
Impairment (refer to note 10)	(4 646)	–	(4 646)
Fair value adjustment (refer to note 10)	–	(4 542)	(4 542)
Movement between fair value of option and unrecognised fair value gain on day one	–	3 574	3 574
Balance at the end of the period	5 030	19 072	24 102

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
Non-current		
Black Wattle Option	**26 119**	19 072
Other loans	**3 683**	3 432
	29 802	22 504
Current		
Other loans	**1 712**	1 598
Total	**31 514**	24 102
Other loans		
C4Life Proprietary Limited	**–**	–
The loan bears interest at the prime rate, is secured by a cession of book debts in the company and is repayable in tranches up to 1 October 2020. The balance of the loan has been impaired in full.		
Non-current	**6 732**	6 382
Repayments	**(8)**	(271)
Current	**–**	620
Cumulative impairment	**(6 724)**	(6 731)

19. OTHER NON-CURRENT ASSETS (continued)

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
RRL Holdings Proprietary Limited The loan bears interest at the prime rate, is unsecured and is repayable on demand. The balance of the loan has been impaired in full.	–	–
Current	–	1 220
Additions	–	2 475
Repayments	–	(2 400)
Impairment	–	(1 295)
Kirloska Investments (Private) Limited The loan is unsecured and bears no interest. The balance of the loan has been impaired in full.	–	–
Current	–	196
Impairment	–	(196)
Zibuyile Healthcare Proprietary Limited The loan is unsecured, bears no interest and has been fully impaired.	–	–
Current	**798**	798
Impairment	**(798)**	(798)
Ujwala Proprietary Limited The loan is unsecured, bears interest at prime interest rate and is repayable within the next 12 months.	**1 712**	1 598
Current	**1 598**	1 557
Interest	**114**	41
Vendor financed loan Vunani Capital Proprietary Limited advanced a loan to a non-related third party to finance their acquisition of a 10.71% investment in Mandlamart Proprietary Limited. The loan is unsecured, bears interest at prime interest rate. The capital and interest will be repaid within a period not exceeding five years.	**3 683**	3 432
Non-current	**3 432**	4 758
Interest	**251**	260
Repayments	–	(1 586)
	5 395	5 030

Black Wattle Option

During the 2010 financial year, Vunani Mining Proprietary Limited ("Vunani Mining"), a subsidiary of Vunani Limited, obtained a 37.5% interest in Black Wattle through a vendor financed transaction. The 37.5% shareholding consists of 22.5% A ordinary shares and 15% ordinary shares. Vunani Mining has classified this investment as an associate as it has the ability to exercise significant influence in the company.

Vunani Mining is not entitled to share in the economic benefits of ownership until such time as the debt associated with the acquisition is settled. The debt would be redeemed through dividends received by Vunani Mining on the A ordinary shares. Cash flows relating to the 15% ordinary shares will be paid to Vunani Mining. The risks and rewards of ownership have not passed to Vunani Mining and accordingly Vunani Limited equity accounts 0% of Black Wattle in profit or loss (refer to note 16).

Vunani Mining benefits from the upside of the investment being dividends and the capital growth; however, it does not bear the downside of the risk. The substance of the transaction is a call option with dividend rights. Vunani Mining has therefore recognised an in-substance call option.

19. OTHER NON-CURRENT ASSETS (continued)

The option is a derivative financial instrument as defined by IFRS and is classified at fair value through profit or loss. The derivative is measured initially at fair value and subsequently at fair value with changes in fair value recognised in profit or loss.

On day one in 2010, the fair value of the in-substance call option was significantly greater than the R375 that was paid. The fair value amounted to R17.9 million. Since only R375 was paid, this would result in a day one gain of R17.9 million.

IAS 39 does not permit a day one gain to be recognised in profit or loss if the fair value of the asset is not based on a valuation technique that uses data from only observable inputs. The valuation technique used was the Monte-Carlo Simulation technique, which includes unobservable inputs. Accordingly, the day one profit of R17.9 million could not be recognised immediately in profit or loss. This resulted in an unrecognised day one gain of R17.9 million which is recognised in profit or loss over a five-year period.

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
Fair value of option to acquire investment in Black Wattle Colliery Proprietary Limited	**26 119**	19 072
Carrying value at year-end	**26 119**	19 072
Unrecognised fair value gain reconciliation		
Unrecognised fair value gain on day one	**17 864**	17 864
Fair value gain recognised – prior years	**(17 864)**	(14 290)
Fair value gain recognised – current year	**–**	(3 574)
Unrecognised fair value gain at year-end	**–**	–

The option is revalued six-monthly, with any movements in the value of the option after acquisition being taken to profit or loss for the year.

Level 3 fair value hierarchy

The fair value measurement for the derivative financial instrument has been classified as a level 3 fair value based on the inputs of the valuation technique used (refer to note 42.5).

20. NON-CURRENT ASSETS HELD FOR SALE

The investments in BSI Limited and Verbicept Proprietary Limited, have been reclassified as other investments and investment in associates respectively, as the sale of these assets was not concluded within a 12-month period.

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
As at 28 February 2017, the assets held for sale were detailed as follows:		
Other investments		
BSI Limited	–	7 260
Investment in associate		
Verbicept Proprietary Limited	–	35 244
	–	42 504

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
21. TRADE AND OTHER RECEIVABLES		
Trade debtors	**33 612**	11 816
Sundry accounts receivable	**21 495**	14 892
Loan receivable from holding company	**483**	269
Allowance for impairment	**(2 888)**	(1 791)
	52 702	25 186
Reconciliation of movement in allowance for impairment		
Balance at the beginning of the year	**(1 791)**	(708)
Increase in impairment allowance	**(1 097)**	(1 494)
Utilised	**–**	411
Balance at the end of the year	**(2 888)**	(1 791)
Factors considered In impairment		
The group reviews accounts receivables monthly. Unless customers have good payment records, an impairment allowance is created at 50% of accounts older than 60 days and 100% of accounts older than 90 days.		
Ageing of trade and other receivables:		
Not past due	**42 008**	20 802
Past due 1 – 30 days	**9 394**	2 002
Past due 31 – 60 days	**1 298**	2 382
Past due 61 – 90 days	**4**	–
Past due 91 days and greater	**2 886**	1 791
	55 590	26 977
Impairment allowance		
Past due 61 – 90 days	**(2)**	–
Past due 91 days and greater	**(2 886)**	(1 791)
	(2 888)	(1 791)
An analysis of the credit quality of trade and other receivables not impaired is as follows:		
Internal credit ratings		
Four or more years trading history with the group	**34 890**	9 892
Less than four years trading history with the group	**17 812**	15 294
	52 702	25 186

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
22. ACCOUNTS RECEIVABLE AND PAYABLE FROM TRADING ACTIVITIES		
Accounts receivable from trading activities		
Accounts receivable	**693 427**	648 817
Accounts payable from trading activities		
Accounts payable	**688 819**	647 872

These amounts arise primarily from securities trading activities that the group, through its subsidiary Vunani Securities Proprietary Limited, carries out on behalf of its clients.

The accounts receivable from stockbroking activities represents amounts due from clients for the purchases of equities and the accounts payable from stockbroking activities represents amounts due to clients for sales of equities. No set-off of receivables and payables is permitted as Vunani Securities has no legal right to do so as the transactions are with different counterparties with differing settlement dates.

Vunani Securities must ensure the settlement of all transactions executed by them on behalf of clients. The Settlement Authority (which is a separate entity established in terms of the JSE Rules and Directives) is responsible for the management of the settlement of these transactions and the management of the risks associated with such settlement.

Both Vunani Securities and the Settlement Authority monitor settlements and ensure that the obligation of members and their clients are met on settlement date. The Settlement Authority monitors uncommitted settlements (i.e. trades where there is either insufficient cash or dematerialised scrip to facilitate settlement) and has the authority to take all necessary action when the settlement of a transaction in equity securities is unlikely to take place on settlement date. The Settlement Authority has the ability to buy and sell equity securities as well as borrow cash as agent on behalf of a member to ensure settlement.

Vunani Securities is protected by a clause in its controlled account mandate which states that where the controlled client fails to put the member in a position before the required time to settle the transaction on settlement day, the controlled client will forfeit any rights the client may have had in respect of the said transaction. The clause also states that the client shall remain liable for any losses, costs and charges incurred or charges imposed by the member which affect the said transaction. This is covered in the material obligations section of the controlled account mandate signed by the client.

In addition, Vunani Securities ensures that no purchase transaction takes place unless the controlled client has sufficient funds in their account, which are held at JSE Trustees, and on the sell side, that the client has sufficient equity securities in dematerialised form before a sale is executed.

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
23. TRADING SECURITIES		
Trading securities receivable (held for trading)	**183**	131
Trading securities payable (held for trading)	**1 934**	–
24. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**82 284**	17 562
Bank overdraft	**(210)**	(467)
Cash and cash equivalents in the statement of cash flows	**82 074**	17 095

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
25. STATED CAPITAL		
Authorised		
200 000 000 ordinary shares of no par value	–	–
Issued		
161 296 081 (2016: 114 664 649) ordinary shares of no par value	**700 022**	624 888
Treasury shares (number of shares held at year-end 5 578 988 (2016: 5 364 413))	**(15 915)**	(15 571)
	684 107	609 317
The increase in treasury shares is as a result of the capitalisation share issue award during the year.		
Reconciliation of movement in number of shares issued ('000):		
Reported at the beginning of the year	**114 665**	114 665
Issued during the year	**42 380**	–
Capitalisation share issue award	**4 251**	–
Balance at the end of the year	**161 296**	114 665
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Reconciliation of movement in stated capital (R'000):		
Reported at the beginning of the year	**624 888**	624 888
Issued during the year	**68 332**	–
Capitalisation share issue award*	**6 802**	–
Balance at the end of the year	**700 022**	624 888

**A scrip dividend of four shares for every 100 shares held (4.3 million shares) amounting to R6.5 million was issued on 26 August 2016 (net of treasury shares).*

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
26. SHARE-BASED PAYMENTS		
A group share scheme was introduced in June 2011, whereby employees were entitled to receive shares in the company upon vesting (which takes place over a four-year service period). At 28 February, 100% of the shares issued in Grant 1 and Grant 2 had vested and 33.33% of the conditional share scheme had vested.		
Share-based payments reserve	**16 100**	12 871

Share option programme (equity-settled)

Grant 1

At 29 June 2011 the company implemented a share purchase scheme with the following terms:

Grant date	Vesting dates			
29 June 2011	1st tranche 29 June 2012 (20% vesting)	2nd tranche 29 June 2013 (25% vesting)	3rd tranche 29 June 2014 (25% vesting)	4th tranche 29 June 2015 (30% vesting)

The options under Grant 1 at 28 February 2017 have an exercise price of R3.00 and have fully vested. None of the options issued under Grant 1 had been exercised at 28 February 2017.

	2017 Number of options	2016 Number of options
Balance at beginning of the year	**2 986**	3 035
Granted during the year	**–**	–
Forfeited during the year	**–**	(49)
Balance at end of the year	**2 986**	2 986
Exercisable at 28 February 2017	**2 986**	2 986

Grant 2

At 28 December 2012 the company implemented the following share-based payment arrangements:

Grant date	Vesting dates			
28 December 2012	1st tranche 28 December 2013 (20% vesting)	2nd tranche 28 December 2014 (25% vesting)	3rd tranche 28 December 2015 (25% vesting)	4th tranche 28 December 2016 (30% vesting)

26. SHARE-BASED PAYMENTS (continued)

The number and weighted average exercise price of the share options is as follows:

	VUNANI LIMITED – Group	
	2017 Number of shares awarded	**2016 Number of shares awarded**
Balance at beginning of the year	**2 322**	2 816
Granted during the year	**–**	–
Forfeited during the year	**–**	(494)
Balance at end of the year	**2 322**	2 322
Exercisable at 28 February 2017	**2 322**	1 625

The options outstanding at 29 February have an exercise price of R1.48 and a weighted average contractual life of four years.

Volatility is determined based on the daily returns of the company's share price under the assumption that the share price returns are log-normally distributed.

The equally weighted volatility as at 29 June 2011 was calculated as 152.23%. The amount of history preceding 29 June 2011 that was used to calculate the volatility equals the term of the option.

The equally weighted volatility as at 28 December 2012 was calculated as 119.34%. The amount of history preceding 28 December 2012 that was used to calculate the volatility equals the term of the option.

Conditional share scheme

The company implemented a conditional share scheme in November 2015, whereby employees would be awarded performance and retention shares in the company upon vesting (which takes place over a three-year service period) and when certain conditions have been met. The first tranche of shares was issued on 11 November 2015 and 29 February 2016. Additional shares were issued on 24 February 2017 as part of the conditional share scheme. The details of the share-based payment arrangements are below:

Grant – 11 November 2015 and 29 February 2016	**Vesting dates**		
	1st tranche 11 November 2016 28 February 2017 (33.33% vesting)	2nd tranche 11 November 2017 28 February 2018 (33.33% vesting)	3rd tranche 11 November 2018 28 February 2018 (33.33% vesting)

	2017 Number of shares	**2016 Number of shares**
Balance at beginning of the year	**8 114**	–
Granted during the year	**–**	8 405
Forfeited during the year	**–**	(291)
Balance at the end of the year	**8 114**	8 114
Exercisable at 28 February 2017	**–**	–
Fair value of share options and assumptions		
Fair value at grant date (11 November 2015)	**6 601**	6 601
Fair value at grant date (29 February 2016)	**6 004**	6 004
Share price at grant date (11 November 2015 and 29 February 2016)	**1.60**	1.60
Vesting period	**3 years**	3 years
Assumed dividends payable (11 November 2015)	**1.97%**	1.97%
Assumed dividends payable (29 February 2016)	**2.31%**	2.31%

26. SHARE-BASED PAYMENTS (continued)

Grant – 24 February 2017	Vesting dates		
	1st tranche 24 February 2018 (33.33% vesting)	2nd tranche 24 February 2019 (33.33% vesting)	3rd tranche 24 February 2020 (33.33% vesting)

	2017 Number of shares	2016 Number of shares
Balance at beginning of the year	–	–
Granted during the year	3 860	–
Forfeited during the year	–	–
Balance at the end of the year	3 860	–
Exercisable at 28 February 2017	–	–
Fair value of share options and assumptions		–
Fair value at grant date	6 786	–
Share price at grant date	2.20	–
Vesting period	3 years	–
Assumed dividends payable	2.32%	–

Employee expenses	R'000	R'000
Share options expensed in 2011	2 524	2 524
Share options expensed in 2012	3 382	3 382
Share options expensed in 2013	3 630	3 630
Share options expensed in 2013 – subsidiary company	720	720
Share options expensed in 2014	1 707	1 707
Share options expensed in 2014 – subsidiary company	1 286	1 286
Share options expensed in 2016	1 628	1 628
Transferred to retained income in 2016	(2 006)	(2 006)
Share options expensed in 2017	3 229	–
Total expense recognised as employee costs	16 100	12 871

Share-based payment option in a subsidiary company:

These shares were granted to previous directors of Vunani Fund Managers Proprietary Limited in prior years. The shares vested in the current period and were taken up by the individuals.

Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
Share award granted in 2013	–	720
Share award granted in 2014	–	1 286
Transfer between reserves	–	(2 006)
	–	–

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
27. OTHER FINANCIAL LIABILITIES		
Other financial liabilities comprise:		
Carried at amortised cost	**136 684**	16 842
Capital	**134 593**	16 110
Accrued interest	**2 091**	732
Carried at fair value through profit or loss	**6 610**	4 290
	143 294	21 132
Reconciliation of movement of other financial liabilities		
Balance at the beginning of the year	**21 132**	45 580
Accrued interest – debentures	**745**	2 034
Accrued interest – long-term borrowings	**2 619**	390
Acquired through business combination	**121 996**	–
Advances	**887**	4 758
Liabilities written back	**–**	(1 483)
Derecognition of deferred payment	**(3 580)**	–
Capitalised to non-controlling interest	**–**	(1 159)
Transfer to investment in associate	**–**	(9 000)
Repayments	**(2 825)**	(24 145)
Fair value adjustments through profit or loss	**2 320**	4 157
Balance at the end of the year	**143 294**	21 132
Reconciliation of cumulative fair value adjustments		
Balance at the beginning of the year	**4 290**	2 554
Fair value adjustments through profit or loss	**2 320**	4 157
Settled	**–**	(2 421)
Balance at the end of the year	**6 610**	4 290
Carried at amortised cost		
27.1 Development Bank of Southern Africa Redeemable, cumulative debentures in Vunani Capital Proprietary Limited, with fixed interest at 9.09%, secured by an investment in Lexshell 630 Proprietary Limited. The debentures are redeemable on 30 September 2020.	**7 786**	7 041
Capital	**7 504**	6 699
Accrued interest	**282**	342
27.2 Vendor financed loan – Avram International LLC This loan relates to acquisition cost of the investment in Avram International LLC. This liability is secured, interest-free and will be repaid using the dividends from Avram International LLC. No dividends are expected from Avram International LLC in 2017 (refer to note 16).	**1 833**	1 833
27.3 Vendor financed loan – Vunani Solar Power Proprietary Limited This loan relates to the acquisition cost of the investment in Vunani Solar Power Proprietary Limited. This liability is unsecured, interest-free and will be repaid using the dividends from Vunani Solar Power Proprietary Limited. No dividends are expected from Vunani Solar Power Proprietary Limited in 2017 (refer to note 16).	**1 300**	1 300

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
27. OTHER FINANCIAL LIABILITIES (continued)		
27.4 Other loans	**5 715**	5 148
This amount represents a loan advanced by a non-controlling interest to Mandlamart Proprietary Limited following the non-controlling interest acquiring a 10.71% interest in Mandlamart Proprietary Limited during the period. The loan is unsecured, bears interest at prime and is repayable in four years.		
Capital	**5 148**	4 758
Accrued interest	**567**	390
27.5 Other financial liabilities	**2 258**	1 520
Loans are unsecured, interest-free and have no fixed terms of repayment.		
Other liabilities acquired through business combination		
27.6 Nedbank Limited	**65 654**	–
The loan relates to the initial acquisition of Fairheads by Mandlalux. The tenure of the medium-term loan is up to a maximum term of 60 months, repayable by monthly instalments of capital and interest (based on a straight-line amortisation schedule) and subject to a cash sweep. The loan is repayable in four years' time. The loan is secured in terms of surety issued by the Fairheads to Nedbank Limited amounting to R75.3 million and equity cure of R12 million.		
At acquisition	**66 700**	–
Interest	**1 136**	–
Repayments	**(2 182)**	–
27.7 Deferred payment	**49 597**	–
The deferred payment represents amounts owed by Mandlalux Proprietary Limited ("Mandlalux") to the management of Fairheads Beneficiary Services Proprietary Limited ("Fairheads") in terms of the initial acquisition of Fairheads by Mandlalux. The amount is repayable over two years. The indicative interest rate applicable to the deferred medium-term loan will be equivalent to 0.5% above the prime rate determined from time to time and charged by Nedbank.		
At acquisition	**52 367**	–
Interest	**810**	–
Derecognition of deferred payment	**(3 580)**	–

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
27. OTHER FINANCIAL LIABILITIES (continued)		
27.8 Finance lease liability	**2 541**	–
This represents secured liabilities In Mandlalux in terms of an instalment sales agreement over motor vehicles, computer equipment and furniture. The average rate of interest is linked to the prime bank overdraft rate and the liability is repayable in monthly instalments of R0.1 million inclusive of finance charges.		
At acquisition	**2 929**	–
Interest	**106**	–
Repayments	**(494)**	–
Total carried at amortised cost	**136 684**	16 842
Carried at fair value through profit or loss on initial recognition		
27.9 Force Holdings Proprietary Limited		
This represents the value of the option granted to Force Holdings Proprietary Limited to acquire Vunani's shareholding in Verbicept Proprietary Limited, at a 10% discount to the fair value calculated in terms of an agreement with Force Holdings Proprietary Limited.		
Fair value adjustment	**6 610**	4 290
Total carried at fair value through profit or loss	**6 610**	4 290
Total financial liabilities	**143 294**	21 132
***Less:* Current financial liabilities**	**(35 580)**	(10 982)
Non-current financial liabilities	**107 714**	10 150

Ring-fenced structured entities have historically been used to house the group's geared equity investments and any financial liabilities that relate to such investments. Financial assets and liabilities that arise in terms of these ring-fenced structures are both fair valued through profit or loss in terms of IAS39 – *Financial Instruments: Recognition and Measurement*.

The fair value adjustments that relate specifically to financial liabilities are not as a result of the group's inability to discharge its obligation, but rather in terms of the agreements with its lenders. The terms of the financial liabilities are such that in the event that the fair value of the asset falls below the face value of the liability, the group is not obligated to pay the full fair value of the debt, but rather a value that is directly linked to the value of the related asset. The full fair value adjustment is considered to be as a result of a change in market conditions and no portion relates to changes in the group's own credit risk.

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
28. NET TAXATION PAYABLE		
The net tax payable includes the following:		
Current tax receivable	**(1 123)**	(533)
Dividends withholding tax (payable as a result of securities broking activities)	**1 194**	652
Securities transfer tax (payable as a result of securities broking activities)	**6 913**	3 112
	6 984	3 231
29. TRADE AND OTHER PAYABLES		
Trade creditors	**17 550**	7 553
Other payables	**18 410**	10 782
Accrued expenses	**16 321**	8 552
Value added tax	**2 619**	923
Accrued leave pay	**2 715**	2 648
	57 615	30 458

30. RETIREMENT BENEFITS

Defined contribution plan

It is the policy of the group to provide retirement benefits to all its employees through a defined contribution provident fund, which is subject to the Pension Funds Act of 1956. The group is under no obligation to cover any unfunded benefits.

Employees make an election to join the provident fund and their contributions to the fund are included with staff costs as detailed in note 11.

		VUNANI LIMITED – Group	
	Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
31.	**CASH UTILISED BY OPERATIONS**		
	Profit before income tax expense from continuing operations	**48 676**	8 426
	Loss before income tax expense from discontinued operations	**–**	(324)
	Adjusted for:		
	Depreciation of plant and equipment	**1 297**	1 743
	Equity accounted earnings (net of income tax)	**(23 305)**	(31 797)
	Profit on disposal of associates	**(12 153)**	–
	Fair value adjustments and impairments (refer to note 10)	**(9 247)**	18 934
	Derecognition of deferred payment	**(3 580)**	–
	Profit on disposal of subsidiaries	**(2 806)**	–
	Profit on disposal of assets	**(47)**	–
	Realisation of unrecognised fair value gain on day one (refer to note 19)	**–**	(3 574)
	Movement in impairment allowance	**1 097**	1 083
	Amortisation of intangible assets	**2 055**	858
	Share-based payments expenses (refer to note 26)	**3 229**	1 628
	Foreign currency translation	**541**	(3 460)
	Operating lease accrual	**(301)**	(394)
	Interest received from investments and finance income	**(4 430)**	(6 718)
	Investment revenue	**(1 624)**	(8 263)
	Finance costs	**3 866**	2 697
	Reversal of other financial liabilities	**–**	(1 483)
	Changes in working capital:		
	Increase in trading securities	**1 882**	120
	Increase in trade and other receivables	**(22 944)**	(6 747)
	Increase/(decrease) in trade and other payables	**18 139**	(2 155)
	(Decrease)/increase in accounts receivable and payable from trading activities	**(516)**	903
	Cash utilised by operating activities	**(171)**	(28 523)
32.	**INCOME TAX PAID**		
	Payable at beginning of the period	**533**	1 006
	Current year tax charge – continuing operations	**(9 688)**	(4 480)
	Current year tax charge – discontinued operations	**–**	(1 465)
	Receivable at end of the period (refer to note 28)	**(1 123)**	(533)
		(10 278)	(5 472)

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
33. DISPOSAL OF SUBSIDIARIES		
Vunani Private Clients Proprietary Limited		
During the financial year, the group disposed of 62.8% of its investment in Vunani Private Clients Proprietary Limited ("VPC") for a consideration of R2 million to non-controlling interest resulting in loss of control of the subsidiary. The non-controlling interest's negative share of net assets at the date of acquisition was R0.3 million.		
Net assets disposed of	(806)	–
Consideration receivable	2 000	–
Profit on disposal	2 806	–
34. INCREASE IN INVESTMENT IN SUBSIDIARIES		
Vunani Fund Managers Proprietary Limited		
The group increased its shareholding in Vunani Fund Managers Proprietary Limited ("VFM") from 90.5% to 100%. The non-controlling interest's share of net assets at the date of acquisition was R1.0 million. VFM is an asset management business with R15.9 billion in funds under management. VFM generated an after tax profit of R5.6 million and cash and cash equivalents of R9.1 million which have been included in the consolidated results to February 2017.		
Net assets acquired	(975)	–
Purchase price payable	5 448	–
Transaction between shareholders recognised directly in equity	4 473	–
Vunani Mion Properties Proprietary Limited		
The group increased its shareholding in Vunani Mion Properties Proprietary Limited ("VMP") from 55% to 61%. The non-controlling interest's share of negative net assets at the date of acquisition was R0.08 million. VMP is a property development and investment entity. Operating expenses amounting to R1.4 million have been included in the consolidated results to February 2017.		
Net assets acquired	75	–
Purchase price payable	–	–
Transaction between shareholders recognised directly in equity	75	–
Vunani Capital Zimbabwe Proprietary Limited		
The group increased its shareholding in Vunani Capital Zimbabwe (Private) Limited ("VCZ") through the capitalisation of loans owed to the group by the Vunani Capital. The non-controlling interest's share amounted to R1.7 million. VCZ scaled down its operations as a result of the economic down turn in Zimbabwe. Operating expenses of R0.4 million have been included in the consolidated results to February 2017.		
Net assets acquired	1 723	–
Purchase price payable	–	–
Transaction between shareholders recognised directly in equity	1 723	–

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
34. INCREASE IN INVESTMENT IN SUBSIDIARIES (continued)		
Vunani Resources Proprietary Limited		
In 2016, the group increased its investment in Vunani Resources Proprietary Limited ("VR") for a nominal consideration. This resulted in the group increasing its shareholding in VR from 51% to 75%. The non-controlling interest's share of negative net assets at the date of acquisition was R2.1 million.		
Net assets acquired	–	(1 033)
Purchase price	–	–
Transaction between shareholders recognised directly in equity	–	(1 033)
Purpose Vunani Asset Management (Private) Limited		
In 2016, the group acquired an additional 10% in Purpose Vunani Asset Management (Private) Limited for a consideration of $33 333 (R442 000). This resulted in the group increasing its shareholding from 55% to 65%. The non-controlling interest's share of net assets at the date of acquisition was R3.0 million.		
Net assets acquired	–	35
Purchase price	–	442
Transaction between shareholders recognised directly in equity	–	477
Vunani Private Clients Proprietary Limited		
In 2016, the group increased its shareholding in Vunani Private Clients Proprietary Limited from 51% to 62.8%. The non-controlling interest's share of negative net assets at the date of acquisition was R3.5 million.		
Net assets acquired	–	(3 656)
Purchase price	–	–
Transaction between shareholders recognised directly in equity	–	(3 656)

Figures in R'000	12 months ended 28 February 2017

35. BUSINESS ACQUISITION

Mandlalux Proprietary Limited

Vunani increased its investment in Mandlalux Proprietary Limited ("Mandlalux") from 70% to 100% (effectively 62.5% to 92.5%) on 1 January 2017, resulting in the group obtaining control of Mandlalux. The acquisition is in line with the group's strategy to expand its footprint in the asset administration business, thereby diversifying the group's product offering. The consideration for the additional investment amounted to R18.3 million. The acquisition was funded partly by cash and the issue of shares in Vunani Limited. At the date of disposal, the investment in and loans to the associate was carried at R59.4 million. Prior to the stepped-up acquisition, the 70% investment was valued at R71.6 million, resulting in a positive fair value adjustment of R12.2 million in the current year which is presented within the net profit on disposal of assets in the statement of comprehensive income.
An after tax profit of R3.2 million has been included in Vunani's profit or loss for the year ended 28 February 2017. R0.2 million of this profit is attributable to non-controlling interests. R22.9 million has been included in Vunani's revenue since the acquisition of Mandlalux for the period 1 January 2017 to 28 February 2017. Had the acquisition occurred at the beginning of the year, an after tax profit of R11.3 million would have been included in Vunani's profit for the year ended 28 February 2017.
The acquisition resulted in the recognition of goodwill of R105.6 million, intangible assets of R100.5 million and deferred tax on intangible assets of R28.1 million at acquisition date.
Trade receivables acquired are at fair value and are expected to be collected in their entirety.
No contingent liabilities arose as a result of the business combination. The valuation of the non-controlling interest of 7.5% was based on the net asset value of Mandlalux at acquisition date and amounted to R7.8 million.
A preliminary purchase price allocation in terms of IFRS 3 is presented below:

Net assets acquired	
Plant and equipment	2 732
Deferred tax	3 550
Cash	1 611
Investments (cash and cash equivalents)	18 402
Trade receivables	12 871
Other financial liabilities	(121 996)
Loan from Mandlamart	(7 083)
Deferred tax liabilities	(2 509)
Trade payables	(7 145)
Tax payable	(4 105)
Non-controlling interest	7 775
Net asset value acquired	(95 897)
Purchase price	82 094
Goodwill and intangibles	(177 991)
The following intangible assets and the related deferred taxation were identified at acquisition date consisting of:	
Brand	7 977
Customer list	57 674
Software	34 832
Deferred taxation	(28 135)
	72 348
Goodwill	105 643
The intangibles will be amortised as follows:	
Brand	15 years
Customer list	8 years
Software	10 years

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
36. BASIC AND HEADLINE EARNINGS PER SHARE		
Basic and diluted earnings per share (cents)	**30.1**	6.2
Continuing operations	**30.1**	6.3
Discontinued operations	**–**	(0.1)
Headline and diluted headline earnings per share (cents)	**19.2**	5.8
Continuing operations	**19.2**	5.9
Discontinued operations	**–**	(0.1)
Basic and diluted earnings per share The calculation of basic and diluted earnings per share at 28 February 2017 was based on the profit attributable to ordinary shareholders of R38.1 million (2016: R6.8 million), and a weighted average number of ordinary shares outstanding of 126.4 million (2016: 109.3 million), and 127.1 million (2016: 109.5 million) in the case of diluted earnings per share, calculated below:		
Headline and diluted headline loss per share The calculation of headline and diluted headline profit/(loss) per share at 28 February 2017 was based on headline earnings attributable to ordinary shareholders of R24.2 million (2016: R6.4 million), and a weighted average number of ordinary shares outstanding of 126.4 million (2016: 109.3 million), and 127.1 million (2016: 109.5 million) in the case of diluted headline earnings per share, calculated as follows:		
Continuing operations – Basic and diluted earnings	**38 081**	6 860
Discontinued operations – Basic and diluted loss	**–**	(110)
Continuing operations – Headline and diluted headline earnings	**40 038**	8 169
Discontinued operations – Headline and diluted headline loss	**–**	(110)
Weighted average number of ordinary shares ('000s)		
Issued ordinary shares at the beginning of the year	**114 665**	114 665
Effect of share issue	**17 203**	–
Effect of own shares held	**(5 473)**	(5 364)
Weighted average number of shares in issue during the year	**126 395**	109 301
Dilutive weighted average number of ordinary shares ('000s)		
Issued ordinary shares at the beginning of the year	**114 665**	114 665
Effect of share issue	**17 203**	–
Effect of own shares held	**(5 473)**	(5 364)
Effect of dilutive shares	**669**	221
Diluted weighted average number of shares in issue during the year	**127 064**	109 522

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
36. BASIC AND HEADLINE EARNINGS PER SHARE (continued)		
Potential dilutive shares		
The Grant 1 and Grant 2 shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. In the current year the impact of the potential dilutive shares is immaterial.		
Shares issued as part of the share incentive scheme ('000s)	**4 949**	4 759
Net asset value per share (cents)		
Net asset value per share is the equity attributable to equity holders of Vunani Limited, utilising all shares in issue, including treasury shares.	**221.2**	222.8
Net tangible asset value per share (cents)		
Net tangible asset value per share is the equity attributable to equity holders of Vunani Limited, (excluding goodwill and intangible assets) utilising all shares in issue, including treasury shares.	**73.4**	192.9
Headline earnings		
Profit for the year attributable to equity holders of Vunani	**38 081**	6 750
Adjusted for:		
Associates		
Gross revaluation of investment property	**888**	(704)
Deferred taxation on revaluation	**(249)**	197
Non-controlling interest	**(141)**	112
Disposal of subsidiaries		
Profit on disposal	**(2 806)**	–
Taxation	**629**	–
Business combination		
Fair value adjustment on stepped up acquisition	**(12 153)**	–
Disposal of assets		
Profit on disposal	**(47)**	–
Taxation	**11**	–
	24 213	6 355
Number of shares in issue ('000s)	**161 296**	114 665
Weighted average number of shares ('000s)	**126 395**	109 301
Dilutive weighted average number of shares ('000s)	**127 064**	109 522

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
37. COMMITMENTS		
Guarantees and sureties provided		
The group has provided guarantees and sureties to third parties as at 28 February 2017 (including investments in associates) in the amount of R113.1 million (2016: R102.3 million). The probability of the liability materialising in terms of these guarantees and sureties is dependent on the performance of the underlying businesses that are servicing the debt that is linked to the guarantees and sureties. The increase in the guarantees and sureties is due to the consolidation of Fairheads, the acquisition of which was funded through debt.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	**7 798**	3 985
– in second to fifth year inclusive	**17 074**	16 529
	24 872	20 514
Operating lease payments represent rentals payable by the group for its office premises and office equipment. Leases are negotiated for an average term of four years. Rentals on the office and office equipment escalate at an average rate of 8.0% (2016: 8.0%) per annum.		
Finance leases – as lessee (expense)		
Minimum lease payments due		
– within one year	**2 316**	–
– in second to fifth year inclusive	**397**	–
	2 713	–

This represents secured liabilities in Mandlalux in terms of an instalment sales agreement over motor vehicles, computer equipment and furniture. The average rate of interest is linked to the prime bank overdraft rate and the liability is repayable in monthly instalments of R0.1 million inclusive of finance charges.

38. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the group's subsidiaries' material non-controlling interest ("NCI") before intra-group eliminations. Intra-group transactions and balances that eliminate on consolidation are reflected separately.

For the year ended 28 February 2017

Figures in R'000	Vunani Properties Proprietary Limited	Purpose Vunani Asset Management (Private) Limited	Vunani Resources Proprietary Limited	Mandlalux Proprietary Limited	Mandlamart Proprietary Limited	Other individually immaterial non-controlling interests	Intra-group eliminations	Total
NCI percentage	22%	35%	25%	7.5%	10.71%			
Non-current assets	5 266	5 666	877	1 151	51 674	973		
Current assets	26 889	6 345	5 989	39 134	7 210	951		
Non-current liabilities	–	(230)	–	(95 890)	(5 715)	–		
Current liabilities	(27 674)	(138)	(10 137)	(44 865)	(47 655)	(5 449)		
Net assets	4 481	11 643	(3 271)	(100 470)	5 514	(3 525)		
Carrying amount of NCI	986	4 075	(818)	(7 535)	591	(1 319)	–	(4 021)
Revenue	–	13 775	15 538	22 909	–	4 422		
Profit/(loss)	(923)	4 920	2 568	3 201	1 093	(2 148)		
OCI	–	(2 728)	–	–	–	(1)		
Total comprehensive income	(923)	2 192	2 568	3 201	1 093	(2 149)		
Profit/(loss) allocated to NCI	(203)	1 722	642	240	117	(561)	–	1 957
OCI allocated to NCI	–	(955)	–	–	–	*		(955)
Net increase/ (decrease) in cash and cash equivalents	(2)	*	143	1 708	–	42		
Dividends paid to non-controlling interest	–	–	–	–	–	–		

**Less than R1 000.*

During the year, the group increased its investment in Vunani Fund Managers Proprietary Limited from 90.5% to 100%. The group hold a 100% in Vunani Fund Managers at year end.

Note: All subsidiaries are incorporated and conduct business in South Africa, with the exception of Vunani Capital Zimbabwe and Purpose Vunani Asset Management which are incorporated and conduct business in Zimbabwe.

38. NON-CONTROLLING INTEREST (continued)

For the period ended 29 February 2016

VUNANI LIMITED – Group

Figures in R'000	Vunani Properties Proprietary Limited*	Vunani Fund Managers Proprietary Limited	Vunani Private Clients Proprietary Limited**	Vunani Capital Zimbabwe (Private) Limited	Purpose Vunani Asset Management (Private) Limited***	Vunani Resources Proprietary Limited****	Mandlamart Proprietary Limited	Other individually immaterial non-controlling interests	Intra-group eliminations	Total
NCI percentage	22%	9.5%	32.2%	25.5%	35%	25%	10.71%			
Non-current assets	5 915	703	470	60	8 138	–	45 992	–		
Current assets	26 898	13 675	1 905	226	1 312	93	6 495	–		
Non-current liabilities	–	–	–	–	–	–	(5 149)	–		
Current liabilities	(27 409)	(6 224)	(3 181)	(6 878)	–	(5 932)	(42 918)	(1 543)		
Net assets	5 404	8 154	(806)	(6 592)	9 450	(5 839)	4 420	(1 543)		
Carrying amount of NCI	1 189	775	(260)	(1 681)	3 308	(1 460)	473	(674)	–	1 670
Revenue	–	51 293	12 833	–	9 175	553	–	–		
Profit/(loss)	197	3 498	(1 296)	1 927	(162)	(2 903)	4 420	2 099		
OCI	–	–	–	(2 355)	2 771	–	–	–		
Total comprehensive income	197	3 498	(1 296)	(428)	2 609	(2 903)	4 420	2 099		
Profit allocated to NCI	1 266	332	(441)	491	(122)	(1 054)	473	474	–	1 419
OCI allocated to NCI	–	–	–	(600)	1 075	–	–	–		475
Net increase/(decrease) in cashandcashequivalents	3	303	(162)	(58)	1	(106)	*	8		
Dividends paid to non-controlling interest	1 618	–	–	–	–	–	–	–		

**The non-controlling interest profit allocation has not been calculated in the proportionate shareholding due to the dividend declaration not being in proportion shareholding (as agreed to by the non-controlling shareholders).*

***During the period, the group increased its investment in Vunani Private Clients Proprietary Limited from 51% to 67.8%. The profit allocation to NCI has been based on the percentage held before and after the increase in shareholding by the group.*

****During the period, the group increased its investment in Purpose Vunani Asset Management (Private) Limited from 55% to 65%. The profit allocation to NCI has been based on the percentage held before and after the increase in shareholding by the group.*

*****During the period, the group increased its investment in Vunani Resources Proprietary Limited from 51% to 75%. The profit allocation to NCI has been based on the percentage held before and after the increase in shareholding by the group.*

Note: All subsidiaries are incorporated and conduct business in South Africa, with the exception of Vunani Capital Zimbabwe and Purpose Vunani Asset Management which are incorporated and conduct business in Zimbabwe.

39. OPERATING SEGMENTS

The group has six reportable segments being fund management, asset administration, advisory services, institutional securities broking, private equity and private wealth and investments. The group's strategic business segments, offering different products and services, are managed separately, requiring different skill, technology and marketing strategies. For each of the strategic business segments, the group's chief executive officer reviews internal management reports on at least a monthly basis. The group's chief executive officer is the chief operating decision maker.

The fund management, advisory services and private equity segments are geographically located in South Africa and, on a smaller scale, in Zimbabwe and Malawi. The institutional securities broking and private client segments are geographically located in South Africa.

There are no single major customers.

The following summary describes the operations in each of the group's reportable segments:

Basis of measurement

The group uses the following principles to determine segment profit or loss, segment assets and segment liabilities:

- Any transactions between segments are eliminated.
- All segment profits or losses and the group's profits or losses are measured in the same manner, using the accounting policies described in notes 1 to 3.
- All segment assets and liabilities and the group's assets and liabilities are measured in the same manner, using the accounting policies described in notes 1 to 3.
- There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

For the year ended 28 February 2017

Continuing operations

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Private equity	Private wealth & investments**	Total
Revenue	64 452	22 909	5 236	67 955	23 640	4 421	188 613
Finance income and interest received from investments	402	900	2	1 117	2 009	–	4 430
Finance costs	*	(2 623)	–	(133)	(1 110)	–	(3 866)
Depreciation	(577)	(318)	(46)	(91)	(265)	–	(1 297)
Amortisation of intangible assets	–	(1 871)	–	–	–	(184)	(2 055)
Impairment reversal on assets	–	–	–	–	608	–	608
Fair value adjustments	–	–	(28)	–	8 667	–	8 639
Equity accounted earnings	442	5 682	–	–	17 181	–	23 305
Income tax income/(expense)	(4 282)	(2 648)	182	(2 595)	695	10	(8 638)
Reportable segment profit/(loss) after tax	6 049	16 595	(525)	2 585	15 149	185	40 038
Reportable segment assets	60 735	245 887	2 239	721 258	253 398	772	1 284 289
Investment in associates	5 244	–	–	–	78 998	–	84 242
Capital expenditure	833	–	–	163	1 165	–	2 161
Reportable segment liabilities	(15 636)	(150 682)	(1 741)	(713 466)	(49 156)	(829)	(931 510)

**Less than R1 000*
***The Private wealth and investments segment was previously named "Private clients". The segment name was amended in 2016.*

39. OPERATING SEGMENTS (continued)

For the period ended 29 February 2016

VUNANI LIMITED – Group

Continuing operations

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Private equity	Private wealth & investments*	Total
Revenue	60 468	–	1 007	69 780	10 102	12 833	154 190
Finance income and interest received from investments	338	494	2	2 109	1 923	1 686	6 552
Finance costs	–	(390)	–	(53)	(2 229)	(25)	(2 697)
Depreciation	(1 081)	–	(54)	(66)	(200)	(342)	(1 743)
Amortisation of intangible assets	–	–	–	–	–	(858)	(858)
Impairment on assets	–	–	(196)	–	(7 505)	–	(7 701)
Fair value adjustments	–	–	–	–	(11 233)	–	(11 233)
Equity accounted earnings	–	9 681	–	–	22 116	–	31 797
Income tax income/(expense)	(1 129)	–	43	(2 298)	3 268	–	(116)
Reportable segment profit/(loss) after tax	519	7 407	(2 493)	5 108	1 172	(3 403)	8 310
Reportable segment assets	51 594	52 487	1 035	659 507	195 847	2 363	962 833
Investment in associates	–	52 487	–	–	24 422	–	76 909
Capital expenditure	566	–	–	77	372	560	1 575
Reportable segment liabilities	(3 594)	(5 162)	(1 135)	(666 796)	(25 846)	(2 441)	(704 974)

**The Private wealth and investments segment was previously named "Private clients". The segment name was amended in 2016.*

Discontinued operations

Figures in R'000	Property asset management	Property investments and developments	Total
Finance income and interest received from investments	150	16	166
Income tax expense	183	–	183
Reportable segment profit/(loss) after tax	320	(461)	(141)
Reportable segment assets	5	892	897
Reportable segment liabilities	(4)	(1 601)	(1 605)

40. RELATED PARTIES

Relationships

Ultimate holding company/parent	Vunani Group Proprietary Limited
Associates	Refer to note 16
Directors	Refer to note 41

Direct and indirect subsidiaries	Effective equity holding 12 months ended 28 February 2017	14 months ended 29 February 2016
Vunani Capital Proprietary Limited	**100%**	100%
Anchor Park Investments 42 Proprietary Limited	**100%**	100%
Anchor Park Investments 81 Proprietary Limited	**100%**	100%
Aquarella Investments 507 Proprietary Limited	**100%**	100%
Camden Bay Investments 2 Proprietary Limited	**100%**	100%
Lexshell 630 Investments Proprietary Limited	**100%**	100%
Loato Properties Proprietary Limited	**100%**	100%
Mandlamart Proprietary Limited	**89.3%**	89.3%
Mandlalux Proprietary Limited	**92.5%**	–
Pacific Heights Investments 118 Proprietary Limited	**100%**	100%
Purpose Vunani Asset Management (Private) Limited*	**65%**	65%
Quintofor Investments Proprietary Limited	**100%**	100%
Spaciros Proprietary Limited	**51%**	51%
Vunani Capital Zimbabwe (Private) Limited*	**75%**	75%
Vunani Corporate Finance Proprietary Limited	**100%**	100%
Vunani Passenger Logistics Proprietary Limited	**100%**	100%
Vunani Fund Managers Proprietary Limited	**100%**	91%
Vunani Wealth and Investments Proprietary Limited	**68%**	–
Vunani Mining Proprietary Limited	**100%**	100%
Vunani Private Clients Stockbroking Proprietary Limited	**100%**	100%
Vunani Private Clients Proprietary Limited#	**–**	68%
Vunani Private Clients Stockbroking Proprietary Limited	**100%**	100%
Vunani Mining and Resources Proprietary Limited	**75%**	75.0%
Vunani Sponsors Proprietary Limited	**100%**	100%
Vunani Resources Proprietary Limited	**75%**	75%
Ginolor Proprietary Limited	**51%**	51%
Vunani Ssafen Proprietary Limited	**51%**	51%
Vunani Ssafen Karoo Proprietary Limited	**51%**	51%
Vunani Ssafen Amerfoot Proprietary Limited	**51%**	51%
Vunani Mion Properties Proprietary Limited	**61%**	55%
Vunani Africa Investments Proprietary Limited	**100%**	100%

40. RELATED PARTIES (continued)

	VUNANI LIMITED – Group	
	Effective equity holding	
Direct and indirect subsidiaries	12 months ended 28 February 2017	14 months ended 29 February 2016
Vunani Securities Proprietary Limited	**100%**	100%
Vunani Nominee Proprietary Limited	**100%**	100%
Vunani Capital Investments Proprietary Limited	**100%**	100%
Vector Nominees Proprietary Limited	**100%**	100%
Vunani Capital Markets Proprietary Limited	**100%**	100%
Vprop714 Proprietary Limited	**78%**	78%
Dreamworks Investments 125 Proprietary Limited	**66%**	66%
Vunani Property Asset Management Proprietary Limited	**78%**	78%
Wolfsberg Arch Investments Proprietary Limited	**40%**	40%
Vunani Share Incentive Scheme Trust	**100%**	100%

 # The investment was disposed of during the year.

Other related parties

- Akkersbloom Enterprises (Private) Limited*
- Tutuni Investments Proprietary Limited

** The company is incorporated and conducts its business in Zimbabwe.*

Vunani has entered into a legal agreement with the shareholders and the companies which entitles Vunani, *inter alia*, to the economic benefits accruing from the activities of the companies. The directors of these companies are executive directors of Vunani. These directors are responsible for the strategic and operational activities of these companies and therefore on this basis, 100% of the company's results have been consolidated in the group's results.

Related party balances and transactions

All related party balances and transactions were eliminated on consolidation except for those balances and transactions with associates (refer to note 16) and directors (refer to note 41) and disclosed below:

Loan with ultimate holding company

Vunani Capital Proprietary Limited has an operating loan with the ultimate holding company, Vunani Group Proprietary Limited of R483 000 (2016: R269 000) (refer to note 21).

41. DIRECTORS' REMUNERATION AND BENEFITS

No loans were made to directors during the year (2016: R nil). There were no material transactions with directors, other than the following:

Figures in R'000	Non-executive directors' fees	Salaries	Bonuses	Provident fund and medical aid contributions	Current year share-based payment expense	Total
for the year ended 28 February 2017						
E Dube	–	3 463	1 711	679	538	6 391
NM Anderson	–	2 514	1 152	276	363	4 305
BM Khoza	–	2 371	1 152	420	364	4 307
T Mika – appointed 9 December 2016	–	933	454	75	115	1 577
A Judin – resigned 9 December 2016	–	1 570	720	231	–	2 521
LI Jacobs (Chairman)	287	–	–	–	–	287
G Nzalo	155	–	–	–	–	155
JR Macey	178	–	–	–	–	178
N Mazwi	155	–	–	–	–	155
XP Guma	132	–	–	–	–	132
S Mthethwa	132	–	–	–	–	132
M Golding – appointed 5 October 2016	33	–	–	–	–	33
Total	**1 072**	**10 851**	**5 189**	**1 681**	**1 380**	**20 173**
for the period ended 29 February 2016						
E Dube	–	4 126	1 645	506	148	6 425
NM Anderson	–	2 805	1 108	303	94	4 310
BM Khoza	–	2 661	1 108	460	100	4 329
A Judin	–	1 652	680	274	70	2 676
LI Jacobs (Chairman)	312	–	–	–	–	312
G Nzalo	169	–	–	–	–	169
JR Macey	193	–	–	–	–	193
N Mazwi	169	–	–	–	–	169
XP Guma	144	–	–	–	–	144
S Mthethwa	144	–	–	–	–	144
Total	1 131	11 244	4 541	1 543	412	18 871

Short-term benefits to key management personnel amounted to R17 112 (2016: R16 916).

41. DIRECTORS' REMUNERATION AND BENEFITS (continued)

Aggregate amounts paid to directors amounts to:

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
For services as directors of the company		
Total remuneration and benefits received from company	**1 072**	1 131
Total remuneration and benefits received from company's subsidiaries and fellow subsidiaries	**19 101**	17 740
	20 173	18 871

There are no service contracts for non-executive directors. The executive directors have service contracts with the group terminable upon one month's written notice. No executive director has a fixed-term contract.

Prescribed officers

Details of prescribed officers and key management personnel are disclosed in note 61 (Vunani Limited company financial statements).

Shareholdings per director of the company and major operating subsidiaries

	Number of shares held		
at 28 February 2017	**Beneficially direct ('000s)**	**Beneficially indirect ('000s)**	**Total number of shares held ('000s)**
EG Dube	**–**	**24 786**	**24 786**
NM Anderson	**16**	**15 468**	**15 484**
BM Khoza	**–**	**15 468**	**15 468**
JJ Rossouw	**158**	**255**	**413**
R Krepelka	**2 990**	**–**	**2 990**
M Brown	**2 616**	**–**	**2 616**
G Gould	**2 616**	**–**	**2 616**
M Vilabril	**2 242**	**–**	**2 242**
	10 638	**55 977**	**66 615**

In June 2017 EG Dube acquired 21 500 Vunani shares. There has been no change in shareholdings of the other directors between 28 February 2017 and the approval of the integrated report.

at 29 February 2016	('000s)	('000s)	('000s)
EG Dube	–	23 838	23 838
NM Anderson	15	14 873	14 888
BM Khoza	–	14 873	14 873
JJ Rossouw	–	398	398
A Judin	86	–	86
	101	53 982	54 083

Figures in R'000	Note	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
						VUNANI LIMITED – Group
42. FINANCIAL INSTRUMENTS						
42.1 Liquidity risk						
28 February 2017						
Non-derivative financial liabilities		**(884 604)**	**(914 400)**	**(832 641)**	**(81 759)**	**–**
Non-interest-bearing					**–**	**–**
Trade and other payables (excluding VAT and leave pay)	29	**(52 281)**	**(52 281)**	**(52 281)**	**–**	**–**
Accounts payable from trading activities	22	**(688 819)**	**(688 819)**	**(688 819)**	**–**	**–**
Other financial liabilities	27	**(12 001)**	**(12 001)**	**(12 001)**	**–**	**–**
Fixed interest rate instruments – DBSA	27	**(7 786)**	**(8 848)**	**(1 140)**	**(7 708)**	**–**
Variable interest rate instruments	24 & 27	**(123 717)**	**(152 451)**	**(78 400)**	**(74 051)**	**–**
29 February 2016						
Non-derivative financial liabilities		(696 358)	(700 325)	(685 866)	(5 977)	(8 482)
Non-interest-bearing					–	–
Trade and other payables (excluding VAT and leave pay)	29	(26 887)	(26 887)	(26 887)	–	–
Accounts payable from trading activities	22	(647 872)	(647 872)	(647 872)	–	–
Other financial liabilities	27	(8 943)	(8 943)	(8 943)	–	–
Fixed interest rate instruments – DBSA	27	(7 041)	(7 674)	(1 697)	(5 977)	–
Variable interest rate instruments	24 & 27	(5 615)	(8 949)	(467)	–	(8 482)

Management of liquidity risk

The group's approach to managing liquidity is by managing its working capital, capital expenditure and other financial obligations, and to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the group ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. The group also has access to R5.0 million overdraft facilities, which may be used to manage its financial obligations if necessary.

42. FINANCIAL INSTRUMENTS (continued)

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
42.2 Market risk		
Interest rate risk		
The company's interest rate exposure is as follows:		
Fixed rate instruments		
Financial liabilities	**(7 786)**	(7 041)
Variable rate instruments		
Financial assets	**87 679**	22 592
Financial liabilities	**(123 717)**	(5 615)
	(43 824)	9 936
Cash flow sensitivity analysis for fixed rate instruments		
A sensitivity analysis has not been included for fixed rate instruments as they are not sensitive to interest rate risk.		
Cash flow sensitivity analysis for variable rate instruments		
A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amount shown below. This analysis assumes that all other variables remain constant.		
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
50 bps increase	**(219)**	50
50 bps decrease	**219**	(50)
Management of interest rate risk		
The group generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the prime rate over the period of the respective loan.		
Equity price risk		
The company's equity price risk is as follows:		
Unlisted financial assets at fair value through profit or loss	**34 610**	27 604
Listed financial assets at fair value through profit or loss	**33 910**	29 556
Listed financial assets at fair value through profit or loss – held for sale	**–**	7 260
Trading securities	**183**	131
	68 703	64 551
The company's listed equity investments are listed on the JSE Limited with the exception of Prospect Resources Limited which is listed in Australia and are classified at fair value through profit or loss.		
A change of 10% in the fair value of investment at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.		
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
10% increase	**6 870**	6 455
10% decrease	**(6 870)**	(6 455)

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
42. FINANCIAL INSTRUMENTS (continued)		
42.2 Market risk (continued)		
Foreign currency risk		
The group is exposed to foreign currency risk on its investments in subsidiaries, investments in associates that carry businesses outside of the Republic of South Africa and other investments held in foreign countries. The group does not hedge against foreign currency exposures on its investments.		
The group's exposure to the changes in the US dollar on the profit or loss recognised in its consolidated financial statements is analysed below.		
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
10% increase in USD	**5 412**	(178)
10% decrease in USD	**4 428**	(145)
42.3 Credit risk		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure of credit risk was:		
Other investments	**42 400**	38 087
Loans to associates	**22 953**	27 298
Other loans	**5 395**	5 030
Accounts receivable from trading activities	**693 427**	648 817
Trade and other receivables	**52 702**	25 186
Cash and cash equivalents	**82 284**	17 562
	899 161	761 980

Impairment losses

The ageing of financial assets at the reporting date was:

Figures in R'000	Total	Loans to associates	Trading and other receivables	Other loans	Accounts receivable from trading activities
2017					
Not past due	**763 783**	**22 953**	**42 008**	**5 395**	**693 427**
Past due 1 – 30 days	**9 394**	**–**	**9 394**	**–**	**–**
Past due 31 – 60 days	**1 298**	**–**	**1 298**	**–**	**–**
Past due 61 – 90 days	**4**	**–**	**4**	**–**	**–**
Past due 91 days and greater	**2 886**	**–**	**2 886**	**–**	**–**
	777 365	**22 953**	**55 590**	**5 395**	**693 427**
2016					
Not past due	701 947	27 298	20 802	5 030	648 817
Past due 1 – 30 days	2 002	–	2 002	–	–
Past due 31 – 60 days	2 382	–	2 382	–	–
Past due 61 – 90 days	–	–	–	–	–
Past due 91 days and greater	1 791	–	1 791	–	–
	708 122	27 298	26 977	5 030	648 817

42. FINANCIAL INSTRUMENTS (continued)

42.3 Credit risk (continued)

Reconciliation of movement in allowance for impairment:

Figures in R'000	VUNANI LIMITED – Group 2017	2016
Balance at the beginning of the year	**(1 791)**	(708)
Utilised	**–**	411
Increase in allowance for impairment	**(1 097)**	(1 494)
Balance at the end of the year	**(2 888)**	(1 791)

Factors considered in impairment

The group reviews accounts receivable monthly. Unless customers have good payment records an impairment allowance is created at 50% of accounts aged between 60 and 90 days and 100% of accounts older than 90 days.

The group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and analysis of customer credit risk.

Concentration of credit risk

The majority of the group's trade and other receivables are located domestically except for the small amount of debtors located in Zimbabwe. The group does not have a wide variety of counterparties.

42.4 Fair values

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

Valuation methodologies

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

Quoted price

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. Financial instruments fair valued using quoted prices would generally be classified as level 1 in terms of the fair value hierarchy.

Valuation techniques

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using an alternative valuation technique. These valuation techniques may include:

- earnings multiples;
- discounted-cash flow analysis;
- various option pricing models;
- using recent arms length market transactions between knowledgeable parties; and
- reference to the value of the net assets of the underlying business.

42. FINANCIAL INSTRUMENTS (continued)

42.4 Fair values (continued)

In applying valuation techniques, the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Valuation techniques applied by the group would result in financial instruments being classified as level 2 or level 3 in terms of the fair value hierarchy. The determination of whether a financial instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs *versus* unobservable inputs in relation to the fair value of the financial instrument.

Valuation methodologies and techniques applied for level 3 financial instruments include a combination of discounted cash flow analysis, application of earnings multiples on sustainable after-tax earnings and/or current and projected net asset values to determine overall reasonability. The valuation technique applied to specific financial instruments depends on the nature of the financial instrument and the most appropriate valuation technique is determined on that basis.

Observable markets

Quoted market prices in active markets are the best evidence of fair value and are used as the basis of measurement, if available. A determination of what constitutes "observable market data" will necessitate significant judgement. It is the group's belief that "observable market data" comprises:

- prices or quotes from an exchange or listed markets in which there are sufficient liquidity and activity;
- proxy observable market data that is proven to be highly correlated and has a logical, economic relationship with the instrument that is being valued; and
- other direct and indirect market inputs that are observable in the marketplace.

Data is considered by the group to be "observable" if the data is verifiable, readily available, regularly distributed, from multiple independent sources and transparent.

Data is considered by the group to be "market-based" if the data is reliable, based on consensus within reasonable narrow, observable ranges, provided by sources that are actively involved in the relevant market and supported by actual market transactions.

It is not intended to imply that all of the above characteristics must be present to conclude that the evidence qualifies as observable market data. Judgement is applied based on the strength and quality of the available evidence.

Inputs to valuation techniques

Inputs are selected on a basis that is consistent with the characteristics of the instrument that market participants would take into account in a transaction for that instrument. Inputs to valuation techniques applied by the group include, but are not limited to, the following:

- Discount rate: Where discounted-cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, or an appropriate swap rate, as the benchmark rate to derive the present value of a future cash flow.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in South Africa and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on the JSE Limited or any other recognised international exchange.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. In the absence of an active market, a methodology to derive these volatilities from observable market data will be developed and utilised.
- Dividend yield: Dividend yield is represented as a percentage and is calculated by dividing the value of dividends paid in a given year per share held by the value of one share.
- Earnings multiples: This is the share price divided by earnings per share (EPS).

42. FINANCIAL INSTRUMENTS (continued)

42.4 Fair values (continued)

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 3 in the fair value hierarchy:

Assets	Valuation technique	Key inputs
Loans and advances	Discounted cash flows	Discount rates
Other investments	Discounted cash flows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Discount rates, valuation multiples, dividend growth, foreign exchange rates
Investments in associates	Discounted cash flows, earnings multiples, dividend yields	Discount rates, valuation multiples, dividend growth
Liabilities		
Other financial liabilities	Earnings multiples, dividend yields	Earnings, dividend growth

Review of significant valuations

After the valuations of the unlisted financial assets and liabilities are performed, these are presented to the group's investment committee for independent review. All significant valuations are approved by the investment committee.

The valuation methodologies, techniques and inputs applied to the fair value measurement of the financial instruments have been applied in a manner consistent with that of the previous financial year.

	2017		2016	
Figures in R'000	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Designated as fair value through profit or loss on initial recognition	**68 520**	**68 520**	57 160	57 160
Trading securities	**–**	**–**	7 260	7 260
Non-current assets held for sale	**183**	**183**	131	131
Financial assets not measured at fair value				
Loans to associates	**22 953**	**20 761**	27 298	25 150
Loans in other non-current assets	**5 394**	**5 168**	5 030	8 141
	97 050	**94 632**	96 879	97 842
Financial liabilities measured at fair value				
Designated at fair value through profit or loss on initial recognition	**(6 610)**	**(6 610)**	(4 290)	(4 290)
Trading securities	**(1 934)**	**(1 934)**	–	–
Financial liabilities not measured at fair value				
Other financial liabilities	**(136 684)**	**(139 172)**	(16 842)	(16 226)
	(145 228)	**(147 716)**	(21 132)	(20 516)

The carrying amounts of cash and cash equivalents, accounts receivable from trading activities, trade and other receivables, bank overdraft, accounts payable from trading activities, non-current assets and liabilities held for sale and trade and other payables reasonably approximate their fair values.

42. FINANCIAL INSTRUMENTS (continued)

42.5 Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets and liabilities as shown in note 42.4 is categorised as follows for the purpose of IFRS 13 *Fair Value Measurement*.

Figures in R'000	Level 1	Level 2	Level 3	Total
28 February 2017				
Financial assets designated at fair value through profit or loss	**33 910**	**–**	**34 610**	**68 520**
Financial assets measured at fair value	**183**	**–**	**–**	**183**
Financial assets at amortised cost	**–**	**–**	**25 929**	**25 929**
Financial liabilities designated at fair value through profit or loss	**(1 934)**	**–**	**(6 610)**	**(8 544)**
Financial liabilities at amortised cost	**–**	**–**	**(139 172)**	**(139 172)**
	32 159	**–**	**(85 243)**	**(53 084)**
29 February 2016				
Financial assets designated at fair value through profit or loss	29 556	–	27 604	57 160
Financial assets measured at fair value	7 391	–	–	7 391
Financial assets at amortised cost	–	–	33 291	33 291
Financial liabilities designated at fair value through profit or loss	–	–	(4 290)	(4 290)
Financial liabilities at amortised cost	–	–	(16 226)	(16 226)
	36 947	–	40 379	77 326

42. FINANCIAL INSTRUMENTS (continued)

42.5 Fair value hierarchy (continued)

Figures in R'000	VUNANI LIMITED – Group 12 months ended 28 February 2017	14 months ended 29 February 2016
Level 3 financial assets and liabilities designated at fair value through profit or loss comprises:		
Balance at beginning of the period	**23 314**	35 890
Total gains or losses in profit or loss	**4 686**	(14 971)
Purchases, sales, issues and settlements	**–**	2 395
Balance at end of the year	**28 000**	23 314

Effect of changes in significant unobservable inputs

The fair value measurement of financial instruments are, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs a sensitivity analysis on the fair value of the relevant instruments. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable inputs and which are classified as level 3 in the fair value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

A change of 10% in the unobservable inputs of the investment and liability at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

Effect on statement of comprehensive income (profit/(loss)) and equity before taxation.

Net asset value		
10% increase	**666**	1 204
10% decrease	**(1 492)**	(1 113)
Free cash flow		
10% increase	**(6 477)**	2 844
10% decrease	**6 850**	(5 471)
Foreign exchange movement		
10% increase	**1 333**	799
10% decrease	**(190)**	(572)

43. GOING CONCERN

The going-concern principle requires that the group's and company's financial statements be prepared on the basis that Vunani Limited will remain in business for the foreseeable future.

Prior to the approval of the financial statements the board undertook processes to ensure that the going-concern principle applies.

These processes included assessing:

- the group's financial budgets and 18-month rolling cash flow forecast;
- the performance of underlying business operations and their ability to make a positive contribution to the group's objectives;
- the capital structure, liabilities and quality of the assets underpinning the statement of financial position; and
- the banking facilities and the group's assets to ensure that these are sufficient to fund imminent liabilities and meet the group's working capital requirements.

The board is of the view that, based on its knowledge of the group, assumptions regarding the outcome of the key processes under way and specific enquiries it has made, the group has adequate resources at its disposal to settle obligations as they fall due and the group will continue as a going concern for the foreseeable future.

44. DIVIDENDS

For the year ended 28 February 2017: Capitalisation share issue award, with a cash alternative

The capitalisation share award of 4 251 396 million shares at 160 cents per share was issued on 29 August 2016. Those shareholders not electing to receive capitalisation shares received a gross ordinary dividend of 6 cents per share (2016: 5.5 cents per share). The dividend was paid to ordinary shareholders on 29 August 2016. Total cash of R0.5 million was paid.

For the year ended 29 February 2016

A gross ordinary dividend of 5.5 cents per share (net of treasury shares held) was declared out of income reserves on 30 March 2015 and paid to ordinary shareholders on 28 April 2015.

2017 Dividend declared

Notice is hereby given that a gross ordinary dividend of 5.2 cents per share (2016: 5.5 cents per share) has been declared out of income reserves on 26 April 2017 and are payable to ordinary shareholders in accordance with the following timetable.

In terms of dividend tax effective since 1 April 2012, the following additional information is disclosed:

- The local Dividend Withholding Tax rate is 20%
- 161 296 081 shares are in issue
- The gross ordinary dividend is 5.20000 cents per share for shareholders exempt from paying Dividend Withholding Tax
- The net ordinary dividend is 4.16000 cents per share for ordinary shareholders who are not exempt from Dividend Withholding Tax
- Vunani Limited's tax reference number is 9841003032

Timetable	**2017**
Declaration announcement	Wednesday, 26 April
Finalisation announcement	Tuesday, 11 July
Last day to trade *cum* dividend	Tuesday, 25 July
Shares commence trading *ex*-dividend	Wednesday, 26 July
Record date	Friday, 28 July
Dividend payment date	Monday, 31 July

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 26 July 2017 to Friday, 28 July 2017, both dates inclusive.

Dividends are declared in the currency of the Republic of South Africa. The directors have confirmed that the company will satisfy the liquidity and solvency requirements immediately after the payment of the dividend.

45. EVENTS AFTER REPORTING DATE

Subsequent to year-end the following events took place:

1. During April 2017, Vunani entered into an agreement in which it acquired 15% of the ordinary share capital of PowerHouse Africa Holdings Proprietary Limited. The 15% investment was acquired for a consideration of R2.0 million.

2. In June 2017, the group disposed of its investment in Vunani Wealth and Investments Proprietary Limited for a consideration of R1.5 million to management.

Statement of comprehensive income

for the year ended 28 February 2017

		VUNANI LIMITED – Company	
Figures in R'000	Note	12 months ended 28 February 2017	14 months ended 29 February 2016
Management fees	46	**1 072**	1 235
Investment revenue	47	**–**	194
Operating expenses	48	**(4 268)**	(3 795)
Results from operating activities		**(3 196)**	(2 366)
Finance income	49	**614**	145
Profit before income tax		**(2 582)**	(2 221)
Income tax	50	**–**	–
Profit for the year		**(2 582)**	(2 221)
Total comprehensive income for the year		**(2 582)**	(2 221)

Statement of financial position

at 28 February 2017

Figures in R'000	Note	VUNANI LIMITED – Company 12 months ended 28 February 2017	14 months ended 29 February 2016
Assets			
Investments in subsidiaries	51	**406 064**	26 168
Other investments	52	**–**	–
Loan to subsidiary companies	53	**32 255**	369 817
Loan to share trust	54	**12 841**	12 841
Deferred tax asset	55	**149**	149
Total non-current assets		**451 309**	408 975
Cash and cash equivalents	56	**25 603**	*
Total current assets		**25 603**	*
Total assets		**476 912**	408 975
Equity			
Stated capital	57	**700 022**	624 888
Share-based payment reserve	26	**16 100**	12 871
Accumulated loss		**(250 362)**	(240 475)
Equity attributable to equity holders		**465 760**	397 284
Liabilities			
Loans from subsidiary companies	53	**10 214**	10 715
Total non-current liabilities		**10 214**	10 715
Trade and other payables	58	**938**	976
Current liabilities		**938**	976
Total equity and liabilities		**476 912**	408 975

** Less than R1 000.*

Statement of changes in equity

for the year ended 28 February 2017

	VUNANI LIMITED – Company			
Figures in R'000	Stated capital	Share-based payment reserve	Accumu-lated loss	Total equity
Balance at 31 December 2014	624 888	11 243	(231 947)	404 184
Total comprehensive income for the period				
Loss for the period	–	–	(2 221)	(2 221)
Total comprehensive income for the year	–	–	(2 221)	(2 221)
Transactions with owners, recorded directly in equity				
Dividends paid	–	–	(6 307)	(6 307)
Share-based payments	–	1 628	–	1 628
Total transactions with owners	–	1 628	(6 307)	(4 679)
Balance at 29 February 2016	624 888	12 871	(240 475)	397 284
Total comprehensive income for the year				
Loss for the year	**–**	**–**	**(2 582)**	**(2 582)**
Total comprehensive income for the year	**–**	**–**	**(2 582)**	**(2 582)**
Transactions with owners, recorded directly in equity				
Dividends paid	**–**	**–**	**(503)**	**(503)**
Share-based payments	**–**	**3 229**	**–**	**3 229**
Capitalisation share issue award	**6 802**	**–**	**(6 802)**	**–**
Share issue	**68 332**	**–**	**–**	**68 332**
Total transactions with owners	**75 134**	**3 229**	**(7 305)**	**71 058**
Balance at 28 February 2017	**700 022**	**16 100**	**(250 362)**	**465 760**

DIVIDENDS

Figures in R'000	28 February 2017	29 February 2016
Capitalisation share issue award (with cash alternative)		
A scrip dividend of 4 shares for every 100 shares held (4.3 million shares) was issued on 26 August 2016 (net of treasury shares).	**6 458**	–
As an alternative to the capitalisation share issue award, shareholders were able to elect to receive a gross dividend of 6c per share. For those shareholders electing to receive cash the dividend was paid to ordinary shareholders on 29 August 2016 (net of treasury shares held).	**503**	–
Ordinary dividend paid		
2017: Nil (2016: ordinary dividend number 2 of 5.5 cents per share (net of treasury shares held))	**–**	6 014
	6 961	6 014

Statement of cash flows

for the year ended 28 February 2017

Figures in R'000	Note	VUNANI LIMITED – Company 12 months ended 28 February 2017	14 months ended 29 February 2016
Cash flows from operating activities			
Cash utilised by operations	59	**(3 234)**	(2 440)
Investment revenue received		**–**	194
Interest received from banks	49	**614**	145
Dividends paid		**(503)**	(6 307)
Cash utilised by operating activities		**(3 123)**	(8 408)
Cash flows from investing activities			
Loans advanced to subsidiary companies		**(21 839)**	(2 533)
Loans repaid by share trust		**–**	223
Cash outflow from investing activities		**(21 839)**	(2 310)
Cash inflow from financing activities			
Loan (repaid to)/advanced by subsidiary company		**(501)**	10 715
Issue of stated capital		**51 066**	–
Cash inflows from financing activities		**50 565**	10 715
Net increase in cash and cash equivalents		**25 603**	3
Cash and cash equivalents at the beginning of the year		*****	3
Total cash and cash equivalents at the end of the year	56	**25 603**	*

** Less than R1 000.*

Notes to the financial statements

for the year ended 28 February 2017

	Figures in R'000	VUNANI LIMITED – Company 12 months ended 28 February 2017	14 months ended 29 February 2016
46.	**MANAGEMENT FEES**		
	Management fees	**1 072**	1 235
47.	**INVESTMENT REVENUE**		
	Dividend received from subsidiary company	**–**	194
48.	**OPERATING EXPENSES**		
	Operating expenses include:		
	Auditors' remuneration – current year	**867**	868
	Auditors' remuneration – prior year	**114**	–
	Directors' emoluments paid by company (refer note 41)	**1 072**	1 131
49.	**FINANCE INCOME**		
	Recognised in profit or loss		
	Interest income – cash and cash equivalents	**614**	145
50.	**INCOME TAX**		
	Deferred tax		
	Current year	**–**	–
	No taxation is payable in the current year as the company has an estimated tax loss of R5 214 039 (2016: R2 631 226) available for set-off against future taxable income.		
	Reconciliation of effective tax rate	**%**	**%**
	Income tax rate	**28.0**	28.0
	Tax exempt income	**–**	2.4
	Disallowable expenditure – investment holding company	**–**	(4.0)
	Tax losses not accounted for	**(28.0)**	(26.4)
		–	–

Notes to the financial statements (continued)

for the year ended 28 February 2017

Figures in R'000	% Holding 2017	% Holding 2016	Cost of investment 12 months ended 28 February 2017	Cost of investment 14 months ended 29 February 2016
	VUNANI LIMITED – Company			
51. INVESTMENTS IN SUBSIDIARIES				
Investment in subsidiaries held at cost				
Vunani Capital Proprietary Limited	**100**	100	**384 825**	6 124
Vunani Securities Proprietary Limited	**100**	100	**15 346**	14 312
Vunani Capital Markets Proprietary Limited	**100**	100	**404**	243
Vunani Capital Investments Proprietary Limited	**100**	100	**4 655**	4 655
VProp714 Proprietary Limited	**78**	78	**834**	834
			406 064	26 168

A reconciliation of the movement in investment in subsidiaries is as follows:

	Vunani Capital Proprietary Limited	Vunani Securities Proprietary Limited	Vunani Capital Markets Proprietary Limited	Total
Balance at the beginning of the year	**6 124**	**14 312**	**243**	**20 679**
Equity settled share-based payment	**2 034**	**1 034**	**161**	**3 229**
Loan capitalisation	**673 000**	**–**	**–**	**673 000**
Cumulative impaired	**(313 600)**	**–**	**–**	**(313 600)**
Increase in investment in subsidiary	**17 267**	**–**	**–**	**17 267**
Balance at the end of the year	**384 825**	**15 346**	**404**	**400 575**

Figures in R'000	Number of shares	Unlisted	Fair value
52. OTHER INVESTMENTS			
at 28 February 2017			
African Legends Limited	**2 248**	**1 870**	**1 870**
Fair value adjustment		**(1 870)**	**(1 870)**
		–	**–**
at 29 February 2016			
African Legends Limited	2 248	1 870	1 870
Fair value adjustment		(1 870)	(1 870)
		–	–
Analysis of impairment			
Balance at the beginning of the year		**(1 870)**	(1 870)
Balance at the end of the year		**(1 870)**	(1 870)

	VUNANI LIMITED – Company	
	12 months ended 28 February 2017	14months ended 29 February 2016
53. LOANS TO/(FROM) SUBSIDIARIES		
Loan to subsidiary		
Vunani Capital Proprietary Limited	**32 255**	683 417
Cumulative impairment	**–**	(313 600)
	32 255	369 817

The loan to Vunani Capital Proprietary Limited has been subordinated in favour of the company's creditors, to the extent that the liabilities exceed assets, fairly valued, in Vunani Capital Proprietary Limited.

During the year, the company capitalised a portion of the loan owing by Vunani Capital Proprietary Limited, which resulted in a decrease in the loan and an increase in the investment in subsidiary (refer to note 51).

Loan from subsidiary		
Vunani Capital Markets Proprietary Limited	**(10 214)**	(10 715)

The loans to/(from) the subsidiary companies are unsecured and interest free.

54. LOAN TO SHARE TRUST		
Vunani Share Incentive Scheme Trust	**15 797**	15 797
Cumulative impairment	**(2 956)**	(2 956)
	12 841	12 841

The loan to the share trust is unsecured and bears interest at the official SARS interest rate. No interest was recognised in the current year.

A reconciliation of the loan to share trust is shown below:

Loan to share trust	**15 797**	16 020
Loan repaid	**–**	(223)
	15 797	15 797

Notes to the financial statements (continued)

for the year ended 28 February 2017

	Figures in R'000	VUNANI LIMITED – Company 12 months ended 28 February 2017	14 months ended 29 February 2016
55.	**DEFERRED TAX ASSET**		
	Recognised deferred tax asset arises on:		
	Tax losses carry-forward	**149**	149
	Reconciliation of movement in deferred tax		
	Balance at the beginning of the year	**149**	149
	Recognised against profit or loss	**–**	–
	Balance at end of the year	**149**	149
	Estimated tax losses available for utilisation against future taxable income	**5 214**	2 631
	Recognised as deferred tax assets	**(533)**	(533)
	Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**4 681**	2 098
56.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents comprise:		
	Cash at bank	**25 603**	*
57.	**STATED CAPITAL AND SHARE CAPITAL**		
	Authorised		
	200 000 000 ordinary shares of no par value	**–**	–
	Issued		
	161 296 081 (2016: 114 664 649) ordinary shares of no par value	**700 022**	624 888
	Reconciliation of movement in number of shares issued ('000s):		
	Balance at the beginning of the year	**114 665**	114 665
	Shares issued	**46 631**	–
	Balance at end of the year	**161 296**	114 665
	Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
	Reconciliation of movement in stated capital (R'000):		
	Balance at the beginning of the year	**624 888**	624 888
	Shares issued	**68 332**	–
	Capitalisation share issue award	**6 802**	–
	Balance at end of year	**700 022**	624 888

A scrip dividend of four shares for every 100 shares held (4.3 million shares) was issued on 26 August 2016 (net of treasury shares).

		VUNANI LIMITED – Company	
	Figures in R'000	12 months ended 28 February 2017	14 months ended 29 February 2016
58.	**TRADE AND OTHER PAYABLES**		
	Sundry payables	**938**	976
59.	**CASH UTILISED BY OPERATIONS**		
	Profit before income tax	**(2 582)**	(2 221)
	Adjusted for:		
	Investment revenue	**–**	(194)
	Finance income	**(614)**	(145)
		(3 196)	(2 560)
	Changes in working capital:		
	Increase in trade and other payables	**(38)**	120
	Cash utilised by operations	**(3 234)**	(2 440)

60. RELATED PARTIES

Relationships

Ultimate holding company/parent	Vunani Group Proprietary Limited*
Subsidiaries	Refer to note 40
Directors	Refer to note 41

** The parent does not produce financial statements for public use.*

	Note	2017	2016
Related party balances			
Investments in subsidiaries	51	**406 064**	26 168
Loan to subsidiary company	53	**32 255**	369 817
Loan from subsidiary company	53	**(10 214)**	(10 715)
Loan to share trust	54	**12 841**	12 841
Related party transactions			
Revenue – management fees (from Vunani Capital Proprietary Limited)	46	**1 072**	1 235

Directors' remuneration and benefits (refer to note 41).

61. PRESCRIBED OFFICERS AND KEY MANAGEMENT PERSONNEL REMUNERATION AND BENEFITS

	VUNANI LIMITED – Company				
Figures in R'000	Basic salary	Bonuses	Provident fund and medical aid	Share-based payments	Total
Johan Rossouw	**1 424**	**890**	**428**	**249**	**2 991**
David Steinbuch	**850**	**422**	**180**	**218**	**1 670**
Abubekir Salim	**1 800**	**–**	**–**	**–**	**1 800**
Kathy Gilbert	**1 681**	**140**	**63**	**–**	**1 884**
Peter Warren	**1 146**	**–**	**63**	**–**	**1 209**
Richard Krepelka	**641**	**147**	**36**	**–**	**824**
	7 542	**1 599**	**770**	**467**	**10 378**
for the period ended 29 February 2016					
Johan Rossouw	1 723	1 211	357	134	3 425
Mark Howard Weetman	1 376	–	256	–	1 632
Azola Zuma	1 406	146	156	32	1 740
Abubekir Salim	2 100	–	–	–	2 100
David Steinbuch	1 157	50	193	66	1 466
	7 762	1 407	962	232	10 363

					VUNANI LIMITED – Company	
	Figures in R'000	Carrying amount	Un-discounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
62.	**FINANCIAL INSTRUMENTS**					
62.1	**Liquidity risk**					
	28 February 2017					
	Non-derivative financial liabilities	**(11 152)**	**(11 152)**	**(11 152)**	**–**	**–**
	Trade and other payables	**(938)**	**(938)**	**(938)**	**–**	**–**
	Loan from subsidiary	**(10 214)**	**(10 214)**	**(10 214)**	**–**	**–**
	29 February 2016					
	Non-derivative financial liabilities	(11 691)	(11 691)	(976)	(10 715)	–
	Trade and other payables	(976)	(976)	(976)	–	–
	Loan from subsidiary	(10 715)	(10 715)	–	(10 715)	–

Management of liquidity risk

The company's approach to managing liquidity by managing its working capital, capital expenditure and cash flows, is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the company ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. Vunani Limited has access to group overdraft facilities amounting to R5.0 million, which may be used to meet its financial obligations if necessary.

		2017	2016
62.2	**Market risk**		
	Interest rate risk		
	The company's interest rate exposure is as follows:		
	Variable rate instruments		
	Financial assets	**12 841**	12 841
	Cash flow sensitivity analysis for variable rate instruments		
	A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amount shown below. This analysis assumes that all other variables remain constant.		
	Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
	50 bps increase	**64**	64
	50 bps decrease	**(64)**	(64)
	Management of interest rate risk		
	The company generally adopts a policy of ensuring that its exposure to changes in interest rates is limited by either fixing the rate or by linking the rate to the prime rate over the year of the respective loan.		

62. FINANCIAL INSTRUMENTS (continued)

	2017	2016
62.3 Credit risk		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure of credit risk was:		
Loan to subsidiary company	**32 255**	369 817
Loan to share trust	**12 841**	12 841
Cash and cash equivalents	**25 603**	*
	70 699	382 658

Impairment losses

The ageing of financial assets at the reporting date was:

	Total	Loan to subsidiary company	Loan to share trust
2017			
Not past due	**45 096**	**32 255**	**12 841**
2016			
Not past due	382 658	369 817	12 841

Factors considered in impairment

The company reviews the recoverability of loans to the subsidiary on an annual basis. The company reviews the budgets of the subsidiary, which include projected revenue, profits and cash flow forecasts. The valuations of underlying assets of the subsidiary are also reviewed. Loans are impaired if the company believes it will not be able to recover loans in the future.

Figures in R'000	2017	2016
Accumulated impairment		
Investment in Vunani Capital Proprietary Limited	**(313 600)**	(313 600)

	2017		2016	
Figures in R'000	Carrying amount	Fair value	Carrying amount	Fair value
62.4 Fair values				
Financial assets not measured at fair value				
Loan to subsidiary company	**32 255**	**26 875**	369 817	250 147
Loan to share trust	**12 841**	**11 867**	12 841	11 867
	45 096	**38 742**	382 658	262 014
Financial liabilities not measured at fair value				
Loan from subsidiary company	**(10 214)**	**(8 510)**	(10 715)	(10 047)
	(10 214)	**(8 510)**	(10 715)	(10 047)

** Less than R1 000.*

The carrying amounts of cash and cash equivalents and trade and other payables reasonably approximate their fair values and therefore not included in the table above.

62. FINANCIAL INSTRUMENTS (continued)

62.5 Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Figures in R'000	Level 1	Level 2	Level 3
28 February 2017			
Financial assets measured at amortised cost	–	–	**38 742**
Financial liabilities measured at amortised cost			**(8 510)**
	–	–	**30 232**
29 February 2016			
Financial assets measured at amortised cost	–	–	262 014
Financial liabilities measured at amortised cost		–	(10 047)
	–	–	251 967

Figures in R'000	2017	2016
A change of 10% in the unobservable inputs of the investment and liability at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.		
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
Free cash flow		
10% increase	**2 809**	25 197
10% decrease	**(2 998)**	(24 320)

Analysis of the shareholders

at 28 February 2017

	Number of shareholders	Percentage of shareholders held %	Number of shares held ('000s)	Percentage of shares held %
Analysis of shareholding				
Individuals and corporates	297	88.4	71 660	44.4
Investment and insurance companies	11	3.3	83 183	51.6
Nominees and trusts	26	7.7	1 490	0.9
Share schemes	1	0.3	4 949	3.1
Pension and provident funds	1	0.3	14	*
Shareholding per share register	336	100.0	161 296	100.0
Range of shareholding				
1 to 1 000	181	53.9	41	–
1 001 to 10 000	81	24.1	266	0.2
10 001 to 100 000	49	14.6	1 891	1.2
100 001 to 1 000 000	14	4.2	6 147	3.8
More than 1 000 000	11	3.3	152 951	94.8
	336	100.0	161 296	100.0
Shareholder spread analysis				
To the best knowledge of the directors and after reasonable enquiry, as at 28 February 2017, the spread of shareholders, as defined in the Listings Requirements of the JSE Limited, was as follows:				
Type of shareholder				
Non-public	17	5.1	114 350	70.9
Directors and Associates (excluding employee unit schemes) (direct holding)	6	1.8	10 639	6.6
Directors and Associates (excluding employee unit schemes) (indirect holding)	4	1.2	55 976	34.7
Strategic Holders: Geomer Investments (Pty) Ltd (>10%)	1	0.3	30 040	18.6
Vunani Ltd (Less Directors Interest and Group Trusts)	1	0.3	12 118	7.5
Share Schemes	1	0.3	4 949	3.1
Vunani Group Trusts	4	1.2	627	0.4
Public Shareholders	319	94.9	46 946	29.1
Total	336	100.0	161 296	100.0
Shareholdings greater than 5%				
Vunani Group Proprietary Limited			79 360	49.2
Geomer Investments Proprietary Limited			30 040	18.6
Baleine Capital Proprietary Limited			9 360	5.8
			118 760	73.6

** Less than 0.1%*

Shareholder information

Shareholders' diary

for the year ended 28 February 2017

Vunani Limited – Company

Financial year-end	28 February 2017
Announcement of results	26 April 2017
Annual report posted	6 July 2017
Annual general meeting	8 August 2017
Interim results release	October 2017

Notice of annual general meeting

for the year ended 28 February 2017

VUNANI

LIMITED

VUNANI LIMITED – COMPANY
(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
(the "company")

This document is important and requires your immediate attention.

If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant ("CSDP"), legal advisor, banker, financial advisor, accountant or other professional advisor immediately.

If you have disposed of all your shares in the company, please forward this document, together with the attached form of proxy, to the purchaser of such shares or the broker, CSDP, banker or other agent through whom you disposed of such shares.

NOTICE IS HEREBY GIVEN to shareholders at 30 June 2017, being the record date to receive notice of the Annual General Meeting ("AGM") for the year ended 28 February 2017 in terms of section 59(1)(a) of the Companies Act, 71 of 2008, as amended (the "Companies Act"), that the AGM of shareholders of the company will be held in the boardroom, Vunani Limited, Vunani House, 151 Katherine Street, Sandton at 11:30 on Tuesday, 8 August 2017 to: (i) deal with such other business as may lawfully be dealt with at the AGM and (ii) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited Listings Requirements (the "JSE Listings Requirements"), which meeting is to be participated in and voted by shareholders in terms of section 62(3)(a), read with section 59, of the Companies Act.

Salient dates applicable to the AGM

Last day to trade to be eligible to vote at the AGM	25 July 2017
Record date for determining those shareholders entitled to vote at the AGM	28 July 2017
Record date to be eligible to receive the notice of the AGM	30 June 2017

Section 63(1) of the Companies Act – Identification of Meeting Participants
Meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in shareholders' meetings. Forms of identification include valid identity documents, drivers' licences and passports.

When reading the ordinary and special resolutions below, please refer to the explanatory notes for AGM resolutions on pages 188 to 193.

1. **Presentation of annual financial statements**
   The consolidated audited financial statements of the company and its subsidiaries (as approved by the board of directors of the company), including the directors' report, the audit and risk committee report and the external auditor's report for the year ended 28 February 2017, as well as the report of the social and ethics committee, have been distributed as required and will be presented to shareholders. The complete annual financial statements are set out on pages 84 to 184 of the integrated annual report.

2. **Ordinary resolution number 1**
   Confirmation of appointment of Mr T Mika as an executive director and CFO
   "It is hereby resolved that Mr T Mika's appointment as an executive director and the CFO of the company with effect from 9 December 2016 be confirmed in in accordance with the company's Memorandum of Incorporation."

   Please refer to page 8 of the integrated report for a brief biography.

3. **Ordinary resolution number 2**
   Confirmation of Mr MJA Golding as a non-executive director
   "It is hereby resolved that Mr MJA Golding's appointment as non-executive director of the company with effect from 5 October 2016 be confirmed in in accordance with the company's Memorandum of Incorporation."

   Please refer to page 9 of the integrated report for a brief biography.

4. **Ordinary resolution number 3**

Re-election of Dr XP Guma as an independent non-executive director

"It is hereby resolved that the re-election of Dr XP Guma, who retires as an independent non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Please refer to page 8 of the integrated report for a brief biography.

5. **Ordinary resolution number 4**

Re-election of Mr LI Jacobs as an independent non-executive director and chairman

"It hereby resolved that the re-election of Mr LI Jacobs, who retires as an independent non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Please refer to page 8 of the integrated report for a brief biography.

6. **Ordinary resolution number 5**

Re-election of Mr SN Mthethwa as a non-executive director

"It is hereby resolved that the re-election of Mr SN Mthethwa, who retires as a non-executive director of the company by rotation, in accordance with the company's Memorandum of Incorporation, and being eligible, offers himself for re-appointment in this capacity, be approved."

Please refer to page 9 of the integrated report for a brief biography.

7. **Ordinary resolution number 6**

Re-election of Mr GS Nzalo as a member and chairman of the audit and risk committee: Section 94(2) of the Companies Act

"It is hereby resolved that Mr GS Nzalo be re-elected as a member and the chairman of the audit and risk committee, with immediate effect, in terms of section 94(2) of the Companies Act."

8. **Ordinary resolution number 7**

Re-election of Mr JR Macey as a member of the audit and risk committee: Section 94(2) of the Companies Act

"It is hereby resolved that Mr JR Macey be re-elected as a member of the audit and risk committee, with immediate effect, in terms of section 94(2) of the Companies Act."

9. **Ordinary resolution number 8**

Re-election of Ms NS Mazwi as a member of the audit and risk committee: Section 94(2) of the Companies Act

"It is hereby resolved that Ms NS Mazwi be re-elected as a member of the audit and risk committee, with immediate effect, in terms of section 94(2) of the Companies Act."

10. **Ordinary resolution number 9**

Re-appointment of KPMG Inc. as auditor in terms of section 61(8)(c) of the Companies Act

"It is hereby resolved that, on the recommendation of the audit and risk committee, KPMG Inc., together with P Fourie, be and are hereby re-appointed as the independent auditors of the company (for its financial year ending 28 February 2018), and that their appointment be of full force and effect until the conclusion of the company's next annual general meeting.

11. **Ordinary resolution number 10**

General authority to directors to allot and issue authorised but unissued ordinary shares

"It is hereby resolved that the directors be and are hereby authorised to allot and issue, at their discretion, the unissued share capital of the company and/or grant options to subscribe for unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited as and when required, and are subject to the JSE Listings Requirements and the Companies Act and shareholders hereby waive any pre-emptive rights thereto."

12. **Ordinary resolution number 11**

General authority to directors to allot and issue ordinary shares for cash

"It is hereby resolved that, in terms of the JSE Listing Requirement, the mandate given to the directors of the company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- any such issue of shares shall be to public shareholders as defined by the JSE Listing Requirements and not to related parties;

- any such issue of equity securities be of a class already in issue, or where this is not the case, must be limited to such securities or rights as are convertible into an existing class of equity securities;
- the authority shall only be valid until the next AGM of the company, provided it shall not extend beyond 15 months from the date of this AGM;
- an announcement giving details including impact on net asset value and earnings per share, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one financial year, 5% or more of the number of shares of that class in issue prior to any such issues;
- that issues of shares (excluding issues of shares exercised in terms of any company/group share scheme) in any one financial year shall not, in aggregate, exceed 80 648 040 ordinary shares of no par value; and
- that, in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the class of shares to be issued over the 30 business days prior to the date that the price of issue is determined or agreed between the company and the party/parties subscribing for the securities."

Voting
In terms of the JSE Listing Requirements, the approval of 75% majority of votes cast in favour of ordinary resolution number 11 by shareholders present or represented by proxy at this AGM.

13. Ordinary resolution number 12

Approval of remuneration policy (non-binding advisory vote)
"It is hereby resolved, through a non-binding advisory vote, that the company's remuneration policy (excluding the remuneration of non-executive directors and the members of board committees for their services as directors and members of committees) which is not to remunerate its executive directors for attendance at meetings, but rather to remunerate them in terms of an employment contract, be approved and endorsed."

14. Special resolution number 1

Approval of remuneration payable to non-executive directors
"It is hereby resolved as a special resolution in terms of section 66(9) of the Companies Act, as read with section 65(11)(h), and subject to the provisions of the company's Memorandum of Incorporation that the company be and it is hereby authorised to pay remuneration to its non-executive directors for their service as directors as follows:

Chairman of the board	R304 830 per annum, includes remuneration for services provided to the group, including chairman of the nomination committee and member of the investment committee and remuneration committee.
Base fee for other non-executive directors	R140 222 per annum
Chairman of the investment committee	R24 386 per annum in addition to the base fee
Chairman of audit and risk committee	R24 386 per annum, in addition to the base fee
Member of the audit and risk committee	R12 193 per annum, in addition to the base fee
Member of the remuneration committee	R6 097 per annum in addition to the base fee
Chairman of the nomination committee	R6 097 per annum in addition to the base fee
Chairman of the social and ethics committee	R12 193 per annum in addition to the base fee

Special resolution number 1 is proposed in order to comply with the requirements of the Companies Act.
The aforementioned rates have been recommended in order to ensure that the remuneration of non-executive directors remains competitive, thereby enabling the company to attract persons of the calibre, capability, skill and experience required in order to make a meaningful contribution to the company. The remuneration proposed is considered to be both fair and reasonable and in the best interests of the company.

15. Special resolution number 2

Repurchase of company shares
"It is hereby resolved by special resolution that, subject to the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements in force from time to time, the company and/or any subsidiary of the company, be and are hereby authorised to repurchase or purchase, as the case may be, shares issued by the company to any person, upon such terms and conditions and in such manner as the directors of the company or the subsidiary may from time to time determine, including that such securities be repurchased or purchased from share premium or capital redemption reserve fund, subject to the following:

- that the repurchase of securities be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty;

- that this general authority be valid only until the next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- that an announcement be made, giving such details as may be required in terms of the JSE Listing Requirements when the company has cumulatively repurchased 3% of the initial number (the number of that class of security in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
- at any point in time the company may only appoint one agent to effect any repurchase of shares on the company's behalf;
- repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined in the JSE Listing Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital and a maximum of 10% in aggregate of the company's issued capital may be repurchased in terms of the Companies Act, by the subsidiaries of the company, at the time this authority is given;
- the repurchase of securities may not be made at a price greater than 10% above the weighted average of the market value of the securities as determined over the five business days immediately preceding the date on which the transaction is effected;
- the company may not enter the market to proceed with the repurchase of its securities until the company's Designated Advisor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE; and
- the board of directors passing a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test as set out in section 4 of the Companies Act and that, since the test was done, there have been no material changes to the financial position of the group."

The directors of the company or its subsidiaries will only utilise the general authority set out in special resolution number 2 above to the extent that they, after considering the effect of the maximum repurchase permitted, and for a period of 12 months after the date of the notice of this AGM, are of the opinion that:

- the company and the group will be able, in the ordinary course of business, to pay their debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the ordinary share capital and reserves of the company and the group are adequate for ordinary business purposes;
- the working capital of the company and the group will be adequate for ordinary business purposes;
- the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.
- For the purpose of considering special resolution number 2 and in compliance with the JSE Listings Requirements, the information listed below has been included in the company's integrated annual report, of which this notice of the AGM forms part, at the places indicated below:
- directors and management – refer to pages 8 and 9 of this integrated report;
- major shareholders – refer to page 184 of this integrated report;
- directors' interests and securities – refer to pages 161 of this integrated report; and
- share capital of the company – refer to pages 139 this integrated report.

Directors' responsibility

The directors, whose names are set out on pages 8 and 9 of this integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no other facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries have been made and that the aforementioned special resolution contains all the information required by the JSE.

16. Special resolution number 3

Financial assistance

"It is hereby resolved as a special resolution that, subject to the requirements of the company's Memorandum of Incorporation and the Companies Act, that the board of directors of the company may authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including but not limited to, the subscription to any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and
- any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them) or to any other person who is a participant in any of the company's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the next annual general meeting of the company."

17. Special resolution number 4

Increase of authorised share capital

"RESOLVED THAT, as a special resolution, the authorised share capital of the Company comprising 200 000 000 (two hundred million) Vunani ordinary shares of no par value be increased by the creation of a further 300 000 000 (three hundred million) Vunani ordinary shares of no par value, such that, pursuant to such increase, the authorised share capital of the Company shall comprise 500 000 000 (five hundred million) Vunani ordinary shares of no par value.

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Reason for and effect of special resolution number 5

The reason for special resolution number 5 is to increase the number of Vunani ordinary shares in the authorised share capital of the Company in order to create sufficient authorised Vunani ordinary shares in the authorised share capital of the Company. The current shares in issue of 161 296 081 are close to the current limit of 200 000 000 shares. This increase will enable the company to issue additional shares in the ordinary course of business without breaching the current limit of 200 000 000.

Special resolution number 5

Amendment to the MOI

"RESOLVED THAT, subject to the approval of special resolution number 5, article 7.1 of the Memorandum of Incorporation of the Company be amended by the replacement of the number and words "200 000 000 (two hundred million) ordinary no par value shares" with the number and words "500 000 000 (five hundred million) ordinary no par value shares".

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Reason for and effect of special resolution number 6

The reason for special resolution number 6 is to obtain approval from the shareholders of the Company for the amendment to the MOI of the Company to give effect to the change in authorised share capital recorded in special resolution number 5 above.

18. Ordinary resolution number 13

Directors' authority to sign documentation

"It is resolved as an ordinary resolution that any director of the company and/or the company secretary be and hereby is authorised to sign any documents and to take any steps as may be necessary or expedient to give effect to all ordinary and special resolutions passed at this meeting."

Voting procedures and electronic participation

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote, irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote shall be entitled to one vote for every share held or represented by that shareholder. On a poll taken at any such meeting the shareholder entitled to more than one vote need not, if he votes, use all of his votes, or cast all the votes he uses in the same way:

- to furnish the company with his voting instructions; or
- in the event that he wishes to attend the AGM, to obtain the necessary letter of representation to do so.

The directors have not made any provision for electronic voting at the AGM.

Litigation
The directors are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), which may have or have had, in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Material change
Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the financial or trading position of the group since the company's financial year-end and the signature date of this integrated annual report.

Quorum
A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present or represented by proxy (and if the shareholder is a corporate body, the representative of the body corporate) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited (15 Biermann Avenue, Rosebank, 2196), for the purposes of being entitled to attend, participate in and vote at the annual general meeting is 4 August 2017.

Threshold for resolution approval
For ordinary resolutions, with the exception of ordinary resolution number 9 as detailed above, to be approved by shareholders, each resolution must be supported by more than 50% of the voting rights exercised on the resolution concerned.

For special resolutions and ordinary resolution number 9 to be approved by shareholders, each resolution must be supported at least 75% of the voting rights exercised on the resolution concerned.

Proxies

A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend, participate in and vote at the AGM in the place of the shareholder. A proxy need not also be a shareholder of the company.

Shareholders on the company share register who have dematerialised their ordinary shares through STRATE, other than those whose shareholding is recorded in their "own name" in the sub-register maintained by their CSDP, and who wish to attend the AGM in person, will need to request their CSDP or broker to provide them with the necessary authority to do so in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend and vote at the AGM, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that forms of proxy be forwarded so as to reach the transfer secretaries at least 48 hours prior to the AGM, alternatively proxies may be presented prior to the commencement of the AGM. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration and who are entitled to attend and vote at the AGM do not deliver forms of proxy to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the ordinary and special resolutions at the AGM be entitled to lodge forms of proxy in respect of the AGM, in accordance with the instructions therein with the chairman of the AGM.

By order of the board

E Dube
Chief executive officer

6 July 2017

General information

Country of incorporation and country of domicile	Republic of South Africa
Headquarters	Sandton, South Africa
Registration number	1997/020641/06
JSE code	VUN
ISIN	ZAE000163382
Primary listing	AltX on the JSE
Listing date	27 November 2007
Shares in issue at 28 February 2017	161 296 081
Business address and registered office	Vunani House Vunani Office Park 151 Katherine Street Sandown Sandton
Postal address	PO Box 652419 Benmore 2010
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue Rosebank Johannesburg 2196
Designated advisor	Grindrod Bank Limited
Website	www.vunanilimited.co.za
Telephone	+27 11 263 9500

Definitions

Financial and other definitions

Financial

Basic earnings per share ("EPS") (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares.
Diluted basic earnings per share (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments.
Diluted headline earnings per share (cents)	Headline earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares, adjusted for the potential dilutive ordinary shares resulting from share-based payments.
Dividends per share (cents)	Total dividends paid to ordinary shareholders divided by the number of ordinary shares issued.
Headline earnings	Determined in terms of the circular issued by the South African Institute of Chartered Accountants at the request of the JSE, by excluding from reported earnings specific separately identifiable re-measurements net of related tax and non-controlling interests.
Headline earnings per share ("HEPS") (cents)	Headline earnings divided by the weighted number of ordinary shares.
Net asset value per share (cents)	Equity attributable to equity holders of Vunani Limited, divided by the total shares in issue, including treasury shares.
Return on equity (%)	Net income after tax attributable to equity holders of Vunani divided by equity attributable to equity holders of Vunani Limited.
Return on investment (%)	Net income after tax attributable to the investment divided by the cost (equity and loans) of the investment.
Shares in issue (number)	The number of ordinary shares in issue as listed by the JSE.
Tangible net asset value per share (cents)	Equity attributable to equity holders of Vunani Limited, excluding goodwill and intangible assets divided by the total shares in issue, including treasury shares.
Weighted average number of shares (number)	The number of shares in issue at the beginning of a period, adjusted for shares cancelled, bought back, or issued during the period, multiplied by a time-weighting factor.

Subsidiaries and associates

Alliance	Alliance Capital Limited
Black Wattle	Black Wattle Colliery Proprietary Limited
Fairheads	Fairheads International Holdings Proprietary Limited
Mandlalux	Mandlalux Proprietary Limited
Mandlamart	Mandlamart Proprietary Limited
Purpose Vunani	Purpose Vunani Asset Management (Private) Limited
Vunani	Vunani Limited and its subsidiaries
Vunani Capital	Vunani Capital Proprietary Limited
Vunani Capital Markets	Vunani Capital Markets Proprietary Limited
Vunani Fund Managers	Vunani Fund Managers Proprietary Limited
Vunani Private Clients	Vunani Private Clients Proprietary Limited
Vunani Mion Properties	Vunani Mion Properties Proprietary Limited
Vunani Property Asset Management or **VPAM**	Vunani Property Asset Management Proprietary Limited
VProp714	VProp714 Proprietary Limited
Vunani Resources	Vunani Resources Proprietary Limited
Vunani Securities	Vunani Securities Proprietary Limited
Vunani Limited	A company incorporated in the Republic of South Africa, registration number 1997/020641/06 JSE code: VUN ISIN: ZAE000163382 Listed on AltX on the JSE

Other definitions

AltX	The AltX (Alternative Exchange) is the JSE's board for small- and medium-sized companies in South Africa. Established in 2003, AltX provides smaller companies not yet able to list on the JSE Main Board with a clear growth path and access to capital.
Black	African, Coloured, Indian and South African Chinese people (who fall within the ambit of the definition of black people in the relevant legislation as determined by court ruling).
Broad-Based Black Economic Empowerment	Socio-economic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
Companies Act	The Companies Act of 2008
CPI (%)	A South African ind*ex* of prices used to measure the change in the cost of basic goods and services.
International Reporting Standards (IFRS)	International Reporting Standards issued by the International Accounting Standards Board (IASB).
The board	Vunani Limited's board directors
The group	Vunani Limited and its subsidiaries
The company	Vunani Limited and its subsidiaries
Special purpose vehicle	An entity created to accomplish a narrow and well-defined objective.

Acronyms and abbreviations

A	
AGM	Annual general meeting
AUA	Assets under administration
AUM	Assets under management
B	
BBBEE or BEE	Broad-Based Black Economic Empowerment
bps	Basis points
C	
CEO	Chief executive officer
CFA	Chartered Financial Analyst
CFD	Contract for difference
CFO	Chief financial officer
CPI	Consumer price index
D	
DBSA	Development Bank of Southern Africa
E	
EBITDA	Earnings before interest, tax depreciation and amortisation
EPS	Earnings per share
ETF	Exchange traded funds
ETN	Exchange traded notes
F	
FSB	The Financial Services Board
FCTR	Foreign currency translation reserve
G	
GAI	Governance Assessment Instrument
GDP	Gross domestic products
H	
HEPS	Headline earnings per share
I	
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors in Southern Africa
<IR> Framework	International Integrated Reporting Framework released by the International Integrated Reporting Council
ISIN	International Securities Identification Number
IT	Information technology
J	
JSE	The JSE Limited, a licensed securities exchange
K	
King III	The King III Report on Corporate Governance in South Africa
KPI	Key performance indicator
L	
LSE	London Stock Exchange
LSM	Living standards measure
M	
M&A	Mergers and acquisitions
MBA	Master of Business Administration
MD	Managing director
MOI	Memorandum of Incorporation
N	
NCI	Non-controlling interest
O	
OCI	Other comprehensive income
P	
PVAM	Purpose Vunani Asset Management
PAT	
Q	
R	
ROE	Return on equity
ROI	Return on investment
S	
SANAS	South African National Accreditation System
SARS	South African Revenue Services
SENS	Stock Exchange News Service
SPV	Special purpose vehicle
T	
The group	Vunani Limited
The company	Vunani Limited
U	
V	
VCF	Vunani Corporate Finance, a division of Vunani Capital
VFM	Vunani Fund Managers
VPAM	Vunani Property Asset Management
VPC	Vunani Private Clients
VSIST	Vunani Share Incentive Scheme Trust
W	
X	
Y	
Z	

Notes

Form of proxy

VUNANI LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
("the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own name registration only.

For use in respect of the annual general meeting to be held at the company's offices, Vunani House, Vunani Office Park, 151 Katherine Street, Sandown, Sandton on Tuesday 8 August 2017 at 11:30.

Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP or broker concerned.

I/We _____ (full names in block letters)

of _____ (address)

Telephone (work) _____ Telephone (home)

being the holder(s) of _____ ordinary shares in the company, appoint (see note 1):

_____ or failing him/her,

_____ or failing him/her,

the chairman of the annual general meeting,

as my/our proxy to act on my/our behalf at the annual general meeting which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of such resolutions, in accordance with the following instructions (see note 2):

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary Resolution number 1 Confirmation of appointment of T Mika as CFO			
Ordinary resolution number 2 Confirmation of MJA Golding as a non-executive director			
Ordinary resolution number 3 Re-election of XP Guma as an independent non-executive director			
Ordinary resolution number 4 Re-election of LI Jacobs as an independent non-executive director and chairman			
Ordinary resolution number 5 Re-election of SN Mthethwa as a non-executive director			
Ordinary resolution number 6 Re-election of GS Nzalo as a member and chairman of the audit and risk committee			
Ordinary resolution number 7 R-election of JR Macey as a member of the audit and risk committee			
Ordinary resolution number 8 Re-election of NS Mazwi as a member of the audit and risk committee			
Ordinary resolution number 9 Re-appointment of KPMG Inc. as the auditor of the company			
Ordinary resolution number 10 General authority to directors to allot and issue authorised but unissued ordinary shares			
Ordinary resolution number 11 General authority to directors to allot and issue ordinary shares for cash			
Ordinary resolution number 12 Approval of remuneration policy (non-binding advisory vote)			
Special resolution number 1 Approval of remuneration payable to non-executive directors			
Special resolution number 2 Repurchase of company shares			
Special resolution number 3 Financial assistance			
Special resolution number 4 Increase of authorised share capital			
Special resolution number 5 Amendment to the MOI			
Ordinary resolution number 13 Directors' authority to sign documents			

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak, and on a poll, vote in place of that shareholder at the annual general meeting.

Signed at _____ on _____ 2017

Signature(s) _____

Capacity _____

Please read the notes and summary on the reverse side hereof.

Notes to the form of proxy

Notes

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how he wishes his votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of ordinary shares than he owns in the company, he should insert the number of ordinary shares held in respect of which he wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of all the member's votes exercisable at the annual general meeting. A member is not obliged to exercise all of his votes, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to so do.
4. The chairman of the annual general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholders and the CSDP or broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the company or waived by the chairman of the annual general meeting.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the company.
9. Where there are joint holders of shares:
   - any one holder may sign this form of proxy; and
   - the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the company's register of members, will be accepted.
10. To be valid, the completed forms of proxy must either: (a) be lodged so as to reach the transfer secretaries by no later than the relevant time or (b) be lodged with the chairman of the annual general meeting prior to the annual general meeting so as to reach the chairman by no later than immediately prior to the commencement of voting on the ordinary and special resolutions to be tabled at the annual general meeting.
11. The proxy appointment is revocable by the shareholders giving written notice of the cancellation to the company prior to the annual general meeting or any adjournment thereof. The revocation of the proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholders as of the later of: (i) the date stated in the written notice, if any or (ii) the date on which the written notice was delivered as aforesaid.
12. If the instrument appointing a proxy or proxies has been delivered to the company, any notice that is required by the Companies Act or the memorandum of incorporation to be delivered by the company to shareholders must (as long as the proxy appointment remains in effect) be delivered by the company to: (i) the shareholder or (ii) the proxy or proxies of the shareholder has directed the company to do so, in writing and pay it any reasonable fee charged by the company for doing so.

Summary of the rights

Established in terms of section 58 of the Companies Act

For purposes of this summary, "shareholder" shall have the meaning ascribed thereto in the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to an decision contemplated in section 60 of the Companies Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Companies Act or expires earlier as contemplated in section 58(8)(d) of the Companies Act.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise:
   a. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
   b. a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   c. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation, or the instrument appointing the proxy provides otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supply a form of instrument for appointing a proxy:
   a. such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
   b. the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Companies Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
   c. the company must not require that the proxy appointment be made irrevocable; and
   d. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

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