

VUNANI

LIMITED

**UNAUDITED CONDENSED
CONSOLIDATED
INTERIM RESULTS**

for the 6 months period ended 31 August 2018

The Unaudited Condensed Consolidated Interim Results have been prepared under the supervision of the Chief Financial Officer, Tafadzwa Mika CA(SA).

SALIENT FEATURES

REVENUE FROM
CONTINUING
OPERATIONS OF
R233.7 million

compared to R160.1 million at
31 August 2017

RESULTS FROM
OPERATING
ACTIVITIES OF
R40.0 million

compared to R22.3 million at
31 August 2017

BASIC EARNINGS
PER SHARE OF
15.7c

compared to 8.5c at 31 August 2017

Condensed consolidated statement of comprehensive income

for the 6 months period ended 31 August 2018

| Figures in R'000 | Note | Unaudited 31 August 2018 | Unaudited 31 August 2017 |
|--|------|--------------------------------|--------------------------------|
| Continuing operations | | | |
| Revenue | 1 | 233 677 | 160 115 |
| Other income | | 501 | 1 780 |
| Investment revenue | | 8 317 | 811 |
| Interest received from investments | | 79 | 38 |
| Fair value adjustments and impairments | 2 | (3 648) | 6 590 |
| Equity-accounted earnings (net of income tax) | | (127) | 620 |
| Operating expenses | | (198 750) | (147 644) |
| Results from operating activities | | 40 049 | 22 310 |
| Finance income | | 2 155 | 1 906 |
| Finance costs | | (4 415) | (5 940) |
| Net finance costs | | (2 260) | (4 034) |
| Profit before income tax | | 37 789 | 18 276 |
| Income tax expense | | (8 594) | (2 611) |
| Profit from continuing operations | | 29 195 | 15 665 |
| Discontinued operations | | | |
| Profit from discontinued operations (net of income tax) | | – | 516 |
| Profit for the period | | 29 195 | 16 181 |
| Other comprehensive income | | | |
| Items that are or may be reclassified to profit or loss | | | |
| Exchange differences on translating foreign operations | | 2 236 | (339) |
| Total comprehensive income for the period | | 31 431 | 15 842 |
| Profit from continuing operations attributable to: | | | |
| Equity holders of Vunani Limited | | 25 179 | 12 775 |
| Non-controlling interest | | 4 016 | 2 890 |
| | | 29 195 | 15 665 |
| Profit for the period attributable to: | | | |
| Equity holders of Vunani Limited | | 25 179 | 13 291 |
| Non-controlling interest | | 4 016 | 2 890 |
| | | 29 195 | 16 181 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of Vunani Limited | | 26 576 | 13 084 |
| Non-controlling interest | | 4 855 | 2 758 |
| | | 31 431 | 15 842 |
| Basic and diluted earnings per share (cents) | | | |
| | | 15.7 | 8.5 |
| Basic and diluted earnings per share from continuing operations (cents) | | 15.7 | 8.2 |
| Basic and diluted earnings per share from discontinued operations (cents) | | – | 0.3 |
| Basic and diluted headline earnings per share (cents) | | | |
| | 3 | 15.7 | 7.8 |
| Basic and diluted headline earnings per share from continuing operations (cents) | | 15.7 | 8.2 |
| Basic and diluted headline loss per share from discontinued operations (cents) | | – | (0.4) |

Condensed consolidated statement of financial position

at 31 August 2018

| Figures in R'000 | Note | 6 months Unaudited 31 August 2018 | 12 months Audited 28 February 2018 |
|---|------|--|---|
| Assets | | | |
| Property, plant and equipment | | 11 618 | 10 404 |
| Goodwill | | 139 766 | 139 766 |
| Intangible assets | | 81 776 | 87 388 |
| Investments in and loans to associates | | 77 281 | 75 495 |
| Other investments | 4 | 36 835 | 50 720 |
| Deferred tax asset | | 44 649 | 47 010 |
| Other non-current assets | | 54 127 | 54 127 |
| Total non-current assets | | 446 052 | 464 910 |
| Other investments | 4 | 1 071 | 575 |
| Taxation prepaid | | 2 303 | 1 462 |
| Trade and other receivables | | 76 582 | 73 680 |
| Accounts receivable from trading activities | | 117 518 | 689 510 |
| Trading securities | | 205 | 435 |
| Cash and cash equivalents | | 55 705 | 51 584 |
| Total current assets | | 253 384 | 817 246 |
| Total assets | | 699 436 | 1 282 156 |
| Equity | | | |
| Stated capital | 5 | 706 572 | 706 572 |
| Treasury shares | | (23 519) | (14 842) |
| Share-based payments reserve | | 22 937 | 21 646 |
| Foreign currency translation reserve | | (1 708) | (3 105) |
| Accumulated loss | | (292 313) | (310 368) |
| Equity attributable to equity holders of Vunani Limited | | 411 969 | 399 903 |
| Non-controlling interest | | 3 450 | (566) |
| Total equity | | 415 419 | 399 337 |
| Liabilities | | | |
| Other financial liabilities | 4 | 58 184 | 64 062 |
| Deferred tax liabilities | | 23 507 | 25 955 |
| Total non-current liabilities | | 81 691 | 90 017 |
| Other financial liabilities | 4 | 31 687 | 34 667 |
| Taxation payable | | 7 081 | 8 006 |
| Trade and other payables | | 44 588 | 60 022 |
| Accounts payable from trading activities | | 117 384 | 687 659 |
| Trading securities | | 118 | 86 |
| Bank overdraft | | 1 468 | 2 362 |
| Current liabilities | | 202 326 | 792 802 |
| Total liabilities | | 284 017 | 882 819 |
| Total equity and liabilities | | 699 436 | 1 282 156 |
| Shares in issue (000s) | 5 | 164 897 | 164 897 |
| Net asset value per share (cents) | | 249.8 | 242.5 |
| Net tangible asset value per share (cents) | | 115.5 | 104.8 |

Net asset value per share (cents)

Equity attributable to equity holders of Vunani Limited, divided by the total shares in issue, including treasury shares.

Net tangible 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.

Condensed consolidated statement of changes in equity

for the 6 months period ended 31 August 2018

| Figures in R'000 | | | Share-based | Foreign | Accumulated | Total | Non- | Total |
|--|----------------|-----------------|---------------|----------------|------------------|----------------|--------------|----------------|
| | Stated | Treasury | payment | currency | | attribu- | | |
| | capital | shares | reserve | translation | loss | table | interest | equity |
| Balance as at 28 February 2017 – Audited | 700 022 | (15 915) | 16 100 | (2 521) | (340 886) | 356 800 | (4 021) | 352 779 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 13 291 | 13 291 | 2 890 | 16 181 |
| Other comprehensive income for the period | - | - | - | (207) | - | (207) | (132) | (339) |
| Total comprehensive income for the period | - | - | - | (207) | 13 291 | 13 084 | 2 758 | 15 842 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Share-based payments | - | - | 2 469 | - | - | 2 469 | - | 2 469 |
| Dividends paid | - | - | - | - | (8 241) | (8 241) | (524) | (8 765) |
| Transactions with equity holders | - | - | - | - | (218) | (218) | - | (218) |
| Acquisition of non-controlling interests | - | - | - | - | (106) | (106) | 106 | - |
| Issue of shares | 4 416 | - | - | - | - | 4 416 | - | 4 416 |
| Transfer between reserves | - | 435 | (435) | - | 435 | 435 | - | 435 |
| Total transactions with owners | 4 416 | 435 | 2 034 | - | (8 130) | (1 245) | (418) | (1 663) |
| Balance as at 31 August 2017 – Unaudited | 704 438 | (15 480) | 18 134 | (2 728) | (335 725) | 368 639 | (1 681) | 366 958 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 27 770 | 27 770 | 1 605 | 29 375 |
| Other comprehensive income for the period | - | - | - | (377) | - | (377) | (476) | (853) |
| Total comprehensive income for the period | - | - | - | (377) | 27 770 | 27 393 | 1 129 | 28 522 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Share-based payments | - | - | 3 512 | - | - | 3 512 | - | 3 512 |
| Issue of shares | 2 772 | - | - | - | - | 2 772 | - | 2 772 |
| Acquisition of non-controlling interests | - | - | - | - | (2 413) | (2 413) | - | (2 413) |
| Dividends paid | - | - | - | - | - | - | (14) | (14) |
| Delisted shares | (638) | 638 | - | - | - | - | - | - |
| Total transactions with owners, recorded directly in equity | 2 134 | 638 | 3 512 | - | (2 413) | 3 871 | (14) | 3 857 |
| Balance as at 28 February 2018 – Audited | 706 572 | (14 842) | 21 646 | (3 105) | (310 368) | 399 903 | (566) | 399 337 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 25 179 | 25 179 | 4 016 | 29 195 |
| Other comprehensive income for the period | - | - | - | 1 397 | - | 1 397 | 839 | 2 236 |
| Total comprehensive income for the period | - | - | - | 1 397 | 25 179 | 26 576 | 4 855 | 31 431 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Share-based payments | - | - | 3 844 | - | - | 3 844 | - | 3 844 |
| Transfer of shares to employees | - | 2 118 | (2 118) | - | 2 118 | 2 118 | - | 2 118 |
| Repurchase of own shares <i>in lieu</i> of share swap | - | (10 075) | - | - | - | (10 075) | - | (10 075) |
| Dividends paid | - | - | - | - | (9 677) | (9 677) | (839) | (10 516) |
| Transfer between reserves | - | - | (435) | - | 435 | - | - | - |
| Acquisition of treasury shares | - | (720) | - | - | - | (720) | - | (720) |
| Total transactions with owners, recorded directly in equity | - | (8 677) | 1 291 | - | (7 124) | (14 510) | (839) | (15 349) |
| Balance as at 31 August 2018 – Unaudited | 706 572 | (23 519) | 22 937 | (1 708) | (292 313) | 411 969 | 3 450 | 415 419 |

DIVIDENDS

| Figures in R'000 | Unaudited | Unaudited |
|--|----------------|----------------|
| | 31 August 2018 | 31 August 2017 |
| Ordinary dividend paid | | |
| Ordinary dividend number 4 of 6.2 cents per share (net of treasury shares held) paid to shareholders on 30 July 2018 (2017: 5.2 cents) | 9 677 | 8 241 |
| | 9 677 | 8 241 |

Condensed consolidated statement of cash flows

for the 6 months period ended 31 August 2018

| Figures in R'000 | Note | 6 months Unaudited 31 August 2018 | 12 months Audited 28 February 2018 | 6 months Unaudited 31 August 2017 |
|--|------|--|---|--|
| Cash flows from operating activities | | | | |
| Net cash generated/(utilised) by operating activities | 6 | 30 180 | 28 488 | (4 944) |
| Investment revenue received | | 8 317 | 5 421 | 811 |
| Finance income received | | 2 155 | 3 592 | 1 906 |
| Finance costs paid | | (3 246) | (9 627) | (3 904) |
| Dividends paid to shareholders | | (9 677) | (8 241) | (8 241) |
| Dividends paid to non-controlling interest | | (839) | (538) | (524) |
| Income tax paid | | (8 338) | (12 214) | (3 859) |
| Net cash generated/(utilised) by operating activities | | 18 552 | 6 881 | (18 755) |
| Cash flows from investing activities | | | | |
| Proceeds on disposal of discontinued operations | | – | 1 500 | 1 050 |
| Acquisition of property, plant and equipment | | (1 524) | (4 245) | (1 212) |
| Dividends received from associates | | – | 741 | – |
| Proceeds from repayment of loans to associates | | – | 1 186 | 936 |
| Increase in investment and loans to associates | | (1 152) | (7 592) | (213) |
| Proceeds from repayment of loans in other non-current assets | | – | 1 712 | 1 712 |
| Acquisition of other investments | | (185) | (2 590) | (2 000) |
| Proceeds on disposal of other investments | | – | 10 292 | 8 510 |
| Acquisition of treasury shares | | (720) | – | – |
| Net cash (outflow)/inflow from investing activities | | (3 581) | 1 004 | 8 783 |
| Cash flows from financing activities | | | | |
| Proceeds on issues of shares | | – | 2 772 | – |
| Increase in other financial liabilities | | – | 30 305 | 1 024 |
| Repayments of other financial liabilities | | (9 956) | (73 814) | (38 398) |
| Net cash outflow from financing activities | | (9 956) | (40 737) | (37 374) |
| Net increase/(decrease) in cash and cash equivalents | | 5 015 | (32 852) | (47 346) |
| Cash and cash equivalents at the beginning of the period | | 49 222 | 82 074 | 82 074 |
| Total cash and cash equivalents at end of the period | | 54 237 | 49 222 | 34 728 |

Segmental reporting

for the 6 months period ended 31 August 2018

The fund management and other investments segments are geographically located in South Africa and, on a smaller scale, in Zimbabwe and Malawi. The institutional securities broking, advisory services and asset administration segments are geographically located in South Africa.

| Figures in R'000 | Reportable segment | | | |
|--------------------------------|---|--|---|--|
| | Revenue Unaudited 31 August 2018 | profit/(loss) after tax Unaudited 31 August 2018 | Total assets Unaudited 31 August 2018 | Total liabilities Unaudited 31 August 2018 |
| Continuing operations | | | | |
| Fund management | 37 880 | 2 208 | 72 328 | (17 134) |
| Asset administration | 62 484 | 5 795 | 233 208 | (98 140) |
| Investment banking | 11 730 | 7 772 | 7 388 | (1 886) |
| | | | | |
| | | | | |
| | | | | |
| Private equity | 93 757 | 13 658 | 71 071 | (14 648) |
| | 5 136 | 4 168 | 174 712 | (20 888) |
| | 233 677 | 29 195 | 699 436 | (284 017) |
| Discontinued operations | | | | |
| Private wealth and investments | - | - | - | - |
| Total | 233 677 | 29 195 | 699 436 | (284 017) |

| Figures in R'000 | Reportable segment | | | |
|--------------------------------|---|--|---|--|
| | Revenue Unaudited 31 August 2017 | profit/(loss) after tax Unaudited 31 August 2017 | Total assets Unaudited 31 August 2017 | Total liabilities Unaudited 31 August 2017 |
| Continuing operations | | | | |
| Fund management | 31 964 | 1 469 | 64 012 | (15 920) |
| Asset administration | 60 892 | 4 651 | 234 713 | (115 215) |
| Investment banking | 2 396 | (141) | 2 644 | (794) |
| | | | | |
| | | | | |
| | | | | |
| Private equity* | 35 064 | 6 172 | 85 399 | (9 002) |
| | 3 536 | 4 992 | 140 990 | (22 451) |
| | 160 115 | 15 665 | 828 174 | (461 385) |
| Discontinued operations | | | | |
| Private wealth and investments | 1 296 | 516 | 1 271 | (1 102) |
| Total | 161 411 | 16 181 | 829 445 | (462 487) |

* In the prior year, the Private equity segment was refined into two segments namely Mining and Other investments as a result of the increased mining processing activities. Comparative figures have been re-presented to effect the impact of the change.

Notes to the condensed consolidated interim financial statements

(all figures in R'000)

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The unaudited condensed consolidated interim financial statements have been presented on the historical cost basis, except for other investments and certain other financial liabilities, which are fair valued. These unaudited condensed consolidated interim financial statements are presented in South African Rand, rounded to the nearest thousand, which is the group's presentation currency.

The unaudited condensed consolidated interim financial statements of the group at and for the period ended 31 August 2018 comprise the company and its subsidiaries (the 'group') and the group's interests in associates. Results of subsidiaries and associates are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

NOTES

1. Revenue

Revenue includes trading revenue and fees earned from advisory services, brokerage, fund management, asset administration and mining revenue.

2. Fair value adjustments and impairments

| Figures in R'000 | Unaudited 31 August 2018 | Unaudited 31 August 2017 |
|--|--------------------------------|--------------------------------|
| Fair value adjustments on financial assets and liabilities designated at fair value through profit or loss | (3 648) | 6 590 |
| | (3 648) | 6 590 |

3. Reconciliation of headline earnings for the period

| Figures in R'000 | Unaudited 31 August 2018 | Unaudited 31 August 2017 |
|--|--------------------------------|--------------------------------|
| Profit for the period attributable to equity holders of Vunani | 25 179 | 13 291 |
| Adjusted for: | | |
| Discontinued operations | | |
| Profit on disposal of discontinued operations | - | (1 500) |
| Taxation | - | 336 |
| | 25 179 | 12 127 |
| Headline earnings per share (cents) | 15.7 | 7.8 |
| Basic and diluted headline earnings per share from continuing operations | 15.7 | 8.2 |
| Basic and diluted headline loss per share from discontinued operations | - | (0.4) |

4. Other investments and other financial liabilities

Unlisted investments are fair valued annually by the directors. Listed investment prices are determined with reference to the share price at period-end.

Both listed and unlisted investments are designated at fair value through profit or loss. Financial liabilities are either accounted for at amortised cost or designated at fair value through profit or loss. The group designates certain financial liabilities at fair value through profit or loss upon initial recognition.

Ring-fenced special purpose 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*.

For additional information on the fair values of other investments and other financial liabilities, please refer to note 7 of these financial results.

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

5. Authorised and issued stated capital

The authorised stated capital at 31 August 2018 was 500 million ordinary shares of no par value (2017: 500 million ordinary shares of no par value). 164 896 942 shares were in issue at 31 August 2018 (2017: 164 055 728).

| | Unaudited 31 August 2018 | Audited 28 February 2018 | Unaudited 31 August 2017 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Weighted average number of ordinary shares (000s) | | | |
| Issued ordinary shares at the beginning of the period | 164 897 | 161 296 | 161 296 |
| Effect of share issue | – | 1 899 | 318 |
| Effect of own shares held | (4 605) | (5 219) | (5 567) |
| Weighted average number of shares in issue during the period | 160 292 | 157 976 | 156 047 |
| Number of shares in issue at the end of the period (000s) | 164 897 | 164 897 | 164 056 |
| Dilutive weighted average number of ordinary shares (000s) | | | |
| Issued ordinary shares at the beginning of the period | 164 897 | 161 296 | 161 296 |
| Effect of share issue | – | 1 899 | 318 |
| Effect of own shares held | (4 605) | (5 219) | (5 567) |
| Effect of dilutive shares | 3 281 | 2 061 | 1 080 |
| Diluted weighted average number of shares in issue during the period | 163 573 | 160 037 | 157 127 |
| Number of shares in issue at the end of the period (000s) | 164 897 | 164 897 | 164 056 |

The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. In the current period, the employee shares have a dilutive effect. The impact of the potential dilutive shares is immaterial.

6. Net cash utilised by operating activities

| | 6 months Unaudited 31 August 2018 | 12 months Audited 28 February 2018 | 6 months Unaudited 31 August 2017 |
|--|--|---|--|
| Figures in R'000 | | | |
| Profit before income tax expense from continuing operations | 37 789 | 53 964 | 18 276 |
| (Loss)/profit before income tax expense from discontinued operations | – | (1 269) | 516 |
| Adjusted for: | | | |
| Depreciation of property, plant and equipment | 1 650 | 3 722 | 1 603 |
| Profit on disposal of discontinued operations | – | (1 500) | (1 500) |
| Equity-accounted earnings (net of income tax) | 127 | 10 823 | (620) |
| Fair value adjustments and impairments | 3 648 | (41 242) | (6 590) |
| Movement in impairment allowance | – | 369 | – |
| Amortisation of intangible assets | 5 612 | 11 224 | 5 612 |
| Share-based payments expense | 4 279 | 5 981 | 2 034 |
| Foreign currency translation loss | (225) | 362 | 30 |
| Lease straight-line adjustment | (21) | (432) | (124) |
| Interest received from investments and finance income | (2 234) | (3 729) | (1 944) |
| Investment revenue | (8 317) | (5 421) | (811) |
| Finance costs | 4 415 | 11 055 | 5 940 |
| Changes in working capital: | | | |
| Decrease/(increase) in trading securities | 262 | (2 100) | (2 107) |
| Increase in trade and other receivables | (2 902) | (22 080) | (11 830) |
| (Decrease)/increase in trade and other payables | (16 892) | 5 523 | (18 878) |
| Decrease in accounts receivable and payable from trading activities | 2 989 | 3 238 | 5 449 |
| Cash generated/(utilised) by operating activities | 30 180 | 28 488 | (4 944) |

7. Financial instruments carried at fair value

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.

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.

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 valuation techniques. These valuation techniques include reference to the value of the assets of the underlying business, earnings multiples (e.g. unlisted investments), discounted cash flow analysis (e.g. unlisted investments, loans and advances) and various option pricing models.

Inputs typically used in valuation techniques for loans and advances, other investments, investments in associates and other financial liabilities include discount rates, expected future cash flows, dividend yields, earnings multiples, volatility, equity prices and commodity prices.

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 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.

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 period.

| Fair values Figures in R'000 | Unaudited 31 August 2018 | | Audited 28 February 2018 | |
|--|--------------------------------|-----------------|--------------------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets measured at fair value | | | | |
| Designated at fair value through profit or loss on initial recognition | 88 351 | 88 351 | 101 739 | 101 739 |
| Trading securities | 205 | 205 | 435 | 435 |
| Financial assets not measured at fair value | | | | |
| Loans to associates | 29 289 | 23 339 | 27 387 | 21 949 |
| Loans in other non-current assets | 3 682 | 3 928 | 3 683 | 3 909 |
| | 121 527 | 115 823 | 133 244 | 128 032 |
| Financial liabilities measured at fair value | | | | |
| Designated at fair value through profit or loss on initial recognition | (5 084) | (5 084) | (5 084) | (5 084) |
| Trading securities | (118) | (118) | (86) | (86) |
| Financial liabilities not measured at fair value | | | | |
| Other financial liabilities | (84 787) | (82 634) | (93 645) | (94 016) |
| | (89 989) | (87 836) | (98 815) | (99 186) |
| Total | 31 538 | 27 987 | 34 429 | 28 846 |

The carrying amounts of cash and cash equivalents, accounts receivable from trading activities, trade and other receivables, bank overdraft, accounts payable from trading activities and trade and other payables reasonably approximate their fair values, due to their short-term nature.

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 the 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).

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

7. Financial instruments carried at fair value (continued)

Unaudited 31 August 2018

| Figures in R'000 | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|----------|----------|
| Financial assets designated at fair value through profit or loss | 16 455 | – | 71 896 | 88 351 |
| Financial assets measured at fair value | 205 | – | – | 205 |
| Financial assets at amortised cost | – | – | 27 267 | 27 267 |
| Financial liabilities designated at fair value through profit or loss | (118) | – | (5 084) | (5 202) |
| Financial liabilities at amortised cost | – | – | (82 634) | (82 634) |
| | 16 542 | – | 11 445 | 27 987 |

| Audited 28 February 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|----------|----------|
| Financial assets designated at fair value through profit or loss | 19 951 | – | 81 788 | 101 739 |
| Financial assets measured at fair value | 435 | – | – | 435 |
| Financial assets at amortised cost | – | – | 25 858 | 25 858 |
| Financial liabilities designated at fair value through profit or loss | (86) | – | (5 084) | (5 170) |
| Financial liabilities at amortised cost | – | – | (94 016) | (94 016) |
| | 20 300 | – | 8 546 | 28 846 |

| Figures in R'000 | Unaudited 31 August 2018 | Audited 28 February 2018 |
|---|--------------------------------|--------------------------------|
| Level 3 comprises: | | |
| Balance at beginning of period | 76 704 | 28 000 |
| Total gains or losses in profit or loss (disclosed in fair value adjustments and impairments) | – | 40 536 |
| Purchases, transfers, sales, issues and settlements | (9 892) | 8 168 |
| Balance at end of the period | 66 812 | 76 704 |

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 | Unaudited 31 August 2018 | Audited 28 February 2018 |
|--|--------------------------------|--------------------------------|
| Net asset value | | |
| 10% increase | 1 417 | 1 399 |
| 10% decrease | (1 326) | (1 308) |
| Free cash flow | | |
| 10% increase | (492) | (2 182) |
| 10% decrease | 492 | 167 |
| Foreign exchange movement | | |
| 10% increase | 8 | 868 |
| 10% decrease | (8) | (868) |

8. Events after reporting date

There have been no material events between the period end and the date of the signing of the results.

9. Dividends

Ordinary dividend

A dividend of 6.2 cents (4.9 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 30 July 2018. Total cash of R9.7 million (net of treasury shares held) was paid to ordinary shareholders.

10. Going concern

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 the businesses will not continue as going concerns for the foreseeable future.

Overview and prospects

Business conditions proved to be challenging over the reporting period as the South African economy officially slipped into recession in the second quarter of the calendar year. US-led global trade wars amidst rising interest rates, culminated in a general risk-off stance by investors. That put emerging market currencies under severe pressure. The Rand weakened by more than 24% and 15%, against the US dollar and on a nominal and a trade weighted basis over the reporting period, respectively. International energy prices also continued to rise. While Vunani benefited from higher coal prices, significant increases in domestic fuel prices had a detrimental effect on business conditions in general. Moreover, elevated levels of uncertainty amidst weak economic growth and the run-up to the 2019 national elections, further dampened interest and activity in the domestic financial markets. A concomitant mediocre performance by the domestic equity market as reflected by the JSE All Share Index's mere 0.6% growth, limited growth in domestic financial asset values and as such, also detrimentally affected performance in Vunani's related businesses.

Despite difficult market conditions, Vunani performed considerably well for the 6-month period to 31 August 2018.

Vunani generated total comprehensive income for the period of R31.4 million (2017: R15.8 million), while total comprehensive income attributable to equity holders of the company amounted to R26.6 million (2017: R13.1 million).

The group's reportable segments are as follows:

- Fund management
- Asset administration
- Investment banking
 - Advisory services
 - Institutional securities broking
- Private equity
 - Other investments
 - Mining

Fund management

The fund management segment includes the group's investments in Vunani Fund Managers Proprietary Limited ("VFM"), Purpose Vunani Asset Management (Private) Limited ("PVAM") and Alliance Capital Limited ("Alliance"). The segment reported revenue of R37.9 million for the period (2017: R32.0 million), which is an increase of 19%. The reportable segment profit amounted to R2.2 million for the period compared to a profit of R1.5 million at 31 August 2017.

VFM's performance and profitability improved during the period because of an increase in assets under management and higher performance fees earned. VFM's assets under management increased from R20.9 billion at 28 February 2018 to R25.5 billion at 31 August 2018. This 22% increase in assets under management will add to the profitability of VFM going forward.

PVAM's profitability decreased during the period due to the ongoing challenging economic conditions in Zimbabwe, as well as the build up to the local elections, which were held in July. PVAM's assets under management increased to \$25.9 million at 31 August 2018 from \$24.2 million at 28 February 2018. The increase in assets under management and diversification of product offering is key in improving the profitability of PVAM.

Alliance, a 45% owned Malawian based asset management business had a tough start to the year. Alliance contributed negative R0.3 million equity accounted earnings to the group for the period. Alliance assets under management increased to MWK17.7 billion at 31 August 2018, up from MWK16.9 billion at 28 February 2018.

Asset administration

The asset administration segment includes the group's investment in Fairheads Beneficiary Services Proprietary Limited ("Fairheads"). Fairheads is making good progress in increasing its assets under administration, which amounted to R6.5 billion at 31 August 2018 from R6.2 billion at 28 February 2018. The segment contributed R5.8 million to the group's results for the period ended 31 August 2018, compared to R4.7 million in the prior period.

Advisory services

The segment performance has improved significantly from the prior period as the team finalised several mandates during the period. This has resulted in a 390% increase in revenue earned, from R2.4 million in the prior period, to R11.7 million to 31 August 2018. The segment reported a profit for the period of R7.8 million (2017: loss R0.1 million).

Institutional securities broking

This segment includes equity, derivative and capital market trading services to institutional clients. Revenue decreased by 13% compared to 31 August 2017. The decrease in revenue is due to the decrease in trading volumes in the market. The segment reported a loss for the period of R4.4 million (2017: R1.5 million). Management is currently working on a turnaround strategy to ensure that the segment returns to profitability.

Other investments

The other investments segment holds the group's listed investments, unlisted investments, property investments and certain equity accounted investments that are undertaken with well-capitalised strategic partners. It is the group's strategy to dispose of its listed investments overtime to ensure an optimal use of capital. The group is progressing with its effort to create a property portfolio, which has seen the group identify interesting opportunities. The strategy involves partnering with investors who have experience in the property sector. The segment generated revenue of R5.1 million (2017: R3.5 million) and generated a profit of R4.2 million at 31 August 2018, (2017: R5.0 million).

Mining

The mining segment is focused on coal processing activities. The segment includes Vunani Resources Proprietary Limited ("VR"). The segment revenue of R93.8 million (2017: R35.1 million) was up by 167%. The segment reported a profit of R13.7 million for the period (2017: R6.1 million).

Financial performance

Revenue from continuing operations increased by 46% to R233.7 million (2017: R160.1 million) for the period ended 31 August 2018. The increase is attributable to the increased revenue from the advisory services and mining segments.

Other income decreased by 72% to R0.5 million (2017: R1.8 million) for the period ended 31 August 2018. The decrease is due to once off non-operational revenue earned by the group in the previous period.

Investment income is received in the form of dividends. Total investment income for the current period amounted to R8.3 million as compared to R0.8 million for the period ended 31 August 2017.

Negative **fair value adjustments and impairments** of R3.6 million (2017: positive R6.6 million) relate to a net decrease in the value of the group's listed and unlisted investment portfolio that has been designated at fair value through profit or loss.

Overview and prospects (continued)

Negative **equity-accounted earnings** for the period amounted to R0.1 million (2017: positive R0.6 million). The group's investment in associates had a tough start to the year compared to the prior period.

Operating expenses increased by 34% from R147.6 million to R198.8 million. The increase is attributable to the increase in costs from coal trading. Share based payments expense also increased in the period as a result of additional awards made to staff. The group remains focused on cost containment and monitors spending on an ongoing basis.

Finance income increased to R2.2 million for the period ending 31 August 2018 compared to R1.9 million for the period ended 31 August 2017. **Finance costs** decreased from R5.9 million for the period ended 31 August 2017 to R4.4 million for the period ended 31 August 2018, as result of a decrease in financial liabilities in the group.

The decrease in **other investments** was due to the disposal of a portion of the group's unlisted investment portfolio during the period as well negative fair value adjustments to the other investments.

The increase in **treasury** shares is as a result of a share swap in relation to the disposal of the group's unlisted investments. The group declared a cash dividend of R9.7 million (2017: R8.2 million) in April 2018 which was paid in July 2018. The **share-based payments reserve** movement of R4.2 million is attributable to the current period IFRS 2 charge (2017: charge of R2.0 million).

Prospects

The first six months of the year has seen the group improve its performance when compared to the prior period, despite the tough economic environment. Vunani's executives believe that the improved profitability on the operating businesses is a key strategy to solidify the group as a formidable financial services player and ultimately ensure the long-term success of Vunani. Vunani's staff are critical to the success of these business and the retention of staff is therefore critical in ensuring that the group's vision is achieved. Vunani is cautiously optimistic that it can build on the performance of the first six months of the year to ensure that it can finish the second half of the year on a high note.

FORWARD-LOOKING STATEMENTS AND DIRECTORS' RESPONSIBILITY

Statements made throughout this announcement regarding the future financial performance of Vunani have not been reviewed or audited by the company's external auditors. 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.

The directors take full responsibility for the preparation of the condensed consolidated interim results.

Signed on behalf of the board of directors by E Dube and T Mika on 11 October 2018.

CORPORATE INFORMATION

Executive directors

E Dube (Chief Executive Officer)
T Mika (Chief Financial Officer)
BM Khoza
NM Anderson

Non-executive directors

LI Jacobs – independent chairman
XP Guma – independent
NS Mazwi – independent
G Nzalo – independent
JR Macey – independent
S Mthethwa
M Golding

Company secretary

CIS Company Secretaries Proprietary Limited

Designated adviser

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg
2001

RESULTS PRESENTATION

Vunani will be hosting the interim results presentation by CEO Ethan Dube and CFO Tafadzwa Mika, followed by a question and answer session on Thursday, 11 October 2018, at 09:00 via a web/audio cast. The web/audio cast link is as follows: <http://www.corpcam.com/Vunani11102018>.

VUNANI

LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1997/020641/06)

JSE code: VUN

ISIN: ZAE000163382

Listed on AltX on the JSE Limited ("JSE")

("Vunani" or "the company" or "the group")

www.vunanilimited.co.za