

REVIEWED
PRELIMINARY
CONDENSED
CONSOLIDATED
RESULTS

FOR THE
YEAR ENDED
31 DECEMBER

2013

VUNANI

LIMITED

Salient features

Results from operating activities after finance costs of R11.7 million at 31 December 2013 compared to R10.8 million in 2012 | Net finance costs down from R47.8 million to R2.8 million | Basic earnings per share of 9.9c per share compared to basic loss per share of 0.2c in 2012 | Net asset value per share increased to 203.5c per share at 31 December 2013 from 191.2 c per share at 31 December 2012 | Declaration of ordinary and special dividends totalling 30 cents per share |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in R'000s	Note	Audited	
		Reviewed	re-presented
		31 Dec 2013	31 Dec 2012
Continuing operations			
Revenue	1	109 958	100 878
Other income		6 265	8 620
Investment revenue		10 469	2 355
Interest received from investments		2 733	22 557
Net profit on disposal of assets		11 169	5 854
Fair value adjustments and impairments	2	18 470	43 786
Operating expenses		(144 608)	(125 437)
Results from operating activities		14 456	58 613
Finance income		2 404	1 007
Finance costs		(5 174)	(48 845)
Net finance cost		(2 770)	(47 838)
Results from operating activities after net finance costs		11 686	10 775
Equity accounted earnings (net of income tax)		(3 438)	17 218
Profit before income tax		8 248	27 993
Income tax expense		(1 553)	(18 640)
Profit from continuing operations		6 695	9 353
Discontinued operations			
Profit from discontinued operations (net of income tax)	8	1 611	2 402
PROFIT FOR THE YEAR		8 306	11 755
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		(897)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7 409	11 755
Profit/(loss) for the year attributable to :			
Equity holders of Vunani Limited		9 869	(216)
Non-controlling interest		(1 563)	11 971
		8 306	11 755
Total comprehensive income for the year attributable to :			
Equity holders of Vunani Limited		9 205	(216)
Non-controlling interest		(1 796)	11 971
		7 409	11 755
Basic and diluted earnings/ (loss) per share (cents)		9.9	(0.2)
Basic and diluted earnings/ (loss) per share from continuing operations (cents)		8.6	(2.1)
Basic and diluted earnings/ (loss) per share from discontinued operations (cents)		1.3	1.9
Basic and diluted headline earnings/(loss) per share (cents)	9	2.5	(11.2)

**REVIEWED PRELIMINARY CONDENSED CONSOLIDATED
RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2013**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

Figures in R'000s	Reviewed Note 31 Dec 2013	Audited 31 Dec 2012
ASSETS		
Plant and equipment	1 934	2 611
Goodwill	34 123	34 123
Intangible assets	2 207	489
Investment property	-	4 000
Investment in and loans to associates	22 425	80 073
Other investments	3 115 317	73 728
Deferred tax asset	40 397	40 917
Other non-current assets	25 358	15 984
Total non-current assets	241 761	251 925
Other investments	3 -	78 513
Non-current assets held for sale	7 2 634	-
Other current assets	1 451	3 994
Taxation prepaid	1 041	254
Trade and other receivables	30 729	25 768
Accounts receivable from trading activities	113 077	199 629
Trading securities	320	1 564
Cash and cash equivalents	42 271	29 378
Total current assets	191 523	339 100
Total assets	433 284	591 025
EQUITY		
Stated capital	4 610 088	610 088
Treasury shares	(15 265)	(14 899)
Share based payment reserve	10 256	5 906
Foreign currency translation reserve	(897)	-
Accumulated loss	(389 709)	(399 578)
Equity attributable to equity holders of Vunani Limited	214 473	201 517
Non-controlling interest	(6 226)	12 794
Total equity	208 247	214 311
LIABILITIES		
Other financial liabilities	3 45 606	60 080
Deferred tax liabilities	4 061	8 610
Total non-current liabilities	49 667	68 690
Other financial liabilities	3 7 869	68 646
Non-current liabilities held for sale	7 2 479	-
Current tax payable	9 896	10 310
Trade and other payables	39 274	25 861
Accounts payable from trading activities	112 941	200 373
Bank overdraft	2 911	2 834
Current liabilities	175 370	308 024
Total liabilities	225 037	376 714
Total equity and liabilities	433 284	591 025
Shares in issue (000s)	4 105 415	105 415
Net asset value per share (cents)	203.5	191.2
Net tangible asset value per share (cents)	169.0	158.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in R'000s	Total attributable to equity holders of	Non- controlling interest	Total equity
Balance as at 31 December 2011 - Audited	198 856	13 842	212 698
Transactions with owners, recorded directly in equity			
Acquisition of non-controlling interest	118	(118)	-
Treasury shares acquired	(623)	-	(623)
Dividend paid	-	(12 901)	(12 901)
Share based payment reserve	3 382	-	3 382
Total transactions with owners	2 877	(13 019)	(10 142)
Total comprehensive income			
Profit/(loss) and total comprehensive income for the year	(216)	11 971	11 755
Balance as at 31 December 2012 - Audited	201 517	12 794	214 311
Transactions with owners, recorded directly in equity			
Acquisition of subsidiaries	-	(2 112)	(2 112)
Acquisition of non-controlling interest	(1 117)	1 117	-
Disposal to non-controlling interest	884	(884)	-
Dividend paid	-	(15 345)	(15 345)
Treasury shares acquired	(366)	-	(366)
Share based payment reserve	4 350	-	4 350
Total transactions with owners	205 268	(4 430)	200 838
Total comprehensive income			
Profit/ (loss) for the year	9 869	(1 563)	8 306
Other comprehensive income for the year	(664)	(233)	(897)
Total comprehensive income for the year	9 205	(1 796)	7 409
Balance as at 31 December 2013 - Reviewed	214 473	(6 226)	208 247

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in R'000s	Reviewed 31 Dec 2013	Audited 31 Dec 2012
Net cash utilised by operating activities	(34 816)	(60 407)
Net cash inflow from investing activities	115 561	200 121
Net cash outflow from financing activities	(67 929)	(130 179)
Net increase in cash and cash equivalents	12 816	9 535
Cash and cash equivalents at the beginning of the year	26 544	17 009
Total cash and cash equivalents at end of year	39 360	26 544

SEGMENTAL REPORTING
FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in R'000s Reviewed 31 December 2013	Reportable segment		
	Revenue	profit/ (loss) after tax	Total assets
	31 Dec 2013	31 Dec 2013	31 Dec 2013
Continuing operations			
Asset management	36 822	992	42 030
Advisory services - South Africa*	5 860	554	10 958
Advisory services - Zimbabwe*	621	(4 655)	190
Investment holdings	-	25 073	195 830
Institutional securities broking **	46 463	7 945	140 140
Private wealth and investments **	7 624	(601)	2 470
Property developments and investments	1 953	1 048	19 205
Group	10 615	(23 661)	19 332
	<u>109 958</u>	<u>6 695</u>	<u>430 155</u>
Discontinued operations			
Properties asset management	8 858	1 611	3 129
	<u>8 858</u>	<u>1 611</u>	<u>3 129</u>
TOTAL	<u>118 816</u>	<u>8 306</u>	<u>433 284</u>
Audited 31 December 2012			
	31 Dec 2012	31 Dec 2012	31 Dec 2012
Continuing operations			
Asset management	25 039	1 248	49 440
Advisory services *	9 283	(6 277)	2 045
Investment holdings	-	3 282	221 071
Securities broking **	48 068	(1 513)	220 449
Property developments & investments	7 864	20 951	89 213
Group	10 624	(8 338)	8 117
	<u>100 878</u>	<u>9 353</u>	<u>590 335</u>
Discontinued operations			
Properties asset management	7 014	2 402	690
	<u>7 014</u>	<u>2 402</u>	<u>690</u>
TOTAL	<u>107 892</u>	<u>11 755</u>	<u>591 025</u>

* The Advisory Services segment was previously named "Investment banking and advisory". The name was amended in 2012. The Zimbabwean operations have been consolidated for the first time during the current year (and hence no comparatives have been presented) and are disclosed separately.

** The Institutional Securities Broking and Private Wealth & Investments segments were previously reported as the Securities Broking segment. In the 2013 year, the Securities Broking segment was split up following the acquisition in the current year of a majority shareholding in Vunani Private Clients Proprietary Limited. The Institutional Securities Broking segment includes the institutional securities broking operations, while the Private Wealth and Investments segment includes the retail securities trading and wealth management operations.

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

BASIS OF PREPARATION

The preliminary condensed consolidated results for the year ended 31 December 2013 have been prepared in accordance with the framework concepts and recognition and measurement principles of International Financial Reporting Standards and Financial Pronouncements as issued by the Financial Reporting Standards Council. The preliminary condensed consolidated results have been presented in accordance with the minimum content, including disclosures, prescribed by IAS 34 Interim Financial Reporting applied to year end reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listing Requirements of the JSE Limited and the requirements of the Companies Act of South Africa.

The accounting policies as set out in the audited financial statements for the year ended 31 December 2012 have been consistently applied. The reviewed preliminary condensed consolidated results have been presented on the historical cost basis, except for other investments, investment property and other financial liabilities, which are fair valued. These preliminary condensed consolidated results are presented in Rands, rounded to the nearest thousand, which is the functional currency of Vunani and the group presentation currency.

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

Comparatives on the statement of comprehensive income have been re-presented to show the effect of the discontinued operation (refer to note 8).

NOTES

1. Revenue

Revenue includes fees earned from advisory services, brokerage, asset management fees, client service fees and proprietary trading revenues.

2. Fair value adjustments and impairments

	Reviewed	Audited
	31 Dec	31 Dec
	2013	2012
	R'000	R'000
Financial assets and liabilities designated as fair value through profit and loss	22 709	42 176
Impairment of other non current assets	(3 576)	-
Impairment of investment in associates	-	(933)
Revaluation of Investment property	(1 400)	-
Impairment of loans to associates	(564)	-
Reversal of impairment of loans to associates	60	2 543
Reversal of impairment of loans to associates on consolidation of associate	1 241	-
	<u>18 470</u>	<u>43 786</u>

3. Other investments and other financial liabilities

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

3. Other investments and other financial liabilities (continued)

Both listed and unlisted investments are designated as fair value through profit and loss. Financial liabilities are either accounted for at amortised cost or designated as fair value through profit and loss. 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*.

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 fair 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 as fair value through profit or loss on initial recognition. Financial liabilities at fair value include capitalised interest and attributable profit participation.

4. Authorised and issued stated capital

The authorised stated capital at 31 December 2013 was 200 million ordinary shares of no par value (2012: 200 million shares of no par value). 105 414 649 shares were in issue throughout the year.

Weighted average number of ordinary shares (000s)	Reviewed	Audited
	31 Dec 2013	Dec 2012
Issued ordinary shares at the beginning of the year	105 415	5 270 732
Effect of share consolidation	-	(5 165 317)
Effect of own shares held	(5 211)	(4 793)
Weighted average number of shares	<u>100 204</u>	<u>100 622</u>
Number of shares in issue at the end of the year (000s)	<u>105 415</u>	<u>105 415</u>

The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. In the current year, the employee shares have no dilutive effect.

5. Impact of new accounting standards

A number of new IFRS standards become applicable to the group in the 2013 financial year. An assessment of the applicability of these standards for Vunani was performed. The requirements of the consolidation suite of standards (IFRS 10, 11 and 12) were assessed and in the assessment, it was determined that the group's investment in Vunani Capital Zimbabwe (Private) Limited ("VCZ") would need to be consolidated. The standards require retrospective application and if the impact of the application is material, prior periods would need to be restated to reflect the impact of application if the impact is material. The impact of the application of the standard has been quantified and is considered immaterial for the prior periods. Consequently, the full impact of consolidating the subsidiary was included in the 2013 preliminary results. The consolidation of the subsidiary resulted in a foreign currency translation reserve of R0.9 million at 31 December 2013.

6. Business acquisitions

On 1 May 2013, Vunani increased its investment in Vunani Private Clients Proprietary Limited ("VPC") from 40% to 51% for a nominal amount. The 40% shareholding was previously held indirectly through Vunani Private Client Holdings Proprietary Limited ("VPCH"), which owned 100% of VPC. VPCH sold 51% of its shareholding in VPC to Vunani and 49% to the non-controlling interests.

The carrying amount of the investment in VPC by VPCH was a nominal amount. R2.1m of the negative acquisition date net asset value of VPC was allocated to the non-controlling interest. Since acquisition, an after tax loss of R0.6m has been included in Vunani's profit or loss. R0.3m of this loss is attributable to non-controlling interests. If the acquisition had taken place at the beginning of the year, an after tax profit of R0.03m would have been included in Vunani's profit or loss. R0.01m of this profit would have been attributable to non-controlling shareholders' interests. A purchase price allocation in terms of IFRS 3 is presented below.

The acquisition resulted in the recognition of intangible assets of R2.2 million at acquisition date. These are attributable to VPC having an existing client base and the ability to secure a number of additional clients through their business activities, which will ensure revenue streams for the future. VPC has significant intellectual capital and top management has over 10 years' experience in the private client management industry. VPC has significant trading platforms in place, which will enable it to service the expected increase in the client base with ease.

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 was based on the net asset value of VPC at acquisition date.

The acquisition date fair values of the net assets in terms of the business combination are presented below:

	Reviewed 31 Dec 2013
	VPC
	R'000
Net assets acquired	
Property, plant and equipment	254
Intangible assets	2 207
Deferred tax asset	69
Trade and other receivables	2 728
Cash and cash equivalents	124
Other financial liabilities	(1 340)
Trade and other payables	(6 154)
Non-controlling interests	2 112
Cost of investment	-

7. Non-current assets and liabilities held for sale

During the year, the group made a decision to dispose of its investment in Selectria Investments 49 Proprietary Limited ("Selectria") and the business in Vunani Property Asset Management Proprietary Limited ("VPAM"), which fall under the Properties Development and Investments segment and the Properties Asset Management segment respectively. The investment and the assets and liabilities related to the sale of VPAM's business have been presented as a disposal group held for sale. The sale of Selectria is in the process of being finalised, while the sale of VPAM's business was concluded on 28 February 2014. At 31 December 2013 the disposal group consisted of assets of R2.6 million less liabilities of R2.5 million.

7. Non-current assets and liabilities held for sale (continued)

As at 31 December 2013 the non-current assets and liabilities held for sale were detailed as follows:

	Reviewed 31 Dec 2013
Assets classified as held for sale	
Investment property	2 600
Plant and equipment	13
Trade and other receivables	20
Cash and cash equivalents	1
	2 634
Liabilities classified as held for sale	
Other financial liabilities	2 450
Trade and other payables	29
	2 479

8. Discontinued operations

A strategic decision was made in November 2013 to dispose of the group's property asset management business. This culminated in the group disposing of the property management contract that was held in VPAM. As this contract related to a major line of the group's business, the related activities have been presented as a discontinued operation. The comparative for the December 2012 consolidated statement of comprehensive income has been re-presented to disclose the discontinued operation separately from continuing operations.

	Reviewed 31 Dec 2013	Audited 31 Dec 2012
	R'000	R'000
Revenue	8 858	7 014
Operating expenses	(6 190)	(3 692)
Results from operating activities	2 668	3 322
Finance costs	(179)	-
Results from operating activities after net finance costs	2 489	3 322
Equity accounted earnings (net of income tax)	-	-
Profit before income tax	2 489	3 322
Income tax expense	(878)	(920)
Profit from operations	1 611	2 402
Attributable to non-controlling interest	354	528
Attributable to equity holders of Vunani Limited	1 257	1 874
	1 611	2 402
Effect on basic and diluted earnings per share (cents)	1.3	1.9
Effect on basic and diluted headline earnings per share (cents)	1.3	1.9
Cashflows from discontinued operations		
Net cash (utilised)/ generated by operating activities	(1 777)	2 090
Net cash inflow/ (outflow) from investing activities	1 898	(1 755)
Net cash outflow from financing activities	-	(335)
Net cash inflow for the year	121	-

9. Reconciliation of headline earnings/(loss) for the year

	Reviewed 31 Dec 2013	Audited 31 Dec 2012
Total comprehensive income attributable to equity holders of Vunani	9 869	(216)
Adjusted for		
Revaluation of investment property		
Gross revaluation of investment property	1 400	-
Deferred taxation on revaluation	(261)	38
Non-controlling interest	(251)	(8)
Associates		
Gross revaluation of investment property	(1 400)	(10 866)
Deferred taxation on revaluation	261	2 026
Deferred taxation on rate change	-	984
Non-controlling interest	251	1 728
Disposal of plant and equipment		
Loss on disposal	-	53
Capital gains tax	-	(10)
Disposal of subsidiaries		
Profit on disposal	(19)	(5 907)
Taxation	4	-
Disposal of associates		
Profit on disposal	(11 150)	-
Taxation	2 079	-
Non-controlling interest	1 762	-
Associates		
Impairment of cost of investment	-	933
	<u>2 545</u>	<u>(11 245)</u>
Headline earnings/ (loss) per share (cents)	2.5	(11.2)
Basic and diluted headline earnings/(loss) per share from continuing operations	1.2	(13.1)
Basic and diluted headline earnings per share from discontinued operations	1.3	1.9

10. 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 a valuation technique. 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.

10. Financial instruments carried at fair value (continued)

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. Inputs typically used in valuation techniques 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, current and projected net asset values to determine overall reasonability. The valuation technique applied to specific financial instruments depend 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 year.

Fair values	Reviewed 31 Dec 2013		Audited 31 Dec 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Designated as fair value through profit or loss on initial recognition	144 885	144 885	177 722	177 722
Loans and receivables	164 519	164 519	263 395	263 395
Non-current assets held for sale	34	34	-	-
Trading securities	320	320	1 564	1 564
Cash and cash equivalents	42 271	42 271	29 378	29 378
	<u>352 029</u>	<u>352 029</u>	<u>472 059</u>	<u>472 059</u>

Financial liabilities

Designated as fair value through profit or loss on initial recognition	(6 971)	(6 971)	(77 140)	(77 140)
Amortised cost	(198 720)	(198 720)	(275 469)	(275 469)
Non-current liabilities held for sale	(2 479)	(2 479)	-	-
Bank overdraft	(2 911)	(2 911)	(2 834)	(2 834)
	<u>(211 081)</u>	<u>(211 081)</u>	<u>(355 443)</u>	<u>(355 443)</u>

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.

10. Financial instruments carried at fair value (continued)

- 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).

2013	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	80 240	-	64 645	144 885
Financial liabilities designated at fair value through profit or loss	-	-	(6 971)	(6 971)
	80 240	-	57 674	137 914

2012	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	139 217	-	38 505	177 722
Financial liabilities designated at fair value through profit or loss	-	-	(77 140)	(77 140)
	139 217	-	(38 635)	100 582

Level 3 comprises:

	Reviewed 31 Dec 2013	Audited 31 Dec 2012
Balance at beginning of year	(38 635)	(247 686)
Total gains or losses in profit or loss	19 573	(975)
Proceeds from loan, interest and repayments	70 697	(67 302)
Purchases, sales, issues and settlements	6 039	277 328
Balance at end of year	57 674	(38 635)

A change of 10% in the fair value of 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.

	Reviewed 31 Dec 2013	Audited 31 Dec 2012
Effect on profit/(loss) and equity		
10% increase	5 767	(3 864)
10% decrease	(5 767)	3 864

OVERVIEW AND PROSPECTS

Vunani generated total comprehensive income for the year of R7.4 million (2012: R11.8 million). Total comprehensive income attributable to equity holders of the company amounts to R9.2m (2012: loss of R0.2), which is a pleasing result. The results for the 2013 financial year have been presented such that the disposal of the business in VPAM has been reflected as a discontinued operation (refer to note 8). In addition, the group's investment in VCZ was assessed in terms of the requirements of IFRS 10, 11 and 12, which became effective in the current financial year. Based on this assessment, it was determined that the group's investment would need to be consolidated. VCZ's cumulative losses have been consolidated into the group's results in 2013 as a result of this. Please refer to note 5 for further information.

Revenue from continuing operations increased by 9% to R110.0 million (2012: R100.9 million) for the year ended 31 December 2013. Other income comprises

OVERVIEW AND PROSPECTS (CONTINUED)

the amortisation of deferred revenue that arose on the historic acquisition of Black Wattle Colliery Proprietary Limited and directors' fees earned where the group's executive directors serve on investee company boards. Other income has reduced compared to December 2012 as the 2012 value included the reversal of a rental guarantee provision that was provided to Vunani Property Investment Fund Limited ("VPIF") in August 2011 when it listed.

Investment income has increased substantially to an amount of R10.5 million compared to 2012, which reflected an amount of R2.4 million. This increase was a result of dividend declarations by investee companies. Interest received from investments reduced by 88% to R2.7 million following the disposal of the group's investment in VPIF during 2012.

Net profit on disposal of assets amounted to R11.2 million compared to R5.9 million in 2012. Disposals in the current year included the disposal of the group's associate investments in Greenstone Hill Office Park Proprietary Limited ("GHOP"), Lexshell 638 Investments Proprietary Limited ("Lexshell"), Integrated Managed Investments Proprietary Limited ("IMI") and Buttonwood Proprietary Limited ("Buttonwood").

Positive fair value adjustments and impairments of R18.5 million are included in the results (2012: R43.8 million) and relate to the revaluation of assets which have been designated as fair value through profit and loss, as well as any impairments on other assets and revaluation of investment property.

Operating expenses have increased by 15% from R125.4 million to R144.6 million. The increase is largely attributable to salary costs in the asset management business where there has been active recruitment of investment professionals. In addition to that, bonuses have been accrued for group management who are incentivised on group performance and realised profits. The group remains focused on cost containment, but is cognisant that the underlying operating businesses are in a growth phase therefore managing costs is critical such that this does not stifle growth.

Finance income has increased to R2.4 million in 2013 compared to R1.0 million in 2012 resulting from higher cash resources in the group. Finance costs have decreased from R48.8 million in 2012 to R5.2 million in 2013. The benefit of the redemption of legacy debt issues during 2012 is reflected in the 2013 financial year.

Equity accounted earnings (net of taxation) shows a loss of R3.4 million compared to earnings of R17.2 million in 2012. This loss arises mainly from the Properties – Developments and Investments segment, where the share of associates' losses in certain development SPV's in the current year have been accounted for. The majority of the property developments in the group have been completed.

Discontinued operations relates to the disposal of VPAM's business. The profit attributable to the discontinued operation during the year amounts to R1.6 million (2012: R2.4 million).

Intangible assets increased by R2.2 million with the acquisition of a further 11% in VPC (refer to note 6 for further detail). A decision to dispose of the group's one remaining investment property was made at the end of 2013 and as such, the asset has been reclassified as a non-current asset held for sale. The assets and liabilities relative to the disposal of VPAM's business have also been reclassified as non-current assets held for sale.

OVERVIEW AND PROSPECTS (CONTINUED)

Investments in and loans to associates have reduced significantly following the disposals of GHOP, IMI, Lexshell and Buttonwood. The group also received dividends from associates amounting to R19.4 million (2012: R30 million) during the year. The net decrease in **other investments** during the year is attributable to the sale of Redefine Properties Limited linked units following the maturity of the funding structure in early 2013, which resulted in the disposal of part of the investment in order to settle the related liability.

The **share based payment reserve** increase is attributable to the current year IFRS 2 charge amounting to R4.4 million (2012: 3.4 million). **Non-controlling interest** decreased by R19.0 million. Dividends declared to non-controlling interests amounted to R15.3 million during the year.

The year's activities resulted in **cash and cash equivalents** increasing by R12.8 million (2012: R9.5 million). Cash flows from operating activities includes net finance costs paid of R5.8 million (2012: R39.2 million), dividends paid to non-controlling interests of R15.3 million (2012: R nil) and income tax paid of R10.6 million (2012: R1.9 million). The related cash inflows for these items are categorised in cash flows from investing and financing activities.

Asset management

With the group's disposal of the associate investment in Integrated Managed Investments Proprietary Limited ("IMI") in early 2013, the asset management segment is underpinned by the group's investment in Vunani Fund Managers ("VFM"). VFM has been successfully growing its underlying funds under management, with total funds at the end of December amounting to R14.6 billion. The segment reflected a profit to December 2013 of R1.0 million despite increases in staff costs, which were incurred to strengthen the professional team. The team remains focused and energised.

Advisory services

The advisory services segment reflects the challenging conditions that have been prevalent in the market during the 2013 year both in South Africa and Zimbabwe.

Zimbabwe

The loss in the segment was R4.7 million for the year ended 31 December 2013. Losses attributable to VCZ since inception have been consolidated into this segment in the current financial year. For more information, please refer to note 5.

South Africa

The South African segment made a profit of R 0.6 million in the 2013 year despite the challenging conditions.

Investment holdings

The investment holdings segment reflects a profit for the year of R25.1 million, mainly due to positive fair value adjustments and significantly reduced interest cost. The resolution of the legacy debt issues at the end of 2012 has left the group with a handful of unencumbered investments. While the group continues to look for investment opportunities, the strategy is more focused on investing alongside well-capitalised strategic partners and the use of innovative funding mechanisms, to lower risk and exposure to the group balance sheet.

The group's investment initiatives in Zimbabwe continue to gain momentum; the principles highlighted above being the prevalent way of doing business. During the year, VC made a 45% investment into a Zimbabwean asset management business which has been renamed Purpose Vunani Asset Management Private Limited ("Purpose Vunani"). Vunani intends using the intellectual capital and product set in its domestic business to offer a strong value proposition to the retirement funding sector in Zimbabwe.

OVERVIEW AND PROSPECTS (CONTINUED)

Securities broking

In the current year, the group increased its investment in Vunani Private Clients from 40% to 51%. As such, the securities broking segment has been split to show the institutional and retail securities broking businesses separately.

Institutional securities broking

This segment includes the institutional equity, derivative and capital markets businesses. The segment's results reflect a profit of R7.9 million despite the volatility within the markets in the 2013 year. The group is confident that the cost base is stable and that this business is poised to make cash. The Vunani Capital Markets team won second place in the Spire Awards in the categories Best Agency Broker- Cash Bonds and Best Bonds Agency House, despite only having joined Vunani in April 2013.

Private wealth and investments

The segment's results reflect a loss of R0.6 million for the year. This is the first year that the results have been consolidated as in 2012, the company was accounted for as an associate.

The segment's focus is retail securities broking and providing private wealth and investment products to clients.

Property developments & investments

The property development team has completed all developments and there are no new developments in progress. The Houghton development was fully sold out, while the Dainfern development has 33 units that have been retained in stock. These units have been retained in the development company and are fully let. A proposed sale of the company's investment in a piece of land at Blair Athol has also been accepted and will become effective during 2014 and hence has been disclosed as non-current assets and liabilities held for sale. This is the last remaining piece of investment property following the disposal of the group's interest in GHOP and Lexshell earlier in the year.

Property asset management

The agreement for the sale of the business of VPAM was concluded in November 2013 and all the conditions were met on 27 February 2014. The closing date of the transaction was 28 February 2014. The activities of this segment have been classified as a discontinued operation.

Group

This segment represents the central operating platform that is provided by group executive, finance and support. Revenues generated by executives from external directorships as well as initiatives that are driven by these individuals. Costs have been higher than usual as agreed mechanisms for incentivising executive directors have kicked in. These are strongly biased towards the unlocking of value in underlying investments and the generation of cash for the group. In this regard management have done a sterling job over the last year, with a few value unlocking transactions still in the pipeline.

Prospects

Vunani's financial situation has improved significantly since the restructure, with the group reporting a second successive year of profit. The directors believe that with the operating businesses largely profitable and a greater degree of clarity on the investment strategy the group is well-poised to develop a positive legacy.

The fund management business has grown in leaps and bounds with the business earning performance fees for the first time. More importantly the average fee margin has increased by 43% over the last 3 years, which, coupled with the growth in assets under management, means the group is poised to be a strong cash flow generator for the group. Management is targeting further growth in margin and assets under management. The cost base is stable and staff incentives are in place to motivate staff and management.

OVERVIEW AND PROSPECTS (CONTINUED)

Management is pleased with the manner in which the stockbroking business performed in a market that has been subject to a lot of ebbs and flows. The business has found stability in its market niche and will grow at a controlled pace into the future. The real effort will be in strengthening the retail stockbroking business, where margins tend to be higher.

The advisory business is now the subject of attention and some significant restructuring of the business will take place. A number of restructuring options are being considered and management is confident that these will be completed by the 2nd quarter of the year. Furthermore, a co-operation agreement has been concluded with a Nigerian based investment bank, which management envisages will unlock cross-border opportunities between two of the largest economies on the continent.

Management is looking to re-position its property business; the immediate opportunity being to focus on the unlisted property sector. Various property initiatives are being considered with some strong capital and property development partners. These span both South Africa and the African continent. They will be low risk initiatives with a focus on ensuring that there is a clear line of sight to cash flow generation. For the foreseeable future, the group's investment strategy will revolve around co-investment with strong South African industrial companies in domestic and pan-African initiatives. The Board and management are aware that the performance of the business will depend on market conditions being conducive and do not envisage engaging a high risk investment approach in pursuit of returns.

SUBSEQUENT EVENTS

VPAM is a wholly owned subsidiary of Vunani Properties Proprietary Limited ("Vunani Properties"), which is 78% held by Vunani Limited. VPAM's sole business activity is the provision of property asset management services to VPIF. On 9 November 2013, an agreement was entered into to sell VPAM's business to Texton Property Investments Proprietary Limited ("Texton"). All the suspensive conditions were fulfilled on Friday the 28th February 2014. The transaction includes the transfer of the asset management agreement and the transfer of employment contracts to Texton.

The proceeds for the disposal of the business amount to a total of R117 million. Net of taxation, it is estimated that R82.5 million is attributable to the group and R12.7 million attributable to non-controlling interests. R102 million of the proceeds was received on 28 February 2014 and the settlement of the balance of R15 million has been deferred to 28 February 2015 in accordance with the agreement. A special dividend of 25 cents per share will be declared as a result of the sale.

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.

REVIEW OPINION

The preliminary condensed consolidated results of Vunani Limited for the year ended 31 December 2013 have been reviewed by the company's auditor, KPMG Inc. In their review report dated 24 March 2014, which is available for inspection at the Company's Registered Office, KPMG Inc. state that their review was conducted in accordance with the International Standard on Review Engagements 2410, Review of Interim Information Performed by the Independent Auditor of the Entity, which applies to a review of condensed consolidated preliminary financial information, and have expressed an unmodified conclusion on the condensed consolidated preliminary results.

DIVIDENDS

Notice is hereby given that a gross ordinary dividend of 5 cents per share (2012: nil) and a gross special dividend of 25 cents per share (2012: nil) have been declared out of income reserves on 24 March 2014 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 tax rate is 15%;
- No STC credits will be utilised for the ordinary dividend;
- 105 414 649 shares are in issue;
- The net ordinary dividend is 4.25 cents per share and the net special dividend is 21.25 cents for ordinary shareholders who are not exempt from dividends tax; and
- Vunani Limited's tax reference number is 9841003032.

Timetable

Declaration date	Monday, 24 March 2014
Last day to trade cum dividend	Thursday, 10 April 2014
Shares commence trading ex-dividend	Friday, 11 April 2014
Record date	Thursday, 17 April 2014
Dividend payment date	Tuesday, 22 April 2014

No dematerialisation or rematerialisation of shares will be allowed for the period from Thursday 11 April 2014 to Thursday 17 April 2014, both dates inclusive.

Dividends are declared in the currency of the Republic of South Africa. The special dividend is conditional on Vunani receiving approval for the declaration and payment of the special dividend by the South African Reserve Bank five days prior to the Last date to trade. The directors have confirmed that the company will satisfy the liquidity and solvency requirements immediately after the payment of the dividend.

CORPORATE INFORMATION

Executive directors

EG Dube (Chief Executive Officer)
 BM Khoza (Managing Director)
 A Judin (Chief Financial Officer)
 CE Chimombe-Munyoro (resigned 1 March 2014)
 NM Anderson

Independent non-executive directors

WC Ross (Chairman)
 Dr XP Guma
 NS Mazwi
 G Nzalo
 JR Macey

Company secretary

A Judin

Designated Adviser

Grindrod Bank Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
 70 Marshall Street
 Johannesburg
 2001



EG Dube
 Chief Executive Officer
 24 March 2014



A Judin
 Chief Financial Officer
 24 March 2014

On behalf of the board of directors

VUNANI

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