VUNANI

LIMITED

Integrated Report

for the year ended 28 February 2019

CONTENTS

About this report

Vunani Limited's (Vunani) 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 and social and environmental factors and aspires to meet the needs of all of its 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 IV. To the extent that these principles have not been applied, explanations have been provided throughout the report.
- 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 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 2018 to 28 February 2019.

Vunani's scope of reporting remains focused on its reportable business segments, which are detailed on pages 32 to 45. 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 28 June 2019.

We are committed to improving our reporting further and would appreciate your constructive feedback. Any comments or feedback can be emailed to integratedreport2019@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 2019 were approved by the board of directors on 28 June 2019. KPMG Inc., the independent auditors, have audited the financial statements and their unmodified audit report is presented on page 70 to 73 of this integrated report.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) AUDITS

In line with the requirements of the Department of Trade and Industry's Codes of Good Practice, the individual operating business' B-BBEE scorecards and ratings have been independently verified by Empowerlogic Proprietary Limited, a SANAS accredited rating agency. Please refer to page 61 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 14 and 15 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 2019. 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.

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VUNANI AT A GLANCE

AWARDS WON

FINANCIAL MAIL RANKING THE ANALYSTS AWARDS:

- **Hurbey Geldenhuys:** Number 3 in Platinum and Precious Metals weighted by assets under management by firm
- **Hurbey Geldenhuys:** Number 5 in Industrial Metals by assets under management
- **Hurbey Geldenhuys:** Number 5 in Resources Small and Medium Market Cap Companies in the unweighted firm category

RAGING BULL AWARDS

- **Vunani Fund Managers:** Best (SA-Domiciled) Global Multi-Asset Flexible Fund on a Risk-Adjusted Basis
- **Tony Bell (Vunani Fund Managers):** Number 3 in South African Manager of the year category

SPIRE AWARDS

- **Vunani Capital Markets:** Number 3 in Best Agency Brokers: Bonds

FINANCIAL HIGHLIGHTS *

Revenue
R425.3m
(2018: R350.9 million)

Profit
R90.3m
(2018: R45.6 million)

Basic earnings per share
54.7c
(2018: 26.0c)

Diluted earnings per share
53.5c
(2018: 26.0c)

Total dividend declared
R10.2m
(2018: R8.5 million)

- Acquisition of a majority shareholding in Metropolitan Life Swaziland Limited
- Significant increase in private equity activities

Dividend per share
6.2c
(2018: 5.2c)

Net asset value
291.2c
(2018: 242.5c)

** The group has initially applied IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers at 1 March 2018. No restatements have been made to the comparative figures.*

SALIENT FEATURES

The group **listed on the JSE** AltX in November 2007

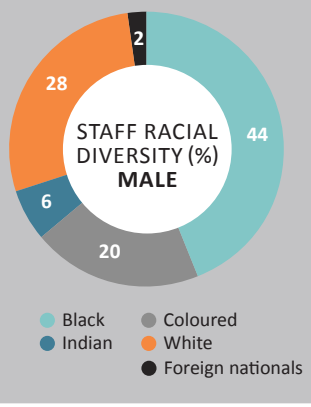
Market capitalisation
R322.3m

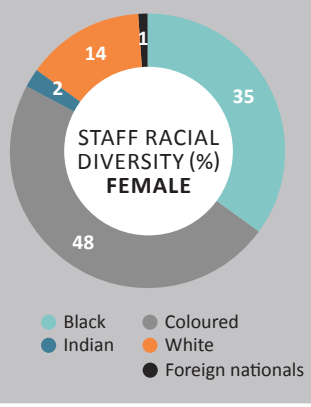
Number of shares in issue
161 155 915

Highest share price
300c

Lowest share price
112c

Staff racial diversity





Staff gender diversity

MALE
32%
(2018: 35%)

FEMALE
68%
(2018: 65%)

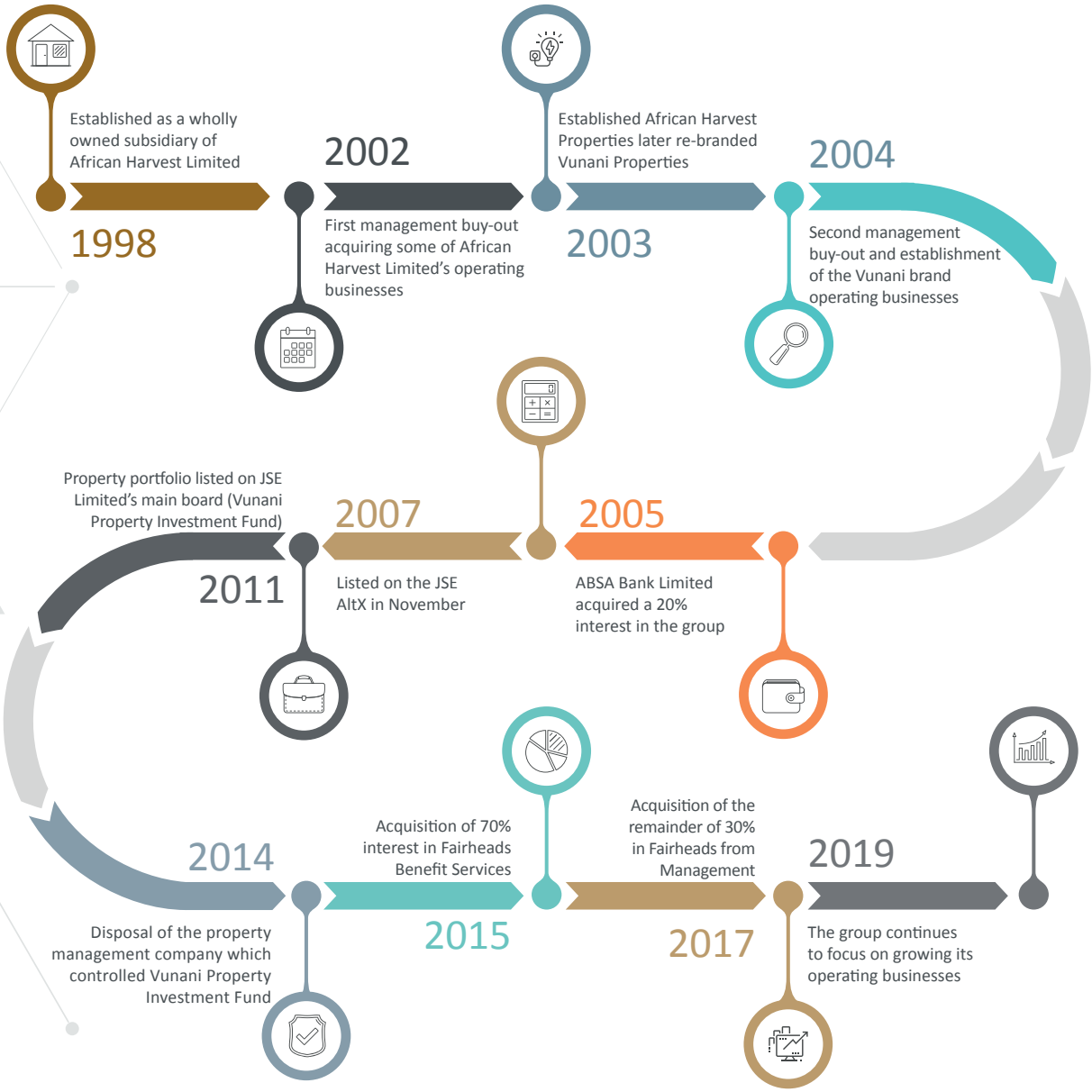
About Vunani

Vunani Limited (Vunani) is an independent black-owned and managed diversified financial services group with a unique positioning in the South African financial services sector. Owner-managed by professionals who also have a passion for entrepreneurship, Vunani has become known as one of the country's leading boutique providers. Its robust operational platform supports an innovative and fully integrated range of products and services that can be customised and packaged to meet the needs of clients in both the public and private sectors.

VUNANI'S HISTORY

Vunani was established in the late 1990s and listed on the JSE's AltX in November 2007. The group's objective right from the start was to gain a competitive advantage through meaningful black economic empowerment (BEE), as well as by consistently providing the best services and expertise available in the local financial services sector.

Two decades later, Vunani has a solid and respected footprint, not only in South Africa but in the rest of Africa as well. It has secured a 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.



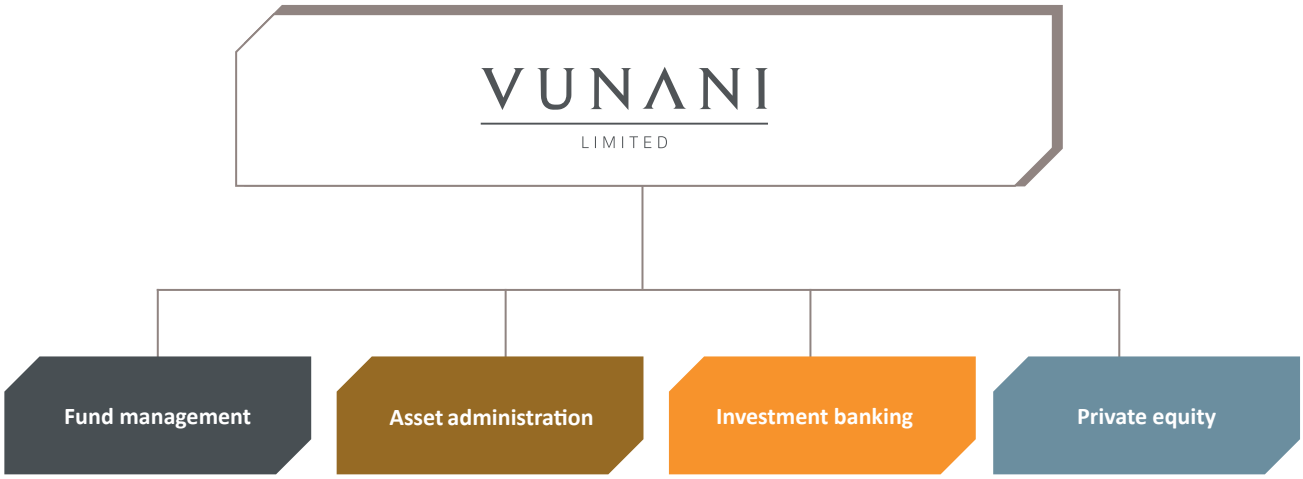
MISSION

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

VISION

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

GROUP STRUCTURE



LOCATIONS

Vunani has offices in Johannesburg, Cape Town, Harare (Zimbabwe) and Blantyre (Malawi).

STAFF

*As at 28 February 2019, the group employed **267 people** in the 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 therefore 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.

Directorate

ETHAN DUBE (60)

Chief executive officer

MSc (Statistics), Executive MBA (Sweden)

Ethan is one of the founders of Vunani and has been the group's chief executive officer since it was established in the late 1990s. He has extensive corporate finance and asset management experience and, prior to establishing Vunani, worked at Standard Chartered Merchant Bank, Southern Asset Managers and Infinity Asset Management. Ethan was appointed to the board in September 1999.

TAFADZWA MIKA (36)

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, after which he joined Vunani. In 2011, he was promoted to the position of group financial manager and, in December 2016, was appointed as the group's chief financial officer.

BUTANA KHOZA (52)

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 joining Vunani, he worked at Southern Asset Management and Futuregrowth. He is the chief executive officer of Vunani Fund Managers Proprietary Limited. Butana was appointed to the board in September 1999.

MARK ANDERSON (59)

Executive director

BCom (Hons), CTA, CA(SA)

Mark initiated a number of early BEE deals soon after the initial BEE legislation was promulgated in South Africa. He later formed a boutique corporate finance company and advised on the formation of African Harvest Limited in 1997. Mark is responsible for Vunani Capital Proprietary Limited's private equity segment. Mark was appointed to the board in March 2001.

LIONEL JACOBS (75)

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, the group's services division. He is an entrepreneur with extensive negotiating and investment skills and remains a non-executive director of many of the subsidiaries of the Bidvest Group. He is currently engaged in furthering the prospects of his company, Bassap Ventures Proprietary Limited, and its subsidiaries, where he is the executive director. Lionel was appointed to the board in April 2014.

DR XOLILE P GUMA (62)

Independent non-executive director

MA (Economics) (Canada), PhD (Economics) (UK),

Xolile began his career as a lecturer in the economics department at the University of Swaziland in 1978 and went on to become the director of the social sciences research unit in 1990. He returned to South Africa in 1994, after which he served on a number of academic boards. He also served as an economics consultant to the United Nations, the African Development Bank, several government departments and a number of companies and groups in the private sector.

He joined the South African Reserve Bank in July 1995 as an economist and was ultimately appointed deputy governor. He served in this position until 2009, when he was appointed senior deputy governor. He retired in 2011. Xolile was appointed to the board in July 2013.

NAMBITA MAZWI (45)

Independent non-executive director

BProc LLB, Dip Company Law, Programme in Business Leadership

Nambita is an attorney of the High Court of South Africa and is currently the general manager of legal services for Multichoice South Africa Holdings Proprietary Limited (Multichoice), a leading video entertainment and internet company located in Johannesburg. Prior to joining Multichoice, she held senior management positions at PPC Limited, South African Airways SOC and the Southern Enterprise Development Fund, a venture capital fund with a pan-African focus.

Nambita has also practised as a corporate attorney in South Africa and completed executive leadership courses at Harvard Business School (Boston, USA) and Insead (Fontainebleau, France). She was a fellow of the International Women's Forum in 2013/2014. Nambita was appointed to the board in June 2008.

SITHEMBISO N MTHETHWA (49)

Non-executive director

BCom (Maritime Economics)

Sithembiso has over 15 years of experience in the maritime industry, having worked in many ports in South Africa, Europe and the Far East. In 2000, while working at Smit International BV, he was successful in buying out Pentow Marine during the unbundling of Safmarine Limited, which followed the demutualisation of Old Mutual Limited in 1999. Pentow Marine changed its name to Smit SA and subsequently to Smit Amandla Marine (SAM).

In 2005 Sithembiso co-founded Mion Holdings, which now holds investments in several companies, including a substantial interest in SAM. He has been in charge of all the investing and M&A activity at Mion since its inception. Sithembiso was appointed to the board in November 2014.

GORDON NZALO (53)

Independent non-executive director

BCom, BAcc, CA(SA)

Gordon is the founder and managing director, of Data Insights Solutions, a consultancy practice, and before that, he was the Chief Audit Executive of Imperial Holdings Limited. He currently chairs the Audit Committee of Bestmed Medical Aid Scheme. He has also served on a number of other boards, including those of Austro Group Limited and PSV Holdings Limited. During the course of his career, he has served as a partner at KPMG, Sizwe Ntsaluba and PricewaterhouseCoopers. Gordon was appointed to the board in November 2009.

JOHN MACEY (57)

Independent non-executive director

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

John is a chartered accountant (SA) and a registered auditor with over 25 years of financial experience. He has held positions as a lecturer in financial accounting at UCT and as the financial director of several manufacturing companies. He is currently an auditor in public practice and serves on the boards and audit committees of two other listed companies. John was appointed to the board in November 2009.

MARCEL JA GOLDING (58)

Non-executive director

BA (Hons)

Marcel has over 30 years' experience in a number of sectors and industries. He occupied the following positions during this period: Deputy General Secretary of the National Union of Mineworkers (NUM), Chairman of the Mineworkers Investment Company (MIC), Member of Parliament, and for 17 years the Executive Chairman of Hosken Consolidated Investments (HCI), a company which he co-founded. He presently serves on the following boards: Tsogo Sun Holdings, Rex Trueform Group Limited, African & Overseas Enterprises Limited and Texton Property Fund Limited. Marcel was appointed to the board in October 2016.

BOARD PERFORMANCE

KEY RESPONSIBILITIES OF THE BOARD INCLUDE:

- promoting the interests of stakeholders and acting fairly and responsibly;
- 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 group;
- 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 2019 FINANCIAL YEAR, THE BOARD:

- approved the group's strategy and focus areas;
- exercised oversight the group's operational performance;
- exercised oversight over the group's financial performance;
- approved and published the group's financial results;
- approved a dividend payment of 6.2 cents per share; and
- approved the acquisition of a majority shareholding in Metropolitan Life Swaziland.

IN THE 2020 FINANCIAL YEAR, THE BOARD INTENDS TO:

- monitor and measure progress against strategic objectives;
- support and guide the executive team;
- actively manage risk;
- measure progress against strategic objectives;
- monitor the group's operational and financial performance;
- ensure that the group adheres to best-practice corporate governance; and
- continue to expand relationships with partners in Southern Africa.

Commitment to good governance

As one of South Africa's leading investment groups, Vunani is deeply committed to impeccable corporate governance in all aspects of its business. This is evident in all of the group's governance structures, policies and procedures.

BOARD CHARTER

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

- Sets out and regulates the parameters within which the board operates; and
- Ensures the application of the principles of good corporate governance.

The charter defines the framework within which the board is required to represent and promote the legitimate interests of the group and all its stakeholders. This has to be done in a way that is both ethical and sustainable. The charter clearly outlines the board's level of authority and responsibilities, which are closely aligned to the guidelines expressed in the King Report on Corporate Governance for South Africa (2016) (King IV).

Further information about how Vunani adheres to the guidelines outlined in King IV is given on page 62.

Directors are required to:

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

THE ROLE OF THE EXECUTIVE DIRECTORS

The executive directors are responsible for the day-to-day operational management of the group. They have service contracts with the group, which may be terminated either way with one month's written notice. They meet regularly to ensure that effective control is exercised over the management of all the group's affairs.

The executive directors are individually mandated and held accountable for:

- acting in the best interests of shareholders and other stakeholders;
- implementing policies and strategies as determined by the board;
- managing and monitoring the business and the affairs of the group in accordance with approved policies, strategies, plans and budgets;
- prioritising the allocation of capital and other resources;
- ethical and transparent financial management; and
- establishing the best managerial and operational practices.

The group's executive committee includes the heads of each business unit and key members of management. All proposed policies and procedures have to be approved by this committee before they can be sent on to the audit and risk committee and then to the board for final approval.

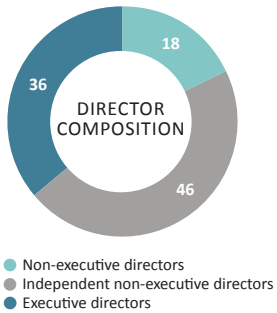
THE ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

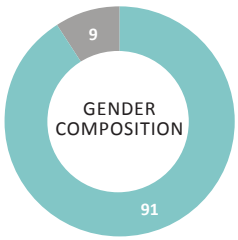
The independent non-executive directors are highly skilled and experienced and are individuals with exceptional credibility. They serve for varying periods of time, but do not have service contracts and do not participate in the group's share incentive scheme. In line with policy, the board assesses their independence on an ongoing basis.

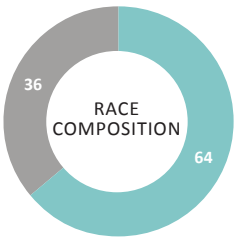
The non-executive directors are held accountable for:

- acting in the best interests of shareholders and other stakeholders;
- policy-making and planning;
- monitoring the group's performance and taking remedial action to correct any deficits that may arise;
- monitoring the performance of the executive directors and holding them accountable for their decisions and actions; and
- ensuring that fiscal and financial matters are handled ethically and in accordance with all appropriate regulations and legislation.

BOARD COMPOSITION







Our definition of success and material issues

DEFINITION OF SUCCESS

Vunani defines success in the achievement of the following key goals:

1 ADD VALUE FOR OUR SHAREHOLDERS AND OTHER STAKEHOLDERS.

- maintain an integrated portfolio of products and services;
- strive to improve our financial results every year;
- enable our clients to achieve their goals;
- maintain a culture of engagement;
- aim for continual improvements in products and processes;
- use best-practice employment policies and procedures; and
- leverage off strategic partnerships.

2 BE A GOOD AND RESPONSIBLE CORPORATE CITIZEN.

- adhere to all appropriate legislation, regulations and requirements;
- adhere to the codes of good practice outlined in the King Report on Corporate Governance for South Africa (2016) (King IV); and
- take guidance from international best practice in corporate governance.

3 MAKE A REAL CONTRIBUTION TO SOCIO-ECONOMIC TRANSFORMATION IN SOUTH AFRICA.

- facilitate meaningful transformation in South Africa;
- live our commitment to this objective at Vunani, which is an independent, black-owned and -managed group; and
- consistently commit 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 both internal and external factors that influence a business's ability to be successful and sustainable.

They may be categorised as either threats or opportunities and can include anything from low economic growth to IT security.

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

- the uncertain economic conditions in South Africa;
- consistently low economic growth;
- muted investor confidence; and
- the fluctuating value of the rand.

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

Within this context, the group:

- maintains a diversified portfolio of products and services;
- applies stringent risk and cost management measures;
- recruits and retains staff of the highest calibre; and
- takes all appropriate measures to ensure the group is resilient in the current economic climate.

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OUR STRATEGIC BUSINESSCONTEXT

Economic context

OVERVIEW

Vunani entered the financial year on the back of the synchronised global economic growth cycle that had prevailed since late 2016. However, global growth momentum faded over the course of 2018 as the effects of policy tightening began to be felt. This resulted in significant financial volatility worldwide, with some emerging markets experiencing particularly adverse effects.

LOCAL DEVELOPMENTS

Despite the appointment of a new president in February 2018, growth in South Africa remained constrained throughout 2018 and declined by 3.2% in the first quarter of 2019. The combined result of a weak economy and extensive load shedding in February and March, this is the sharpest decline since the global financial crisis of 2008 and 2009 and indicates that the macroeconomic situation in the country is likely to worsen during the current period. The impact on investor confidence – already muted – is likely to be significant, causing a knock-on effect that will negatively affect business growth and therefore the entire financial services sector.

Of specific concern to Vunani is the fact that the mining and manufacturing sectors were the major contributors to the dip. Mining and quarrying contributed 0.8% to the negative growth in the first quarter as the industry as a whole shrank by 10.8%.

Following this, economists and institutions have adjusted growth projections for the current year down to 1.2% and consensus among analysts is that, unlike the situation during the global financial crisis, the underlying causes are almost exclusively domestic. Apart from the widespread effects of corruption and mismanagement over the past ten years, lack of clarity about how government intends to restructure key aspects of the economy is a key factor. Until there is clarity on this issue, the South African economy is likely to be characterised by low or negative growth, high unemployment, poor sovereign credit ratings and mounting debt.

It remains to be seen whether President Ramaphosa and his Cabinet can show the bold and decisive leadership that is required to turn the economy around. Until then, poor macroeconomic conditions will continue to affect pricing, trading volumes, fee income and margins.

GLOBAL DEVELOPMENTS

After relatively strong growth in 2017 and early 2018, global economic activity slowed markedly in the second half of the year, reflecting a confluence of factors in all major economies. Growth in China slowed in response to new regulations introduced to curb shadow banking, while the escalating 'trade war' between China and the US is causing uncertainty around the world. This is being exacerbated by a notable fall-off in both consumer and business confidence in the European Union.

The impact is, however, being most keenly felt in developing markets, which are particularly sensitive to the fall-off in demand for both commodities and consumer goods. With the global economy predicted to grow at 3.6% during the current period, demand is likely to remain constrained, continuing to impact on these vulnerable economies.

From a regulatory point of view, the impact of the update to the EU's Markets in Financial Instruments Directive (MiFID II) is yet to be fully felt in South Africa, but this revised regulatory regime is likely to necessitate regulatory changes at local level.

BUSINESS IMPACT

While FY2019 was a successful one for Vunani, certain segments of the business were undoubtedly affected by macroeconomic conditions, both locally and internationally.

Fund management

In the fund management segment, for example, the highly unstable operating environment in Zimbabwe had a notable impact on the performance of Purpose Vunani. This was partially offset by the growth in assets under management, but the business will continue to be affected by conditions in the environment in which it operates.

Vunani Fund Managers, on the other hand, reported positive growth in both revenue and assets under management. A significant contraction in the local economy during the current period will, however, almost inevitably impact on the company's performance for FY2020.

Asset administration

The asset administration segment performed well despite the challenging economic environment. The company nevertheless continues to gain new assets and to focus on its core competency of administration.

Investment banking

The institutional stockbroking segment is directly impacted by business and investor confidence, as such the business anticipates a tough year if things in the current economic environment remain the same.

The advisory segment is likely to be similarly affected but will be buffered by a good pipeline of deals that is expected to deliver increases in both revenue and profitability despite uncertain conditions.

Private equity

The commodities trading segment performed well, partly due to the increase in mining beneficiation operations held by Vunani Resources. On a macro level, however, coal mining investments were affected by fluctuations in both coal prices and the Rand-Dollar exchange rate. Short-term measures are in place to manage this.

The group's other private equity investments, which are investments in listed and unlisted companies and in the property sector, did not perform as well due to the tough economic environment.

Business model and analysis of the six capitals

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

FINANCIAL CAPITAL INPUTS

- Share capital
- Retained income
- Other financial liabilities

HUMAN CAPITAL INPUTS

- Board of directors
- 267 employees

SOCIAL CAPITAL INPUTS

- 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

INTELLECTUAL CAPITAL INPUTS

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

MANUFACTURED CAPITAL INPUTS

- Internally developed information technology platforms and systems.

NATURAL CAPITAL INPUTS

- 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 dependants of deceased retirement fund members.

INVESTMENT BANKING

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

PRIVATE EQUITY

Our primary operations entail investing as principals into opportunities specifically focused on commodities trading, mining and 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

FINANCIAL CAPITAL OUTPUTS

- Market capitalisation of R322.3 million.
- Return on equity of 18.9%.
- Debt to equity ratio of 56.9%.
- Adequate levels of capital, as required by the respective regulators, held by each of the regulated entities in the group as at 28 February 2019.

HUMAN CAPITAL OUTPUTS

- 267 employees
- R194.2 million invested in salaries during the year.
- R0.9 million expended in training and development.
- Staff wellness and team building initiatives held.

SOCIAL CAPITAL OUTPUTS

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

INTELLECTUAL CAPITAL OUTPUTS

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

MANUFACTURED CAPITAL OUTPUTS

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

NATURAL CAPITAL OUTPUTS

- Staff encouraged to use paper, electricity and water wisely. Promotion of paper recycling through the provision of recycling bins.
- Coal mined and processed during the year.

Outputs

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 regarding organisational performance towards the goal of sustainable development. The information in this report sets out Vunani's sustainable business practices for the year ended 28 February 2019 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 Training Academy is aimed at young black graduates, providing training by rated equity analysts. • Vunani Fund Managers graduate recruitment programme 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. • Reduce the environmental impact of coal dumps.
• Presentations are made to all stakeholders on a regular basis to provide objective, balanced, relevant and understandable updates on developments within the group. • Promoting B-BBEE within the group. • Promoting economic growth through enterprise and supplier development. • Providing financial support to various education initiatives.	• 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. • Beneficiation and processing of coal mine dumps.

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.

STAKEHOLDER GROUP	SHAREHOLDERS AND INVESTOR COMMUNITY	LENDERS	CLIENTS
NATURE OF ENGAGEMENT	• 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.	• Developing good relationships with clients through regular interaction. • One-on-one presentations to clients and prospective clients. • Facilitation of workshops and training. • Corporate website.
KEY ISSUES RAISED	• Growth of the group. • Sustainability of business segments. • Operational performance and profitability. • Shareholder return.	• Liquidity and ability to service loans.	• High quality, competitively priced products and services.
RESPONSE TO KEY ISSUES	• A focus on organic growth of each operating business. • Acquisitive growth opportunities sought where appropriate and earnings-accretive. • Unprofitable businesses given the necessary support required to return to profitability. Should improvement not be achieved, these businesses are restructured or sold. • Maintain a dividend-paying culture. • Improved utilisation of investor relations team.	• 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.

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.

The manner 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 SOCIETY
• 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. • 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. • Giving back to society.
• 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. • Donating to the Vunani foundation. • Implementing enterprise and supplier development initiatives.

Key risks and mitigating controls

Vunani operates in a highly 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 below:

1. Identify key business objectives.
2. Identify events that could impact the achievement of these objectives.
3. Assess the inherent likelihood and potential impact of these events.
4. Consider the controls that have been implemented to mitigate the risk and their effectiveness in order to determine the level of residual risk.
5. Where the residual risk is not allayed to an acceptable level, implement additional procedures.

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 management working together to identify the significant risks that the group faces and 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 directive. Group management assesses these risk registers periodically and the board, through its audit and risk sub-committee, receives assurances from senior management regarding the effectiveness of the risk management process. The board remains responsible for overall risk management.

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 risk registers detailing significant strategic and operational risks facing the group, existing controls, perceived control effectiveness and the level of risk tolerance. Risks that are below acceptable tolerance levels 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 group's key risks are disclosed on the next page.

Key risks and mitigating controls (continued)

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.	Medium	Medium	• 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 are further analysed by the board and discussed with stakeholders.
	Unnecessarily expending resources on activities that will not yield the desired objectives.	Medium	Medium	• 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.
HUMAN CAPITAL	The inability to attract and recruit and retain 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 and 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 holds periodic interactive workshops to formulate a strategy to improve BEE ratings.

KEY

Low *Medium* *High*

Capital	Key risks identified	Probability assuming no mitigating controls	Impact	Mitigating controls
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.			• Operational management is responsible for keeping abreast of 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.			• 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 respective 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.			• 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.			• The group has an investment committee, which comprises the chairman of the board, two non-executive director and two executive directors. The investment committee ensures that all existing and prospective investments are subjected to the necessary scrutiny to justify their inclusion in 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.
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-effective 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.

Strategic objectives

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
- 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 accordingly.
- 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.

STAKEHOLDERS

- Shareholders
- Investor community
- Lenders
- Government
- Regulatory bodies

- Employees
- Clients

SOCIAL AND RELATIONSHIP CAPITAL

- Build and maintain strategic alliances and key partnerships.
- Leverage off BEE status.
- Contribute positively in the societies we work in.

- Relationships vest with individuals and not the organisation.
- Identify how we want to contribute to the societies we work in.

- Appropriately reward staff for performance through short-term and long-term incentives, which are uncomplicated and transparent.
- 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.

- Shareholders
- Communities we work in

INTELLECTUAL CAPITAL

- Ensuring that the group's established platforms are competitive and meet client requirements and expectations.
- Delivering creative solutions and innovative products to clients.

- Competitive product and service offering
- Maintaining client service standards
- Compliance with all required laws and regulations

- Focus on contributing to education initiatives in the societies we work in.
- 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.

- Clients
- Shareholders

MANUFACTURED CAPITAL

- Maintain a robust and steady infrastructure that supports and facilitates opportunities in each segment.
- Innovate through technology.

- Hardware and software availability and operation.

- 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 sufficient capacity, backup and redundancy to support the operational requirements of the group.

- Employees
- Clients

NATURAL CAPITAL

- Minimise the environmental footprint of the organisation and promote the preservation of natural capital.

- Sensitivity to possible impact on environmental footprint.

- Increased use of technology to reduce environmental impact.
- Staff awareness initiatives undertaken.
- Reclaiming and beneficiation of mine dumps.

- Employees
- Government

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INTEGRATED PERFORMANCE AND FUTURE OUTLOOK

A message from the chairman and chief executive officer

LIONEL JACOBS
Chairman

ETHAN DUBE
Chief executive officer

We have achieved our aim of building a diversified financial services business with a reach not only in South Africa but across the SADC region.

INTRODUCTION

Over the past 18 months we have built a solid corporate platform through mergers and acquisitions and corporate actions for example, bedding down the Fairheads transaction as well finalising the acquisition of Metropolitan Life Swaziland Limited. In addition to acquisitions, we have also established and built businesses from scratch. This has been our primary focus and now we need to ensure each of these businesses operate profitably and makes a contribution to the group. Our leadership time has been focused 70% on new opportunities to grow the group and 30% on ensuring they work optimally. Going forward this will be rebalanced to 50/50.

We have achieved our aim of building a diversified financial services business with a reach not only in South Africa but across the SADC region. Examples in the region include Malawi, where we bought an asset management business two years ago and have since added micro-lending, insurance and stockbroking businesses and certain banking services. Now we are tasked with ensuring these businesses contribute to the group. We have expanded our businesses in Swaziland, where we recently acquired an insurance business, while in Zimbabwe we have maintained the existing operations.

Despite the challenging environment, the organisation has been well managed, business has been good, and we have seen solid earnings growth. This has been driven by our positive and constructive client engagements, culminating in increasing interest shown in Vunani and alignment with quality partners. The market and some key market players have demonstrated recognition of Vunani's positive attributes, which has been rewarding and humbling to observe and can be attributed to the fruition of our growth strategy and the quality businesses we have built.

It has been a tough year for South Africa from various angles, including economically and politically. We believe business conditions will improve but expect the environment will remain challenging in the second half of 2019, even after the elections. There are real challenges facing South Africa, such as Eskom and the threat to power supply. These require immediate decisions and actions, which are not always forthcoming in an election year. However, for 2020 we expect business conditions to be more favourable.

OPERATIONS

During the past year we invested heavily in IT and systems. We have budgeted R6 million for improved systems at Fairheads alone and are investing similarly across the group. We firmly believe that a successful financial services business is driven strongly by the information and technology that underpins it.

Our fund management segment remains focused on institutional fund management and continues to secure additional assets under management.

Within our asset administration segment assets under administration totalled R6.3 billion at year-end. The segment has made progress on creating new products that are complimentary to their asset administration business.

Our investment banking segment remained focused on revenue growth through the expansion of the product offering and existing client base.

The private equity business remained focused on commodities trading, mining, property and investments in other private equity companies during the year. We will continue to look at property opportunities in a challenging environment to be well-placed when the market turns. We are well-positioned in coal and believe there are further opportunities to grow in this sector. Within private equity we have looked at raising funds targeted at specific sectors. Working off a limited balance sheet, we believe this model works well as our recently established fintech fund has proven.

GLOBAL MACROECONOMIC ENVIRONMENT

The financial year commenced amid a buoyant and synchronised global economic growth cycle that prevailed since late 2016. As policy tightening hit home, global growth momentum faded over the course of 2018, though. That culminated in a substantial increase in global financial volatility as some emerging markets suffered particularly adverse consequences.

The Rand exchange rate absorbed much of the shock impact on South Africa by weakening over the course of the financial year by more than 19% against a resilient US Dollar and by 11% on a trade weighted basis, respectively. Nevertheless, the exchange rate-related windfall to South African exporters was eroded somewhat by declining global commodities prices over the second half of the financial year – including coal prices, which is of importance to Vunani.

A message from the chairman and chief executive officer (continued)

Domestic business confidence remained at low levels throughout the year amid weak consumer confidence, policy uncertainty and structural constraints i.e. load shedding. That culminated in downward revisions of economic growth expectations as the year progressed, as vindicated from an eventual even weaker 2018 calendar year real growth outcome of a mere 0.8% compared to 1.4% in 2017.

Even though slower global growth was generally anticipated, the rate of deceleration proved to be even sharper than expected. That allowed the US Federal Reserve (Fed) to stop raising rates sooner than expected, facilitating an easing of tight global financial conditions since early in 2019. Consequently, markets have switched from pricing in further US rate increases in 2019 to expecting rate cuts. Nevertheless, the detrimental impact of major headwinds i.e. the US/China trade war and uncertainty pertaining to Brexit are expected to continue acting as dampeners of business confidence. These already contributed to further downward revisions of growth expectations. That includes 2019 growth expectations for Europe (a major trading partner of South Africa), which has recently been halved to a mere 1.2%.

Even though South Africa's inflation rate moderated significantly to around the mid-point of the target band, interest rates will probably remain unchanged throughout the financial year despite weak growth conditions. South Africa's growth is expected to improve somewhat over the medium term, though. Depending on the prevalence of potentially major growth impediments i.e. load shedding, growth around 1% in 2019, accelerating to around 2% over the ensuing two years should be attainable.

SUSTAINABILITY

Our aim is to add value firstly to the economy and greater society and secondly to our shareholders. In that light, it is a priority to continue looking at projects that consider the environment, social and governance (ESG). We seek to improve social economic activity through all our acquisitions and the primary way in which we achieve this, is by creating employment.

FINANCIAL PERFORMANCE

Vunani's performance in FY2019 showed significant improvement when compared to the previous period. This was driven mainly by increased revenue from the commodities trading, advisory and fund management segments.

Revenue from operations increased by 21% to R425.3 million (2018: R350.9 million). Total comprehensive income for the year amounted to R92.4 million (2018: R44.4 million), while total comprehensive income attributable to equity holders of the company totalled R89.9 million (2018: R40.5 million). The group's market capitalisation as at 28 February 2019 was R322.3 million and it had 161 155 915 shares in issue.

Headline earnings per share improved to 54.7 cents per share (2018: 25.2 cents per share), while earnings per share increased to 54.7 cents per share (2018: 26.0 cents per share).

Operating expenses increased by 6.5% year-on-year. Staff costs accounted for the bulk of expenses, followed by expenses related to the group's commodities trading operations.

Overall the business segments reported improved performance. The fund management business demonstrated strong growth in assets under management, generating revenue of R87.2 million (2018: 64.7 million) and profit of R7.9 million (2018: R4.2 million). The asset administration segment maintained good growth, with revenue of R127.4 million (2018: 124.8 million) and profit of R13.4 million (2018: R6.7 million). The advisory segment performance improved in comparison to prior year, generating revenue of R18.0 million (2018: R5.0 million) and profit of R4.7 million (2018: loss of R1.5 million).

The institutional securities broking segment had a very tough year, with revenue decreasing from R63.7 million to R42.0 million, which resulted in a loss of R7.2 million compared to a profit of R1.4 million in the prior period. Other investments showed an improvement in profit from fair value adjustments on the group's listed and unlisted investments. Profit increased from R29.8 million to R61.7 million. The commodities trading segment continue to perform well, generating revenue of R141.3 million (2018: 84.6 million) and profit of R9.7 million (2018: R6.1 million).

PEOPLE

Our biggest asset remains our people. Over the past year we have seen a number of good quality people join the group across all businesses, resulting in a balanced team. We have broadened management and also built more depth across the organisation. We now boast a good mix and diverse team with a balance of experience, skills and innovation.

Vunani has 267 employees who hold more than a 50% equity interest in the company. Of these 86 are male employees, of which 40 are black Africans. We employ 181 females of which 65 are black Africans.

Our analyst training programme is now managed under the Vunani Foundation and is offered group-wide.

GOVERNANCE

Being a good corporate citizen and unquestionable best practice of corporate governance is imperative to us. We have strict ethical policies and independent assessment processes in place to ensure each deal or transaction is assessed for possible corporate governance contraventions. We participate with compliant ethical well managed institutions on this basis. If any business within the group were to identify any sign of corruption, we would cease engagement.

Going beyond mere compliance is fundamentally important, especially within financial services. Our quality of leadership helps ensure that we operate within strict governance confines and this has rubbed off on all new appointees, from the top and across the entire organisation. Management has been supported by strong board committee structures and rigorous processes.
The leadership and guidance provided by the board has enabled management to continue delivering growth and creating value for shareholders.

PROSPECTS

We now have the right platforms to grow our businesses in South Africa and across the sub-continent. These robust and scalable systems make it easier to capitalise on our opportunities and to focus on growing the business. Our business is all about adding new products to these platforms and delivering value to shareholders. While challenges remain in the economy, we are optimistic that we can continue to deliver value going forward.

In the long-term once we have established profitable businesses, we will look further afield geographically, although, we will remain focused on the continent.

APPRECIATION

Our appreciation goes to our clients who continue to be the bedrock of our business. We also thank all our employees for their continued loyalty and hard work which has contributed to our success. We believe we have a high-quality team in place and look forward to working together to continue building and growing our group. Our thanks also to our service providers and advisors for their ongoing support. We thank our board for their guidance during the year and we are excited to continue working together with all stakeholders in the year ahead.

Chief financial officer's report

TAFADZWA MIKA
Chief financial officer

Profit for the year increased by 98% to R90.3 million. Earnings per share increased by 110% to 54.7 cents.

EXECUTIVE SUMMARY

The financial year that ended on 28 February 2019 was a very successful one for Vunani Limited, and the group is pleased to report an increase of 98% in profit for the year to R90.3 million (2018: R45.6 million).
This was as a result of increases in revenue from operations, revenue from investments, interest on investments and equity accounted earnings. The rationalisation of the investment portfolio and improvements to operational efficiencies made in FY2017 also continue to have a positive effect on group results.

Net asset value per share increased by 20% to 291.2 cents (2018: 242.5 cents), while dividends paid increased by 18% to R9.7 million (2018: R8.2 million). An ordinary dividend of 6.2 cents per share (4.96 cents net of dividend-withholding tax) was paid to ordinary shareholders on 30 July 2018.

The consolidated results for the group are based on the results of the business segments as summarised on pages 32 to 45 of this report. There were no material events between the end of the reporting period and the date on which the annual financial results were approved by the board.

STATEMENT OF COMPREHENSIVE INCOME

The group adopted the new IFRS 15 accounting standards with effect from 1 March 2018, replacing the IAS 18 accounting standards previously used. The adoption of this accounting standard has not resulted in a change in the way the group recognises its revenue.

Revenue from continuing operations increased by 21% to R425.3 million (2018: R350.9 million). The private equity segment contributed the highest percentage of the group's revenue at the R150.8 million (2018: R92.3 million) due to increased operations in the commodities trading division. The asset administration segment currently contributes the next highest percentage of the group's revenues at R127.4 million (2018: R124.8 million). This is followed by the fund management segment as the next highest contributor, with revenues of R87.2 million (R64.7 million). The investment banking revenues decreased to R50.0 million (2018: R68.6 million) because of tough trading conditions for Vunani Securities.

Investment income of R11.0 million (2018: R5.4 million), in the form of dividends from Vunani's listed and unlisted investments, was also received during the year, as a result of improved performance from the group's investments.

The group recorded favourable fair value adjustments of R73.2 million (2018: R43.7 million) and an impairment charge of R12.0 million (2018: R2.8 million). The increase in fair value adjustments is attributable to the group's investments in Black Wattle Mining Company, Butsanani, and African Legend Investments. Equity-accounted earnings improved to R6.1 million compared to negative R10.8 million in 2018. This includes Vunani's share of post-tax earnings for both Alliance Capital Limited and Workforce.

Operating expenses increased by 6.5% in the reporting period. This increase was due to the increase in staff costs and IFRS 9 related impairment charges. Staff costs, including remuneration and costs for short- and long-term incentives, accounted for 66% 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 9% of expenditure, as these are critical given the nature of Vunani's business. It is important to note that many of the group's communications expenses are dollar-denominated and that 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.

Commodities trading related costs increased by 91.6% compared to 2018. This is due to the significant increase in the coal beneficiation operations of Vunani Resources as well as the introduction of trading of boron related products in the year.

Finance income increased to R4.3 million for the year compared to R3.6 million in 2018 as a result of the increase in cash generated from operations. Finance costs decreased to R8.8 million for the year compared to R11.1 million in 2018, due to the continued redemption of debt in the group.

STATEMENT OF FINANCIAL POSITION

The group adopted the new IFRS 9 accounting standards with effect from 1 March 2018, replacing the IAS 39 accounting standards previously used. These introduced major changes to the classification and measurement of financial assets, as well as an 'expected credit loss' model for the impairment of financial assets. Further details related to this and the other information given here are provided in the annual financial statements and the notes to the annual financial statements.

Goodwill is tested for impairment annually and, for the year that ended 28 February 2019, no impairment was necessary. Goodwill was valued at R139.7 million as at that date. The intangible assets that arose due to the consolidation of Fairheads in the 2017 financial year decreased as a result of the annual amortisation charge.

Investments in and loans to associates decreased by 15.8% to R63.5 million (2018: R75.4 million). This is attributable to the impairment of loans and the transfer of the investment in Butsanani from associates to other investments. During the year, the group lost its significant influence in Butsanani, as a result it is now classified as an investment.

Vunani's unlisted investments are valued annually. The valuation of these investments is performed in consultation with the investment and corporate finance professionals within the group. For the current year, Vunani obtained third-party valuations for the group's unlisted investments. The valuations were submitted to the investment committee for review and were approved. Please refer to note 2.2 in the group's accounting policy, which deals with fair value of investments, and note 38.4, which provides additional details regarding the current year's considerations, for further information.

Accounts receivable and payable from trading activities relate to outstanding settlements in the securities trading business. Trades were settled on a T+3 basis on 28 February 2019, so the receivables and payables reflected on the statement of financial position account for settlement within three business days after the end of the year.

With regard to the number of shares in issue, Vunani undertook a share swap with BSI during the course of the reporting period, which resulted in the cancellation of some Vunani Limited shares. The authorised stated capital as at 28 February 2019 was 500 million ordinary shares of no par value (2018: 500 million ordinary shares of no par value). As at 28 February 2019, 161 155 915 shares were in issue (2018: 164 896 942). The share-based payments reserve movement of R7.8 million is attributable to the current period IFRS 2 charge (2018: R5.5 million). The transfer between reserves of R24.0 million relates to shares transferred to employees on vesting. The group utilised its treasury shares worth R16.1 million to settle part of its obligation to employees.

There was a decrease in other financial liabilities due to the scheduled repayments of the group's liabilities. These liabilities include loans and leases.

CASH FLOW

Cash flow and cash equivalents decreased to R44.2 million during the reporting period (2018: R49.2 million). Net cash generated by operating activities increased by 198.5% to R20.5 million (2018: R6.8 million). This was driven by the improved performances of the underlying operating businesses. There was, however, a drop-off in cash flow from investing activities. There was a decrease in outflows from financing activities. The group will continue to try and improve cash generation to assist in its expansion strategy.

CONCLUSION

Vunani has adopted a strategic approach to creating and building a corporate brand that is known for innovation, service excellence and positive results. As part of this process, the group has continued to build the profile and capabilities of its operating businesses and to manage costs diligently. The results for the 2019 financial year demonstrate that this strategy is bearing fruit, and we at Vunani are optimistic that this will further growth during the next financial year.

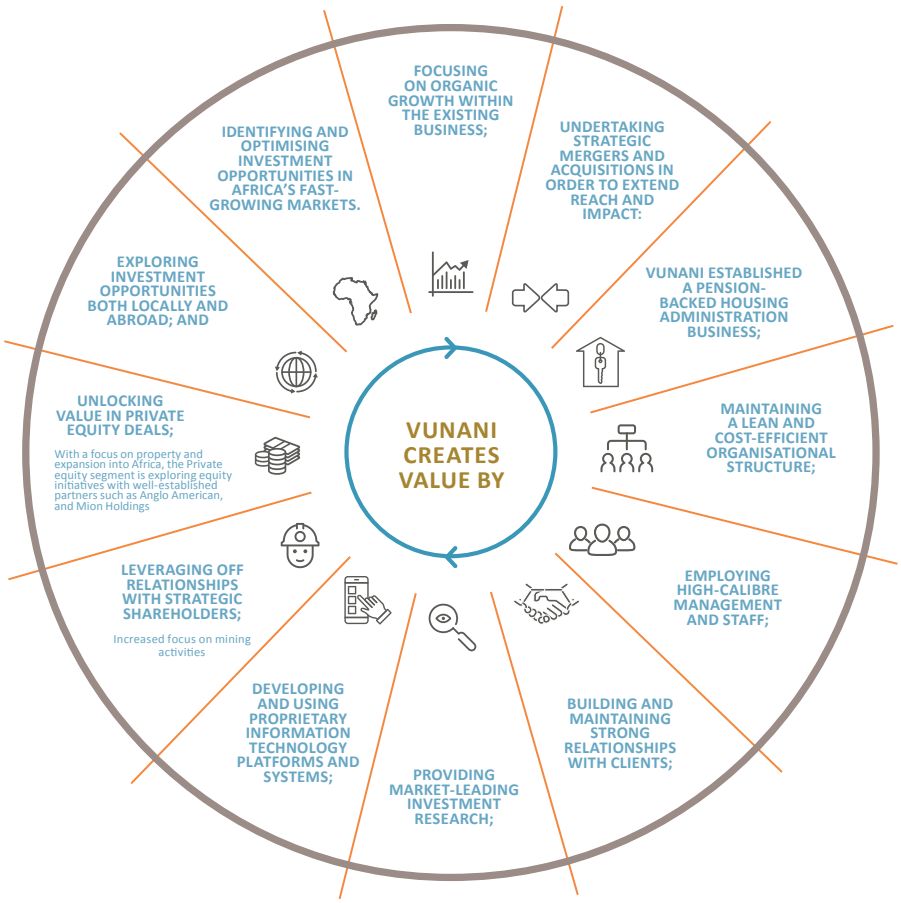
Investment case

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 distinctive 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 being an instrument of meaningful transformation within the South African context.



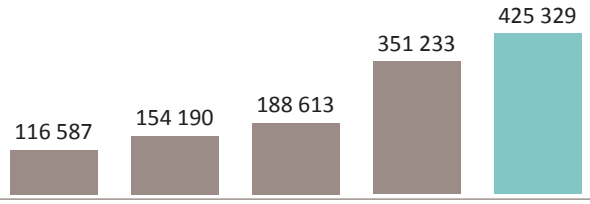
VALUE IS CREATED THROUGH

SHARE PRICE APPRECIATION	DIVIDENDS PAID TO SHAREHOLDERS;	THE EMPLOYMENT OF OVER 250 STAFF	SOCIO-ECONOMIC TRANSFORMATION; AND	PAYMENT OF STATUTORY TAXES AND LEVIES.
	A dividend per share of 6.2 cents declared for the year.	High-level skills training and development;		

Five-year financial review

STATEMENT OF COMPREHENSIVE INCOME

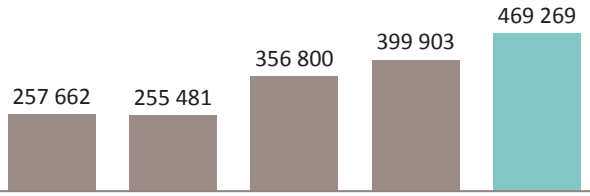
TOTAL REVENUE (R'000)



	Dec 2014	Feb 2016	Feb 2017	Feb 2018	**Feb 2019**
	(note 1)	(note 1)	(note 1)	(note 1)	
Results from operating activities (profit) (R'000)	80 420	6 128	49 758	61 427	**112 416**
Profit for the year (R'000)	66 985	8 169	40 038	45 556	**90 252**
Headline (loss)/earnings (R'000)	(28 273)	6 355	24 213	39 980	**88 553**
Headline (loss)/earnings per share (cents)	(27.5)	5.8	19.2	25.2	**54.7**

STATEMENT OF FINANCIAL POSITION

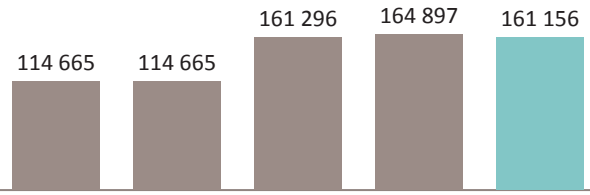
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS (R'000)



	Dec 2014	Feb 2016	Feb 2017	Feb 2018	**Feb 2019**
	(note 1)	(note 1)	(note 1)	(note 1)	
Total assets (R'000)	469 094	963 730	1 284 289	1 282 156	**798 944**
Total liabilities (R'000)	214 250	706 579	931 510	882 819	**321 295**
Net tangible asset value per share (cents)	194.0	192.9	73.4	104.8	**157.3**

SHARE PRICE STATISTICS

NUMBER OF SHARES IN ISSUE AT YEAR-END ('000)



	Dec 2014	Feb 2016	Feb 2017	Feb 2018	**Feb 2019**
Closing price at end of the year (cents)	170	160	220	300	**200**
Closing high for the year (cents)	220	185	220	320	**300**
Closing low for the year (cents)	106	115	117	180	**112**
Volume traded during the year ('000)	14 635	2 880	8 504	1 531	**5 483**
Ratio of volume traded to shares in issue (at year-end) (%)	12.76	2.51	5.27	0.92	**3.40**

Notes

Note 1 – For continuing and discontinued operations.

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BUSINESS SEGMENT REVIEWS

Fund management

Vunani Fund Managers

Vunani Fund Managers is a boutique fund management business that has been operating since 1999. It offers a range of investment products to both institutional and retail clients, including retirement funds, medical schemes, corporates, parastatals and trusts. Its product range has domestic and global reach, which is offered through both single-asset and multi-asset funds.

The company has strong capabilities and a proven track record in the areas of specialist equity, specialist bonds, property funds and multi-asset funds. Its bespoke approach to investing is based on delivering solutions that are customised to meet client needs and on establishing strong and lasting relationship with those clients. This approach is supported by diligent risk management processes that have enabled the company to deliver positive returns, especially in the areas of absolute return funds (CPI+ range), specialist bonds, property, core domestic equity and global equity.

The portfolio construction skills and risk management capabilities of the company's team of highly experienced investment professionals enable it to deliver world-class investment solutions. Its primary objective is to achieve investment returns that exceed agreed benchmarks and, in order to achieve this, it recruits and retains talented investment professionals. It also strives to continuously improve its market share.

Performance outcomes

Revenue:

R72.7 million
(2018: R47.0 million)

Assets under management:

R27.6 billion
(2018: R20.9 billion)

Retained key investment professionals

Performance review

The performance of VFM has seen a significant improvement in FY2019, as the company turned a slight loss to a profit position. This was driven by an increase in AUM of 32% from the prior year. The underlying performance of the individual portfolios have also improved, which has resulted in the company earning performance fees.

Difficult market conditions nevertheless persisted throughout the year and inevitably had an impact in investor sentiment. Long lead times between business being secured and transactions being finalised also continued, although the company did experience good inflows, resulting in the solid improvement in fee income.

Strategic objectives

Generate a good annual return on equity

KPI: A minimum ROE of 25% per year

FY2018
ROE of negative 3%

FY2019
ROE of 38%

Recruit and retain talented investment professionals

KPI: Recruitment and retention of top investment professionals

FY2018
Strong focus on the retention of existing investment professionals and on actively strengthening the investment team, especially in the areas of fixed interest and alternatives

FY2019
Retained key individuals

Increase market share

KPI: Obtain a 5% to 10% increase in market share

FY2018
Top 10 black asset managers (2017 BEE. conomics survey)

FY2019
Top 10 black asset managers (2018 BEE. conomics survey)

Provide relevant and cost-effective investment products

KPI: High levels of performance and new inflows

FY2018
Second and third quartile performance on some products 31.2% increase in AUM

FY2019
Second and third quartile performance with some products 32% increase in AUM

Outlook

In recent years, there has been increasing interest in less traditional assets, as well as an appetite for exchange-traded funds, hedge funds and private equity. Infrastructure and corporate credit products are also attracting attention, and greater longevity is driving a growing need for suitable healthcare funding products. All of these trends present opportunities for the company, which it is working to access and realise.

Strategically, it will continue to focus on providing a differentiated approach to managing assets in different product categories, solid investment performance, client-centred solutions, effective cost management, and fair and ethical service. While economic conditions are unlikely to improve during the current period, the outlook for the segment as a whole and for the company in particular is conservatively optimistic.

Fund management

Purpose Vunani

Purpose Vunani is an independent asset management company that offers diversified solutions to corporate clients, insurance companies, pension funds and individuals. The Zimbabwean-based company, which was established in 2005, is partly owned by Vunani Capital, which has a 65% share in the business. Its key activities include money market portfolio management, stock market portfolio management, investment advisory services, cash management services and outsourced treasury solutions.

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

Performance outcomes

Other segment revenue:

▼ R14.5 million
(2018: R17.6 million)

Assets under management:

▲ USD28.2 million
(2018: USD24.2 million)

▼ **Decrease in treasury bills traded**

Performance review

FY2019 proved to be a difficult one for Purpose Vunani, with revenue dropping in response to very unstable trading conditions in Zimbabwe which impacted significantly on profits. The company nevertheless remained profitable and increased assets under management by 16.5% to USD28.2 million (2018: USD24.2 million).

Strategic objectives

Improve returns for shareholders

KPI: A minimum ROI of 10%

FY2018 47%

FY2019 9% ✗

Maintain profitability

KPI: Profitability

FY2018 Profit of R7.3 million

FY2019 A profit of R1.5 million ✓

Grow assets under management

KPI: Achieve a target of USD40 million

FY2018 AUM of USD24.2 million

FY2019 AUM of USD28.2 million ✗

Grow revenue

KPI: Achieve at least a 10% growth

FY2018 Growth of 28%

FY2019 Decrease of 18% ✗

Outlook

Political, social and economic conditions in Zimbabwe continue to be highly unstable and the impact these will have on the business in the current period is uncertain. It nevertheless aims to remain profitable and to continue to grow assets under management.

Asset administration

Fairheads

The asset administration segment comprises the group's investment in Fairheads Benefit Services Proprietary Limited (Fairheads), which is held through Mandlalux Proprietary Limited (Mandlalux).

Fairheads is a niche trust and beneficiary fund administrator responsible for administering funds on behalf of minor dependants of deceased retirement fund members. It has two key client groups: members and their guardians, who make use of its services; and retirement fund trustees, who make the decision to place the funds due to beneficiaries in the company's care.

Fairheads' primary objective is to provide impeccable service delivery to its members because, in many cases, the funds it pays to them contribute significantly to their overall household income and, as importantly, to educational outcomes. The company has therefore developed strong relationships with members and their guardians based on openness and transparency.

Performance outcomes

Revenue:
R127.3 million
(2018: R124.7 million)

Profit:
R13.4 million
(2018: R6.7 million)

Assets under administration:
R6.3 billion
(2018: R6.2 billion)

Number of members:
75 061
(2018: 76 030)

Maintained market share to:
25 %
(2018: 25%)

Delivered enhanced operating efficiencies

Undertook Phase 2 of the company's client-centric information technology solution, which is due to be completed in the current period

Performance review

Fairheads performed well during the reporting period, contributing R127.3 million to group revenue (2018: R124.7 million). This was attributable to a growth in in assets under administration (AUA), which increased revenue, as well as to a reduction in costs and finance charges on external debts. As a result, profit increased by 100% to R13.4 million (2018: R6.7 million).

Like the rest of the group, the company nevertheless operates in a constrained economic environment that shows little growth and is highly price competitive, but which is also marked by poor service delivery to members. It differentiates itself on the quality of its service and on the personal relationships it cultivates with members and their guardians. In this way it aims to maintain a premium market positioning in relation to its competitors.

Strategic objectives

Generate a good annual ROE

KPI: ROE of 25% per year

FY2018 ROE of 5%

FY2019 ROE OF 9% ✗

Increase market share

KPI: Progressively increase market share year-on-year

FY2018 25% market share

FY2019 25% market share —

Increase AUA

KPI: Progressively increase AUA year-on-year

FY2018 AUA of R6.2 billion

FY2019 AUA of R6.3 billion ✓

Enhance operating efficiencies

KPI: Continuously improve AUA per employee

FY2018 AUA of R32.1 million per employee

FY2019 AUA of R35.4 million per employee ✓

Outlook

The immediate outlook for Fairheads is positive, with the company continuing to gain clients from competitors and growing market share as a result. Year-to-date performance for Y2020 is therefore to budget.

Its primary objective for the current period is to retain its existing client base by delivering excellent service and to grow this client base within the constraints of the market. It also aims to diversify its product and services range and to finalise the implementation of its new information technology platform, which will enable it to take the company confidently into the next decade.

On a regulatory level, new default regulations to the Pension Funds Act (No. 24 of 1956) came into effect on 1 March 2019 and are impacting on the way in which pension funds operate. While this will not have a direct effect in the company, it does affect the retirement fund industry as a whole and therefore may influence how trustees decide to invest beneficiary funds.

Investment banking: institutional securities broking

Vunani Securities and Vunani Capital Markets

The institutional securities broking segment manages equity, derivative and capital market trading services for institutional clients. These are delivered through Vunani Securities, which handles equity, derivative and related trading, and Vunani Capital Markets, which handles fixed-interest business offerings in bonds and money market instruments.

Despite difficult trading conditions throughout the reporting period, Vunani Securities continues to focus on becoming the foremost stockbroking service provider in South Africa. The company trades primarily in domestic stocks and has wide 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, as well as bottom-up research on approximately 90 listed companies.

Vunani Capital Markets, in turn, 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.

Performance outcomes

Revenue:	Loss:	Ranking out of:
R42.0 million	R7.2 million	56 brokers: 29
(2018: R63.7 million)	(2018: Profit: R1.4 million)	(2018: 25)

Performance review

The sharp decline in revenue in the institutional securities broking segment and the impact it had on its profitability was attributable to exceptionally unfavourable market conditions during the reporting period, which resulted in a significant drop-off in trade volumes.

Locally, political uncertainty in the run-up to the general election in May 2019 affected investor confidence, while the threat of a 'trade war' between the United States and China continued to affect international investor sentiment. The implementation of MiFID II (the Markets in Financial Instruments Directive) in the European Union, which introduced added restrictions on brokers and advisors dealing with third-party providers, also affected trade between South Africa and this key trading bloc.

The segment was therefore restructured during the course of the year to account for these changes in the operating environment and to lay the foundation for returning the business to profitability.

Strategic objectives

Generate a good annual return on equity

KPI: A minimum ROE of 15% per year

FY2018	FY2019	
ROE of 7%	Negative ROE	X

Increase market share

KPI: To rank among the Top 20 brokers in terms of volume traded on the JSE

FY2018	FY2019	
Achieved a ranking of 25/56	Achieved a ranking of 29/56	X

Increase international exposure through joint ventures with international partners

KPI: Link up with at least one new international partner a year

FY2018	FY2019	
Entered into a joint venture agreement with Panmure Gordon	No new agreements signed	X

Develop and expand relationships with clients

KPI: Increase the number of institutional clients and develop relationships directly with asset owners

FY2018	FY2019	
Six institutional clients added during the period	Three institutional clients added during the year	X

Outlook

There has been a slight improvement in outlook since the general election, but there is still uncertainty about the direction politics will take in South Africa. Low economic growth, high levels of unemployment and insecurity about electricity supply also continue to impact on the trading environment, as do various international issues.

Both Vunani Securities and Vunani Capital Markets have, however, reviewed their business strategies to account for the current situation and intend to focus on developing diversified revenue streams in order to minimise the risks inherent in the current trading environment. Both companies will also continue to focus on engaging and developing relationships with asset owners as well as institutional clients in order to secure trading potential.

A key objective during the current period is obviously to increase revenue and to return to profitability. Trade volumes have been increasing since the election results were announced, but due to an average lag of six months in the payment of commissions, the effect of this will only be felt in the second half of the year.

Investment banking: advisory services

Vunani Corporate Finance

Vunani Corporate Finance offers the full range of classic corporate finance services, enabling clients to buy and sell companies. Its services include capital raising; advice on mergers, acquisitions and disposals; and transaction structuring. As it is a JSE and A4X sponsor, it can also assist with the listing of companies, as well as with the ongoing support required to ensure compliance and to enhance growth potential and sustainability.

The company operates across all sectors, but its core focus is in mining, financial services and the structuring of B-B BEE deals. Its capabilities in the mining sector are particularly strong, as its highly experienced 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.

The primary objective of the advisory services segment is to consistently grow revenue and profitability by providing expert professional advice and superior service to its clients. In order to do this, its supplementary objective is to maintain a good pipeline of deals.

Performance outcomes

Revenue:

▲ R18.0 million
(2018: R4.9 million)

Profit:

▲ R4.7 million
(2018: Loss: R1.5 million)

Increase in mandates

Performance review

Despite the many challenges it faced in the operating environment, Vunani Corporate Finance performed well during the reporting period, increasing revenue to R18.0 million (2018: R4.9 million) and returning the business to profitability after having reported a loss in the previous period.

Socio-economic uncertainty, low growth and muted investor confidence do, however, mean that that large, multi-billion-rand mergers and acquisitions remain rare. The mid-cap market nevertheless continues to be active, with many corporates and large companies disposing of non-core assets and entering into B-B BEE transactions. At present – and for the foreseeable future – deals such as these are expected to make up the bulk of the company's business.

Strategic objectives

Consistently increase revenue year-on-year

KPI: A minimum of 10% per year

FY2018
Revenue decreased by 7% due to transactions from FY2018 being rolled over into FY2019

FY2019
Revenue increased by 267.3% due to increased deal flow, especially in the mid-cap market

✓

Generate a good annual return on equity

KPI: A minimum ROE of 25% per year

FY2018
Negative ROE as a result of losses

FY2019
ROE of 95%

✓

Entrench Vunani Corporate Finance as the advisor of choice for coal-related transactions

KPI: 60% of revenue to be generated from mining

FY2018
26% of revenue generated from mining-related mandates

FY2019
12% or revenue generated from mining-related mandates

X

Grow mandates with leading B-B BEE investment companies

KPI: Conclude a minimum of 3 mandates with B-B

BEE companies
FY2018
No mandates concluded

FY2019
Various B-B BEE transactions were concluded on behalf of clients in the retail, IT and healthcare sectors

✓

Further entrench Vunani in the SOE space

KPI: Close one transaction for an SOE per year

FY2018
The company was awarded one mandate from an SOE

FY2019
No mandates awarded in the year

X

Outlook

In general, economic activity in South Africa remains subdued, but there has been an uptick in the healthcare, renewable energy and agricultural sectors. In line with its strategy, Vunani Corporate Finance will continue to seek mandates in these sectors, as well as in mining, which remains its core focus.

The company also intends to continue growing its portfolio of B-B BEE deals, especially with leading B-B BEE investment companies. At present, most activity in this regard is in the retail, IT and healthcare sectors.

At present, Vunani Corporate Finance has a strong pipeline of transactions, which includes mandates from blue-chip corporates and B-B BEE investment companies. The difficult economic climate nevertheless means that that transactions are taking longer than normal to finalise and this will inevitably impact on revenue in the short-term. Price discovery also remains a challenge, leading to many transactions failing to close.

Private equity: Commodities trading

Vunani Resources

The private equity segment invests the group's own financial capital and human resources, rather than those of third parties, into companies with high growth potential, usually outside of the financial services sector. Vunani Private Equity is a business unit of Vunani Capital and it holds its investments either through subsidiaries or as an associate.

Vunani Resource's primary focus is on commodities trading, focusing on coal, boron and more recently agricultural commodities. Vunani Resources is operating from a discard mine dump called Schoongezicht in Witbank. Vunani Resources' main activities are the reclaiming and beneficiation of the discard dump at Schoongezicht. The company uses various suppliers in the beneficiation and transportation role, which enables it to support smaller businesses in the area. The coal that is produced is either export quality or sold to the domestic market. The coal is delivered to various sidings in the area.

The company entered into a joint venture agreement to distribute boron products to all 54 African countries.

Performance outcomes

Revenue:

▲ R141.3 million
(2018: R84.6 million)

Profit:

▲ R9.7 million
(2018: R6.1 million)

Coal production:

▲ 337 900 tonnes
(2018: 280 000 tonnes)

Performance review

The positive results reported by Vunani Resources, were driven mainly by growth in the coal beneficiation operations at Schoongezicht. This was aided by high coal prices in the first half of the year.

Another significant event that took place during the course of the year was the signing of the joint venture agreement with Eti Maden of Turkey to distribute boron products throughout Africa. Boron has over 400 applications, the most notable of which is as a micronutrient in fertilisers. The new boron operation made a positive contribution to group results within six months.

Strategic objectives

Extract value from coal-related investments

KPI: Net annual return on investment of 15%

FY2018	FY2019	
Net return on investment of 60%	Net return on investment of 7%	X

KPI: Production of 30 000 tonnes of saleable coal per month

FY2018	FY2019	
23 000 tonnes of saleable coal were produced per month	28 000 tonnes of saleable coal were produced per month	X

KPI: Establish a site to beneficiate coal

FY2018	FY2019	
Site secured	No new site secured	X

Outlook

Coal prices have softened considerably over the past year and demand has also contracted, particularly for coal mined from the Schoongezicht discard dump. As a result, Schoongezicht is likely to experience a contraction in its business.

The trade in boron has also been impacted over the past 12 months, in this case by drought conditions in southern Africa. Performance in the rest of Africa is, however, good and this is expected to continue throughout the current period. Vunani Resources will also be aiming to consolidate its trade in boron in the next year.

The company has begun trading in agricultural commodities such as maize and soya beans, which should contribute positively to the segment.

Private equity: Other investments

Vunani Private Equity

Private equity investments that are not commodity related are handled directly by Vunani Private Equity, which is a business unit of Vunani Capital. As with its commodities trading activities, the aim of the company's activities in sectors such as property, mining, healthcare and fintech (financial technology) is to invest as a principal into opportunities that enable the group to fulfil a value-adding role and thereby to grow its balance sheet.

Vunani Private Equity has a broad mandate to acquire equity stakes in both listed and unlisted companies, principally as an active black economic empowerment partner. These include private equity companies, 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.

The company's investment approach is to partner with skilled individuals and teams in a defined economic segment or around a specific investment theme that presents significant growth opportunities. Its long-term strategy is to progressively expand its focus into other economic sectors, which it intends to do by partnering with established market participants.

Performance outcomes

Revenue per other segments:

R9.5 million
(2018: R8.2 million)

Profit:

R61.7 million
(2018: R29.8 million)

Fair value gains:

R73.2 million
(2018: R43.7 million)

Dividends earned:

R10.9 million
(2018: R5.4 million)

Equity accounted earnings:

R5.6 million
(2018: Loss R12 million)

Performance review

The private equity portfolio performed reasonably well in FY2019, primarily as a result of mark-to-market gains on some of the unlisted investments in its portfolio. The significant fair value gains arose from our investment in Black Wattle and Butsanani. The increase in the life of mine of Black Wattle resulted in the increased valuation.

The investment in Butsanani was revalued due to a change in accounting policy. Butsanani is a joint venture with Anglo Coal and, through Vunani Mining, it holds a 51% shareholding in the Rietvlei Mining Company. Rietvlei commenced operations during the course of the reporting period and delivered its first consignment of coal to Eskom in April 2019, shortly after the end of FY2019. Once steady-state production has been reached, Rietvlei is expected to produce 2.5 million tonnes of coal over its projected 16-year lifespan.

Cash dividends from the portfolio contributed an additional R10.9 million (2018: R5.4 million).

The company's investment in BSI Steel was also disposed of for R10 million through an exchange in BSI Steel shares for shares in Vunani Limited held by the buyer.

One of the most significant events of the year was that, in October 2018, the City of Cape Town took the decision to withdraw from legal proceedings over the development of Maidens Cover in Clifton. This had the effect of terminating the tender awarded to the entity, in which Vunani held a 34% interest, and obviously impacted on results.

Strategic objectives

Generate a good annual return on investment

KPI: Net return on investment of 15%

FY2018 Net return on investment of 9%

FY2019 Net return on investment of 12% ✗

Dispose of non-core investments

KPI: Dispose of non-core assets as required and appropriate

FY2018 No disposal of non-core investments

FY2019 The company's interest in BSI Steel was disposed of for R10 million ✓

Complete transactions in focus areas

KPI: Complete two property transactions per year
Complete one African transaction per year

FY2018 One property transaction completed

FY2019 No property transactions completed in the year ✗

One African investment transaction completed

Two African investment transactions completed ✓

Outlook

The outlook for the other investments business depends on the company's ability to raise third-party capital to expand its interests in fintech, renewable energy and agriculture. The re-establishment of Vunani Properties also presents interesting opportunities to expand asset management activities in both developments and rental spaces.

The economic context in which it operates nevertheless remains extremely constrained and this is unlikely to change during the current period.

From a portfolio management point of view, the company therefore remains focused on disposing of long-held, non-core investments, particularly its listed investments in Workforce and JSE.

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CORPORATE GOVERNANCE

Corporate governance

Vunani is fundamentally committed to good corporate governance and strives to ensure that all aspects of its business conform to all relevant guidelines and regulations.

GENERAL GOVERNANCE

The board of directors endorses the codes of good governance set out in the King Report on Corporate Governance in South Africa (2016) (King IV), as well as the Johannesburg Stock Exchange (JSE) Listings Requirements as they apply to AltX-listed companies. In line with these, 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 committed to ensuring that Vunani maintains the highest standards of corporate governance. It therefore applies 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 King IV and the JSE Listings Requirements at regular intervals. In line with 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. They will also fully explain any instances of non-compliance.

FINANCIAL REPORTING

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

INTERNAL AUDIT

MASA Advisory Services was appointed as the external provider of internal audit services to the group during the year. An internal audit plan for the 2019 financial year was presented to and approved by the audit and risk committee.

The internal audit plan is based on an assessment of risk areas identified by the internal auditors and management and is reviewed and updated annually. The approved internal audit plan was executed in various stages throughout the 2019 financial year. This process included a risk-based assessment of the adequacy and effectiveness of the group's system of internal controls and risk management procedures.

Internal audit reports directly to the audit and risk committee, and the internal audit 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.

The key responsibilities of the internal audit 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
- Investigating and reporting on any instances of fraud, corruption, unethical behaviour and irregularities as appropriate.

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 outsourced company secretary for Vunani Limited. CIS is led by Gillian Prestwich, who is the principal consultant. She holds a BA degree and a Diploma in International Trust Management (TEP) and is a fellow of the Institute of Chartered Secretaries and Administrators. She has extensive experience in the company secretarial and corporate governance arenas, both locally and internationally. In accordance with the JSE Listings Requirements, an assessment of Ms Prestwich and her staff at CIS is performed annually by the entire board, including the executive directors.

Based on the annual assessment conducted by the board during the 2019 financial year, the board is satisfied that both Ms Prestwich and her staff have the requisite qualifications, competence and experience to fulfil the functions required by the group company secretary. The academic and professional qualifications of the entire CIS team were externally verified prior to the company being appointed.

The board is also satisfied that an arms-length relationship is maintained between the company secretary and the board and its sub-committees and confirms that neither Gillian Prestwich nor any members of her staff are directors or public officers of the group or any of its subsidiaries.

INDUSTRY ASSOCIATIONS

Vunani is currently 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 Sector Conduct Authority (www.fsca.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).

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 or where they may be in possession of price sensitive information.

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, details are released on SENS.

IT STEERING COMMITTEE REPORT

Governance of information technology

Vunani's IT steering committee (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.

How the committee works

The IT Steerco 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 committee on the understanding that:

- It does not divest the board of directors of their responsibilities regarding IT governance;
- It integrates both IT and business representation;
- Its authority may at any time be varied by the chief executive officer in consultation with the committee chairman; and
- 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 and disaster recovery;
- performance management; and
- risk management.

Board of directors

The board is composed of individuals with a diverse range of skills, knowledge and experience. It is made up of seven non-executive directors and four full-time, salaried executive directors. King IV recommends that the majority of the non-executive directors be independent and, accordingly, most of Vunani's non-executive directors are independent in terms of both the King guidelines and the JSE Listings Requirements.

Female representation on the board is currently 9% and the promotion of gender diversity at board level is therefore a priority for Vunani. In accordance with the group's gender diversity policy, it aims to double this percentage by 2020. The board composition is currently 64% black and 36% non-black directors. The promotion of racial diversity at board level is very important for Vunani. In accordance with the group's racial diversity policy, it aims to ensure that at least 50% of its directors are black. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

BOARD APPOINTMENTS

Directors are appointed in a formal and transparent manner. Nomination and approval of appointees to the board and its committees is carried out 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 memorandum of incorporation (MOI) requires that one-third of the directors of the company, with the exception of the executive directors, retire by rotation and offer themselves for re-election by shareholders at the annual general meeting. Accordingly, MJA Golding, LI Jacobs and S 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.

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 new directors are provided with an induction pack which includes the group ethics policy among other policies. The group also covers the cost of attendance at appropriate external training courses. On an annual basis the group through discussion with the board members identify training which its members may find beneficial. The company secretary takes responsibility for managing and coordinating this process.

DECLARATION OF INTEREST

In line with the requirements of Section 75 of the Companies Act (Act 71 of 2008), 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.

BOARD MEETINGS

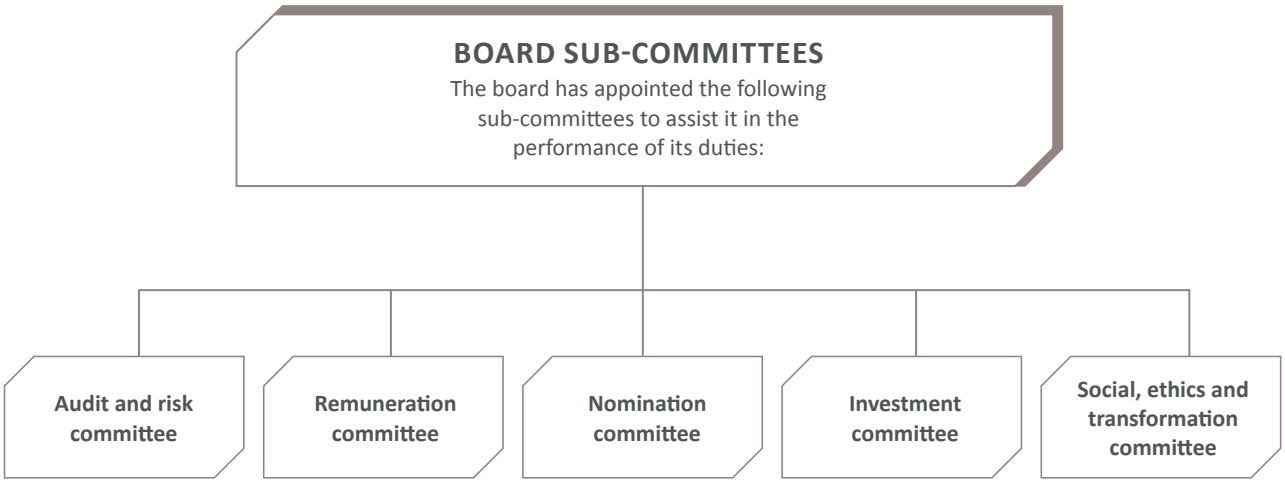
The board recognises that careful preparation of an agenda and supporting documentation for board meetings enhances productivity and strengthens the board's strategic and supervisory role. The agenda and supporting documentation for board meetings is distributed to all directors before each meeting. 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 on emerging issues that could affect the business. 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.

A formal self-assessment by the board was conducted during the year and the board was satisfied that it operates effectively according to an approved board charter, which sets out its duties and responsibilities. The board annually undergoes a comprehensive and rigorous review and evaluation of the independence of those non-executive directors (including, if applicable, the chairman), classified as, 'independent', and has satisfied itself that, notwithstanding the fact that certain directors have been on the board for over nine years, all the directors classified as, 'independent', are independent and act in an independent manner. The affected directors are JR Macey, GS Nzalo and NS Mazwi.

ATTENDANCE AT MEETINGS

	24 April 2018	25 June 2018	10 October 2018	31 January 2019
E Dube	✓	✓	✓	✓
NM Anderson	✓	✓	✓	×
BM Khoza	×	✓	✓	×
T Mika	✓	✓	✓	✓
LI Jacobs (C)	✓	✓	✓	✓
GS Nzalo	✓	✓	✓	×
JR Macey	✓	✓	✓	✓
XP Guma	✓	✓	×	✓
S Mthethwa	×	×	✓	×
NS Mazwi	×	✓	×	✓
M Golding	✓	✓	✓	✓



Remuneration committee report

The remuneration committee makes proposals to the board regarding the remuneration policy and the remuneration of individual directors.

Committee composition and attendance	17 April 2018	31 January 2019
JR Macey (chairman)	✓	✓
LI Jacobs	✓	✓
MJA Golding*	–	✓

* *Non-executive member appointed in January 2019.*

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

- 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; and
- approving the terms and allocation of awards from any scheme providing performance-based incentives.

During the reporting period, the committee:

- reviewed the allocation of conditional share awards to executives and key members of management;
- approved the executive short-term incentive pool and related payments; and
- recommended remuneration for non-executive directors for the 2020 financial year;

SHAREHOLDER ENGAGEMENT

- At AGM held last year the remuneration policy received a 99.99% advisory vote from our shareholders, while the remuneration implementation report received a 92.6% advisory vote from the shareholders. At the meeting there were no specific concerns raised about the policy. In the event that the remuneration policy and implementation report are voted against by 25% of the votes, the committee will engage the shareholders regarding their concerns and provide clarity to them as soon as possible. We are however committed to providing any clarification on any issues raised by shareholders in the future.

In the 2020 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;
- review the remuneration of low-level employees to bridge the gap between the lowest and highest paid employees; and
- ensure the accurate allocation of conditional shares to executives and key members of management.

The committee is comfortable that Vunani's remuneration policy largely achieved its objectives. In order to improve the remuneration policy, the committee used benchmarking data from salary surveys to guide the decision-making process. No independent remuneration consultants were used during the year.

In terms of King IV the remuneration policy and implementation report will be voted on at the AGM.

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 remunerates at levels that attract, retain and motivate employees of the highest calibre and rewards them for good performance.

The group defines total remuneration as a combination of all types of reward, 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 in order to maximise shareholder value;
- setting levels of remuneration that are fair, reasonable, relevant and competitive;
- rewards individuals who promote ethical culture and corporate citizenship;
- consistently applying policies and practices throughout the group; and
- fostering a focus on long-term sustained performance and growth within the group.

The executive directors 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.

COMPONENTS OF TOTAL REMUNERATION

The components of total remuneration are split between total guaranteed pay (TGP), short-term incentive (STI) and long-term incentive (LTI).

Level	TGP	STI	LTI
Key management (including the CEO and executive directors)	Guaranteed cost to company	Performance bonus	Equity-settled share plan
Senior management	Guaranteed cost to company	Performance bonus	Equity-settled share plan
General employees	Guaranteed cost to company	Performance bonus	Equity-settled share plan

The table below shows the pay mix of the executive directors at the various levels of performance:

Below-threshold performance	TGP	STI	LTI
Position			
CEO/CFO/Executive	85%	0%	15%
Target performance	TGP	STI	LTI
Position			
CEO/CFO/Executive	57%	33%	10%
Stretch performance	TGP	STI	LTI
Position			
CEO/CFO/Executive	44%	48%	8%

Total guaranteed pay

The levels of total guaranteed pay 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 27.5% 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.

Performance condition and weightings	Performance period	Strategic purpose	Positive outcome
Financial (75%) • Group profit • Realisation of investments • Cost efficiency	One-year	To create a culture that rewards performance and achieving strong annual returns	**Financial** Improve group profitability, dividend growth and share price
Strategic initiatives (25%) • Client satisfaction • Be more agile, innovative and competitive • Transformation			**Social and relationship** Improve the financial well-being of our stakeholders who will in turn produce improved social conditions of the communities

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 2018, 100% of the shares issued in June 2011 and 100% of the shares issued in December 2012 had been vested.

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 as the official rate as published by the South African Revenue Service (SARS) from time to time.

Once they have been 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 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, all of these options have been exercised. Employees are entitled to exercise 100% of these options on vesting. This share scheme was concluded during the year as all the shares that had vested were allocated to employees.

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, 29 February 2016, 24 February 2017 and 26 February 2018.

The shares will vest on the fulfilment of certain performance conditions at the end a three-year period. Performance conditions include financial and non-financial measures. It is anticipated that allocations will be made annually.

Performance condition and weightings	Performance period	Strategic purpose	Positive outcome
Financial performance (60%) Individual performance (40%)	One-year	To attract, retain and motivate key employees	Improved group profit that will improve the shareholder return

Executive directors' remuneration

The group adheres to the guidelines for executive remuneration as set out in 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 the implementation report below and note 37 on page 124 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 as directors of the board and as members of board committees. The remuneration committee proposes the fees for non-executive directors, and these are confirmed 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 current period and prior year, refer to note 37 on page 124 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 reporting period are available in note 59 on page 142.

IMPLEMENTATION REPORT

Total remuneration (single figure)

The single figure remuneration disclosure below is in terms of the KING IV principles.

Figures in R'000	Salaries	Provident fund and medical aid contributions	Bonus	Share- based payment	Total
2019					
E Dube	**3 765**	**868**	**2 948**	**1 293**	**8 874**
NM Anderson	**2 687**	**383**	**1 986**	**868**	**5 924**
BM Khoza	**2 563**	**558**	**1 986**	**868**	**5 975**
T Mika	**1 107**	**123**	**783**	**325**	**2 338**
	10 122	**1 932**	**7 703**	**3 354**	**23 111**
2018					
E Dube	3 680	731	2 616	772	7 799
NM Anderson	2 669	303	1 762	520	5 254
BM Khoza	2 522	450	1 762	520	5 254
T Mika	1 078	94	695	201	2 068
	9 949	5 189	6 835	2 013	20 375

Total long-term incentive awards

The details of the long-term awards made to the executive directors is disclosed below.

2019	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Vested during the year ('000)	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
E Dube	**2 137**	**–**	**–**	**1 014**	**151 -234**	**1 123**	**–**	**2 459**
BM Khoza	**1 434**	**–**	**–**	**683**	**151 -234**	**751**	**–**	**1 645**
NM Anderson	**1 434**	**–**	**–**	**683**	**151 -234**	**751**	**–**	**1 645**
T Mika	**574**	**–**	**–**	**217**	**151 -234**	**357**	**–**	**782**
	5 579	**–**	**–**	**2 597**	**–**	**2 982**	**–**	**6 531**

2018	Award date	Vesting date	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
E Dube	26/02/2018	26/02/2021	1 466	671	–	151 -234	2 137	–	6 411
BM Khoza	26/02/2018	26/02/2021	987	447	–	151 -234	1 434	–	4 302
NM Anderson	26/02/2018	26/02/2021	987	447	–	151 -234	1 434	–	4 302
T Mika	26/02/2018	26/02/2021	372	202	–	151 -234	574	–	1 722
			3 812	1 767	–	–	5 579	–	16 737

	Award date	Vesting date	Opening number ('000)	Awarded during the year ('000)	Forfeited during the year ('000)	Award price per share (cents)	Closing number ('000)	Cash received from awards settled	Indicative value of unvested shares (R'000)
2017									
E Dube	24/02/2017	24/02/2020	1 014	452	–	151 -176	1 466	–	3 225
BM Khoza	24/02/2017	24/02/2020	683	304	–	151 -176	987	–	2 171
NM Anderson	24/02/2017	24/02/2020	683	304	–	151 -176	987	–	2 171
T Mika	24/02/2017	24/02/2020	217	155	–	151 -176	372	–	818
A Judin			419	–	(419)	–	–	–	–
			3 016	1 215	(419)	–	3 812	–	8 386

STI PERFORMANCE OUTCOMES

The STI performance outcomes for the financial year is shown below:

Key performance indicator	Weight	Target	ED	MA	BK	TM	Achieved
Group profit	35%	10% growth	✓	✓	✓	✓	✓
Return on equity	10%	10% growth	✓	✓	✓	✓	✓
New business	20%	10% growth	✓	✓	✓	✓	✓
Strategic initiatives	35%	Exco Assessment	✓	✓	✓	✓	✓

PAYMENTS ON TERMINATION OF EMPLOYMENT

The employment contracts of members of the executive management do not contain clauses that would entitle them to additional remuneration in the event of termination of their contracts. In the event of termination of employment, any payments made to the executive will be in terms of legislation and any unvested long-term incentive scheme shares will be dealt with in terms of the rules of the scheme and reason for termination.

There were no payments for termination of employment during the year.

COMPLIANCE

There were no deviations from the remuneration policy during the reporting period.

Nomination committee report

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

Committee composition and attendance	17 April 2018	31 January 2019
LI Jacobs (chairman)	✓	✓
JR Macey	✓	✓

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

- reviewing the performance of the executive directors;
- developing succession plans for the CEO and executive directors;
- identifying, evaluating, recommending and approving appointees to the board and board committees;
- 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 reporting period, the committee:

- reviewed the racial diversity policy of the board and its targets;
- reviewed the gender diversity policy and its targets; and
- recommended the appointment of an additional member to the remuneration and investment committee.

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 attendance	12 Mar 2018	9 May 2018	24 Aug 2018	24 Jan 2019
JR Macey*	✓	✓	✓	✓
E Dube	✓	×	×	✓
NM Anderson	✓	✓	✓	✓
LI Jacobs	✓	✓	✓	✓
D Tew**	×	×	×	✓
S Mthethwa***	–	–	–	✓

** Independent non-executive chairman.*
*** Independent investment committee member, resigned August 2018.*
**** Non-executive member appointed January 2019.*

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 reporting period, the committee:

- reviewed and approved the group's valuations of unlisted investments;
- considered and approved the acquisition of a stake in MMI eSwatini;
- considered and approved the disposal of the group's investment in BSi Limited; and
- considered and approved the formation of a Fintech fund.

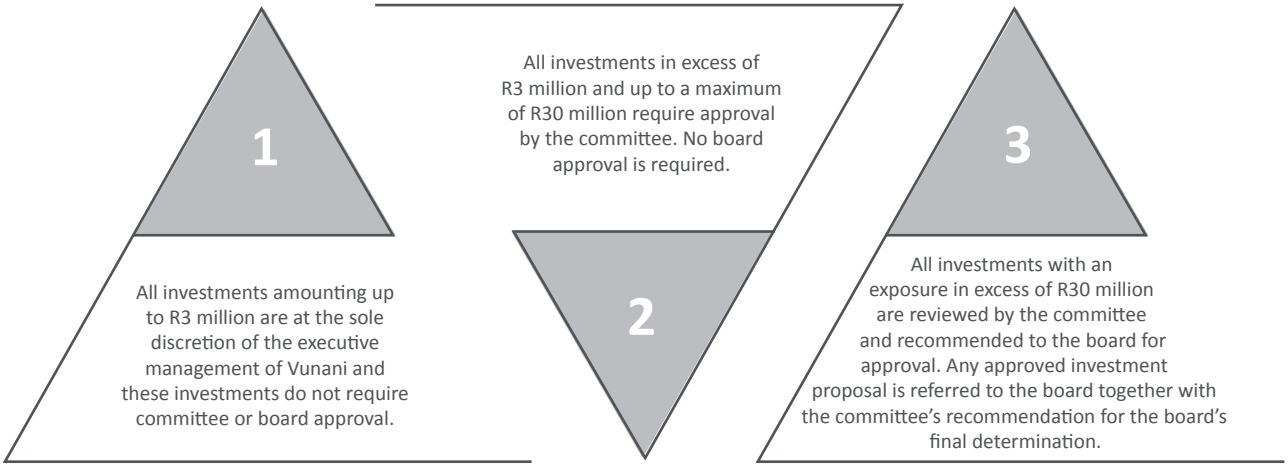
In the 2020 financial year, the committee intends to:

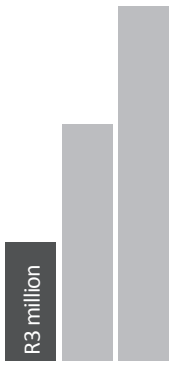
- review the impact of significant transactions on the group's capital;
- monitor the investment strategy and policies in order to ensure that investments are in line with group strategy;
- identify investment opportunities in order to ensure sustainable growth for the group;
- consider the disposal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

LEVELS OF AUTHORITY

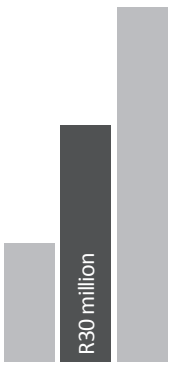
The approval of investment transactions by the committee is subject to the limits of authority as specified in the JSE Listings Requirements. Transactions exceeding a set financial limit also require shareholder approval.

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

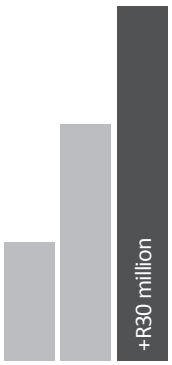




The sole discretion of the executive committee.



Requires the approval of the investment committee.



Requires final approval from the board.

Social, ethics and transformation committee report

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

Committee composition and attendance	23 Jul 2018	26 Nov 2018
NS Mazwi (Chairman)	✓	✓
I Ross	✓	✓
T Mika	✓	✓
S Moodley	✓	✓
L Rankin	×	✓
G Gould	✓	✓

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;
- compliance with applicable laws and regulations; and
- Transformation policies.

During the reporting period, the committee:

- reviewed laws and regulations affecting the group;
- refined the CSI strategy and focus areas;
- 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;
- reviewed the B-B BEE scorecards for major subsidiaries and their plans for improving on levels of employment equity; and
- Reviewed the group's whistle blowing policy.

In the 2020 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;
- review policies relating to labour and employment matters;
- review the membership of the committee to ensure it is in line with KING IV; and
- review and implement the transformation policy.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE SUB-COMMITTEES

The social and ethics committee has one sub-committee that assists it in discharging its duties to the board.

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:

- conducting health and safety audits;
- identifying potential hazards, risks and dangers;
- conducting inspections of the working environment;
- investigating incidents; and
- 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 4**
Vunani Capital	**Level 2**
Vunani Securities	**Level 2**
Vunani Capital Markets	**Level 2**
Vunani Resources	**–**

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	Empowerlogic Proprietary Limited
Name of Technical Signatory	F Mphahlele

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

B-BBEE Elements	Target Score	Bonus Points	Actual Score Achieved
Equity ownership	25	–	23.90
Management Control	20	–	13.59
Skills Development	20	–	16.24
Enterprise and Supplier Development	35	–	21.14
Socio-Economic Development	5	–	5.62
Total Score	**105**	–	**80.49**
Priority Elements Achieved	4/5		
Empowering Supplier Status	Yes		
Final B-BBEE Status Level	**5**		

King IV in application

BACKGROUND

The Institute of Directors in Southern Africa (IoDSA) aims to promote good corporate governance through the application of all relevant legislation and governance guidelines in order to create a strong platform for sustainable business growth in South Africa. IoDSA is the convenor of the King Committee on Corporate Governance for South Africa and of the four King Reports on Corporate Governance for South Africa, which provide governance guidelines for both listed and unlisted companies. The most recent King report (King IV) was published in 2016 and Vunani adheres to the codes of good governance as specified in this report.

KING IV

King IV is a substantive upgrade of King III and the new governance codes contained in the report became mandatory for listed companies as from 1 April 2017. The codes were updated to bring them into line with the latest developments in corporate governance and best practice, and also to make them more accessible to, and easier to implement for, smaller companies and non-profit organisations.

GOVERNING BODY'S ROLES AND RESPONSIBILITIES

Steers and sets strategic direction with regards to both:

- the organisation's strategy; and
- the way in which specific governance areas are to be approached, addressed and conducted.

Approves policy and planning

that give effect to the strategy and the set direction.

Oversees and monitors

implementation and execution by management.

Ensures accountability

for organisational performance by means of, among others, reporting and disclosure.

GOVERNANCE OUTCOMES	ACHIEVEMENT OF GOVERNANCE OUTCOMES
Ethical culture	Vunani's Code of Conduct and Ethics, which applies to all employees, is designed to ensure that the group maintains the highest level of integrity and ethical conduct. The board monitors compliance with this code to ensure that the highest ethical standards are upheld by everyone in the group, all service providers and all stakeholders.
Good performance	The group's strategy is assessed annually, and its objectives and control mechanisms adjusted to account for changing circumstances. The executive directors are individually mandated, and held accountable for, the group's performance against its strategic objectives. The implementation function is delegated to management, which reports to the various sub-committees of the board on a regular basis. All statutory announcements and reports are released as required by legislation and the JSE.
Effective control	Vunani's board charter outlines the board's scope of authority, responsibilities and functions. Some of these are delegated to the various board committees, which report back to the board and every board meeting. Attendance at these meetings is disclosed in the group's annual integrated report. The performance of the board and its committees is evaluated annually by the chairman and the external company secretary.
Legitimacy	The board is constituted in accordance with the guidelines presented in King IV. Comprehensive board and risk evaluation processes are conducted annually and the outcomes disclosed in the integrated report.

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Financial statements

Group

Company

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 28 June 2019.

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 of South Africa, comprising three independent non-executive directors. The committee held four meetings during the year as detailed below:

Committee composition and meeting attendance	17 April 2018	12 June 2018	2 Oct 2018	24 Jan 2019
G Nzalo*	✓	✓	✓	✓
JR Macey	✓	✓	✓	✓
NS Mazwi	✓	✓	✓	✓

** 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 of South Africa 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.
- Approved the fees to be paid to the external auditor for the 2019 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, as required in the JSE Listings Requirements.
- Confirmed that no reportable irregularities had been identified or reported by the auditors under the Auditing Profession Act.

Internal audit

- Recommended the appointment of the new internal audit service providers.
- 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 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

- Confirmed 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 of South Africa, 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 is responsible for the group's risk management and IT governance. The committee has regular feedback from those charged with governance of risk management and IT. 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 2019 comply, in all material respects, with the requirements of the Companies Act of South Africa, 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

28 June 2019
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, which comprise the consolidated and separate statements of financial position at 28 February 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies,in accordance with International Financial Reporting Standards ("IFRS") 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 company's and group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The directors have reviewed the group's cash flow forecast for the year to 28 February 2020 and, in light of this review and the current financial position, they are satisfied that Vunani Limited and its subsidiaries have, and have access to, adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

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 28 June 2019 and are signed on their behalf by:

E Dube
Chief executive officer
Authorised director

T Mika
Chief financial officer
Authorised director

28 June 2019
Sandton

Certification by the company secretary

In terms of section 58(2) of the Companies Act, and Companies Regulations 2011, we hereby certify to the best of our knowledge and belief, that for the financial year ended 28 February 2019, Vunani Limited has lodged 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

28 June 2019
Sandton

Directors' report
for the year ended 28 February 2019

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), and private equity (commodities trading and other investments).

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.

DECLARATION OF DIVIDENDS

A gross dividend of 7.4 cents per ordinary share was declared after the end of the financial year. Details are shown in note 40 of the financial statements.

SPECIAL RESOLUTIONS

1. It was resolved that the non-executive directors' remuneration was approved with effect from 31 July 2018 until the next annual general meeting.
2. It was 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 shares issued by the company.
3. It was resolved that approval was provided authorising the group to provide direct or indirect financial assistance to any related or inter-related companies.

SHARE CAPITAL

Details of the company's authorised and issued share capital at 28 February 2019 are shown in notes 23 and 55 to the financial statements.

DIRECTORS

The directors of the company for the financial year and up to the date of this report are as follows:

EXECUTIVE DIRECTORS
E Dube (chief executive officer)
T Mika (chief financial officer)
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

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

SECRETARY

The company secretary 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 2019 was as follows:

	Number of shares held		Total
Shareholding per director	Beneficially direct ('000s)	Beneficially indirect ('000s)	Number of shares ('000s)
E Dube	–	24 618	24 618
BM Khoza	–	14 779	14 779
NM Anderson	714	14 779	15 493
T Mika	223	–	223
	937	54 176	55 113

E Dube acquired 70 000 shares on 14 May 2019 and 50 000 shares on 19 June 2019. There have been no other changes in shareholding of the directors of the listed company between 28 February 2019 and the date of approval of the integrated report. Details of other directors' shareholding are disclosed in note 37.

Independent auditor's report

To the Shareholders of Vunani Limited

Report on the Audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Vunani Limited (the group and company) set out on pages 74 to 145 which comprise the consolidated and separate statements of financial position at 28 February 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of Vunani Limited at 28 February 2019, and its consolidated and separate financial performance and consolidated and separate 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 and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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 (Consolidated) *Refer to notes 2.7.2 and 14*	

Impairment testing was performed in respect of the three cash generating units (CGU) that contain goodwill.
The following significant judgements were applied in the impairment assessments applying value in use in respect of Vunani Securities Proprietary Limited and Mandlalux Proprietary Limited:
• forecast cash flows;
• discount rates applied; and
• the assumptions underlying the forecast growth rates.
Fair value less cost of disposal was used in respect of the impairment assessment for Vunani Fund Managers Proprietary Limited by applying a percentage to the funds under management. The percentage applied is based on judgement applied by management considering a combination of the following factors:
• quantum of funds under management;
• profitability;
• average term of mandates;
• average management fees charged; and
• growth prospects.
The significant judgements applied by management in the impairment assessments have a significant impact on the valuation of the goodwill.
Due to these significant judgements applied by management, the valuation of goodwill was considered a key audit matter in the audit of the consolidated financial statements.
	Our procedures included:
	• Evaluating management's determination of the group's CGU's based on our understanding of the group's business. We analysed the group's internal reporting, to assess how earnings are monitored and reported in determining the identification of the CGU in accordance with IAS 36, *Impairment of Assets*.
	• Evaluating the accuracy of the previous cash flow forecasts to assist us in evaluating the appropriateness of the forecasts incorporated in the value in use models.
	• Based on our knowledge of the group, their industry and available market information, challenging the group's value in use and fair value less cost of disposal recoverable amounts for each CGU, as well as challenging the significant judgements and assumptions applied. These included:
	  • Evaluating the appropriateness of the inputs into the valuation models;
	  • Comparing the discount rates to known market and industry trends; and
	  • Evaluating management's forecast of future cash flows and ensuring that these are realistic and achievable, including challenging the group's growth assumptions.
	  • Considering the adequacy of the disclosures in the consolidated financial statements in accordance with IFRS.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Consolidated) *Refer to notes 2.10 and 5*	

There is increased risk of inappropriate revenue recognition in the group in order to meet market and shareholder expectations. In addition, with the implementation of IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), in the current year, there is a risk of non-compliance with the new revenue standard.
 	
The revenue streams most susceptible to these risks have been identified as follows:
• Fees from advisory, brokerage, fund management and asset administration activities, which are recognised when the transaction giving rise to the fee is concluded.
• Commodities trading revenue from coal and boron trading and processing activities as well as agent's commission on boron sales made on behalf of third parties, which is recognised when the coal or boron is delivered to the customer, and when the agency transaction is concluded.
 	
Due to these risk factors, the significance of revenue to the group, and the significant work effort from the audit team, revenue recognition was considered as a key audit matter in our audit of the consolidated financial statements.
	Our procedures included:
	• Evaluating the design, implementation and operating effectiveness of internal controls applied by management to ensure that revenue was appropriately recognised with respect to all the main revenue streams.
	• Determining whether revenue recognition for all the main revenue streams was in accordance with IFRS 15. These procedures included inspection of signed contracts with reference to identifying performance obligations and verifying revenue was recognised in the correct accounting period as well specific other procedures with regard to the particular revenue streams as further described below.
	  • With respect to advisory fees we assessed the appropriateness of the revenue recognised by selecting a sample of mandates, and agreeing the revenue recognised to calculations based on the signed mandates, subsequent receipts and related Stock Exchange News Service ("SENS") announcements and market communications.
	  • Given that reliance is placed on a third party with regard to the revenue recognised in respect of brokerage fees, we evaluated the appropriateness of the systems used by the third party.
	  • For fund management fees (both management and performance fees), our testing included evaluating the reasonableness of the management fees relative to the assets under management.
	  • With respect to asset administration fees, we recalculated, on a sample basis, the administration fees throughout the year based on agreed rates in the service level agreements.
	  • With regard to commodities trading revenue we agreed a sample of coal and boron sales to respective invoices and subsequent receipts.
	  • For commodities trading agency revenue we agreed a sample of fee revenue to respective documentation and invoices.
	• Considering the adequacy of the revenue disclosures in the consolidated financial statements in terms of the requirements of IFRS, particularly given the adoption of IFRS 15.

Recognition of deferred tax assets (Consolidated) *Refer to notes 2.15; 12 and 18*	
The group has recognised deferred tax assets of R42.8 million, which consist primarily of tax losses carried forward. The deferred tax assets have been recognised as it is probable that future taxable profits will be available to utilise the tax losses. When considering the probability of future taxable profits being earned, judgement is applied by management when assessing the projections of the future taxable income which are based on approved business plans and cash flow projections for the next three years. Due to the significant estimation and judgement involved by management, this matter was considered a key audit matter in our audit of the consolidated financial statements.	Our procedures included: • Involving our tax specialists to evaluate the recognition and measurement of the deferred tax asset in order to confirm the estimated tax loss, by analysing the deferred tax calculation for compliance with the relevant tax legislation. • Evaluating management's assessment of the estimated manner in which the temporary differences would be realised. We evaluated this assessment by agreeing the future taxable income to cash flow forecasts, business plans, minutes of directors meetings and our knowledge of the business, including assessing management's performance against previous forecasts. We also assessed the impact of any utilisations of tax losses in the current year. • Challenging the assumptions made by management for uncertain deferred tax positions to assess whether appropriate to recognise the deferred tax asset based on the most probable outcome. • Considering the adequacy of the disclosures in the consolidated financial statements in accordance with IFRS.

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted investments (Consolidated and separate) *Refer to notes 2.2; 3.2, 16; 19; 38.4; 50 and 60.4*	
The group and company have significant investments in unlisted investments included in other investments that are measured as fair value through profit or loss. The fair value, level 3 fair values, of these unlisted investments is determined using various valuation techniques. Management applied significant judgement and, for certain investments, involved third parties in determining the fair values. Due to the level of judgement required by management in determining the fair values, the valuation of unlisted investments was considered a key audit matter.	Our procedures included: • Evaluating the valuation of unlisted investments in accordance with the requirements of IFRS 9, *Financial Instruments*, and IFRS 13, *Fair Value Measurement*. • Involving our valuation specialists, where complex valuation techniques have been used, in assessing and challenging the appropriateness of the valuation techniques used to determine the fair values. • Where management made use of valuation experts, assessing the independence and competence of the third parties. • Reviewing and challenging management and the third parties key assumptions and significant inputs used in preparing these valuations, such as future cash flows, discount rates, marketability discounts, risk-free rates and latest available financial information of the investee entity, and assessing that these assumptions and inputs were reasonable. • Considering the adequacy of the disclosures in the consolidated and separate financial statements in accordance with IFRS.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Vunani Limited Integrated Report for the year ended 28 February 2019", which includes the Report of the audit and risk committee, the Directors' report and the Certification by the company secretary as required by the Companies of South Africa. The other information does not include the consolidated and the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company'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 and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and the company'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 and the company'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 and separate 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 and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and separate 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.

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 10 years.

KPMG Inc.
Registered Auditor

Per **P Fourie**
Chartered Accountant (SA)
Registered Auditor
Director
28 June 2019

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Consolidated statement of comprehensive income

for the year ended 28 February 2019

Figures in R'000	Note	VUNANI LIMITED – Group 2019	* Re-presented 2018
Continuing operations			
Revenue	5	**425 329**	350 889
Other income	6	**2 258**	2 518
Investment revenue	7	**10 954**	5 421
Interest received from investments		**170**	137
Fair value adjustments*	8	**73 239**	43 714
Impairments*	9	**(11 973)**	(2 841)
Equity accounted earnings (net of income tax)	15	**6 053**	(10 823)
Commodities trading related costs*	10	**(100 594)**	(52 481)
Operating expenses*	10	**(293 020)**	(275 107)
Results from operating activities		**112 416**	61 427
Finance income	11	**4 342**	3 592
Finance costs	11	**(8 801)**	(11 055)
Net finance costs		**(4 459)**	(7 463)
Profit before income tax		**107 957**	53 964
Taxation	12	**(17 705)**	(7 139)
Profit from continuing operations		**90 252**	46 825
Discontinued operations			
Loss from discontinued operations (net of taxation)		**–**	(1 269)
Profit for the year		**90 252**	45 556
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		**2 159**	(1 192)
Total comprehensive income for the year		**92 411**	44 364
Profit for the year attributable to:			
Owners of the company		**88 553**	41 061
Non-controlling interest	34	**1 699**	4 495
		90 252	45 556
Total comprehensive income for the year attributable to:			
Owners of the company		**89 916**	40 477
Non-controlling interest		**2 495**	3 887
		92 411	44 364
Basic earnings per share (cents)		**54.7**	26.0
Basic earnings per share from continuing operations (cents)		**54.7**	26.8
Basic loss per share from discontinued operations (cents)		**–**	(0.8)
Diluted earnings per share (cents)		**53.5**	26.0
Diluted earnings per share from continuing operations (cents)		**53.5**	26.8
Diluted loss per share from discontinued operations (cents)		**–**	(0.8)

* The comparative figures have been re-presented to achieve a better presentation of the results. Commodities trading related costs have been re-presented out of operating expenses and impairments have been presented separately. No restatements have been made to the comparative figures.

Consolidated statement of financial position

at 28 February 2019

Figures in R'000	Note	VUNANI LIMITED – Group 2019	*Re-presented 2018
Assets			
Property, plant and equipment	13	**10 977**	10 404
Goodwill	14	**139 766**	139 766
Intangible assets	14	**76 164**	87 388
Investments in associates *	15	**53 390**	48 108
Loans to associates *	15	**10 118**	27 387
Other investments	16	**93 565**	50 720
Deferred tax asset	18	**42 826**	47 010
Other non-current assets	19	**74 564**	54 127
Total non-current assets		**501 370**	464 910
Other investments	16	**918**	575
Inventory	17	**29 255**	–
Taxation prepaid	27	**1 259**	1 462
Trade and other receivables	20	**121 063**	73 680
Accounts receivable from trading activities	21	**90 561**	689 510
Trading securities		**72**	435
Cash and cash equivalents	22	**54 446**	51 584
Total current assets		**297 574**	817 246
Total assets		**798 944**	1 282 156
Equity			
Stated capital	23	**696 497**	706 572
Treasury shares	23	**(56)**	(14 842)
Share-based payments reserve	24	**5 506**	21 646
Foreign currency translation reserve		**(1 742)**	(3 105)
Accumulated loss		**(230 936)**	(310 368)
Equity attributable to equity holders of Vunani Limited		**469 269**	399 903
Non-controlling interest	34	**8 380**	(566)
Total equity		**477 649**	399 337
Liabilities			
Other financial liabilities	25	**46 151**	64 062
Deferred tax liabilities	18	**22 251**	25 955
Total non-current liabilities		**68 402**	90 017
Other financial liabilities	25	**32 168**	34 667
Taxation payable	26	**5 177**	8 006
Trade and other payables	27	**114 700**	60 022
Accounts payable from trading activities	21	**90 840**	687 659
Trading securities		**22**	86
Bank overdraft	22	**9 986**	2 362
Current liabilities		**252 893**	792 802
Total liabilities		**321 295**	882 819
Total equity and liabilities		**798 944**	1 282 156
Shares in issue ('000s)	23	**161 156**	164 897
Net asset value per share (cents)	32	**291.2**	242.5
Net tangible asset value per share (cents)	32	**157.3**	104.8

The group has initially applied IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial Instruments* at 1 March 2018. The group has elected to apply the exemption in IFRS 9 paragraph 7.2.15 not to restate prior periods in the year of initial application of the standard.

* The investment in associates and the loans to associates have been presented separately in the current year. Comparative figures have been represented to show the impact.

Consolidated statement of changes in equity

for the year ended 28 February 2019

		VUNANI LIMITED – Group							
Figures in R'000	Note	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 as at 28 February 2017		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 year		–	–	–	–	41 061	41 061	4 495	45 556
Other comprehensive income for the period									
Foreign currency translation		–	–	–	(584)	–	(584)	(608)	(1 192)
Total comprehensive income for the period		–	–	–	(584)	41 061	40 477	3 887	44 364
Issue of shares	23	7 188	–	–	–	–	7 188	–	7 188
Share-based payments	24	–	–	5 546	–	435	5 981	–	5 981
Dividends paid		–	–	–	–	(8 241)	(8 241)	(538)	(8 779)
Delisted shares	23	(638)	638	–	–	–	–	–	–
Transfer between reserves@		–	435	–	–	(435)	–	–	–
Acquisition of non-controlling interests		–	–	–	–	(2 302)	(2 302)	106	(2 196)
Total transactions with owners, recorded directly in equity		6 550	1 073	5 546	–	(10 543)	2 626	(432)	2 194
Balance as at 28 February 2018		706 572	(14 842)	21 646	(3 105)	(310 368)	399 903	(566)	399 337
Adjustment on initial application of IFRS 9 (net of income tax)		–	–	–	–	(85)	(85)	–	(85)
Adjusted balance as at 1 March 2018		706 572	(14 842)	21 646	(3 105)	(310 453)	399 818	(566)	399 252
Total comprehensive income for the year									
Profit for the year		–	–	–	–	**88 553**	**88 553**	**1 699**	**90 252**
Other comprehensive income for the year									
Foreign currency translation		–	–	–	**1 363**	–	**1 363**	**796**	**2 159**
Total comprehensive income for the period		–	–	–	**1 363**	**88 553**	**89 916**	**2 495**	**92 411**
Transactions with owners, recorded directly in equity									
Acquisition of treasury shares		–	**(1 268)**	–	–	–	**(1 268)**	–	**(1 268)**
Share-based payments	24	–	–	**7 844**	–	–	**7 844**	–	**7 844**
Dividends paid	40	–	–	–	–	**(9 677)**	**(9 677)**	**(838)**	**(10 515)**
Delisted shares &	23	**(10 075)**	–	–	–	–	**(10 075)**	–	**(10 075)**
Transfer between reserves@	24	–	**16 054**	**(23 984)**	–	**7 930**	–	–	–
Disposal to non-controlling interests	31	–	–	–	–	**(7 289)**	**(7 289)**	**7 289**	–
Total transactions with owners, recorded directly in equity		**(10 075)**	**14 786**	**(16 140)**	–	**(9 036)**	**(20 465)**	**6 451**	**(14 014)**
Balance as at 28 February 2019		**696 497**	**(56)**	**5 506**	**(1 742)**	**(230 936)**	**469 269**	**8 380**	**477 649**

**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 24 for additional information.*

@Shares that were issued as part of the share-based payment scheme vested. The shares were transferred out of the share trust (held as treasury shares) to the qualifying employees. The cumulative share-based payment expense in the reserve has been transferred between the share based payments reserve and retained income on vesting.

& The shares were delisted as part of a share swop agreement between the company and BSI Steel Limited ("BSI"), in which the investment in BSI Steel Limited was disposed of for the value of the company shares held by BSI.

Consolidated statement of cash flows

for the year ended 28 February 2019

Figures in R'000	Note	VUNANI LIMITED – Group 2019	2018
Cash flows from operating activities			
Net cash generated by operating activities	29	**38 752**	28 488
Investment revenue received		**10 954**	5 421
Finance income received		**4 342**	3 592
Finance costs paid		**(7 537)**	(9 627)
Dividends paid to shareholders		**(9 677)**	(8 241)
Dividends paid to non-controlling interest		**(838)**	(538)
Income tax paid	30	**(15 394)**	(12 214)
Net cash generated by operating activities		**20 602**	6 881
Cash flows from investing activities			
Proceeds on disposal of businesses		**–**	1 500
Acquisition of property, plant and equipment		**(2 523)**	(4 245)
Advances in investment and loans to associates		**(3 958)**	(7 592)
Proceeds from repayment of loans to associates	15	**3 000**	1 186
Acquisition of other investments	16	**(234)**	(2 590)
Proceeds on disposal of other investments		**490**	10 292
Dividends received from associates	15	**785**	741
Proceeds from repayment of other non-current assets		**–**	1 712
Net cash (outflow)/inflow from investing activities		**(2 440)**	1 004
Cash flows from financing activities			
Proceeds on issue of stated capital		**–**	2 772
Acquisition of treasury shares		**(1 268)**	–
Repayments of other financial liabilities		**(22 175)**	(73 814)
Advances of other financial liabilities		**–**	30 305
Net cash outflow from financing activities		**(23 443)**	(40 737)
Net decrease in cash and cash equivalents		**(5 281)**	(32 852)
Cash and cash equivalents at the beginning of the year		**49 222**	82 074
Exchange rate on foreign cash balances		**519**	–
Total cash and cash equivalents at the end of the year	22	**44 460**	49 222

Notes to the consolidated and separate financial statements

for the year ended 28 February 2019

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 2019 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in 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, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. They were authorised for issue by the company's board of directors on 28 June 2019.

The consolidated and separate 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.

1.3 Presentation currency

The financial statements are presented in South African Rand, which is the company's presentation 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 16, 19, 25 and 38.4 – determining fair value of financial instruments based on significant unobservable inputs.
- Note 14 – impairment test of goodwill and intangible assets: key assumptions underlying recoverable amounts.
- Notes 15 and 38.3 – equity accounted investees: whether the group has significant influence and impairment losses on loans to associates.
- Note 17 – measurement of inventory at the lower of cost and net realisable value.
- Note 18 – utilisation of tax losses: the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- Notes 20 and 38.3 – measurement of ECLs allowance for trade and other receivables: key assumptions in determining average loss rates.

2. ACCOUNTING POLICIES

The financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated and separate annual financial statements, except for the adoption of new standards effective 1 March 2018. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The group has initially applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* at 1 March 2018. A number of other new standards are also effective in the current year, but they do not have a material effect on the group's financial statements.

Changes to the significant accounting policies:

i IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services, either at a point in time or over time.

The IFRS 15 introduced a five-step approach to revenue recognition. The requirement to recognise the significant financing component separately from the transaction price did impact the contracts for the sale of goods where the contracts exceed a period of 12 months. The standard requires the group to recognise the performance obligation over time or at a point in time, which did not affect the group's recognition of revenue from contracts with customers.

The group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. from 1 March 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented as previously reported under IAS 18 and related interpretations. For additional information about the group's accounting policies relating to revenue recognition, refer to note 5.

2. ACCOUNTING POLICIES (continued)

Changes to the significant accounting policies: (continued)

ii IFRS 9 Financial Instruments

The group has adopted IFRS 9 with a date of application of 1 March 2018 which resulted in changes in accounting policies. The company has applied transitional relief and opted not to restate prior periods.

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.* It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

As a result of the adoption of IFRS 9, the group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Additionally, the group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures relating to 2019 but have not been generally applied to comparative information.

Classification and measurement of financial assets and liabilities

The standard contains three principal classification categories for the financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9 as these are accounted for at amortised cost (except for certain liabilities which are fair valued).

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 March 2018 relates solely to the new impairment requirements.

The following table and the accompanying note below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 March 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 R'000	New carrying amount under IFRS 9 R'000
Other investments	FVTPL	FVTPL	51 295	51 295
Other non-current assets	FVTPL	FVTPL	50 444	50 444
Loans in other non-current assets	Loans and receivables	Amortised cost	3 683	3 683
Trade and other receivables*	Loans and receivables	Amortised cost	73 680	73 595
Loans to associates	Loans and receivables	Amortised cost	27 387	27 387
Cash and cash equivalents	Loans and receivables	Amortised cost	51 584	51 584
Total financial assets			**258 073**	**257 988**
Financial liabilities				
Other financial liabilities	Amortised cost	Amortised cost	93 645	93 645
Other financial liabilities	FVTPL	FVTPL	5 084	5 084
Bank overdraft	Amortised cost	Amortised cost	2 362	2 362
Trade and other payables	Amortised cost	Amortised cost	60 022	60 022
Total financial liabilities			**161 113**	**161 113**

** Trade and other receivables that were classified as, loans and receivables under IAS 39 are now classified at amortised cost. An increase of R0.085 million in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 March 2018 on transition to IFRS 9.*

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost. IFRS 9 losses are recognised earlier than under IAS 39.

The application of IFRS 9's impairment requirements at 1 March has resulted in additional allowance for impairment of R0.085 million on the trade and other receivables. No further impairment losses have been recognised as a result of applying IFRS 9.

The adoption of IFRS 9 has impacted the way impairment of financial assets is calculated by the introduction of the expected credit loss model. This affects the group's loans as well as its trade receivables and loans in other non-current assets and loans to associates measured at amortised cost.

2. ACCOUNTING POLICIES (continued)

Changes to the significant accounting policies: (continued)

ii IFRS 9 Financial Instruments (continued)

Transition

As permitted by the transitional provisions of IFRS 9, the company has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition have been recognised in the opening retained earnings and other reserves at 1 March 2018.

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.

2.2 Financial instruments

2.2.1 Recognition and initial measurement

Trade receivables are initially measured when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2.2.2 Classification and subsequent measurement

Financial assets – Policy applicable from 1 March 2018

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to its initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.2 Classification and subsequent measurement (continued)

Financial assets – Policy applicable from 1 March 2018 (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The group classifies non-derivative financial instruments into the following categories: financial assets at fair value through profit or loss (FVTPL) and measured at amortised cost.

The group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss (FVTPL) and financial liabilities at amortised cost.

Financial assets – Business model assessment: Policy applicable from 1 March 2018

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 March 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs).

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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 and the Black Wattle Option (refer to note 19).

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 financial assets (refer to note 19).

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. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.2 ***Classification and subsequent measurement*** (continued)

Financial assets – Policy applicable before 1 March 2018

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.

Non-derivative financial assets – 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.

Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

Other investments are financial assets that are 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.

Financial liabilities

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 at amortised cost, trade and other payables and accounts payable from trading activities.

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. The group's financial liabilities held at fair value through profit or loss are all linked to listed equity investments held by the group through certain investments in associates. Financial assets and liabilities that arise in terms of these ring-fenced structures are both fair valued through profit or loss.

The reason for the above designation was to reduce the measurement inconsistency on the 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. To eliminate this inconsistency, 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.

2.2.3 Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

2. ACCOUNTING POLICIES (continued)

2.2 Financial instruments (continued)

2.2.3 *Derecognition* (continued)

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

2.2.4 Offsetting

Financial assets and financial liabilities are off-set, and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.2.5 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.

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

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 or expenses.

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 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.

2.6 Intangible assets

2.6.1 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.

2.6.2 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.

2.6.3 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.

2.7 Impairment

2.7.1 Non-derivative financial assets – Policy applicable from 1 March 2018

Financial instruments and contract assets

The group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 30 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. ACCOUNTING POLICIES (continued)

2.7 Impairment (continued)

2.7.1 Non-derivative financial assets – Policy applicable from 1 March 2018 (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 30 days past due;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

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.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery of balances from customers or receivables. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Impairment – Financial assets (including receivables) – Policy applicable before 1 March 2018

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.

2.7.2 Impairment – 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 CGUs. 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)

2.7 Impairment (continued)

2.7.2 Impairment – 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.

2.8 Employee benefits

2.8.1 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.

2.8.2 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.

2.9 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.

2.10 Revenue

The group generates revenue from trading activities, fees from advisory services, brokerage, fund management fees, asset administration fees, management fees from other investments and commodities trading activities. Other sources of income include investment revenue and interest income from investments.

2.10.1 Services rendered

Revenue from services rendered including management, client services and advisory fees, is recognised when (or as) the group satisfies a performance obligation, this is due over time or at a point in time.

2.10.2 Commissions

Commissions comprise brokerage, asset administration and fund 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.

2.10.3 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.

2.10.4 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.

2.10.5 Interest received from investments

Interest received from investments consists of interest on financial assets at amortised cost and investments. Interest from investments is recognised as it accrues in profit or loss, using the effective interest method.

2.10.6 Commodities trading revenue

Commodities trading revenue consists of revenue from coal and boron trading and processing activities and revenue earned from commodities trading. The revenue from commodities trading is recognised when the product is delivered to the customer.

2. ACCOUNTING POLICIES (continued)

2.11 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.

2.12 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.

2.13 Commodities trading costs

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in commodities trading costs.

2.14 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period In which the reversal occurs.

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.

2. ACCOUNTING POLICIES (continued)

2.15 Income tax (continued)

Dividends withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends.

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.

2.16 Earnings per share ("EPS")

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted headline earnings per share

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.

Headline earnings per share

Headline earnings per share is determined in terms of SAICA Circular 2/2015 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.

2.17 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.
- Commodities trading – operations include coal processing and commodities trading activities.
- Other investments – the segment holds the group's listed and unlisted investments in the mining and property sectors and investments in Africa.

2.18 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 was 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. ACCOUNTING POLICIES (continued)

2.19 New standards and interpretations not yet adopted

In terms of IFRS, the group and company are required to include in their financial statements' disclosures of 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 2018 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).

IFRS 16 Leases

Summary of requirements

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard is effective for annual periods beginning on or after 1 January 2019.

Impact on consolidated financial statements

The impact of applying IFRS 16 on the group's financial statements for the year ended 28 February 2019 would be an increase in assets of between R9.9 million and R12.1 million and an increase in liabilities of between R9.9 million and R12.1 million.

The group will adopt the requirements of IFRS 16 when effective. The group will apply the simplified approach. This approach is applied retrospectively, whereby the impact of adoption is adjusted against the opening balance of retained earnings on the date of initial application (that is 1 March 2019). Comparative figures will not be restated.

The directors will assess the impact of the new standards on the group's consolidated in the period in which they are effective.

The table below details the standards and interpretations issued but not yet effective:

Standard	Details of amendment	Effective annual periods beginning on or after
IFRS 3 Business Combinations	*Annual Improvements 2015 – 2017 Cycle:* Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business. *Definition of a Business:* The amendments: confirmed that a business must include inputs and a process, and clarified that: • the process must be substantive; • the inputs and process must together significantly contribute to creating outputs; • narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.	1 January 2019 1 January 2020

2. ACCOUNTING POLICIES (continued)

2.19 New standards and interpretations not yet adopted (continued)

Standard	Details of amendment	Effective annual periods beginning on or after
IFRS 10 Consolidated Financial Statements	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28):* Narrow scope amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice
IFRS 11 Joint Arrangements	*Annual Improvements 2015 – 2017 Cycle:* Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	1 January 2019
IAS 12 Income Taxes	*Annual Improvements 2015 – 2017 Cycle:* Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.	1 January 2019
IAS 23 Borrowing Costs	*Annual Improvements 2015 – 2017 Cycle:* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IAS 28 Investments in Associates and Joint Ventures	*Long-term interest in Associates and Joint Ventures:* Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.	1 January 2019
IAS 1 Presentation of Financial Statements	*Disclosure Initiative:* The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	*Disclosure Initiative:* The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020

The adoption of the above standards is not expected to have a material impact on the group's results.

3. DETERMINATION OF FAIR VALUES

Fair value

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place.

If quoted prices are unavailable, the fair value of the financial asset and financial liabilities is estimated using pricing models and discounted cash now techniques. Where discounted cash flows are used, estimated future cash flows are based on management's best estimate and the discount rate used is a market related rate at balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related prices from observable current market transactions in the same instrument without modification or other relevant observable market data, at reporting date.

When market related measures are not available, observable market data is modified to incorporate relevant factors that a market participant in an arm's length exchange motivated by normal business considerations would consider in determining the fair value of the financial instrument (non-observable market inputs). This process is performed by third-party valuation experts and the reports are approved by the group's investment committee.

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. DETERMINATION OF FAIR VALUES (continued)

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 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.

The valuation technique used is the Monte-Carlo simulation technique, which includes unobservable inputs.

3.4 Non-derivative financial assets and 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 through certain investments in associates. 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 have 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 oversee 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 manage this risk by transacting with customers that have good credit records and good standing in the markets.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Financial assets, which potentially subject the group to concentrations of credit risk, consist principally of trade and other receivables, loans to associates, loans in other non-current asset 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 credit terms on rendering of services is 30 days and no interest is charged on overdue outstanding balances. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The group grants unsecured loans to associates and loans that are included in other non-current assets. No security is obtained for loans, and accordingly the entire balance as per the statement of financial positions is exposed to credit risk.

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 major banks.

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 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 daily. 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 25 and 27 and equity as disclosed in the statement of financial position.

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	2019	2018
Gearing ratio		
Total debt	**321 295**	882 819
Less: Cash and cash equivalents	**(54 446)**	(51 584)
Net debt	**266 846**	831 235
Equity	**469 269**	399 903
Total capital managed	**736 115**	1 231 138
Debt: equity ratio	**56.86%**	207.86%

Figures in R'000	2019	Re-presented 2018
5. REVENUE		
The effect of initially applying IFRS 15 on the group's revenue from contracts with customers is described in changes to significant accounting policies note 2. Comparatives information has not been restated to reflect the new requirements.		
Revenue from contracts with customers	**425 329**	350 889
Disaggregation of revenue from contracts with customers		
The table below of revenue from contracts with customers is disaggregated by major product and services lines and timing of revenue recognition.		
Major products/service lines		
Trading revenue		
Bond trading	**7 905**	8 001
Money market	**3 228**	3 640
Fees		
Advisory	**18 021**	4 895
Brokerage	**30 868**	52 045
Fund management	**87 155**	64 683
Asset administration	**127 362**	124 781
Management fees*	**9 488**	8 232
Commodities trading*	**141 302**	84 612
	425 329	350 889
Timing of revenue recognition		
Services transferred over time	**242 026**	202 591
Services transferred at a point in time	**42 001**	63 686
Products transferred at a point in time	**141 302**	84 612
External revenue (per operating segments note 35)	**425 329**	350 889

**In the current year, management fees were further split from Commodities trading revenue (previously named Mining) to clearly reflect the group's revenue generating activities. Comparative figures have been re-presented to show the impact of the change.*

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

Revenue from contracts with customers is recognised when (or as) the group satisfies a performance obligation, this is due over time or at a point in time. Invoices are raised at the point when the goods are accepted at the customer's premises, and at the end of each month and over time when a performance obligation is met. There are no significant differences in the timing and recognition of revenue from these services or goods and therefore there is no significant impact on the financial statements.

The group recognises receivables (no contracts assets or liabilities are recognised) as it will have unconditional rights to revenue that would have been recorded from the rendering of goods or services.

	Figures in R'000	2019	2018
6.	**OTHER INCOME**		
	Sundry income	**1 945**	2 415
	Directors' fees (earned by the group for services rendered on external boards)	**301**	37
	Accounting fees	**12**	66
		2 258	2 518
7.	**INVESTMENT REVENUE**		
	Dividend income		
	Dividend income from listed investments	**580**	816
	Dividend income from unlisted investments	**10 374**	4 605
		10 954	5 421
8.	**FAIR VALUE ADJUSTMENTS**		
	Fair value adjustments on financial assets and liabilities		
	Adjustments on financial assets and liabilities at fair value through profit or loss comprise the following:		
	Other financial liabilities (refer to note 25)	**(579)**	1 526
	Other investments (refer to note 16)	**53 381**	17 863
	Other investments – listed investments	**(3 341)**	3 178
	Other investments – unlisted investments	**56 722**	14 685
	Other non-current assets – options (refer to note 19)	**20 437**	24 325
		73 239	43 714
	Refer to note 38.4 for details of assumptions used in determining the fair values of other investments and certain financial liabilities.		
9.	**IMPAIRMENTS**		
	Impairment losses on financial assets comprise:		
	Impairment loss on trade and other receivables (refer to note 20)	**(2 972)**	(369)
	Impairment loss on loans to associates (refer to note 15)	**(9 001)**	(2 472)
		(11 973)	(2 841)
10.	**OPERATING EXPENSES**		
	Operating expenses are arrived at after taking the following into account:		
	Amortisation of intangible assets	**11 224**	11 224
	Depreciation	**3 067**	3 722
	External auditor's remuneration	**3 372**	3 336
	Current year	**3 343**	3 322
	Prior year	**29**	14
	Internal auditor's remuneration		
	Current period	**289**	287
	Operating lease expense for office rentals	**10 553**	10 363
	Directors' remuneration and benefits (refer to note 37)	**24 355**	21 662
	Non-executive directors' fees	**1 244**	1 287
	Salaries	**10 122**	9 949
	Bonuses accrued	**7 703**	6 835
	Provident fund and medical aid contributions	**1 932**	1 578
	Equity-settled share-based payment charge	**3 354**	2 013
	Prescribed officers' remunerations (refer to note 59)	**12 346**	16 820
	Staff costs (excluding directors' and prescribed officers' emoluments)	**143 741**	132 037
	Staff provident fund and medical aid contributions (excluding directors' and prescribed officers' emoluments)	**9 282**	9 867
	Equity-settled share-based payment charge (excluding directors)	**4 490**	3 968
	Commodities trading related costs	**100 594**	52 481

	Figures in R'000	2019	2018
11.	**FINANCE INCOME AND FINANCE COSTS**		
	Interest received – cash and cash equivalents	**4 342**	3 592
	Finance income	**4 342**	3 592
	Interest charge – bank overdraft	**(1 015)**	(427)
	Interest charge – long-term borrowings (refer to note 25)	**(7 436)**	(9 875)
	Interest charge – debentures (refer to note 25)	**(350)**	(585)
	Interest charge – trade and other payables	**–**	(168)
	Finance costs	**(8 801)**	(11 055)
	Net finance expense	**(4 459)**	(7 463)
	Interest expense on financial liabilities measured at amortised cost	**(8 801)**	(11 055)
12.	**INCOME TAX**		
	Current tax expense	**(17 225)**	(11 985)
	Current year	**(17 225)**	(11 985)
	Deferred tax expense		
	Current year	**(480)**	4 846
	Origination and reversal of temporary differences	**(480)**	4 846
	Total income tax recognised in profit or loss	**(17 705)**	(7 139)
	Reconciliation of effective tax rate	**%**	%
	Company tax rate	**28.0**	28.0
	Donations, share-based payments, fines and amortisation	**2.8**	10.9
	Impairments	**2.3**	–
	Previously unrecognised deferred tax asset	**–**	(21.0)
	Equity-accounted earnings	**(1.6)**	5.6
	Dividend income	**(2.8)**	(2.8)
	Fair value gains or losses at Capital Gains Tax rate	**0.2**	(0.6)
	Tax rate differences**	*****	(0.4)
	Unrecognised deferred tax assets	**4.2**	13.1
	Fair value adjustments not taxed (asset recovered through dividends received)	**(20.0)**	(19.0)
	Deferred tax utilised	**3.3**	–
	Capital gains tax not recognised on disposal of business	**–**	(0.6)
		16.4	13.2

* *Less than 0.1%.*

*** The Zimbabwean tax rate is at 25.75%. Malawi has a 30% corporate tax rate.*

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%.

	Figures in R'000	Land	Buildings	Leasehold improvements	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
13.	**PROPERTY, PLANT AND EQUIPMENT**								
	Cost								
	Balance at 28 February 2017	1 088	4 831	5 342	911	2 527	1 682	11 415	27 796
	Additions	–	–	–	378	74	20	3 773	4 245
	Disposals	–	–	(28)	–	–	–	–	(28)
	Effects of movement in exchange rates	(147)	(426)	–	(25)	–	(26)	(57)	(681)
	Balance at 28 February 2018	941	4 405	5 314	1 264	2 601	1 676	15 131	31 332
	Additions	**–**	**–**	**223**	**652**	**2**	**611**	**1 112**	**2 600**
	Disposals	**–**	**–**	**–**	**(117)**	**–**	**–**	**(19)**	**(136)**
	Effects of movement in exchange rates	**134**	**706**	**–**	**188**	**53**	**14**	**22**	**1 117**
	Balance at 28 February 2019	**1 075**	**5 111**	**5 537**	**1 987**	**2 656**	**2 301**	**16 246**	**34 913**
	Accumulated depreciation and impairment losses								
	Balance at 28 February 2017	–	(524)	(4 042)	(389)	(1 861)	(1 496)	(8 949)	(17 261)
	Depreciation	–	(164)	(388)	(176)	(169)	(76)	(2 749)	(3 722)
	Disposals	–	–	–	–	–	–	55	55
	Balance at 28 February 2018	–	(688)	(4 430)	(565)	(2 030)	(1 572)	(11 643)	(20 928)
	Depreciation	**–**	**(169)**	**(382)**	**(408)**	**(219)**	**(145)**	**(1 744)**	**(3 067)**
	Disposals	**–**	**–**	**–**	**39**	**–**	**–**	**20**	**59**
	Balance at 28 February 2019	**–**	**(857)**	**(4 812)**	**(934)**	**(2 249)**	**(1 717)**	**(13 367)**	**(23 936)**
	Carrying amounts								
	At 28 February 2017	1 088	4 307	1 300	522	666	186	2 466	10 535
	At 28 February 2018	941	3 717	884	699	571	104	3 488	10 404
	At 28 February 2019	**1 075**	**4 254**	**725**	**1 053**	**407**	**584**	**2 879**	**10 977**

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.

Figures in R'000	Goodwill	Customer lists	Brand	Software	Total
14. GOODWILL AND INTANGIBLE ASSETS					
Cost					
Balance at 28 February 2017	192 697	87 883	7 977	34 832	323 389
Balance at 28 February 2018	192 697	87 883	7 977	34 832	323 389
Balance at 28 February 2019	**192 697**	**87 883**	**7 977**	**34 832**	**323 389**
Accumulated amortisation and impairment					
Balance at 28 February 2017	(52 931)	(31 409)	(89)	(582)	(85 011)
Amortisation	–	(7 209)	(532)	(3 483)	(11 224)
Balance at 28 February 2018	(52 931)	(38 618)	(621)	(4 065)	(96 235)
Amortisation	**–**	**(7 209)**	**(532)**	**(3 483)**	**(11 224)**
Balance at 28 February 2019	**(52 931)**	**(45 827)**	**(1 153)**	**(7 548)**	**(107 459)**
Carrying amounts					
At 28 February 2017	139 766	56 474	7 888	34 251	238 379
At 28 February 2018	139 766	49 265	7 356	30 767	227 154
At 28 February 2019	**139 766**	**42 056**	**6 824**	**27 284**	**215 930**

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.

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	2019	2018
Vunani Fund Managers Proprietary Limited	**27 703**	27 703
Vunani Securities Proprietary Limited	**6 420**	6 420
Mandlalux Proprietary Limited	**105 643**	105 643
	139 766	139 766

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.

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%, which is consistent with previous periods, and applied to R27.5 billion (2018: R20.9 billion) funds under management at 28 February 2019 to arrive at a fair value of R275.5 million (2018: R208.6 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 R225.6 million. As a result, the group does not believe that the goodwill is impaired.

14. GOODWILL AND INTANGIBLE ASSETS (continued)

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 14.68% (2018: 9%) was used in the valuation based on analysis of factors affecting the securities broking industries and the current performance of the business. The pre-tax discount rate amounted to 15.08%.

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 3% (2018: 12%) was used. A minimal growth in EBITDA of 3% was used due to the decline in values and volumes traded within the stockbroking industries.

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 would be an EBITDA growth rate of negative 3% (2018: 12%).

The recoverable amount of the CGU exceeds the carrying amount of the cash generating by R9.8 million. As a result of the above the group does not believe that the goodwill needs to be impaired.

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. 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 13.7% (2018: 13.4%) was used in the valuation. The pre-tax discount rate amounted to 14.25%. Five 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% (2018: 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 would be an EBITDA growth rate of negative 5% (2018: 5.4%).

The recoverable amount of the CGU exceeds the carrying amount of the cash generating unit by R64.5 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
15.	**INVESTMENTS IN AND LOANS TO ASSOCIATES**			
	Balance at 28 February 2018	**48 108**	**27 387**	**75 495**
	Increase in investments in associates	*	–	*
	Loans advanced	–	**3 958**	**3 958**
	Loans repaid	–	**(3 000)**	**(3 000)**
	Impairment loss on loans to associates (refer to note 9)	–	**(9 001)**	**(9 001)**
	Translation gain on foreign investments and loans	**14**	–	**14**
	Dividends paid	**(785)**	–	**(785)**
	Equity-accounted earnings	**6 053**	–	**6 053**
	Transfer to trade and other receivables [&]	–	**(9 226)**	**(9 226)**
	Balance at 28 February 2019	**53 390**	**10 118**	**63 508**
	2018			
	Balance at 28 February 2017	61 289	22 953	84 242
	Increase in investments in associates	*	–	*
	Loans advanced	–	8 092	8 092
	Loans repaid	–	(1 186)	(1 186)
	Impairment loss on loans to associates (refer to note 9)	–	(2 472)	(2 472)
	Translation gain on foreign investments and loans	216	–	216
	Dividends paid	(741)	–	(741)
	Equity-accounted earnings	(10 823)	–	(10 823)
	Disposals	(1 833)	–	(1 833)
	Balance at 28 February 2018	48 108	27 387	75 495

** Amount less than R1 000.*

[&] The loans previously granted to an associate have been transferred to trade and other receivables as a result of the change in accounting treatment of that investment from being carried as an associate to an investment carried at fair value through profit or loss.

Accounting considerations

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

The group holds more than 20% of the voting power of its associate investee companies and has meaningful 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.

The group equity accounts certain investments where it holds 50% or more of the equity of a company. This is as a result of the group not having control of the company based on the shareholders' agreements in place that limits the group's ability to direct the relevant activities of the investee company.

Impairments

The group reviews the recoverability of investments in associates and loans to associates by considering a broader range of information when assessing credit risk and measuring expected credit losses, including past events (cumulative loses are in excess of carrying amounts), current conditions (loss making investees), reasonable and supportable forecasts that affect the expected collectability of the future cash flows from the investees. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

Refer to note 38 for additional disclosures on impairment of financial assets.

15. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

Acquisitions

The acquisition by the group of the investments in the associate companies is in line with the group's strategy to expand its footprint into Africa. This is done with strategic partnerships.

The following investments in associates were acquired in 2019:

- Autus Securities Limited
- BetBio Zambia Limited

Autus Securities Limited

The group acquired a 48% shareholding in Autus Securities Limited ("Autus") an advisory and stockbroking entity for a nominal amount. Autus is registered and conducts business in Zambia.

BetBio Zambia Limited

During the year, the group acquired a 45% investment in BetBio Zambia Limited ("BetBio") for a nominal amount. BetBio is a gaming company which is registered and conducts business in Zambia.

Material associates' statement of financial position are presented below:

Figures in R'000	Current assets	Cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
2019								
Alliance Capital Limited[$]	7 179	168	3 886	11 233	(3 313)	–	(3 313)	7 920
Black Wattle Colliery Proprietary Limited (refer to note 19)	126 829	42 269	156 759	325 857	(156 069)	(100 342)	(256 411)	69 446
Orion Properties 14 Proprietary Limited	46	303	13 615	13 964	–	(15 000)	(15 000)	(1 036)
Phakamani Impact Capital Proprietary Limited	28 066	11 958	150	40 174	(38 457)	(1 000)	(39 457)	717
Verbicept Proprietary Limited	–	–	113 256	113 256	(355)	(67 234)	(67 589)	45 667
Other immaterial associates[&]	1 720	12 076	6 073	19 869	(13 986)	(21 261)	(35 247)	(15 378)
	163 840	66 774	293 739	524 353	(212 180)	(204 837)	(417 017)	107 336

** Less than R1 000.*

[$] *The company is incorporated in Malawi.*

[&] The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.

Figures in R'000	Current assets	Cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
2018								
Alliance Capital Limited[$]	7 104	70	1 880	9 054	(1 142)	(389)	(1 531)	7 523
Black Wattle Colliery Proprietary Limited (refer to note 19)	77 496	31 819	143 560	252 875	(164 242)	(29 424)	(193 666)	59 209
Butsanani Energy Investment Holdings Proprietary Limited	1 005	2 769	65 084	68 858	(9 098)	(80 986)	(90 084)	(21 226)
Orion Properties 14 Proprietary Limited	–	(28)	18 659	18 631	(2 012)	(17 551)	(19 563)	(932)
Phakamani Impact Capital Proprietary Limited	19 568	1 810	309	21 687	(21 093)	(1 000)	(22 093)	(406)
Verbicept Proprietary Limited	–	–	101 593	101 593	(222)	(60 145)	(60 367)	41 226
Other immaterial associates[&]	–	2	5 323	5 325	(17)	(18 407)	(18 424)	(13 099)
	105 173	36 442	336 408	478 023	(197 826)	(207 902)	(405 728)	72 295

** Less than R1 000.*

[$] *The company is incorporated in Malawi.*

[&] The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.

15. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

Associates' net carrying amount is presented below:

Figures in R'000	Effective ownership	Cost of invest-ment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
2019						
Alliance Capital Limited	45%	4 803	–	–	1 445	6 248
Autus Securities Limited	48%	*	300	(300)	–	*
Before Sunset Properties 37 Proprietary Limited	25%	*	–	–	–	*
BetBio Zambia Limited	45%	*	–	–	47	47
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	*	–	–	–	*
English Breeze Investments (Private) Limited	50%	1	–	–	–	1
Lidtech Zambia Limited	38%	*	890	(890)	–	–
K2015(SA) Proprietary Limited	31%	*	3 398	(2 073)	–	1 325
Newshelf 1361 Proprietary Limited	25%	*	5 738	(5 738)	–	*
Marudi Proprietary Limited	50%	*	2 546	(2 472)	–	74
Micawber 534 Proprietary Limited	48%	*	5 160	(5 160)	–	*
Orion Properties 14 Proprietary Limited	39%	*	6 760	–	(545)	6 215
Papillon in Flight Proprietary Limited	26%	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	51%	5	500	–	283	788
Isilo Investments (RF) Proprietary Limited	51%	*	–	–	383	383
Space Launch Investments (Private) Limited	50%	1	1 860	(1 860)	–	1
Vunani Properties Proprietary Limited	70%	*	1 238	–	–	1 238
Vunani Solar Power Proprietary Limited#	26%	1 300	–	–	–	1 300
Verbicept Proprietary Limited	50%	13 465	221	–	32 202	45 888
		22 766	28 611	(21 684)	33 815	63 508

** Less than R1 000.*

 # Acquired in terms of vendor financed transaction (refer to note 25.2 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	22 766	28 611	51 377
Cumulative impairments	(3 191)	(18 493)	(21 684)
Cumulative equity earnings net of dividends	33 815	–	33 815
	53 390	10 118	63 508

15. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

Associates' net carrying amount is presented below:

Figures in R'000	Effective ownership	Cost of invest-ment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
2018						
Alliance Capital Limited	45%	4 803	–	–	1 266	6 069
Before Sunset Properties 37 Proprietary Limited	25%	*	–	–	–	*
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	*	–	–	–	*
Butsanani Energy Investment Holdings Proprietary Limited	33.3%	*	12 225	–	–	12 225
English Breeze Investments (Private) Limited	50%	1	–	–	–	1
Lidtech Zambia Limited	38%	*	890	–	–	890
K2015(SA) Proprietary Limited	31%	*	2 030	–	–	2 030
Newshelf 1361 Proprietary Limited	25%	*	5 695	–	–	5 695
Marudi Proprietary Limited	50%	*	2 546	(2 472)	–	74
Micawber 534 Proprietary Limited	48%	*	5 160	(5 160)	–	–
Orion Properties 14 Proprietary Limited	39%	*	5 794	–	(494)	5 300
Papillon in Flight Proprietary Limited	26%	3 191	–	(3 191)	–	–
Phakamani Impact Capital Proprietary Limited	51%	5	500	–	–	505
Isilo Investments (RF) Proprietary Limited	51%	*	–	–	–	–
Space Launch Investments (Private) Limited	50%	1	1 594	(1 594)	–	1
Vunani Solar Power Proprietary Limited#	26%	1 300	–	–	–	1 300
Verbicept Proprietary Limited	50%	13 465	179	–	27 761	41 405
		22 766	36 613	(12 417)	28 533	75 495

** Less than R1 000.*

 # Acquired in terms of vendor financed transaction (refer to note 25.2 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	22 766	36 613	59 379
Cumulative impairments	(3 191)	(9 226)	(12 417)
Cumulative equity earnings net of dividends	28 533	–	28 533
	48 108	27 387	75 495

15. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

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 2019								
Alliance Capital Limited	7 722	141	(547)	200	–	(194)	(6 957)	365
Black Wattle Colliery Proprietary Limited (refer to note 19)	800 177	–	(36 976)	402	(8 958)	(33 100)	(636 307)	85 238
Orion Properties 14 Proprietary Limited	1 237	–	–	–	(310)	–	(1 030)	(103)
Phakamani Impact Capital Proprietary Limited	35 916	–	(62)	142	(4)	–	(34 521)	1 471
Verbicept Proprietary Limited	–	7 089	–	–	–	(2 595)	(53)	4 441
Other immaterial associate companies[&]	67 908	–	(10)	–	–	–	(68 833)	(935)
	912 960	7 230	(37 595)	744	(9 272)	(35 889)	(747 701)	90 477

The group previously accounted for the investment in Butsanani Energy Investment Holdings Proprietary Limited as an associate, however, during the year the group lost its significant influence over the investment which resulted in it being accounted for at fair value through profit or loss. No earnings/losses had been previously equity accounted.

[&] The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.

** Less than R1 000.*

Material associates' statement of comprehensive income is presented below:

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 2018								
Alliance Capital Limited	10 521	42	(444)	150	–	(1 304)	(5 965)	3 000
Black Wattle Colliery Proprietary Limited (refer to note 19)	622 699	–	(56 129)	1 155	(9 323)	(8 544)	(530 140)	19 718
Butsanani Energy Investment Holdings Proprietary Limited	–	–	(4)	374	(3 896)	–	(3 103)	(6 629)
Orion Properties 14 Proprietary Limited	1 889	(61)	–	–	(735)	–	(1 652)	(559)
Phakamani Impact Capital Proprietary Limited	8 099	–	–	81	(7)	(516)	(6 340)	1 317
Verbicept Proprietary Limited	–	(18 683)	–	–	–	6 838	(48)	(11 893)
Other immaterial associate companies[&]	–	–	–	–	–	–	(2 030)	(2 030)
	643 208	(18 702)	(56 577)	1 760	(13 961)	(3 526)	(549 278)	2 924

** Less than R1 000.*

[&] The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.

15. INVESTMENTS IN AND LOANS TO ASSOCIATES (continued)

A reconciliation of the investments in and loans to associates:

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
2019									
Alliance Capital Limited	**45.0%**	**7 920**	**3 564**	**–**	**2 684**	**–**	**–**	**–**	**6 248**
Black Wattle Colliery Proprietary Limited (refer to note 19)	**37.5%**	**69 446**	**26 042**	**–**	**–**	**–**	**–**	**(26 042)**	*****
Orion Properties 14 Proprietary Limited	**39.0%**	**(1 036)**	**(545)**	**6 760**	**–**	**–**	**–**	**–**	**6 215**
Phakamani Impact Capital Proprietary Limited	**51.0%**	**717**	**283**	**500**	**5**	**–**	**–**	**–**	**788**
Verbicept Proprietary Limited	**50.0%**	**45 667**	**45 667**	**221**	**–**	**–**	**–**	**–**	**45 888**
Other immaterial associate companies[&]		**(15 378)**	**(13 370)**	**21 131**	**4 493**	**13 799**	**(21 684)**	**–**	**4 369**
		107 336	**61 641**	**28 612**	**7 182**	**13 799**	**(21 684)**	**(26 042)**	**63 508**

The group previously accounted for the investment in Butsanani Energy Investment Holdings Proprietary Limited as an associate, however, during the year the group lost its significant influence over the investment which resulted in it being accounted for at fair value through profit or loss. R3.0 million of the loan owing to the group was repaid and the balance transferred to trade and other receivables.

** Less than R1 000.*

A reconciliation of the investments in and loans to associates:

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
2018									
Alliance Capital Limited	45.0%	7 523	3 385	–	2 684	–	–	–	6 069
Black Wattle Colliery Proprietary Limited (refer to note 19)	37.5%	59 209	22 203	–	–	–	–	(22 203)	*
Butsanani Energy Investment Holdings Proprietary Limited	33.3%	(21 226)	(7 068)	12 225	–	7 068	–	–	12 225
Orion Properties 14 Proprietary Limited	39.0%	(932)	(494)	5 794	–	–	–	–	5 300
Phakamani Impact Capital Proprietary Limited	51.0%	–	–	500	5	–	–	–	505
Verbicept Proprietary Limited	50.0%	41 226	41 226	179	–	–	–	–	41 405
Other immaterial associate companies[&]		(13 099)	(5 891)	17 915	4 493	5 892	(12 417)	–	9 992
		72 701	53 361	36 613	7 182	12 960	(12 417)	(22 203)	75 496

[&] The group has interests in a number of individually immaterial associates. Most of the associate companies have dormant operations or are investment holding entities which do not trade.

** Less than R1 000.*

15. 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 and BetBio Zambia Limited and Autus Securities Limited which operate in Zambia and Alliance Capital which operates in Malawi. The carrying amounts of associates are shown net of impairment losses.

- Associates that have different year-ends to the group are equity-accounted on the basis of the associates' year-end audited/ unaudited financial information (which is within three months of the group's financial year end).
- The group has accounted for losses incurred by associates to the extent of investments made.
- The group has not recognised losses totalling R7.9 million (2018: R13.0 million) in relation to its interests in associates, because the group has no obligation in respect of these losses.

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

Associate	Nature of operations and activities
Autus Securities Limited	Advisory and stockbroking activities
Alliance Capital Limited	Asset management
BetBio Zambia Limited	Gaming activities
Before Sunset Properties 37 Proprietary Limited	Dormant entity
English Breeze Investments (Private) Limited	Investment holding company
K2015(SA) Proprietary Limited	Property development and investment projects
Newshelf 1361 Proprietary Limited	Mining operations
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	Enterprise development
Isilo Investments (RF) Proprietary Limited	Steel – high volume customers
Space Launch Investments (Private) Limited	Investment holding
Vunani Solar Power Proprietary Limited	Dormant entity
Verbicept Proprietary Limited	Investment holding
Vunani Properties Proprietary Limited	Property development and investment projects

	Figures in R'000	2019	2018
16.	**OTHER INVESTMENTS**		
	Balance at the beginning of the year	**51 295**	42 400
	Fair value adjustments	**53 381**	17 863
	Additions	**234**	2 590
	Foreign exchange gain/(loss)	**139**	(21)
	Disposals	**(10 565)**	(10 292)
	Transfer to other receivables	**–**	(1 245)
	Balance at the end of the year	**94 484**	51 295
	Non-current	**93 565**	50 720
	Current	**918**	575
		94 483	51 295

Refer to note 38.4 for additional disclosures on fair value of other investments.

			Investments		
2019	**Number of shares held ('000s)**	**% holding**	**Listed R'000**	**Unlisted R'000**	**Fair value R'000**
Non-current					
African Legend Investment Proprietary Limited	**2 248**	**2.4**	**–**	**18 043**	**18 043**
Butsanani Energy Investment Holdings Proprietary Limited[$]	*****	**33.3**	**–**	**50 951**	**50 951**
Ferrox Proprietary Limited	**4 800**	**1.04**	**–**	**6 810**	**6 810**
Johannesburg Stock Exchange Limited	**95**	*****	**15 343**	**–**	**15 343**
PowerHouse Africa Holdings Proprietary Limited	*****	**15**	**–**	**2 368**	**2 368**
Unlisted investments held by Vunani Capital Proprietary Limited	*****	*****	**–**	**50**	**50**
Other investments – non-current			**15 343**	**78 222**	**93 565**
Current					
Listed investments held by Purpose Vunani Asset Management (Private) Limited	**709**	*****	**918**	**–**	**918**
Other investments – current			**918**	**–**	**918**
Total other investments			**16 261**	**78 222**	**94 483**

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

[$] The investment in Butsanani Energy Investment Holdings Proprietary Limited was previously accounted for as an associate. During the year, the group lost its significant influence over the investment which resulted in it being accounted for as other investments carried at fair value through profit or loss.

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 2019 on the relevant securities exchange. Listed investments are classified 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 classified 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 investment in African Legend Proprietary Limited ("ALI") was fair valued to R18.0 million from R12.3 million based on the recoverability of the assets held by ALI.

The income approach valuation methodology was used in the determination of the fair value of the group's investment in Butsanani Energy Investment Holdings Proprietary Limited. This entails discounting the budgeted and forecasted cash flows from the investment, with scenario and sensitivity analysis being performed on the inputs to the valuation.

16. OTHER INVESTMENTS (continued)

2018	Number of shares held (000s)	% holding	Investments Listed R'000	Unlisted R'000	Fair value R'000
Non-current					
African Legend Investment Proprietary Limited[@]	2 248	2.4	–	12 273	12 273
BSI Limited	20 150	*	–	10 075	10 075
Ferrox Proprietary Limited	4 800	1.08	–	6 810	6 810
Johannesburg Stock Exchange Limited	95	*	19 376	–	19 376
PowerHouse Africa Holdings Proprietary Limited[#]	*	15	–	2 186	2 186
Other investments – non-current			19 376	31 344	50 720
Current					
Listed investments held by Vunani Capital Proprietary Limited	41	*	154	–	154
Listed investments held by Purpose Vunani Asset Management (Private) Limited	709	*	421	–	421
Other investments – current			575	–	575
Total other investments			19 951	31 344	51 295

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

[@] The investment in African Legend Investment Proprietary Limited was historically carried at a nil value. Management performed a valuation of the investment based on the net asset value of the recoverable assets held by the entity.

[#] The group acquired a 15% shareholding in PowerHouse Africa Holdings Proprietary Limited, which entitles the group to a 7.35% effective shareholding in PowerHouse Africa Asset Management Proprietary Limited.

Figures in R'000	2019	2018
17. INVENTORY		
Inventory comprises:		
Work in progress	**5 688**	–
Finished goods	**23 567**	–
	29 255	–

The group commenced a new commodity trading operation. At year-end inventories of the commodities worth R29.2 million was on hand. The group carries its inventory at the lower of cost and net realisable value.

Inventories have been reduced by R0.5 million (2018: R nil) as a result of the write-down to net realisable value. The write down was recognised as an expense during the year. The write downs and reversals are included in cost of sales.

Inventory work in progress revenue and the associated costs for these contracts are recognised over time.

	Figures in R'000	2019	2018
18.	**DEFERRED TAX**		
	Deferred tax comprises:		
	Deferred tax assets	**42 826**	47 010
	Deferred tax liabilities	**(22 251)**	(25 955)
		20 575	21 055
	Recognised deferred tax asset and liabilities comprise:		
	Fair value adjustments		
	Other investments	**(967)**	970
	Other financial liabilities	**1 268**	1 139
	Intangible assets	**(23 172)**	(26 315)
	Trade and other receivables	**426**	2 703
	Accruals and provisions	**6 578**	5 731
	Tax losses carried forward	**36 474**	36 813
	Prepayments	**(32)**	14
		20 575	21 055
	Reconciliation of movement in deferred tax		
	Balance at the beginning of the year	**21 055**	15 969
	Recognised in profit or loss – continuing operations	**(480)**	4 846
	Recognised in profit or loss – discontinued operations	**–**	(10)
	Effect of exchange differences	*****	250
	Balance at the end of the year	**20 575**	21 055
	Deferred tax assets acquired through business combination relate to deductible temporary differences.		
	** Less than R 1000*		
	Unrecognised deferred tax assets		
	Estimated tax losses available for utilisation against future taxable income	**159 229**	156 410
	Recognised as deferred tax assets	**(130 352)**	(131 475)
	Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**28 877**	24 935
	Estimated capital tax losses available for utilisation against future capital tax profit	**9 376**	363 833
	Recognised as deferred tax assets	**–**	–
	Unrecognised estimated capital tax losses carried forward not accounted for in deferred tax	**9 376**	363 833

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.

	Figures in R'000	Other loans	Black Wattle Option	Total
19.	**OTHER NON-CURRENT ASSETS**			
	2019			
	Balance at the beginning of the year	**3 683**	**50 444**	**54 127**
	Fair value adjustment (refer to note 8)	**–**	**20 437**	**20 437**
	Balance at the end of the year	**3 683**	**70 881**	**74 564**
	2018			
	Balance at the beginning of the year	5 395	26 119	31 514
	Repayments	(1 712)	–	(1 712)
	Fair value adjustment (refer to note 8)	–	24 325	24 325
	Balance at the end of the year	3 683	50 444	54 127

Figures in R'000	2019	2018
Non-current		
Black Wattle Option	**70 881**	50 444
Other loans	**3 683**	3 683
	74 564	54 127
Current		
Other loans	**–**	–
Total	**74 564**	54 127
Other loans		
C4Life Proprietary Limited	**–**	–
The loan bears no interest and has been fully impaired.		
Non-current	**6 724**	6 724
Cumulative impairment	**(6 724)**	(6 724)
Zibuyile Healthcare Proprietary Limited	**–**	–
The loan is unsecured, bears no interest and has been fully impaired.		
Current	**798**	798
Impairment	**(798)**	(798)
Vendor financed loan	**3 683**	3 683
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. No interest on the loan has been raised in the current year until the capital portion has been repaid in full. The capital and interest will be repaid within a period not exceeding five years.		
Non-current	**3 683**	3 432
Interest	**–**	251
	3 683	3 683

19. OTHER NON-CURRENT ASSETS (continued)

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 15).

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.

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 resulted in a day-one gain of R17.9 million. The full gain was recognised over a five-year period, to February 2016.

The option is revalued at each year end, with any movements in the value of the option being taken to profit or loss for the year. A Monte Carlo simulation valuation technique is applied to the unobservable inputs in order to determine the fair value.

Figures in R'000	2019	2018
Fair value of option to acquire investment in Black Wattle Colliery Proprietary Limited	**70 881**	50 444
Carrying value at year-end	**70 881**	50 444

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 38.5).

20. TRADE AND OTHER RECEIVABLES

Trade debtors	**90 150**	50 109
Sundry accounts receivable	**34 168**	26 404
Loan receivable from holding company	**120**	337
Allowance for impairment	**(3 375)**	(3 170)
	121 063	73 680
Reconciliation of movement in allowance for impairment		
Balance at the beginning of the year	**(3 170)**	(2 888)
Increase in impairment allowance	**(2 972)**	(369)
Utilised	**2 767**	87
Balance at the end of the year	**(3 375)**	(3 170)

Factors considered in impairment

The effect of initially applying IFRS 9 is described in accounting policy 2, changes in significant accounting policies.

The group assesses impairment of trade and other receivables on a portfolio basis grouping those that possess shared credit risk characteristics. These have then been grouped based on the days past due. The group has therefore concluded that the expected loss rates calculated on the trade receivables are a reasonable approximation of the loss rates.

Ageing of trade and other receivables:		
Not past due	**95 258**	51 554
Past due 1 – 30 days	**22 535**	20 133
Past due 31 – 60 days	**2 948**	1 936
Past due 61 – 90 days	**1 071**	–
Past due 91 days and greater	**2 626**	3 170
	124 438	76 793

Expected credit losses	**Default rates**		
Not past due	0.05%	**(73)**	–
Past due 1 – 30 days	0.10%	**(43)**	–
Past due 31 – 60 days	2%	**(98)**	–
Past due 61 – 90 days	50%	**(536)**	–
Past due 91 days and greater	100%	**(2 626)**	(3 170)
		(3 375)	(3 170)

	Figures in R'000	2019	2018
21.	**ACCOUNTS RECEIVABLE AND PAYABLE FROM TRADING ACTIVITIES**		
	Accounts receivable from trading activities		
	Accounts receivable	**90 561**	689 510
	Accounts payable from trading activities		
	Accounts payable from trading activities	**90 840**	687 659

These amounts arise primarily from securities trading activities that the group, through its subsidiary Vunani Securities Proprietary Limited ("Vunani Securities"), 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 Proprietary Limited, and on the sell side, that the client has sufficient equity securities in dematerialised form before a sale is executed.

	Figures in R'000	2019	2018
22.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents include the following components:		
	Cash at bank and cash in hand	**12 354**	19 513
	Short-term deposits	**42 092**	32 071
	Bank overdraft	**(9 986)**	(2 362)
	Cash and cash equivalents in the statement of cash flows	**44 460**	49 222
23.	**STATED CAPITAL**		
	Authorised		
	500 000 000 (2018: 500 000 000) ordinary shares of no par value	**–**	–
	Issued		
	161 155 915 (2018: 164 896 942) ordinary shares of no par value	**696 497**	706 572
	Treasury shares (number of shares held at year-end 137 779 (2018: 5 028 536))	**(56)**	(14 842)
		696 441	691 730

The decrease in shares relates to shares that were delisted as part of a share swop transaction.

Shares that were issued as part of the share-based payment scheme vested during the year. These shares were transferred out of the share trust (held as treasury shares) to the qualifying employees on vesting date.

Reconciliation of movement in number of shares issued ('000):		
Balance at the beginning of the year	**164 897**	161 296
Issued during the year	**–**	3 860
Delisted during the year	**(3 741)**	(259)
Balance at the end of the year	**161 156**	164 897

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	**706 572**	700 022
Issued during the year	**–**	7 188
Capitalisation share issue award	**–**	–
Delisted during the year	**(10 075)**	(638)
Balance at the end of the year	**696 497**	706 572

The shares were delisted as part of a share swop agreement between the company and BSI Steel Limited ("BSI"), in which the investment in BSI Steel Limited was disposed of for the value of the company shares held by BSI.

	Figures in R'000	2019	2018
24.	**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 three-year service period).		
	At 28 February 2019, 100% of the shares issued in Grant 1, Grant 2 and the conditional share scheme shares granted on 11 November 2015 and 29 February 2016 had vested and had been exercised in full. At 28 February 2019, 66.66% of the shares issued on 24 February 2017, and 33.33% of the shares issued on 26 February 2018 had vested as at year-end.		
	Share-based payments reserve	**5 506**	**21 646**

Share option programme (equity-settled)

Grant 1 – 29 June 2011

The options issued under Grant 1 have an exercise price of R3.00. As at 28 February 2019, the options were fully exercised. All of the options issued under Grant 1 had been exercised at 28 February 2019.

Grant 2 – 28 December 2012

The options issued under Grant 2 have an exercise price of R1.48. As at 28 February 2019, the options were fully exercisable. The shares were transferred out of the share trust to the qualifying employees.

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. A second tranche of shares was issued on 24 February 2017. Additional shares were issued on 26 February 2018 as part of tranche 3 of the conditional share scheme. The details of the share-based payment arrangements are below:

Tranche 1 – Grant – 11 November 2015 and 29 February 2016

As at 28 February 2019, 100% of the shares that we granted on 11 November 2015 and 29 February 2016 had fully vested on 11 November 2018 and 28 February 2019, respectively. The shares were awarded and transferred to qualifying employees on vesting date.

Shares awarded on 11 November had a market value of R2.20 per share on vesting date and a grant date fair value of R1.51 per share, whereas the shares awarded on 29 February had a market value of R2.00 per share on vesting date and had been granted at R1.49 per share.

	Number of shares	
	2019	2018
Balance at beginning of the year	**6 991**	8 114
Granted during the year	**–**	–
Forfeited during the year	**(411)**	(1 123)
Balance at the end of the year	**6 580**	6 991
Exercisable at 28 February 2019	**6 580**	–
Fair value of share options and assumptions		
Fair value at grant date (11 November 2015) (R'000)	**6 601**	6 601
Fair value at grant date (29 February 2016) (R'000)	**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%

24. SHARE-BASED PAYMENTS (continued)

Tranche 2 - 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)

	Number of shares	
	2019	2018
Balance at beginning of the year	**3 805**	3 860
Granted during the year	**–**	–
Forfeited during the year	**(455)**	**(55)**
Balance at the end of the year	**3 350**	3 805
Exercisable at 28 February 2019	**–**	–
Fair value of share options and assumptions		
Fair value at grant date (R'000)	**6 786**	6 786
Share price at grant date	**2.20**	2.20
Vesting period	**3 years**	3 years
Assumed dividends payable	**2.32%**	2.32%

As at 28 February 2019, 66% of the shares granted on 24 February 2017 had vested.

Tranche 3 - Grant – 26 February 2018	Vesting dates		
	1st tranche 24 February 2019 (33.33% vesting)	2nd tranche 24 February 2020 (33.33% vesting)	3rd tranche 24 February 2021 (33.33% vesting)

	Number of shares	
	2019	2018
Balance at beginning of the year	**3 968**	–
Granted during the year	**–**	3 968
Forfeited during the year	**(356)**	–
Balance at the end of the year	**3 612**	3 968
Exercisable at 28 February 2018	**–**	–
Fair value of share options and assumptions		
Fair value at grant date	**9 320**	9 320
Share price at grant date	**2.90**	2.90
Vesting period	**3 years**	3 years
Assumed dividends payable	**1.88%**	1.88%

As at 28 February 2019, 33% of the shares granted on 26 February 2018 had vested.

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**	3 229
Share options expensed in 2018	**5 981**	5 981
Transferred to retained income in 2018	**(435)**	(435)
Share options expensed in 2019	**7 844**	–
Transferred to retained income in 2019[@]	**(23 984)**	–
Total expense recognised as employee costs	**5 506**	21 646

[@] Shares that were issued as part of the share-based payment scheme vested. The shares were transferred out of the share trust (held as treasury shares) to the qualifying employees. The cumulative share-based payment expense in the reserve has been transferred between the non-distributable reserve and retained income on vesting.

	Figures in R'000	2019	2018
25.	**OTHER FINANCIAL LIABILITIES**		
	Other financial liabilities comprise:		
	Carried at amortised cost	**72 656**	93 645
	Capital	**71 795**	92 627
	Accrued interest	**861**	1 018
	Carried at fair value through profit or loss	**5 663**	5 084
		78 319	98 729
	Reconciliation of movement of other financial liabilities		
	Balance at the beginning of the year	**98 729**	143 294
	Accrued interest – debentures	**350**	585
	Accrued interest – long-term borrowings	**7 436**	9 875
	Advances	**–**	31 775
	Disposal	**–**	(1 833)
	Repayments	**(28 775)**	(83 441)
	Fair value adjustments through profit or loss	**579**	(1 526)
	Balance at the end of the year	**78 319**	98 729
	Reconciliation of cumulative fair value adjustments		
	Balance at the beginning of the year	**5 084**	6 610
	Fair value adjustments through profit or loss	**579**	(1 526)
	Balance at the end of the year	**5 663**	5 084
	Carried at amortised cost		
25.1	**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.	**4 238**	6 090
	Opening balance	**4 083**	5 869
	Accrued interest	**155**	221
25.2	**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 2019 (refer to note 15).	**1 300**	1 300
25.3	**Other loans** This amount represents a loan advanced by a non-controlling interest to Mandlamart Proprietary Limited ("Mandlamart") following the non-controlling interest acquiring a 10.71% interest in Mandlamart. The loan is unsecured, bears interest at prime and is repayable after 31 August 2022.	**7 002**	6 335
	Opening balance	**6 335**	5 715
	Accrued interest	**667**	620
25.4	**Other financial liabilities** Loans are unsecured, interest-free and have no fixed terms of repayment.	**3 486**	3 564
25.5	**Nedbank Limited** The loan relates to the acquisition of Fairheads International Holdings (SA) Proprietary Limited ("Fairheads") by Mandlalux Proprietary Limited ("Mandlalux"). The medium-term loan is repayable by monthly instalments of capital and interest (based on a straight-line amortisation schedule) and is subject to a cash sweep. The loan is repayable by August 2022. The loan is secured in terms of surety issued by Fairheads to Nedbank Limited amounting to R75.3 million and equity cure of R12 million.	**56 532**	75 453
	Opening balance	**75 453**	65 654
	Interest	**6 730**	5 938
	Advances	**–**	29 265
	Repayments	**(25 651)**	(25 404)

Figures in R'000	2019	2018
25. OTHER FINANCIAL LIABILITIES (continued)		
25.6 Deferred payment	–	–
The deferred payment relating to the initial acquisition of 70% interest in Fairheads was repaid in the prior year.		
Opening balance	–	49 597
Interest	–	3 141
Repayments	–	(52 738)
25.7 Finance lease liability	**98**	903
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.		
Opening balance	**903**	2 541
Interest	**39**	177
Advances	–	1 204
Repayments	**(844)**	(3 019)
Total carried at amortised cost	**72 656**	93 645
Carried at fair value through profit or loss on initial recognition		
25.8 Force Holdings Proprietary Limited	**5 663**	5 084
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.		
Total carried at fair value through profit or loss	**5 663**	5 084
Total financial liabilities	**78 319**	98 729
***Less:* Current financial liabilities**	**(32 168)**	(34 667)
Non-current financial liabilities	**46 151**	64 062

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 IFRS 9.

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	2019	2018
26. NET TAXATION PAYABLE		
The net tax payable includes the following:		
Current tax payable/(receivable)	**1 430**	(1 352)
Dividends withholding tax (payable as a result of securities broking activities)	**50**	1 561
Securities transfer tax (payable as a result of securities broking activities)	**2 438**	6 335
	3 918	6 544
27. TRADE AND OTHER PAYABLES		
Trade creditors	**78 585**	22 967
Other payables	**19 907**	16 212
Accrued expenses	**9 655**	15 253
Value added tax (VAT)	**3 464**	2 731
Accrued leave pay	**3 089**	2 859
	114 700	60 022

28. 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 10.

Figures in R'000	2019	Re-presented 2018
29. CASH GENERATED BY OPERATING ACTIVITIES		
Profit before income tax expense from continuing operations	107 957	53 964
Loss before income tax expense from discontinued operations	–	(1 269)
Adjusted for:		
Depreciation of plant and equipment	3 067	3 722
Profit on disposal of discontinued operations	–	(1 500)
Equity-accounted (earnings)/loss (net of income tax)	(6 053)	10 823
Fair value adjustments	(73 239)	(43 714)
Impairment loss on loans to associates	9 001	2 472
Impairment loss on trade and other receivables	2 972	369
Amortisation of intangible assets	11 224	11 224
Share-based payments expense	7 844	5 981
Foreign currency translation loss	834	362
Lease straight-line adjustment	186	(432)
Interest received from investments and finance income	(4 512)	(3 729)
Investment revenue	(10 954)	(5 421)
Finance costs	8 801	11 055
Changes in working capital:		
Increase/(decrease) in trading securities	299	(2 100)
Increase in inventory	(29 255)	–
Increase in trade and other receivables	(41 221)	(22 080)
Increase in trade and other payables	53 637	5 523
(Increase)/decrease in accounts receivable and payable from trading activities	(1 836)	3 238
	38 752	28 488

Figures in R'000	2019	2018
30. INCOME TAX PAID		
Payable at beginning of the year	1 352	1 123
Adjustment to payable at the beginning of the year	(951)	–
Current year tax charge	(17 225)	(11 985)
Payable/(receivable) at end of the year (refer to note 26)	1 430	(1 352)
	(15 394)	(12 214)

31. DECREASE IN INVESTMENT IN SUBSIDIARIES

Vunani Fund Managers Proprietary Limited

At year end, the group disposed of 30% of its shareholding in Vunani Fund Managers Proprietary Limited ("VFM") to the Vunani Fund Managers employee share trust for R16.7 million. This was funded by a loan to the employee share trust. The non-controlling interest's share of net assets at the date of acquisition amounted to R9.4 million. The group's shareholding reduced from 100% to 70%. VFM is a fund management business with R27.5 billion in funds under management.

Net assets acquired	9 391	–
Purchase price payable	(16 680)	–
Transaction between shareholders recognised directly in equity	(7 289)	–

	Figures in R'000	2019	Re-presented 2018
32.	**BASIC AND HEADLINE EARNINGS PER SHARE**		
	Headline earnings per share (cents)	**54.7**	25.2
	Basic headline earnings per share from continuing operations	**54.7**	26.7
	Basic headline loss per share from discontinued operations	**–**	(1.5)
	Diluted headline earnings per share (cents)	**53.5**	25.2
	Diluted headline earnings per share from continuing operations	**53.5**	26.7
	Diluted headline loss per share from discontinued operations	**–**	(1.5)
	Basic and diluted earnings per share		
	The calculation of basic and diluted earnings per share at 28 February 2019 was based on the profit attributable to ordinary shareholders of R88.6 million (2018: R41.1 million), and a weighted average number of ordinary shares outstanding of 162.0 million (2018: 158.0 million), and 165.4 million (2018: 160.0 million) in the case of diluted earnings per share, calculated below:		
	Headline and diluted headline earnings per share		
	The calculation of headline and diluted headline earnings per share at 28 February 2019 was based on headline earnings attributable to ordinary shareholders of R88.6 million (2018: R39.9 million), and a weighted average number of ordinary shares outstanding of 162.0 million (2018: 158.0 million), and 165.4 million (2018: 160.0 million) in the case of diluted headline earnings per share, calculated as follows:		
	Continuing operations – Basic and diluted loss	**88 553**	42 330
	Discontinued operations – Basic and diluted loss	**–**	(1 269)
	Continuing operations – Headline and diluted headline earnings	**88 553**	39 880
	Discontinued operations – Headline and diluted headline loss	**–**	(2 433)
	Weighted average number of ordinary shares ('000s)		
	Issued ordinary shares at the beginning of the year	**164 897**	161 296
	Effect of share issue	**–**	1 899
	Effect of delisting shares	**(2 737)**	–
	Effect of own shares held	**(138)**	(5 219)
	Weighted average number of shares in issue during the year	**162 022**	157 976
	Dilutive weighted average number of ordinary shares ('000s)		
	Issued ordinary shares at the beginning of the year	**164 897**	161 296
	Effect of share issue	**–**	1 899
	Effect of delisting shares	**(2 737)**	–
	Effect of own shares held	**(138)**	(5 219)
	Effect of share awards on issue - dilutive shares	**3 372**	2 061
	Diluted weighted average number of shares in issue during the year	**165 394**	160 037

32. BASIC AND HEADLINE EARNINGS PER SHARE (continued)

Figures in R'000	2019	2018
Potential dilutive shares		
The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. The employee shares have a dilutive effect. The impact of the potential dilutive shares is reflected on the face of the statement of comprehensive income. At 28 February 2019, 2.025 million share options (2018: 0.475 million) were excluded from the diluted weighted-average number of shares calculation because their effect would have been anti-dilutive.		
The average market value of the company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices at the beginning of the year and at year end.		
Shares issued as part of the share incentive scheme ('000s)	–	4 949
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.	**291.2**	242.5
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.	**157.3**	104.8
Headline earnings		
Profit for the year attributable to equity holders of Vunani Limited	**88 553**	41 061
Adjusted for:		
Associates		
Gross revaluation of investment property	–	(31)
Deferred taxation on revaluation	–	9
Non-controlling interest	–	5
Disposal of businesses		
Profit on disposal	–	(1 500)
Taxation	–	336
	88 553	39 880
Number of shares in issue ('000s)	**161 156**	164 897
Weighted average number of shares ('000s)	**162 022**	157 976
Dilutive weighted average number of shares ('000s)	**165 394**	160 037

	Figures in R'000	2019	2018
33.	**COMMITMENTS**		
	Guarantees and sureties provided		
	The group has provided guarantees and sureties to third parties as at 28 February 2019 (including investments in associates) in the amount of R127.8 million (2018: R106.7 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.		
	Operating leases – as lessee (expense)		
	Minimum lease payments due		
	within one year	**8 289**	8 787
	in second to fifth year inclusive	**3 855**	10 691
		12 144	19 478
	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% (2018: 8.0%) per annum.		
	Finance leases – as lessee (expense)		
	Minimum lease payments due		
	within one year	**110**	764
	in second to fifth year inclusive	**37**	139
		147	903

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 R0.009 million (2018: R0.1 million) inclusive of finance charges.

34. 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.

2019 Figures in R'000	VProp714 Proprietary Limited	Purpose Vunani Asset Management (Private) Limited	Vunani Resources Proprietary Limited	Mandlalux Proprietary Limited	Mandlamart Proprietary Limited	Vunani Fund Managers Share Trust	Other individually immaterial non-controlling interests	Intra-group eliminations	Total
NCI percentage	**22%**	**35%**	**25%**	**7.5%**	**10.71%**	**30%**			
Non-current assets	**6 215**	**5 993**	**1 787**	**408**	**51 674**	**2 048**	**1 558**		
Current assets	**26 890**	**13 017**	**76 186**	**45 500**	**8 824**	**28 495**	**212**		
Non-current liabilities	**–**	**(194)**	**–**	**(50 159)**	**(7 003)**	**–**	**–**		
Current liabilities	**(29 042)**	**(1 737)**	**(65 882)**	**(73 947)**	**(58 438)**	**(6 245)**	**(8 382)**		
Net assets	**4 063**	**17 079**	**12 091**	**(78 198)**	**(4 943)**	**24 298**	**(6 612)**		
Carrying amount of NCI	**894**	**5 978**	**3 023**	**(5 865)**	**(529)**	**7 289**	**(2 410)**	**–**	**8 380**
Revenue	**–**	**14 507**	**130 684**	**127 243**	**–**	**72 648**	**–**		
Profit/(loss)	**(91)**	**1 490**	**6 649**	**14 012**	**(5 427)**	**9 715**	**(2 691)**		
OCI	**–**	**2 316**	**–**	**–**	**–**	**–**	**56**		
Total comprehensive income	**(91)**	**3 806**	**6 649**	**14 012**	**(5 427)**	**9 715**	**(2 635)**		
Profit/(loss) allocated to NCI	**(20)**	**522**	**1 662**	**1 051**	**(581)**	**–**	**(935)**	**–**	**1 699**
OCI allocated to NCI	**–**	**811**	**–**	**–**	**–**	**–**	**(15)**		**796**
Net increase/(decrease) in cash and cash equivalents	**(4)**	**65**	**(194)**	**639**	**–**	**2 556**	**16**		
Dividends paid to non-controlling interest	**–**	**838**	**–**	**–**	**–**	**–**	**–**		

** Less than R1 000.*

At 28 February 2019, the group disposed of 30% of its investment in Vunani Fund Managers Proprietary Limited to non-controlling interest.

2018

Figures in R'000	VProp714 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%	35.0%	25.0%	7.5%	11%			
Non-current assets	5 301	4 925	462	8 159	51 674	1 537		
Current assets	26 905	12 340	27 274	37 234	7 983	168		
Non-current liabilities	–	(177)	–	(68 690)	(6 335)	–		
Current liabilities	(28 052)	(1 419)	(22 295)	(68 912)	(52 838)	(5 570)		
Net assets	4 154	15 669	5 441	(92 209)	484	(3 865)		
Carrying amount of NCI	914	5 484	1 360	(6 916)	52	(1 460)	–	(566)
Revenue	–	17 672	84 195	124 765	–	–		
Profit/(loss)	(326)	7 327	8 713	8 261	(5 029)	(704)		
OCI	–	(1 762)	–	–	–	35		
Total comprehensive income	(326)	5 565	8 713	8 261	(5 029)	(669)		
Profit/(loss) allocated to NCI	(72)	2 564	2 178	620	(539)	(256)	–	4 495
OCI allocated to NCI	–	(617)	–	–	–	9		(608)
Net increase/(decrease) in cash and cash equivalents	3	12	69	3	–	(1)		
Dividends paid to non-controlling interest	–	538	–	–	–	–		

** Less than R1 000.*

35. OPERATING SEGMENTS

The group has six reportable segments being fund management, asset administration, advisory services, institutional securities broking, commodities trading and other 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 a monthly basis. The group's chief executive officer is the chief operating decision maker.

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, commodities trading, asset administration and advisory services 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, except for the impact of new standards.

2019

Continuing operations

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Commodities trading **	Other investments **	Total
Revenue	87 155	127 362	18 021	42 001	141 302	9 488	425 329
Finance income and interest received from investments	705	2 461	*	1 021	60	265	4 512
Finance costs	*	(7 484)	–	(142)	(349)	(826)	(8 801)
Depreciation	(834)	(1 551)	(8)	(72)	(255)	(347)	(3 067)
Amortisation of intangible assets	–	(11 224)	–	–	–	–	(11 224)
Impairment of loans to associates	–	–	–	–	–	(9 001)	(9 001)
Fair value adjustments	408	–	–	–	–	72 831	73 239
Equity accounted earnings	164	–	–	–	–	5 889	6 053
Income tax income/(expense)	(5 502)	(4 383)	517	(885)	(2 836)	(4 616)	(17 705)
Reportable segment profit/(loss) after tax	7 898	13 445	4 705	(7 211)	9 670	61 745	90 252
Reportable segment assets	82 608	230 407	15 193	104 945	199 612	166 179	798 944
Investment in associates	6 248	–	–	–	–	47 142	53 390
Capital expenditure	–	2 795	–	–	–	–	2 795
Reportable segment liabilities	(19 912)	(86 967)	(10 252)	(99 540)	(65 971)	(38 653)	(321 295)

* *Less than R1 000.*

** *In the current year, the Commodities trading (previously mining) and Other investments have been refined to enable the chief decision makers to adequately assess the performance of each segment based on the resources allocated to them. The change was also as a result of the increase in commodities trading activities during the year. Comparative figures have been re-presented to reflect the impact of the change.*

35. OPERATING SEGMENTS (continued)

2018

Continuing operations

Figures in R'000	Fund management	Asset administration	Advisory services	Institutional securities broking	Commodities trading **	Other investments **	Total
Revenue	64 683	124 781	4 895	63 686	84 612	8 232	350 889
Finance income and interest received from investments	–	2 294	–	997	–	438	3 729
Finance costs	(52)	(10 066)	–	(171)	(57)	(709)	(11 055)
Depreciation	(666)	(2 520)	(19)	(79)	(61)	(377)	(3 722)
Amortisation of intangible assets	–	(11 224)	–	–	–	–	(11 224)
Impairment of loans to associates	–	–	–	–	–	(2 472)	(2 472)
Fair value adjustments	1 208	–	–	–	–	42 506	43 714
Equity accounted earnings	1 350	–	–	–	–	(12 173)	(10 823)
Income tax income/(expense)	(2 921)	(2 343)	(100)	(1 059)	(3 388)	2 672	(7 139)
Reportable segment profit/(loss) after tax	4 284	6 714	(1 450)	1 376	6 113	29 788	46 825
Reportable segment assets	66 651	234 151	3 321	717 873	17 035	242 985	1 282 016
Investment in associates	6 070	–	–	–	–	69 425	75 495
Capital expenditure	–	–	–	–	–	–	–
Reportable segment liabilities	(15 635)	(106 632)	(1 122)	(706 319)	(22 453)	(30 540)	(882 701)

* *Less than R1 000.*

** *In the current year, the Commodities trading (previously mining) and Other investments have been refined to enable the chief decision makers to adequately assess the performance of each segment based on the resources allocated to them. The change was also as a result of the increase in commodities trading activities during the year. Comparative figures have been re-presented to reflect the impact of the change.*

Discontinued operations

Figures in R'000	Private wealth and investments	Total
Revenue	344	344
Income tax expense	(10)	(10)
Profit on disposal of businesses	1 500	1 500
Reportable segment loss after tax	(1 269)	(1 269)
Reportable segment assets	140	140
Reportable segment liabilities	(118)	(118)

The Private wealth and investments segment was presented as a discontinued operation as a result of the disposal of the client book.

36. RELATED PARTIES

Relationships

Ultimate holding company/parent	Bambelela Capital Proprietary Limited (previously Vunani Group Proprietary Limited)
Associates	Refer to note 15
Directors	Refer to note 37

Direct and indirect subsidiaries	Effective equity holding 2019	2018
Vunani Capital Proprietary Limited	**100%**	100%
Aquarella Investments 507 Proprietary Limited*	–	100%
Camden Bay Investments 2 Proprietary Limited	**100%**	100%
Fairheads Benefit Services Proprietary Limited	**92.5%**	92.5%
Fairheads International Holdings Proprietary Limited	**92.5%**	92.5%
Fairheads Financial Services Proprietary Limited	**100%**	100%
Invest West Real Estate Proprietary Limited	**100%**	–
Ingwecron Proprietary Limited	**75%**	–
Komur Mining (Private) Limited**	**75%**	–
Lexshell 630 Investments Proprietary Limited	**100%**	100%
Loato Properties Proprietary Limited	**100%**	100%
Locivert Proprietary Limited	**100%**	100%
Mandlamart Proprietary Limited	**89.3%**	89.3%
Mandlalux Proprietary Limited	**92.5%**	92.5%
Olimonox Proprietary Limited	**100%**	–
Pacific Heights Investments 118 Proprietary Limited	**100%**	100%
Purpose Vunani Asset Management (Private) Limited**	**65%**	65%
Quintofor Investments Proprietary Limited*	–	100%
Telos Proprietary Limited[&]	**52%**	–
Spaciros Proprietary Limited	**51%**	51%
Vunani Capital Zimbabwe (Private) Limited**	**75%**	75%
Vunani Corporate Finance Proprietary Limited*	–	100%
Vunani Passenger Logistics Proprietary Limited	**100%**	100%
Vunani Fund Managers Proprietary Limited	**70%**	100%
Vunani Wealth and Investments Proprietary Limited*	–	100%
Vunani Mining Proprietary Limited	**100%**	100%
Vunani Private Clients Stockbroking Proprietary Limited	**100%**	100%
Vunani Mining and Resources Proprietary Limited	**75%**	75%
Vunani Sponsors Proprietary Limited	**100%**	100%
Vunani Resources Proprietary Limited	**75%**	75%
Ginolor Proprietary Limited	**51%**	51%
Vunani Ssafen Proprietary Limited*	–	51%
Vunani Ssafen Karoo Proprietary Limited	**51%**	51%
Vunani Ssafen Amerfoot Proprietary Limited	**51%**	51%
Vunani Mion Properties Proprietary Limited	**61%**	61%
Almecel Proprietary Limited	**61%**	–
Vunani Africa Investments Proprietary Limited	**100%**	100%
Vunani Holdings Swaziland Proprietary Limited[&]	**80%**	–
Vunani Securities Proprietary Limited	**100%**	100%
Vunani Nominee Proprietary Limited	**100%**	100%
Vunani Capital Investments Proprietary Limited	**100%**	100%
Vector Nominees Proprietary Limited*	–	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%

All the above direct and indirect subsidiaries' financial results are consolidated.

** The company was deregistered during the year. The cash flow impact of these deregistrations is immaterial.*

[&] The company is registered and conducts business in Eswatini.

36. RELATED PARTIES (continued)

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 15) and directors (refer to note 37) and disclosed below.

Loan with ultimate holding company

Vunani Capital Proprietary Limited has an operating loan with the ultimate holding company, Bambelela Capital Proprietary Limited (previously Vunani Group Proprietary Limited) of R120 000 (2018: R337 000) (refer to note 20).

37. DIRECTORS' REMUNERATION AND BENEFITS

No loans were made to directors during the year (2018: R nil). There were no material transactions with directors, other than the following:

Figures in R'000	Non-executive directors' fees	Salaries	Bonuses accrued	Provident fund and medical aid contributions	Current year share-based payment expense	Total
2019						
E Dube	–	3 765	2 948	868	1 293	8 874
NM Anderson	–	2 687	1 986	383	868	5 924
BM Khoza	–	2 563	1 986	558	868	5 975
T Mika	–	1 107	783	123	325	2 338
LI Jacobs (Chairman)	305	–	–	–	–	305
G Nzalo	165	–	–	–	–	165
JR Macey	189	–	–	–	–	189
N Mazwi	165	–	–	–	–	165
XP Guma	140	–	–	–	–	140
S Mthethwa	140	–	–	–	–	140
M Golding	140	–	–	–	–	140
Total	**1 244**	**10 122**	**7 703**	**1 932**	**3 354**	**24 355**
2018						
E Dube	–	3 680	2 616	731	772	7 799
NM Anderson	–	2 669	1 762	303	520	5 254
BM Khoza	–	2 522	1 762	450	520	5 254
T Mika	–	1 078	695	94	201	2 068
LI Jacobs (Chairman)	305	–	–	–	–	305
G Nzalo	165	–	–	–	–	165
JR Macey	210	–	–	–	–	210
N Mazwi	165	–	–	–	–	165
XP Guma	140	–	–	–	–	140
S Mthethwa	140	–	–	–	–	140
M Golding	162	–	–	–	–	162
Total	1 287	9 949	6 835	1 578	2 013	21 662

Short-term benefits to key management personnel amounted to R19 069 (2018: R18 071).

Aggregate amounts paid to directors amounts to:

Figures in R'000	2019	2018
For services as directors of the company		
Total remuneration and benefits received from company	**1 244**	1 287
Total remuneration and benefits received from company's subsidiaries and fellow subsidiaries	**23 111**	20 375
	24 355	21 662

37. DIRECTORS' REMUNERATION AND BENEFITS (continued)

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 59 (Vunani Limited company financial statements).

Shareholdings per director of the company (including non-executive directors) and major operating subsidiaries

	Number of shares held		
2019	**Beneficially direct ('000s)**	**Beneficially indirect ('000s)**	**Total number of shares held ('000s)**
E Dube	–	24 618	24 618
NM Anderson	714	14 779	15 493
BM Khoza	–	14 779	14 779
T Mika	223	–	223
JJ Rossouw	458	243	701
R Krepelka	2 990	–	2 990
M Brown	2 616	–	2 616
G Gould	2 616	–	2 616
L Jacobs	33	–	33
S Mthethwa	–	7 200	7 200
M Golding	–	30 040	30 040
	9 650	91 659	101 309

E Dube acquired 70 000 shares on 14 May 2019 and 50 000 shares on 19 June 2019. There has been no other changes in shareholdings of the other directors between 28 February 2019 and the approval of the integrated report.

2018	**('000s)**	**('000s)**	**('000s)**
E Dube	–	24 791	24 791
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
	10 836	55 982	66 818

T Mika acquired 10 000 shares on 15 June 2018. There were no changes in shareholdings of the other directors.

Figures in R'000	Note	Carrying amount	Undiscounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
38. FINANCIAL INSTRUMENTS						
38.1 Liquidity risk						
2019						
Non-derivative financial liabilities		**(287 292)**	**(300 403)**	**(241 145)**	**(59 258)**	**–**
Non-interest-bearing					–	–
Trade and other payables (excluding VAT and leave pay)	27	**(108 147)**	**(108 147)**	**(108 147)**	–	–
Accounts payable from trading activities	21	**(90 840)**	**(90 840)**	**(90 840)**	–	–
Other financial liabilities at amortised cost	25	**(4 786)**	**(4 786)**	**(4 786)**	–	–
Other financial liabilities at fair value through profit or loss	25	**(5 663)**	**(5 663)**	**(5 663)**	–	–
Fixed interest rate instruments – DBSA	25	**(4 238)**	**(4 542)**	**(2 280)**	**(2 262)**	–
Variable interest rate instruments	22 & 25	**(73 618)**	**(86 425)**	**(29 429)**	**(56 996)**	–
2018						
Non-derivative financial liabilities		(843 182)	(853 737)	(782 124)	(71 613)	–
Non-interest-bearing					–	–
Trade and other payables (excluding VAT and leave pay)	27	(54 432)	(54 432)	(54 432)	–	–
Accounts payable from trading activities	21	(687 659)	(687 659)	(687 659)	–	–
Other financial liabilities at amortised cost	25	(4 864)	(4 864)	(4 864)	–	–
Other financial liabilities at fair value through profit or loss	25	(5 084)	(5 084)	(5 084)	–	–
Fixed interest rate instruments – DBSA	25	(6 090)	(6 838)	(2 280)	(4 558)	–
Variable interest rate instruments	22 & 25	(85 053)	(94 860)	(27 805)	(67 055)	–

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 R10.0 million overdraft facilities, which may be used to manage its financial obligations if necessary.

Figures in R'000	2019	2018
38.2 Market risk		
Interest rate risk		
The company's interest rate exposure is as follows:		
Fixed rate instruments		
Financial liabilities	**(4 238)**	(6 090)
Variable rate instruments		
Financial assets	**16 037**	85 967
Financial liabilities	**(73 618)**	(85 053)
	(61 819)	(5 176)

38. FINANCIAL INSTRUMENTS (continued)

38.2 Market risk (continued)

Figures in R'000	2019	2018
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	**(309)**	(26)
50 bps decrease	**309**	26
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		
Other investments	**78 222**	31 344
Other non-current assets	**70 881**	50 444
Listed financial assets at fair value through profit or loss		
Other investments	**16 261**	19 951
Trading securities	**72**	435
	165 436	102 174
The company's listed equity investments are listed on the JSE Limited 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	**16 544**	10 217
10% decrease	**(16 544)**	(10 217)
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	**1 800**	9 545
10% decrease in USD	**1 473**	7 810

38.3 Credit risk

The carrying amount of financial assets represents the maximum credit exposure.		
The maximum exposure of credit risk was:		
Loans to associates (net of impairment)	**10 118**	27 387
Other loans	**3 683**	3 683
Accounts receivable from trading activities	**90 561**	689 510
Trade and other receivables (net of impairment)	**121 063**	73 680
Cash and cash equivalents	**54 446**	51 584
	279 871	845 844

38. FINANCIAL INSTRUMENTS (continued)

38.3 Credit risk (continued)

Impairment losses

Financial assets are categorised as follows (excluding trade and other receivables disclosed in note 20):

Figures in R'000	Total	Loans to associates	Other loans	Accounts receivable from trading activities
2019				
Stage 1	**104 362**	**10 118**	**3 683**	**90 561**
Stage 2	**–**	**–**	**–**	**–**
Stage 3	**18 493**	**18 493**	**–**	**–**
Impairment	**(18 493)**	**(18 493)**	**–**	**–**
	104 362	**10 118**	**3 683**	**90 561**
2018				
Not past due	720 580	27 387	3 683	689 510
Past due 91 days and greater	9 492	9 492	–	–
Impairment	(9 492)	(9 492)	–	–
	720 580	27 387	3 683	689 510

Reconciliation of movement in allowance for impairment of financial assets:

Figures in R'000	2019	2018
Balance at the beginning of the year	**(9 226)**	(6 754)
Impairment loss on loans to associates	**(9 001)**	(2 472)
Exchange movements on foreign loans	**(266)**	–
Balance at the end of the year	**(18 493)**	(9 226)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") – the ECL model. This replaces IAS 39's incurred loss model. Instruments within the scope of the new requirements included loans and other debt type financial assets measured at amortised cost, and trade receivables measured under IFRS 15.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead, the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the ECL is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime (ECLs). These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The group assesses impairment of trade receivables on a portfolio basis grouping those that possess shared credit risk characteristics. These have then been grouped based on the days past due. The group has therefore concluded that the expected loss rates calculated on the trade receivables are a reasonable approximation of the loss rates.

The adoption of the ECL requirements of IFRS 9 have resulted in a further impairment allowance of R85 000 on the prior year balances. Opening retained earnings (refer to statement of changes in equity) have been adjusted with a corresponding reduction in the current year balance of trade and other receivables to reflect the impact of retrospectively applying IFRS 9.

The adoption of the ECL requirements of IFRS 9 have not resulted in further material impairment allowances of the group's financial assets. For impairment loss information relating to trade and other receivables refer to note 20.

Other financial assets

The group uses an allowance account to record its credit losses on advances. It applies the general impairment approach in determining the ECLs. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The group considers an advance in default when they are handed over to the legal process. However, in certain cases, the group may also consider an advance to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. The financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

38. FINANCIAL INSTRUMENTS (continued)

38.3 Credit risk (continued)

The group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial asset's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The group groups its advances into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default as the weight.

Stage 3: includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The entity considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower enters the legal stage of the advance management process. At this time the loans are managed individually.

Concentration of credit risk

The majority of the group's trade and other receivables and loans advanced to associates are located domestically except for the small amount of debtors and loans located in Zimbabwe and Zambia. The group does not have a wide variety of counterparties.

38.4 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 arm's length market transactions between knowledgeable parties; and
- reference to the value of the net assets of the underlying business.

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.

38. FINANCIAL INSTRUMENTS (continued)

38.4 Fair values (continued)

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).

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

38. FINANCIAL INSTRUMENTS (continued)

38.4 Fair values (continued)

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.

	2019		2018	
Figures in R'000	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Other investments	**94 483**	**94 483**	51 295	51 295
Other non-current assets	**70 881**	**70 881**	50 444	50 444
Trading securities	**72**	**72**	435	435
Financial assets not measured at fair value				
Loans to associates	**10 118**	**8 464**	27 387	21 949
Loans in other non-current assets	**3 683**	**3 826**	3 683	3 909
	179 237	**177 726**	133 244	128 032
Financial liabilities measured at fair value				
Other financial liabilities at fair value through profit or loss	**(5 663)**	**(5 663)**	(5 084)	(5 084)
Trading securities	**(22)**	**(22)**	(86)	(86)
Financial liabilities not measured at fair value				
Other financial liabilities at amortised cost	**(72 656)**	**(61 927)**	(93 645)	(94 016)
	(78 341)	**(67 612)**	(98 815)	(99 186)

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.

38.5 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 38.4 is categorised as follows for the purpose of IFRS 13 *Fair Value Measurement*.

Figures in R'000	Level 1	Level 2	Level 3	Total
2019				
Financial assets designated at fair value through profit or loss	**16 261**	**–**	**149 103**	**165 364**
Financial assets measured at fair value	**72**	**–**	**–**	**72**
Financial assets at amortised cost	**–**	**–**	**12 290**	**12 290**
Financial liabilities designated at fair value through profit or loss	**(22)**	**–**	**(5 663)**	**(5 685)**
Financial liabilities at amortised cost	**–**	**–**	**(61 927)**	**(61 927)**
	16 311	**–**	**93 803**	**110 114**
2018				
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

38. FINANCIAL INSTRUMENTS (continued)

Figures in R'000	2019	2018
Level 3 financial assets and liabilities designated at fair value through profit or loss comprises:		
Balance at beginning of the period	**76 704**	28 000
Total gains or losses in profit or loss	**76 580**	40 536
Purchases, sales, issues and settlements	**(9 844)**	8 168
Balance at end of the year	**143 440**	76 704

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.

	2019	2018
Net asset value		
10% increase	**3 227**	1 399
10% decrease	**(3 136)**	(1 308)
Free cash flow		
10% increase	**6 716**	(2 182)
10% decrease	**(7 849)**	167
Foreign exchange movement		
10% increase	**164**	868
10% decrease	**(164)**	(868)

39. 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 12-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, including those of the company.

The board is of the view that, based on its knowledge of the group and the company, assumptions regarding the outcome of the key processes under way and specific enquiries it has made, the group and company have adequate resources at their disposal to settle obligations as they fall due and the group and company will continue as going concerns for the foreseeable future.

40. DIVIDENDS

Ordinary dividend

A dividend of 6.2 cents (4.96 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 30 July 2018, (2018: 5.2 cents (4.16 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 27 July 2017). Total cash of R9.7 million (2018: R8.2 million) (net of treasury shares held) was paid to ordinary shareholders.

2019: Dividend declared

Notice is hereby given that a gross ordinary dividend of 7.4 cents per share (2018: 6.2 cents per share) has been declared out of income reserves on 25 April 2019 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%.
- 161 155 915 shares are in issue.
- The gross ordinary dividend is 7.40000 cents per share for shareholders exempt from paying Dividend Withholding Tax
- The net ordinary dividend is 5.92000 cents per share for ordinary shareholders who are not exempt from Dividend Withholding Tax.
- Vunani Limited's tax reference number is 9841003032.

Timetable	2019
Declaration and finalisation date announcement	Wednesday, 25 April
Last day to trade *cum* dividend	Tuesday, 23 July
Shares commence trading *ex*-dividend	Wednesday, 24 July
Record date	Friday, 26 July
Dividend payment date	Monday, 29 July

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 24 July 2019 to Friday, 26 July 2019, 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.

41. EVENTS AFTER REPORTING DATE

Subsequent to year-end the following events took place:

A dividend of R11.9 million was declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period under review. The dividend declared equates to 7.4 cents per share. Please refer to note 40 for further details on the declaration.

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

Separate statement of comprehensive income

for the year ended 28 February 2019

Figures in R'000	Note	VUNANI LIMITED – Company 2019	2018
Management fees	42	**1 244**	1 287
Investment revenue	43	**–**	857
Fair value adjustments	44	**5 770**	12 273
Impairments	45	**(1 699)**	–
Operating expenses	46	**(5 836)**	(4 527)
Results from operating activities		**(521)**	9 890
Finance income	47	**–**	345
(Loss)/profit before income tax		**(521)**	10 235
Taxation	48	**–**	–
(Loss)/profit for the year		**(521)**	10 235
Total comprehensive income for the year		**(521)**	10 235

Separate statement of financial position

at 28 February 2019

Figures in R'000	Note	VUNANI LIMITED – Company 2019	2018
Assets			
Investments in subsidiaries	49	**412 678**	410 954
Other investments	50	**18 043**	12 273
Loan to subsidiary companies	51	**28 855**	53 552
Loan to share trust	52	**–**	12 635
Deferred tax asset	53	**149**	149
Total non-current assets		**459 725**	489 563
Cash at bank	54	**2**	5
Total current assets		**2**	5
Total assets		**459 727**	489 568
Equity			
Stated capital	55	**696 497**	706 572
Share-based payment reserve		**11 315**	20 990
Accumulated loss		**(259 403)**	(248 658)
Equity attributable to equity holders		**448 409**	478 904
Liabilities			
Loan from subsidiary companies	51	**9 831**	9 348
Total non-current liabilities		**9 831**	9 348
Trade and other payables	56	**1 487**	1 316
Current liabilities		**1 487**	1 316
Total equity and liabilities		**459 727**	489 568

Separate statement of changes in equity

for the year ended 28 February 2019

Figures in R'000	VUNANI LIMITED – Company Stated capital	Share-based payment reserve	Accumu-lated loss	Total equity
Balance at 28 February 2017	700 022	16 100	(250 362)	465 760
Total comprehensive income for the period				
Loss for the period	–	–	10 235	10 235
Total comprehensive income for the year	–	–	10 235	10 235
Transactions with owners, recorded directly in equity				
Dividends paid	–	–	(8 531)	(8 531)
Share-based payments	–	4 890	–	4 890
Share issue	7 188	–	–	7 188
Delisting of shares	(638)	–	–	(638)
Total transactions with owners	6 550	4 890	(8 531)	2 909
Balance at 28 February 2018	706 572	20 990	(248 658)	478 904
Total comprehensive income for the year				
Profit for the year	–	–	**(521)**	**(521)**
Total comprehensive income for the year	–	–	**(521)**	**(521)**
Transactions with owners, recorded directly in equity				
Dividends paid	–	–	**(10 224)**	**(10 224)**
Share-based payments	–	**6 379**	–	**6 379**
Vesting of share awards*	–	**(16 054)**	–	**(16 054)**
Delisting of shares	**(10 075)**	–	–	**(10 075)**
Total transactions with owners	**(10 075)**	**(9 675)**	**(10 224)**	**(29 974)**
Balance at 28 February 2019	**696 497**	**11 315**	**(259 403)**	**448 409**

* Shares that were issued as part of the share-based payment scheme vested. The shares were transferred out of the share trust (held as treasury shares) to the qualifying employees. The cumulative share-based payment expense in the reserve has been transferred between the share-based payment reserve and retained income on vesting.

DIVIDENDS

Figures in R'000	2019	2018
Ordinary dividends		
Ordinary dividend number 4 of 6.2 cents (4.96 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 30 July 2018 (net of treasury shares), (2018: Ordinary dividend number 3 of 5.2 cents (4.16 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 27 July 2017).	**9 677**	8 241
	9 677	**8 241**

Separate statement of cash flows

for the year ended 28 February 2019

Figures in R'000	Note	VUNANI LIMITED – Company 2019	2018
Cash flows from operating activities			
Cash utilised by operations	57	**(4 421)**	(2 862)
Investment revenue received		**–**	857
Interest received from banks	47	**–**	345
Dividends paid		**(10 224)**	(8 531)
Cash utilised by operating activities		**(14 645)**	(10 191)
Cash flows from investing activities			
Loans from/(to) subsidiary company		**13 914**	(17 519)
Loans repaid by share trust		**245**	206
Cash inflow/(outflow) from investing activities		**14 159**	(17 313)
Cash inflow from financing activities			
Loan from/(to) subsidiary company		**483**	(866)
Proceeds received from issue of shares		**–**	2 772
Cash inflows from financing activities		**483**	1 906
Net decrease in cash and cash equivalents		**(3)**	(25 598)
Cash and cash equivalents at the beginning of the year		**5**	25 603
Total cash and cash equivalents at the end of the year	54	**2**	5

Notes to the separate financial statements
for the year ended 28 February 2019

	Figures in R'000	2019	2018
42.	**MANAGEMENT FEES**		
	Management fees	**1 244**	1 287
43.	**INVESTMENT REVENUE**		
	Dividend received from investments	**–**	857
44.	**FAIR VALUE ADJUSTMENTS**		
	Other investments – unlisted investments	**5 770**	12 273
45.	**IMPAIRMENTS**		
	Impairments comprises:		
	Impairment of investment (refer to note 49)	**4 655**	–
	Impairment reversal of loan to share trust	**(2 956)**	–
		1 699	–
46.	**OPERATING EXPENSES**		
	Operating expenses include:		
	Auditor's remuneration – current year	**1 035**	1 081
	Directors' emoluments paid by company (refer note 37)	**1 244**	1 287
47.	**FINANCE INCOME**		
	Recognised in profit or loss		
	Interest income – cash and cash equivalents	**–**	345
48.	**INCOME TAX**		
	Deferred tax		
	Current year	**–**	–
	No taxation is payable in the current year as the company has an estimated tax loss of R11 582 827 (2018: R6 944 880) available for set-off against future taxable income.		
	Reconciliation of effective tax rate	**%**	**%**
	Income tax rate	**28.0**	28
	Tax exempt income	**–**	(2.3)
	Disallowable expenditure – investment holding company	**–**	3.0
	Fair value adjustments (recovered via dividends)	**(365.8)**	(33.4)
	Impairment	**91.2**	–
	Deferred tax assets not raised	**246.6**	4.7
		–	–

	Figures in R'000	% Holding 2019	% Holding 2018	Cost of investment 2019	Cost of investment 2018
49.	**INVESTMENTS IN SUBSIDIARIES**				
	Investment in subsidiaries held at cost				
	Vunani Capital Proprietary Limited	**100**	100	**392 156**	387 669
	Vunani Securities Proprietary Limited	**100**	100	**18 780**	17 126
	Vunani Capital Markets Proprietary Limited	**100**	100	**908**	670
	Vunani Capital Investments Proprietary Limited*	**100**	100	**–**	4 655
	VProp714 Proprietary Limited	**78**	78	**834**	834
				412 678	410 954

* The investment in Vunani Capital Investments Proprietary Limited was impaired to nil in the current year.

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	**387 669**	**17 126**	**670**	**405 465**
Share-based payments	**4 487**	**1 654**	**238**	**6 379**
Balance at the end of the year	**392 156**	**18 780**	**908**	**411 844**

49. INVESTMENTS IN SUBSIDIARIES (continued)

Factors considered in impairment

The company assesses whether there is any indication that an asset may be impaired. 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. Investments in subsidiaries are impaired if the company believes that the carrying amount of the investment may be higher than its recoverable amount.

Figures in R'000	2019	2018
Accumulated impairment		
Investment in Vunani Capital Proprietary Limited	**(313 600)**	(313 600)
Investment in Vunani Capital Investments Proprietary Limited	**(4 655)**	–
	(318 255)	**(313 600)**

50. OTHER INVESTMENTS

Figures in R'000	Number of shares	Unlisted	Fair value
2019			
African Legend Investment Proprietary Limited	**2 248**		
Fair value adjustment		**18 043**	**18 043**
		18 043	**18 043**
2018			
African Legend Investment Proprietary Limited	2 248		
Fair value adjustment		12 273	12 273
		12 273	12 273

Fair value adjustment of investment

The investment in African Legend Proprietary Limited ("ALI") was fair valued to R18.0 million from R12.3 million based on the recoverability of the assets held by ALI.

51. LOANS TO/(FROM) SUBSIDIARIES

Figures in R'000	2019	2018
Loan to subsidiary		
Vunani Capital Proprietary Limited	**28 855**	53 552
The loan to Vunani Capital Proprietary Limited is unsecured, interest free and is not repayable within the next 12 months.		
Loan from subsidiary		
Vunani Capital Markets Proprietary Limited	**(9 831)**	(9 348)
The loans from Vunani Capital Markets is unsecured, interest free and is not repayable within the next 12 months.		

52. LOAN TO SHARE TRUST

Vunani Share Incentive Scheme Trust	–	15 591
Cumulative impairment	–	(2 956)
	–	12 635

The loan to the share trust is was repaid during the current period.

A reconciliation of the loan to share trust is shown below:

Loan to share trust	**15 591**	15 797
Loan repaid	**(245)**	(206)
Repayment on vesting of share options	**(15 346)**	–
	–	15 591

	Figures in R'000	2019	2018
53.	**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	**11 583**	6 945
	Recognised as deferred tax asset	**(533)**	(533)
	Unrecognised estimated tax losses carried forward not accounted for in deferred tax	**11 050**	6 412
54.	**CASH AT BANK**		
	Cash comprise:		
	Cash at bank	**2**	5
55.	**STATED CAPITAL AND SHARE CAPITAL**		
	Authorised		
	500 000 000 (2018: 500 000 000) ordinary shares of no par value	**–**	–
	Issued		
	161 155 915 (2018: 164 896 942) ordinary shares of no par value	**696 497**	706 572
	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 number of shares issued ('000s):		
	Balance at the beginning of the year	**164 897**	161 296
	Issued during the year	**–**	3 860
	Delisted during the year*	**(3 741)**	(259)
	Balance at end of the year	**161 156**	164 897
	*In the current year shares were delisted as part of a share swop agreement between the company and BSI Steel Limited ("BSI"), in which the investment in BSI Steel Limited was disposed of for the value of the company shares held by BSI.		
	Reconciliation of movement in stated capital (R'000):		
	Balance at the beginning of the year	**706 572**	700 022
	Issued during the year	**–**	7 188
	Delisted during the year*	**(10 075)**	(638)
	Balance at end of year	**696 497**	706 572

*In the current year shares were delisted as part of a share swop agreement between the company and BSI Steel Limited ("BSI"), in which the investment in BSI Steel Limited was disposed of for the value of the company shares held by BSI.

	Figures in R'000	2019	2018
56.	**TRADE AND OTHER PAYABLES**		
	Sundry payables	**1 487**	1 316
57.	**CASH UTILISED BY OPERATIONS**		
	(Loss)/profit before income tax	**(521)**	10 235
	Adjusted for:		
	Investment revenue	**–**	(857)
	Finance income	**–**	(345)
	Fair value adjustments	**(5 770)**	(12 273)
	Impairments	**1 699**	–
		(4 592)	(3 240)
	Changes in working capital:		
	Increase in trade and other payables	**171**	378
	Cash utilised by operations	**(4 421)**	(2 862)

58. RELATED PARTIES

Relationships

Ultimate holding company/parent	Bambelela Capital Proprietary Limited* (previously Vunani Group Proprietary Limited)
Subsidiaries	Refer to note 36
Directors	Refer to note 37

** The parent does not produce financial statements for public use.*

	Note	2019	2018
Related party balances			
Investments in subsidiaries	49	**412 678**	410 954
Loan to subsidiary company	51	**28 855**	53 552
Loan from subsidiary company	51	**(9 831)**	(9 348)
Loan to share trust	52	**–**	12 635
Related party transactions			
Revenue – management fees (from Vunani Capital Proprietary Limited)	42	**1 244**	1 287

Directors' remuneration and benefits (refer to note 37).

59. PRESCRIBED OFFICERS AND KEY MANAGEMENT PERSONNEL REMUNERATION AND BENEFITS

2019 Figures in R'000	Basic salary	Bonuses	Provident fund and medical aid	Share-based payments	Total
Lincoln O'Shea	**255**	**–**	**28**	**–**	**283**
Johan Rossouw	**1 071**	**–**	**465**	**442**	**1 978**
Sam Mokorosi	**1 312**	**734**	**232**	**78**	**2 356**
Kathy Gilbert	**2 077**	**591**	**207**	**–**	**2 875**
Richard Krepelka	**4 190**	**374**	**290**	**–**	**4 854**
	8 905	**1 699**	**1 222**	**520**	**12 346**

The changes in the company's prescribed officers relates to the restructure in the advisory segment where David Steinbuch was replaced as CEO by Sam Mokorosi, institutional securities broking previously headed by Johan Rossouw as replaced by Lincoln O'Shea and commodities segments in which Abubekir Salim was replaced by Mark Anderson as director.

2018					
Johan Rossouw	1 566	552	406	355	2 879
David Steinbuch	986	75	214	291	1 566
Abubekir Salim	4 043	1 300	–	–	5 343
Kathy Gilbert	1 778	167	176	–	2 121
Peter Warren	420	–	42	–	462
Richard Krepelka	3 990	183	276	–	4 449
	12 783	2 277	1 114	646	16 820

The prescribed officers have service contracts with the group companies terminable upon one month's written notice. No prescribed officer has a fixed-term contract.

Figures in R'000	Carrying amount	Un-discounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
60. FINANCIAL INSTRUMENTS					
60.1 Liquidity risk					
2019					
Non-derivative financial liabilities	**(11 318)**	**(11 318)**	**(1 487)**	**(9 831)**	**–**
Trade and other payables	**(1 487)**	**(1 487)**	**(1 487)**	**–**	**–**
Loan from subsidiary	**(9 831)**	**(9 831)**	**–**	**(9 831)**	**–**
2018					
Non-derivative financial liabilities	(10 664)	(10 664)	(1 316)	(9 348)	–
Trade and other payables	(1 316)	(1 316)	(1 316)	–	–
Loan from subsidiary	(9 348)	(9 348)	–	(9 348)	–

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. The company's current liabilities exceed its current assets, however, Vunani Limited has access to group overdraft facilities amounting to R10.0 million, which may be used to meet its financial obligations if necessary.

	2019	2018
60.2 Market risk		
Interest rate risk		
The company's interest rate exposure is as follows:		
Variable rate instruments		
Financial assets	–	12 235
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	–	63
50 bps decrease	–	(63)
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.		

60. FINANCIAL INSTRUMENTS (continued)

	2019	2018
60.3 Credit risk		
The carrying amount of financial assets represents the maximum credit exposure.		
The maximum exposure of credit risk was:		
Loan to subsidiary company	**28 855**	53 552
Loan to share trust	–	12 635
Cash and cash equivalents	**2**	5
	28 857	66 192

Impairment losses

The ageing of financial assets at the reporting date was:

	Total	Loan to subsidiary company	Loan to share trust
2019			
Stage 1	**28 855**	**28 855**	–
2018			
Not past due	66 187	53 552	12 635

Figures in R'000	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
60.4 Fair values				
Financial assets measured at fair value				
Other investments	**18 043**	**18 043**	12 273	12 273
Financial assets at amortised costs				
Loan to subsidiary company	**28 855**	**23 888**	53 552	44 524
Loan to share trust	–	–	12 635	11 591
	46 898	**41 931**	78 460	68 388
Financial liabilities at amortised				
Loan from subsidiary company	**(9 831)**	**(7 739)**	(9 348)	(7 772)
	(9 831)	**(7 739)**	(9 348)	(7 772)

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.

60. FINANCIAL INSTRUMENTS (continued)

60.5 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
2019			
Financial assets measured at fair value	–	–	**18 043**
Financial assets measured at amortised cost	–	–	**23 888**
Financial liabilities measured at amortised cost	–	–	**(7 739)**
	–	–	**34 192**
2018			
Financial assets measured at fair value	–	–	12 273
Financial assets measured at amortised cost	–	–	23 888
Financial liabilities measured at amortised cost	–	–	(7 772)
	–	–	28 389

Figures in R'000	2019	2018
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	**1 615**	4 402
10% decrease	**(1 615)**	(5 612)
Net asset value		
10% increase	**1 804**	1 227
10% decrease	**(1 804)**	(1 227)

61. GOING CONCERN

Prior to the approval of the financial statements the board undertook processes to ensure that the going-concern principle applies.

The company incurred a net loss for the year ended 28 February 2019 of R0.5 million (2018 a profit of R10.2 million) and as of that date its total assets exceeded its total liabilities by R448.4 million (2018: R478.9 million). However, the current liabilities exceeded the current assets by R1.5 million (2018: R1.3 million). The current liabilities of R1.3 million were settled post year-end through related party funding.

The board is of the view that, based on its knowledge of the company, assumptions regarding the outcome of the key processes under way and specific enquiries it has made, the company will continue as a going concern for the foreseeable future.

Analysis of the shareholders

at 28 February 2019

	Number of shareholders	Percentage of shareholders held %	Number of shares held ('000s)	Percentage of shares held %
Analysis of shareholding				
Individuals and corporates	247	90.5	156 983	97.4
Investment and insurance companies	4	1.5	2 897	1.8
Nominees and trusts	20	7.3	1 124	0.7
Share schemes	1	0.4	138	0.1
Pension and provident funds	1	0.4	14	*
Shareholding per share register	273	100.0	161 156	100.0
Range of shareholding				
1 to 1 000	116	42.5	34	–
1 001 to 10 000	70	25.6	248	0.2
10 001 to 100 000	37	13.6	1 172	0.7
100 001 to 1 000 000	35	12.8	11 767	7.3
More than 1 000 000	15	5.5	147 934	91.8
	273	100.0	161 156	100.0
Shareholder spread analysis				
To the best knowledge of the directors and after reasonable enquiry, as at 28 February 2019, the spread of shareholders, as defined in the Listings Requirements of the JSE Limited, was as follows:				
Type of shareholder				
Non-public	22	8.1	127 363	79.0
Directors and Associates (excluding employee unit schemes) (direct holding)	7	2.6	9 650	6.0
Directors and Associates (excluding employee unit schemes) (indirect holding)	5	1.8	61 619	38.2
Strategic Holders: Geomer Investments (Pty) Ltd (>10%)	1	0.4	30 040	18.6
Share Schemes	1	0.4	138	0.1
Vunani Group Trusts	8	2.9	25 916	16.1
Public Shareholders	251	91.9	33 793	21.0
Total	273	100.0	161 156	100.0
Shareholdings greater than 5%				
Bambelela Capital Proprietary Limited (previously Vunani Group)			79 360	49.2
Geomer Investments Proprietary Limited			30 040	18.6
Baleine Capital Proprietary Limited			10 000	6.2
			119 400	74.1

** Less than 0.1%*

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SHAREHOLDER INFORMATION

Shareholders' diary
for the year ended 28 February 2019

VUNANI LIMITED – COMPANY

Financial year-end	28 February 2019
Announcement of results	25 April 2019
Annual report posted	28 June 2019
Annual general meeting	30 July 2019
Interim results release	October 2019

Notice of annual general meeting

for the year ended 28 February 2019

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 21 June 2019, being the record date to receive notice of the Annual General Meeting ("AGM") for the year ended 28 February 2019 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 11:00 on Tuesday, 30 July 2019 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	16 July 2019
Record date for determining those shareholders entitled to vote at the AGM	19 July 2019
Record date to be eligible to receive the notice of the AGM	21 June 2019

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 149 to 153.

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 2019, 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 66 to 145 of the integrated annual report.

2. **Ordinary resolution number 1**
   Re-election of Mr LI Jacobs as an independent non-executive director
   It is 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 6 of the integrated report for a brief biography.

3. **Ordinary resolution number 2**
   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 6 of the integrated report for a brief biography.

4. **Ordinary resolution number 3**
   Re-election of Mr MJA Golding as a non-executive director
   "It hereby resolved that the re-election of Mr MJA Golding, 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 7 of the integrated report for a brief biography.

5. **Ordinary resolution number 4**
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."

6. **Ordinary resolution number 5**
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."

7. **Ordinary resolution number 6**
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."

8. **Ordinary resolution number 7**
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 2020), and that their appointment be of full force and effect until the conclusion of the company's next annual general meeting."

9. **Ordinary resolution number 8**
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."

10. **Ordinary resolution number 9**
General authority to directors to allot and issue ordinary shares for cash
"It is hereby resolved that, in terms of the JSE Listings Requirements, 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 Listings 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 80 777 958 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 Listings Requirements, the approval of 75% majority of votes cast in favour of ordinary resolution number 9 by shareholders present or represented by proxy at this AGM.

11. **Ordinary resolution number 10**
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."

12. **Ordinary resolution number 11**
Approval of implementation report (non-binding advisory)
"It is hereby resolved, through a non-binding advisory vote, that the company's remuneration implementation report be approved and endorsed."

13. 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	R320 071 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	R147 233 per annum
Chairman of the investment committee	R25 606 per annum in addition to the base fee
Chairman of audit and risk committee	R25 606 per annum, in addition to the base fee
Member of the audit and risk committee	R12 803 per annum, in addition to the base fee
Member of the remuneration committee	R12 803 per annum in addition to the base fee
Chairman of the social and ethics committee	R12 803 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."

14. 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 Listings 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 Listings 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; and
- 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 6 and 7 of this integrated report;
- major shareholders – refer to page 146 of this integrated report;
- directors' interests and securities – refer to page 125 of this integrated report; and
- share capital of the company – refer to pages 112 this integrated report.

Directors' responsibility
The directors, whose names are set out on pages 6 and 7 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.

15. 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 Section 45 of 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."

16. Special resolution number 4
Amendment of the Conditional Share Plan
"It is hereby resolved, as a special resolution, that section 4.11 and section 4.2 of the Conditional Share Plan of the company be amended to read as follows:

"4.1.1. Subject to Rule 4.3, the aggregate number of Shares at any one time which may be Allocated under the CSP shall not exceed 30 000 000 (thirty million) Shares, which equates to 18.6% of the number of issued shares at the date of the this notice of AGM. In the event of a discrepancy between the number of shares and the percentage it represents, the number will prevail."

"4.2. Individual limit

Subject to the provisions of Rule 10, the maximum number of Shares Allocated to any single Participant under this CSP in respect of all Awards (both Vested and unvested) shall not exceed 6 000 000 (six million) Shares, which equates to 3.6% of the number of issued shares at the date of adoption of the CSP. In the event of a discrepancy between the number of shares and the percentage it represents, the number will prevail."

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Reason for and effect of special resolution number 4
The reason for special resolution number 4 is to obtain approval from the shareholders of the company for the amendment to the Conditional Share Plan of the company, in order to increase the overall company, limit of the Conditional Share Plan, from 15 000 000 (fifteen million) to 30 000 000 (thirty million) Shares and to increase the individual limit from 3 000 000 (three million) to 6 000 000 (six million). The original Conditional Share plan was approved by shareholders at the general meeting held on 17 July 2015.

17. Ordinary resolution number 12
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 26 July 2019.

Threshold for resolution approval
For ordinary resolutions, with the exception of ordinary resolution number 8 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 8 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

28 June 2019

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 2019	161 155 915
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 Wealth and Investments	Vunani Wealth and Investments 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 South Africa
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 IV	The King IV 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/ PBT	Profit after tax/ Profit before tax
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
VWI	Vunani Wealth and Investments
VSIST	Vunani Share Incentive Scheme Trust
W	
X	
Y	
Z	

VUNANI
LIMITED

Form of proxy

(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 30 July 2019 at 11:00.

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 Re-election of LI Jacobs as an independent non-executive director			
Ordinary resolution number 2 Re-election of SN Mthethwa as an inpendent non-executive director			
Ordinary resolution number 3 Re-election of MJA Golding as a non-executive director			
Ordinary resolution number 4 Re-election of GS Nzalo as a member and chairman of the audit and risk committee			
Ordinary resolution number 5 R-election of JR Macey as a member of the audit and risk committee			
Ordinary resolution number 6 R-election of NS Mazwi as a member of the audit and risk committee			
Ordinary resolution number 7 Re-appointment of KPMG Inc. as the auditor of the company			
Ordinary resolution number 8 General authority to directors to allot and issue authorised but unissued ordinary shares			
Ordinary resolution number 9 General authority to directors to allot and issue ordinary shares for cash			
Ordinary resolution number 10 Approval of remuneration policy (non-binding advisory vote)			
Ordinary resolution number 11 Approval of remuneration implementation report (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 Amendment of the Conditional Share Plan			
Ordinary resolution number 12 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 _____ 2019

_____

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.