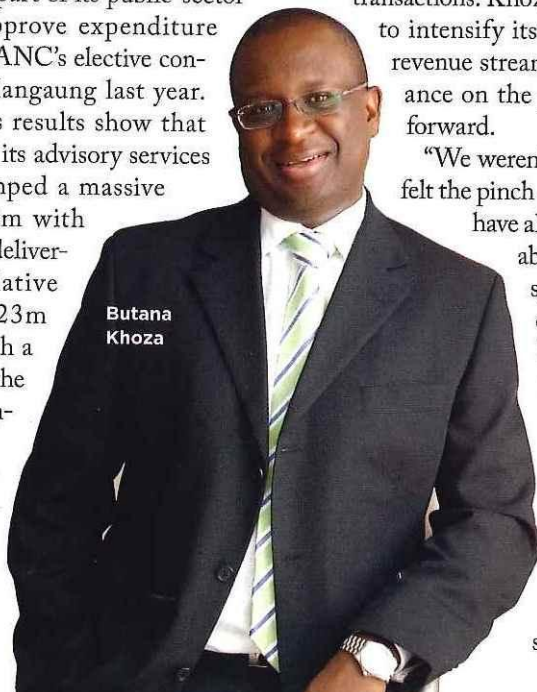


Vunani Ltd feels Mangaung pinch

Vunani Ltd's results for the fiscal year ending 31 December show just how politics can plague business in South Africa.

The diversified financial services group delivered a mere 1% rise in revenue to R107.89m in the period under review. Its corporate finance and transactions advisory operations (listed under 'advisory services' in the results statement) were particularly hard hit due to a reluctance on the part of its public-sector clients to approve expenditure ahead of the ANC's elective conference in Mangaung last year. Vunani Ltd's results show that revenue from its advisory services division slumped a massive 76% to R5.3m with the unit also delivering a cumulative loss of R6.23m compared with a R5.3m profit the previous financial year.

"Our flat revenue was really due to the corporate finance division.



Butana Khoza

Work, particularly from the public sector, was a bit slow," managing director, Butana Khoza, told *Finweek* in a telephone interview. "There was generally a sense of trepidation and reluctance to approve transactions ahead of the Mangaung conference last year. That really hurt us."

Vunani's advisory services arm is heavily reliant on consultancy work to State-owned entities such as Transnet and South African Airways on matters such as bond issuance, restructuring and corporate transactions. Khoza says the firm plans to intensify its efforts to diversify revenue streams to reduce its reliance on the public sector going forward.

"We weren't the only ones who felt the pinch – construction firms have also been complaining about the slow pace of spending from Government," says Khoza. "There's too much red tape involved but our view is that there's a lot of other work out there. It's about diversification."

Two of the divisions that the firm is

pinning its hopes on are asset management and listed property. Vunani's Asset Management unit, which operates under the banner of Vunani Fund Managers, has managed to grow the value of the funds it oversees by 69% to R11.8bn since it was acquired from Peregrine almost two years ago. The bulk of the firm's assets under management are from institutional clients but it aims to grow its retail deposits as well.

"Asset management is a strong pillar for us and we think it's going to be a big business in years to come," says Khoza.

Vunani Ltd also has big plans for its separately listed Vunani Property Investment Fund, whose commercial office portfolio is currently about R1.3bn in size. Khoza says the firm aims to grow that to almost R4bn by the end of next year.

"We want to bulk up our property portfolio by up to two to three times over the next 18 months," says Khoza.

The company has also opened a transactions advisory office in Zimbabwe under the auspices of Andrew Murray, himself a citizen of that country. Khoza says there is a lot of scope for Vunani to use its track record in advising on Black Economic Empowerment transactions in its home market to advise on indigenisation efforts in Zimbabwe, particularly to South African clients who are increasingly looking to enter the country now that its economy has stabilised.

"Zimbabwe offers a lot of opportunity but it won't be a substitute for the sort of volumes we do in South Africa," says Khoza. "Our view on the country is more of a long-term one."

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