



VUNANI

LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

for the 6 months period ended 31 August 2019

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

SALIENT FEATURES

REVENUE FROM OPERATIONS OF **R170.5 million**

compared to R233.7 million at
31 August 2018

RESULTS FROM OPERATING ACTIVITIES OF **R25.8 million**

compared to R40.0 million at
31 August 2018

BASIC EARNINGS PER SHARE OF

10.8c

compared to 15.7c at 31 August 2018

Condensed consolidated statement of comprehensive income

for the 6-month period ended 31 August 2019

Figures in R'000	Note	Unaudited 31 August 2019	Unaudited 31 August 2018
Revenue	1	170 472	233 677
Other income		2 581	501
Investment revenue		9 978	8 317
Interest received from investments		970	79
Fair value adjustments	2	(3 388)	(3 648)
Impairments		(150)	–
Equity-accounted earnings (net of income tax)		5 654	(127)
Commodities trading related costs *		(24 219)	(62 562)
Operating expenses *		(136 063)	(136 185)
Results from operating activities		25 835	40 049
Finance income		2 213	2 155
Finance costs		(3 455)	(4 415)
Net finance costs		(1 242)	(2 260)
Profit before income tax		24 593	37 789
Income tax expense		(5 647)	(8 594)
Profit for the period		18 946	29 195
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(9 872)	2 236
Total comprehensive income for the period		9 074	31 431
Profit for the period attributable to:			
Equity holders of Vunani Limited		17 366	25 179
Non-controlling interest		1 580	4 016
		18 946	29 195
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		10 975	26 576
Non-controlling interest		(1 901)	4 855
		9 074	31 431
Basic and diluted earnings per share (cents)		10.8	15.7
Basic and diluted earnings per share		10.8	15.7
Basic and diluted headline earnings per share (cents)	3	10.8	15.7
Basic and diluted headline earnings per share		10.8	15.7

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

Condensed consolidated statement of financial position

at 31 August 2019

Figures in R'000	Note	6 months Unaudited 31 August 2019	12 months Audited 28 February 2019
Assets			
Right of use assets *	8	5 640	–
Property, plant and equipment		10 156	10 977
Goodwill		139 766	139 766
Intangible assets		70 552	76 164
Investments in associates		57 755	53 390
Loans to associates		7 834	10 118
Other investments	4	90 476	93 565
Deferred tax asset		41 418	42 826
Other non-current assets		70 883	74 564
Total non-current assets		494 480	501 370
Other investments	4	147	918
Inventories		27 221	29 255
Taxation prepaid		1 046	1 259
Trade and other receivables		122 775	121 063
Accounts receivable from trading activities		97 918	90 561
Trading securities		24	72
Cash and cash equivalents		53 329	54 446
Total current assets		302 460	297 574
Total assets		796 940	798 944
Equity			
Stated capital	5	696 497	696 497
Treasury shares		(571)	(56)
Share-based payments reserve		7 844	5 506
Foreign currency translation reserve		(8 133)	(1 742)
Accumulated loss		(213 683)	(230 936)
Equity attributable to equity holders of Vunani Limited		481 954	469 269
Non-controlling interest		12 498	8 380
Total equity		494 452	477 649
Liabilities			
Other financial liabilities	4	33 957	46 151
Deferred tax liabilities		19 895	22 251
Total non-current liabilities		53 852	68 402
Other financial liabilities	4	38 653	32 168
Taxation payable		5 917	5 177
Trade and other payables		99 855	114 700
Accounts payable from trading activities		97 425	90 840
Trading securities		2	22
Bank overdraft		6 784	9 986
Current liabilities		248 636	252 893
Total liabilities		302 488	321 295
Total equity and liabilities		796 940	798 944
Shares in issue (000s)	5	161 156	161 156
Net asset value per share (cents)		298.8	291.2
Net tangible asset value per share (cents)		168.4	157.3

* The group has, as permitted by IFRS 16, elected not to restate its comparative financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 17 basis. Refer to note 8 for more detail on the adoption of IFRS 16.

Net asset value per share (cents)

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

Net tangible asset value per share (cents)

Equity attributable to equity holders of Vunani Limited, excluding goodwill and intangible assets divided by the total shares in issue, including treasury shares.

Condensed consolidated statement of changes in equity

for the 6-month period ended 31 August 2019

Figures in R'000	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders	Non-controlling interest	Total equity
Balance as at 28 February 2018 – Audited	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 period								
Profit for the period	–	–	–	–	25 179	25 179	4 016	29 195
Other comprehensive income for the period	–	–	–	1 397	–	1 397	839	2 236
Total comprehensive income for the period	–	–	–	1 397	25 179	26 576	4 855	31 431
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	3 844	–	–	3 844	–	3 844
Transfer of shares to employees	–	2 118	(2 118)	–	2 118	2 118	–	2 118
Repurchase of own shares in lieu of share swap	–	(10 075)	–	–	–	(10 075)	–	(10 075)
Dividends paid	–	–	–	–	(9 677)	(9 677)	(838)	(10 515)
Transfer between reserves	–	–	(435)	–	435	–	–	–
Acquisition of treasury shares	–	(720)	–	–	–	(720)	–	(720)
Total transactions with owners, recorded directly in equity	–	(8 677)	1 291	–	(7 124)	(14 510)	(838)	(15 348)
Balance as at 31 August 2018 – Unaudited	706 572	(23 519)	22 937	(1 708)	(292 398)	411 884	3 451	415 335
Total comprehensive income for the period								
Profit for the period	–	–	–	–	63 374	63 374	(2 317)	61 057
Other comprehensive income for the period	–	–	–	(34)	–	(34)	(43)	(77)
Total comprehensive income for the period	–	–	–	(34)	63 374	63 340	(2 360)	60 980
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	4 000	–	–	4 000	–	4 000
Acquisition of treasury shares	–	(548)	–	–	–	(548)	–	(548)
Acquisition of non-controlling interests	–	–	–	–	(7 289)	(7 289)	7 289	–
Transfer between reserves	–	24 011	(21 431)	–	5 377	7 957	–	7 957
Delisted shares	(10 075)	–	–	–	–	(10 075)	–	(10 075)
Total transactions with owners, recorded directly in equity	(10 075)	23 463	(17 431)	–	(1 912)	(5 955)	7 289	1 334
Balance as at 28 February 2019 – Audited	696 497	(56)	5 506	(1 742)	(230 936)	469 269	8 380	477 649
Adjustment on initial application of IFRS 16	–	–	–	–	1 138	1 138	–	1 138
Adjusted balance as at 1 March 2019	696 497	(56)	5 506	(1 742)	(229 798)	470 407	8 380	478 787
Total comprehensive income for the period								
Profit for the period	–	–	–	–	17 366	17 366	1 580	18 946
Other comprehensive income for the period	–	–	–	(6 391)	–	(6 391)	(3 481)	(9 872)
Total comprehensive income for the period	–	–	–	(6 391)	17 366	10 975	(1 901)	9 074
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 338	–	–	2 338	–	2 338
Transfer of shares to employees	–	690	–	–	–	690	–	690
Dividends paid	–	–	–	–	(11 912)	(11 912)	–	(11 912)
Transfer between reserves	–	–	–	–	10 661	10 661	6 019	16 680
Acquisition of treasury shares	–	(1 205)	–	–	–	(1 205)	–	(1 205)
Total transactions with owners, recorded directly in equity	–	(515)	2 338	–	(1 251)	572	6 019	6 591
Balance as at 31 August 2019 – Unaudited	696 497	(571)	7 844	(8 133)	(213 683)	481 954	12 498	494 452

DIVIDENDS

Figures in R'000	Unaudited 31 August 2019	Unaudited 31 August 2018
Ordinary dividend paid		
Ordinary dividend number 5 of 7.4 cents per share (net of treasury shares held) paid to shareholders on 29 July 2019 (2018: 6.2 cents)	11 912	9 677
	11 912	9 677

Condensed consolidated statement of cash flows

for the 6-month period ended 31 August 2019

Figures in R'000	Note	6 months Unaudited 31 August 2019	12 months Audited 28 February 2019	6 months Unaudited 31 August 2018
Cash flows from operating activities				
Net cash generated by operating activities	6	16 466	38 752	30 180
Investment revenue received		9 978	10 954	8 317
Finance income received		2 213	4 342	2 155
Finance costs paid		(2 901)	(7 537)	(3 246)
Dividends paid to shareholders		(11 912)	(9 677)	(9 677)
Dividends paid to non-controlling interest		–	(838)	(839)
Income tax paid		(5 378)	(15 394)	(8 338)
Net cash generated by operating activities		8 466	20 602	18 552
Cash flows from investing activities				
Acquisition of property, plant and equipment		(238)	(2 523)	(1 524)
Dividends received from associates		1 288	785	–
Proceeds from repayment of loans to associates		3 475	3 000	–
Increase in investment and loans to associates		(1 190)	(3 958)	(1 152)
Acquisition of other investments		–	(234)	(185)
Proceeds on disposal of other investments		–	490	–
Acquisition of treasury shares		–	–	(720)
Net cash inflow/(outflow) from investing activities		3 335	(2 440)	(3 581)
Cash flows from financing activities				
Acquisition of treasury shares		(1 205)	(1 268)	–
Increase in other financial liabilities		6 611	–	–
Repayments of other financial liabilities		(15 123)	(22 175)	(9 956)
Net cash outflow from financing activities		(9 717)	(23 443)	(9 956)
Net increase/(decrease) in cash and cash equivalents		2 084	(5 281)	5 015
Exchange rate differences on foreign balances		*	519	–
Cash and cash equivalents at the beginning of the period		44 460	49 222	49 222
Total cash and cash equivalents at end of the period		46 544	44 460	54 237

Segmental reporting

for the 6 month period ended 31 August 2019

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

Figures in R'000		Reportable segment Revenue Unaudited 31 August 2019	Reportable segment profit/(loss) after tax Unaudited 31 August 2019	Total assets Unaudited 31 August 2019	Total liabilities Unaudited 31 August 2019
Continuing operations					
Fund management		39 831	3 928	67 590	(17 065)
Asset administration		66 854	10 848	227 597	(76 764)
Investment banking	Advisory services	10 592	4 272	7 187	(1 206)
	Institutional securities broking	16 180	(2 365)	104 245	(105 701)
Private equity*	Commodities trading	32 847	(2 380)	68 882	(65 610)
	Other investments	4 168	4 643	321 439	(36 142)
Total		170 472	18 946	796 940	(302 488)
Figures in R'000		Reportable segment Revenue Unaudited 31 August 2018	Reportable segment profit/(loss) after tax Unaudited 31 August 2018	Total assets Audited 28 February 2019	Total liabilities Audited 28 February 2019
Continuing operations					
Fund management		37 880	2 208	82 608	(19 912)
Asset administration		62 484	5 795	230 407	(86 967)
Investment banking	Advisory services	11 730	7 772	15 193	(10 252)
	Institutional securities broking	22 690	(4 406)	104 945	(99 540)
Private equity*	Commodities trading	93 757	13 658	199 612	(65 971)
	Other investments	5 136	4 168	166 179	(38 653)
Total		233 677	29 195	798 944	(321 295)

* The Private equity segment was refined into two segments namely Mining and Other investments as a result of the increased processing activities. The Mining segment was renamed to Commodities trading.

Notes to the condensed consolidated interim financial statements

(all figures in R'000)

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements, except for the adoption of new standards effective as of 1 March 2019. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The unaudited condensed consolidated interim financial statements of the group at and for the period ended 31 August 2019 comprise the company and its subsidiaries (the 'group') and the group's interests in associates. Results of subsidiaries and associates are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

NOTES

1. Revenue

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

2. Fair value adjustments

	Unaudited 31 August 2019	Unaudited 31 August 2018
Figures in R'000		
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	(3 388)	(3 648)
	(3 388)	(3 648)

3. Reconciliation of headline earnings for the period

	Unaudited 31 August 2019	Unaudited 31 August 2018
Figures in R'000		
Profit for the period attributable to equity holders of Vunani	17 366	25 179
	17 366	25 179
Headline earnings per share (cents)	10.8	15.7
Basic and diluted headline earnings per share	10.8	15.7

4. Other investments and other financial liabilities

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

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

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 Financial Instruments.

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

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

5. Authorised and issued stated capital

The authorised stated capital at 31 August 2019 was 500 million ordinary shares of no par value (2018: 500 million ordinary shares of no par value). 161 155 915 shares were in issue at 31 August 2019 (2018: 164 896 942).

	Unaudited 31 August 2019	Audited 28 February 2019	Unaudited 31 August 2018
Weighted average number of ordinary shares (000s)			
Issued ordinary shares at the beginning of the period	161 156	164 897	164 897
Effect of delisting shares	–	(2 737)	–
Effect of own shares held	(264)	(138)	(4 605)
Weighted average number of shares in issue during the period	160 892	162 022	160 292
Number of shares in issue at the end of the period (000s)	161 156	161 156	164 897
Dilutive weighted average number of ordinary shares (000s)			
Issued ordinary shares at the beginning of the period	161 156	164 897	164 897
Effect of delisting shares	–	(2 737)	–
Effect of own shares held	(264)	(138)	(4 605)
Effect of dilutive shares	429	3 372	3 281
Diluted weighted average number of shares in issue during the period	161 321	165 394	163 573
Number of shares in issue at the end of the period (000s)	161 156	161 156	164 897

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

6. Net cash utilised by operating activities

	6 months Unaudited 31 August 2019	12 months Audited 28 February 2019	6 months Unaudited 31 August 2018
Figures in R'000			
Profit before income tax expense from operations	24 593	107 957	37 789
Adjusted for:			
Depreciation of property, plant and equipment and right of use assets	5 036	3 067	1 650
Equity-accounted earnings (net of income tax)	(5 654)	(6 053)	127
Fair value adjustments	3 388	(73 239)	3 648
Impairment loss on loan to associates	–	9 001	–
Impairment loss on trade and other receivables	150	2 972	–
Amortisation of intangible assets	5 612	11 224	5 612
Share-based payments expense	2 338	7 844	4 279
Foreign currency translation loss	1 425	834	(225)
Lease straight-line adjustment	–	186	(21)
Interest received from investments and finance income	(3 183)	(4 512)	(2 234)
Investment revenue	(9 978)	(10 954)	(8 317)
Finance costs	3 455	8 801	4 415
Changes in working capital:			
Decrease in trading securities	28	299	262
Decrease/ (increase) in inventories	2 034	(29 255)	–
Increase in trade and other receivables	(1 780)	(41 221)	(2 902)
(Decrease)/ increase in trade and other payables	(10 445)	53 637	(16 892)
(Decrease)/ increase in accounts receivable and payable from trading activities	(553)	(1 836)	2 989
Cash generated by operating activities	16 466	38 752	30 180

7. Financial instruments carried at fair value

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. Financial instruments fair valued using quoted prices would generally be classified as Level 1 in terms of the fair value hierarchy.

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using valuation techniques. These valuation techniques include reference to the value of the assets of the underlying business, earnings multiples (e.g. unlisted investments), discounted cash flow analysis (e.g. unlisted investments, loans and advances) and various option pricing models.

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

Valuation methodologies and techniques applied for level 3 financial instruments include a combination of discounted cash flow analysis, application of earnings multiples on sustainable after tax earnings and current and projected net asset values to determine overall reasonability. The valuation technique applied to specific financial instruments depends on the nature of the financial instrument and the most appropriate valuation technique is determined on that basis.

After the valuations of the unlisted financial assets and liabilities are performed, these are presented to the group's investment committee for independent review. All significant valuations are approved by the investment committee.

The valuation methodologies, techniques and inputs applied to the fair value measurement of the financial instruments have been applied in a manner consistent with that of the previous financial period.

Fair values Figures in R'000	Unaudited 31 August 2019		Audited 28 February 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Other investments	90 623	90 623	94 483	94 483
Other non-current assets	70 883	70 883	70 881	70 881
Trading securities	24	24	72	72
Financial assets not measured at fair value				
Loans to associates	7 834	6 529	10 118	8 464
Loans in other non-current assets	–	–	3 683	3 826
	169 364	168 059	179 237	177 726
Financial liabilities measured at fair value				
Other financial liabilities	(6 049)	(6 049)	(5 663)	(5 663)
Trading securities	(2)	(2)	(22)	(22)
Financial liabilities not measured at fair value				
Other financial liabilities at amortised cost	(66 561)	(64 135)	(72 656)	(61 927)
	(72 612)	(70 186)	(78 341)	(67 612)
Total	96 752	97 873	100 896	110 114

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

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

7. Financial instruments carried at fair value (continued)

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to the valuation techniques used.

The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Unaudited 31 August 2019

Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	12 403	–	149 103	161 506
Financial assets measured at fair value	24	–	–	24
Financial assets at amortised cost	–	–	7 834	7 834
Financial liabilities at fair value through profit or loss	(2)	–	(6 049)	(6 051)
Financial liabilities at amortised cost	–	–	(64 135)	(64 135)
	12 425	–	86 753	99 178

Audited 28 February 2019

Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets 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 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

Figures in R'000	Unaudited 31 August 2019	Audited 28 February 2019
Level 3 comprises:		
Balance at beginning of period	143 440	76 704
Total gains or losses in profit or loss (disclosed in fair value adjustments)	(386)	76 580
Purchases, transfers, sales, issues and settlements	–	(9 844)
Balance at end of the period	143 054	143 440

A change of 10% in the unobservable inputs of the investment and liability at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

Effect on statement of comprehensive income (profit/(loss)) and equity before taxation	Unaudited 31 August 2019	Audited 28 February 2019
Net asset value		
10% increase	3 227	3 227
10% decrease	(3 136)	(3 136)
Free cash flow		
10% increase	5 818	6 716
10% decrease	(7 028)	(7 849)
Foreign exchange movement		
10% increase	31	164
10% decrease	(31)	(164)

8. Adoption of new accounting standards

IFRS 16: Leases

IFRS 16 supersedes IAS 17: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC-15: Operating Leases – Incentives and SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, and as was required by IAS 17, and introduces a single lessee accounting model, where a right-of-use ("ROU") asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17.

Effect of adopting IFRS 16

The group has lease contracts for property and small office equipment. The group retrospectively adopted IFRS 16 on 1 March 2019 with an adjustment to the group's opening 1 March 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the group's previously reported financial results up to 28 February 2019 are presented in accordance with the requirements of IAS 17. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 8%. This incremental borrowing rate was based on the lease agreements. Right of use assets were measured at the amount equal to the lease liability. The IAS 17 straight-line lease provision was released to retained earnings on initial application.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets as the group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets"). The group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Impact on the statement of financial position (increase/decrease) as at 1 March 2019:

	R'000
Assets	
Non-current assets	
Right of use assets	9 617
Total assets	9 617
Equity	
Retained earnings	1 138
Total equity	
Liabilities	
Other financial liabilities	9 617
Trade and other payables	(1 138)
Total liabilities	8 479
Total equity and liabilities	9 617

Impact on the statement of financial position for the 6 months (increase/(decrease)) to 31 August 2019:

	Right of use asset R'000	Lease liability R'000
Balance at 1 March 2019	9 617	(9 617)
Depreciation expense	(3 977)	–
Interest expense	–	(374)
Lease payments	–	4 199
	5 640	(5 793)

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

8. Adoption of new accounting standards (continued)

Impact on the statement of comprehensive income for the 6 months (increase/(decrease)) to 31 August 2019:

	R'000
Depreciation on the right of use asset	3 977
Rent expense	(4 199)
Interest expense	374
	153

9. Events after reporting date

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

10. Dividends

Ordinary dividend

A dividend of 7.4 cents (5.9 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 29 July 2019. Total cash of R11.9 million (net of treasury shares held) was paid to ordinary shareholders.

11. Going concern

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe the businesses will not continue as going concerns for the foreseeable future.

Overview and prospects

Business conditions proved to be challenging over the reporting period as the South African economy avoided slipping into a recession as the second quarter of the calendar year saw GDP grow by 3.1%. The drivers of the growth were mining, finance, trade and government services whilst construction, agriculture and transport registered a decline in production. The build-up to the national elections further dampened interest and activity in the domestic financial markets. The continuing US- led global trade wars amidst rising interest rates, culminated in a general risk-off stance by investors. That put emerging market currencies under severe pressure, with the Rand deteriorating during the period. Significant increases in domestic fuel prices have had a detrimental effect on business conditions in general. A concomitant mediocre performance by the domestic equity market as reflected by the JSE All Share Index minimal growth, limited growth in domestic financial asset values and as such, also detrimentally affected performance in Vunani's related businesses.

Vunani's performance for the 6 months period to 31 August 2019 was significantly affected by a decline in the performance of the commodities trading segment. The commodities trading business encountered disruptions at its main operating site due to community unrest during the period under review. The disruption resulted in an 80% decrease in production when compared to the prior period, which significantly reduced revenue and profitability.

Vunani generated total profit for the period of R18.9 million (2018: R29.2 million), while total profit attributable to equity holders of the company amounted to R17.4 million (2018: R25.2 million).

The group's reportable segments are as follows:

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

Fund management

The fund management segment includes the group's investments in Vunani Fund Managers Proprietary Limited ("VFM"), Purpose Vunani Asset Management (Private) Limited ("PVAM") and Alliance Capital Limited ("Alliance"). The segment reported revenue of R39.8 million for the period (2018: R37.8 million), which is an increase of 5%. The reportable segment profit amounted to R3.9 million for the period compared to a profit of R2.2 million at 31 August 2018.

VFM's performance and profitability improved during the period because of an increase in assets under management. VFM's assets under management increased from R27.6 billion at 28 February 2019 to R34.1 billion at 31 August 2019. This 23% increase in assets under management will add to the profitability of VFM going forward.

PVAM's profitability decreased during the period due to the ongoing challenging economic conditions in Zimbabwe. The local currency continued to deteriorate during the period as a result of the challenges being faced by the country. PVAM's assets under management decreased to \$25.8 million at 31 August 2019 from \$28.2 million at 28 February 2019.

Alliance, a 45% owned Malawian based asset management business had a tough start to the year. Alliance contributed R0.2 million equity accounted earnings to the group for the period compared to negative equity accounted earnings of R0.3 million in the prior year.

Asset administration

The asset administration segment includes the group's investment in Fairheads Beneficiary Services Proprietary Limited ("Fairheads"). Fairheads is making good progress in increasing its assets under administration, which amounted to R6.7 billion at 31 August 2019 from R6.3 billion at 28 February 2019. The segment contributed R10.8 million to the group's results for the period ended 31 August 2019, compared to R5.8 million in the prior period.

Advisory services

The segment performance has decreased from the prior period due to long lead times in finalising several mandates during the period. This has resulted in a 10% decrease in revenue earned, from R11.7 million in the prior period, to R10.6 million to 31 August 2019. The segment reported a profit for the period of R4.3 million (2018: R7.7 million).

Institutional securities broking

This segment includes equity, derivative and capital market trading services to institutional clients. Revenue decreased by 29% compared to 31 August 2018. The reduction in revenue is due to the decrease in trading volumes in the market. The segment reported a loss for the period of R2.4 million (2018: R4.4 million). Management has implemented a turnaround strategy to ensure that the segment returns to profitability.

Other investments

The other investments segment holds the group's listed investments, unlisted investments, property investments and certain equity accounted investments that are undertaken with well-capitalised strategic partners. It is the group's strategy to dispose of its listed investments overtime to ensure an optimal use of capital. The group is progressing with its effort to create a property portfolio, which has seen the group identify interesting opportunities. The strategy involves partnering with investors who have experience in the property sector. The segment generated revenue of R4.2 million (2018: R5.1 million) and generated a profit of R4.6 million to 31 August 2019 (2018: R4.2 million).

Commodities trading

The segment is focused on coal processing activities and on a smaller scale agricultural commodities trading. The segment includes Vunani Resources Proprietary Limited ("VR"). The segment revenue of R32.8 million (2018: R93.8 million) was down 67% compared to the prior period due to community unrest at the site resulting in significant decrease in production during the period. These disruptions have since been resolved and operations have re-commenced. The segment reported a loss of R2.4 million for the period (2018: profit R13.6 million).

Financial performance

Revenue from operations decreased by 27% to R170.4 million (2018: R233.7 million) for the period ended 31 August 2019. The decrease is attributable to the decline in revenue from the institutional stock broking, advisory services and commodities trading segments.

Overview and prospects (continued)

Other income increased by 415% to R2.6 million (2018: R0.5 million) for the period ended 31 August 2019. The increase is due to once off non-operational revenue earned by the group in the period.

Investment income is received in the form of dividends. Total investment income for the current period amounted to R9.9 million compared to R8.3 million for the period ended 31 August 2018.

Negative **fair value adjustments and impairments** of R3.4 million (2018: R3.6 million) relate to a net decrease in the value of the group's listed and unlisted investment portfolio that has been designated at fair value through profit or loss.

Equity-accounted earnings for the period amounted to R5.7 million (2018: negative R0.1 million). The group's investment in associates had a positive contribution due to improve performance of the businesses compared to the prior period.

Operating expenses decreased by 0.5% from R136.2 million to R136.1 million. This is due to restructuring in the institutional stock broking segment to rationalize costs. The group remains focused on cost containment and monitors spending on an ongoing basis. The **commodities trading related costs** decreased by 61% compare to 2018. This is attributable to the decrease in volumes from coal trading.

Finance income remained flat at R2.2 million for the period ending 31 August 2019 compared to R2.2 million for the period ended 31 August 2018. **Finance costs** decreased from R4.4 million for the period ended 31 August 2018 to R3.5 million for the period ended 31 August 2019, as result of a decrease in financial liabilities in the group.

The decrease in **other investments** was due to negative fair value adjustments to the other investments.

The increase in **treasury** shares is as a result of a shares acquired for the staff share scheme. The group declared a cash dividend of R11.9 million (2018: R9.7 million) in April 2019 which was paid in July 2019. The **share-based payments reserve** movement of R2.3 million is attributable to the current period IFRS 2 charge (2018: charge of R4.8 million).

Prospects

The first six months of the year has seen a decline in the performance when compared to the prior period, due the tough economic environment. Vunani's executives believe that the improved profitability on the operating businesses is a key strategy to solidify the group as a formidable financial services player and ultimately ensure the long-term success of Vunani. Vunani will continue to look at acquisitions that are in line with creating a diversified financial services business. Vunani is cautiously optimistic that it can build on the performance of the first six months of the year to ensure that it can finish the second half of the year on a high note.

FORWARD-LOOKING STATEMENTS AND DIRECTORS' RESPONSIBILITY

Statements made throughout this announcement regarding the future financial performance of Vunani have not been reviewed or audited by the company's external auditors. The company cannot guarantee that any forward-looking statement will materialise and accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

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

Signed on behalf of the board of directors by E Dube and T Mika on 10 October 2019.

CORPORATE INFORMATION

Executive directors

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

Non-executive directors

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

Company secretary

CIS Company Secretaries Proprietary Limited

Sponsor

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue Rosebank
Johannesburg
2196

RESULTS PRESENTATION

Vunani will be hosting the interim results presentation by CEO Ethan Dube and CFO Tafadzwa Mika, followed by a question and answer session on Thursday, 10 October 2019, at 11:00 via a web/audio cast. The web/audio cast link is as follows: <http://www.corpcam.com/Vunani10102019>.



VUNANI

LIMITED

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JSE code: VUN

ISIN: ZAE000163382

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listing on A2X

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

www.vunanilimited.co.za