

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

VUNANI
LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2009

SALIENT FEATURES

- Fair value gains of R1.1 million (2008: R854.9 million loss) posted
- Tough trading conditions resulted in lower revenues of R121.9 million (2008: R223.1 million)
- Debt restructuring finalised post year-end in March 2010 with R313,6m debt converted to equity

Vunani Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1997/020641/06)
(JSE code: VUN ISIN: ZAE0000110359)
(*Vunani* or *the company*)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	Reviewed 2009	Audited 2008
Figures in R'000s			
Revenue	1	121 935	223 065
Other income		15 685	18 765
Cost of property developments sold	1	(177)	(52 097)
Operating expenses		(129 294)	(116 599)
Operating profit		8 149	73 134
Investment income		16 876	17 552
Fair value adjustments and impairments	2	1 069	(854 915)
Income from associates		20 419	17 729
Finance cost		(199 746)	(201 505)
Net loss before taxation		(153 233)	(948 005)
Taxation		(5 548)	163 883
Total comprehensive loss for the period		(158 781)	(784 122)
Total comprehensive loss attributable to:			
Equity holders of Vunani Limited		(167 720)	(707 845)
Non-controlling interest		8 939	(76 277)
Total comprehensive loss for the period		(158 781)	(784 122)
Earnings per share			
Basic loss per share (cents)		(13.2)	(60.7)
Diluted loss per share (cents)		(13.2)	(60.7)
Headline loss per share (cents)		(10.8)	(58.8)
Diluted headline loss per share (cents)		(10.8)	(58.8)
Dividends			
Dividends per share		-	-

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Reviewed 2009	Audited 2008
Figures in R'000s		
Net cash (outflows) / inflows from operating activities	(135 398)	56 144
Net cash inflows / (outflows) from investing activities	60 113	(298 022)
Net cash inflows from financing activities	41 471	192 062
Decrease in cash and cash equivalents	(33 815)	(49 816)
Cash and cash equivalents at beginning of the period	37 588	87 404
Cash and cash equivalents at end of the period	3 773	37 588

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Total attributable to equity holders of Vunani	Non-controlling interest	Total equity
Figures in R'000s			
Balance as at 31 December 2007	809 259	171 204	980 463
Total comprehensive loss for the period	(707 845)	(76 277)	(784 122)
Issue of shares	57 184	-	57 184
Purchase of treasury shares	(4 941)	-	(4 941)
Dividends paid to minorities	-	(199)	(199)
Total changes	(655 602)	(76 476)	(732 078)
Balance as at 31 December 2008	153 657	94 728	248 385
Issue of shares	27 756	-	27 756
Equity settled share based payments	3 825	-	3 825
Total comprehensive loss for the period	(167 720)	8 939	(158 781)
Total changes	(136 139)	8 939	(127 200)
Balance as at 31 December 2009	17 518	103 667	121 185

SEGMENTAL REPORTING

For the year ended 31 December 2009

	Reviewed 2009	Audited 2008
Figures in R'000s		
Revenue		
Financial Services	143 329	233 824
Investment Services	(20 326)	(854 915)
	123 003	(621 091)
Attributable (loss) / profit for the year		
Financial Services	6 036	88 514
Investment Services	(164 817)	(872 636)
	(158 781)	(784 122)
Total assets		
Financial Services	216 528	227 934
Investment Services	1 685 726	1 726 761
	1 902 254	1 954 695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	Reviewed 2009	Restated Audited 2008	Restated Audited 2007
Figures in R'000s				
ASSETS				
Non current assets				
Investment property		800 398	817 132	700 935
Property, plant and equipment		25 963	5 540	4 685
Goodwill		39 436	75 596	11 215
Investments in associates		232 944	206 077	65 866
Other investments	3	612 948	488 828	1 927 597
Deferred tax		104 696	24 517	2 729
Other non current assets		2 395	1 891	1 565
Other intangible assets		1 250	10 284	-
		1 820 030	1 629 865	2 714 592
Current assets				
Other investments	3	-	180 531	-
Inventory		4 254	6 406	34 458
Loan to holding company		29	-	-
Taxation prepaid		1 261	-	-
Trade and other receivables		24 556	4 890	11 773
Accounts receivable from trading activities		34 166	94 959	47 893
Trading securities		7 659	456	-
Cash and cash equivalents		10 299	37 588	87 404
		82 224	324 830	181 528
Total assets		1 902 254	1 954 695	2 896 120
EQUITY				
Share capital and share premium		278 019	250 263	198 020
Non-distributable reserve		4 824	180 524	504 143
Other reserves		3 825	-	-
(Accumulated loss) / retained earnings		(269 150)	(277 130)	107 094
Equity attributable to equity holders of Vunani		17 518	153 657	809 257
Non-controlling interest		103 667	94 728	171 204
Total equity		121 185	248 385	980 461
LIABILITIES				
Non current liabilities				
Other financial liabilities	3	1 568 131	1 003 335	1 563 534
Deferred tax		126 049	48 930	186 787
		1 694 180	1 052 265	1 750 321
Current liabilities				
Other financial liabilities	3	986	486 659	28 786
Taxation payable		2 657	3 258	14 984
Trade and other payables		43 109	79 797	51 847
Accounts payable from trading activities		33 611	84 331	69 721
Bank overdraft		6 526	-	-
		86 889	654 045	165 338
Total liabilities		1 781 069	1 706 310	1 915 659
Total equity and liabilities		1 902 254	1 954 695	2 896 120
Shares in issue (adjusted for treasury shares held by the company) (000's)		1 340 562	1 176 444	1 127 250
Weighted average number of shares in issue (000's)		1 274 135	1 166 516	965 694
Net asset value per share (cents)		1.3	13.1	71.8
Net tangible asset value per share (cents)		(1.7)	5.8	70.8

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

- Revenue includes the gross amount of property sales, the costs of which are disclosed separately in the statement of comprehensive income
- Fair value adjustments and impairments

	Reviewed 2009	Audited 2008
Investment property	(8 878)	(72 713)
Goodwill impairment	(35 416)	-
Financial assets and liabilities designated at FVTPL	45 363	(782 202)
	1 069	(854 915)
- Vunani uses an independent valuer to determine the fair values of funded listed investments and their related liabilities. The value of the listed investments is determined with reference to the share price at the end of the relevant period. Both listed and unlisted investments are designated at fair value through profit or loss ("FVTPL").
- The published 31 December 2007 and 2008 values for accounts receivable from trading activities and accounts payable from trading activities have been restated to reflect the legal right of set-off for cash held with JSE Trustees against client account balances. Previously this was reflected on a gross basis. The effect of the set-off is to reduce both the receivables and the payables by R66.1 million (2007: R102.2 million). The comparative figures for 2008 and 2007 are the prior years audited figures restated.

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2009

5. As a result of debt covenants being breached during 2008, a Heads of Agreement for the restructure of the Group's debt was entered into with the company's major funders on the 30 June 2009 that alleviated the going concern issues. The mechanism of effecting the Heads of Agreement was through a renounceable claw-back offer, which closed on 5 March 2010. The claw-back offer resulted in R313.6 million worth of debt being converted into equity. Share issue expenses amounting to R17.3 million arose as a result of the restructure and will set off against share premium. The effect of the claw-back offer was to increase the number of issued shares to 4 621 942 216 (including the shares issued to advisors and funders).

The effect on the net asset value and the net tangible asset values, had it occurred on 31 December 2009 would have been as follows:

	Adjusted 2009	Reviewed 2009	Change
Net asset value per share (cents)	6.8	1.3	423.1%
Net tangible asset value per share (cents)	5.9	(1.7)	447.1%

6. Headline loss

	Reviewed 2009	Audited 2008
Total comprehensive loss attributable to Equity holders of Vunani:	(167 720)	(707 845)
Adjust for:		

Revaluation of investment property

Subsidiaries

- Gross revaluation	8 878	72 713
- Deferred tax	(2 493)	(20 360)
- Non-controlling shareholders interest	5 111	(31 854)

Associates

- Gross revaluation	(28 644)	-
- Deferred tax	7 540	-
- Non-controlling shareholders interest	13 724	-

Disposals of investment property

- Profit on disposal	(1 213)	(13 408)
- Capital gains tax	145	1 877
- Non-controlling shareholders interest	(298)	7 015

Goodwill

- Impaired	35 416	-
- Non-controlling shareholders interest	(341)	-

Profit on disposal of associates

- Profit on disposal	(228)	7 842
- Tax	32	(2 196)
- Non-controlling shareholders interest	43	-

Profit on disposal of non-trading asset

- Profit on disposal	(9 181)	-
- Tax	1 285	-
	(137 944)	(686 215)

OVERVIEW

The directors of Vunani present the reviewed financial results for the year ended 31 December 2009 ("the period"). Vunani is a black-owned and managed financial services enterprise with a statement of financial position underpinned by various investments in equities and property assets.

During the financial year, markets stabilised initially and then rallied resulting in a recovery in share prices towards the end of the year. In general, listed shares showed the beginnings of a recovery which resulted in an improvement in the Group's asset values. Trading operations, however continued to feel the affects of depressed markets. The Corporate Finance business suffered under the constricted market.

The Asset Management business, in its growth phase, performed well continuing to show growth in a difficult market. In the property sector the level of vacancies continued for longer than anticipated with its effect on rental income. There was a recognisable slow-down in the demand for developments during the year and the Group was well placed in anticipating this and scheduling its developments to come to market from late 2010.

The general decrease in interest rates that commenced in December 2008 contributed favourably to the results, however the full effect was off-set by the increase in borrowings resulting from capitalised interest. The positive influence of these factors was negated by the slow recovery in property values, which normally lag market recoveries and resulted in some fair value losses in properties, but to a far lesser degree than that experienced during the same period last year.

During the second half of the period, the company concluded an indirect 20.4% investment in Civils 2000 Holdings (Proprietary) Limited which became unconditional on 9 July 2009.

The Edge Holding Company (Proprietary) Limited's "agterskot" in respect of the acquisition concluded in March 2008, was settled via the issue of 114 367 925 Vunani shares on the 31 July 2009.

FINANCIAL RESULTS

Revenue decreased during the period by 45.4% to R121.9 million (2008: R 223.1million) mainly as a result of the slow down in the financial markets and our scheduled cutback in residential property developments in anticipation of the decline in property markets. Operating profit decreased by 89.0% to R8.1 million (2008: R73.1 million) mainly as a result of the decline in revenue. The improvement in market prices of underlying investments resulted in fair value gains of R1.1 million (2008: loss of R854.9 million). Finance costs decreased to R199.7 million (2008: R201.5 million) as a result of declining interest rates off-set by increased borrowings and capitalised interest.

The Financial Services business profit after tax of R6.9 million (2008: R88.5 million) resulted from the slow recovery of markets compounded by the low base in 2008.

The Asset management business continued to grow of the small base of 2008 with profit after tax of R9.6 million (2008: R5.6 million) mainly from the effects of a full year's contributions from associates.

Properties business sector, in anticipating the length and depth of the current depressed market, scheduled developments to come to completion only in the later part of 2010 and early 2011. Together with rental vacancies continuing for longer as a result of the depressed market conditions, saw a loss after tax of R13,2 million (2008: R61,3 million profit).

Vunani's total assets decreased by 2.6% to R1.9 billion (2008: R2.0 billion) mainly as a result of the decrease in accounts receivable from trading activities after off-set with accounts payable from trading activities and the impairment of goodwill on acquisition countered by an increase in deferred tax as a result of the increase in assessed losses and the net gain in fair value adjustments. Fair value adjustments in investment properties resulted in a decrease to R800.4 million (2008: R817.1 million) as a result of owner occupied property being transferred to property and equipment with a similar increase over the prior year. Cash resources decreased as a result of the deterioration in trading conditions and the shortfall in the financing of investing activities from prior periods.

Registration number: 1997/020641/06 , Registered address: Vunani House, Athol Ridge Office Park, 151 Katherine Street, Sandown, Sandton, 2196, Postal address: PO Box 652419, Benmore, 2010, Company secretary: WG Frawley CA(SA), Telephone: + 27 11 263 9500, Facsimile: +27 11 784 3095, Transfer secretaries: Computershare Investor Services (Proprietary) Limited, Lead Designated Adviser: Grindrod Bank Limited, Joint Designated Adviser: Vunani Corporate Finance

BASIS OF PRESENTATION

The results have been prepared in accordance with the listing requirements of the JSE Limited, the recognition and measurement requirements of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting* and the Companies Act (Act 61 of 1973), as amended. The accounting policies as set out in the audited financial statements for the year ended 31 December 2009 have been consistently applied, except for the accounting for the off-set of cash held with JSE Trustees referred to in note 4 above.

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

STATEMENT ON GOING CONCERN

In terms of an announcement dated 20 March 2009, Vunani shareholders were advised that the decline in the share prices of certain of Vunani's empowerment investments resulted in a breach of certain of the debt covenant ratios with a number of financial institutions which funded Vunani's participation in such investments. Vunani's ability to continue as a going concern was dependent on the restructuring of its debt. Vunani and its lenders entered into a Heads of Agreement on 30 June 2009, to restructure Vunani's existing debt and recapitalise Vunani to the extent of R313.6 million, to ensure the continued sustainability of Vunani and its subsidiaries. The detailed implementation of this restructure was fulfilled through the renounceable claw-back offer that closed on 5 March 2010 resulting in R313,6m of debt capitalised through the issue of 3 136 000 000 shares in the company.

SEGMENT RESULTS

The Financial Services businesses comprise Asset Management, Investment Banking and Properties. Revenues decreased to R143.3 million (2008: R233.8 million) resulting in profits after tax declining to R6.9 million (2008: R88.5million). Added to this, the slow and late recovery in markets put further pressure on the operating divisions. The Investment Banking sector, with its reliance on corporate activities declined to R10.5 million (2008: R21.6 million). Asset Management, through its full year of associate's earnings showed growth to R9.6 million (2008: R5.6 million). Properties earnings slowed as a result of the decision to reschedule residential developments into 2010 and later.

Vacancies in its investment properties continued for longer than anticipated and together with financing costs further contributed to the decline in Properties earnings with a loss of R13.2 million (2008: R61.3 million profit). Investment Services continued to feel the slow return in global market conditions. The sector delivered a reduced net loss of R164.8 million (2008: R872.6 million loss). The decline in fair market value at December 2008 was reversed with net fair value gains of R1.1 million (2008: R854.9 million loss). This was made up by fair value gains on investments off-set by fair value losses in Properties and the fair value of liabilities guaranteed by Vunani Limited.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital was increased from 2,000,000,000 ordinary shares of R 0.0001 each, to 10 000 000 000 ordinary shares of R 0.0001 each on 22 July 2009. On 31 July 2009 114 367 925 shares were issued. On 27 October 2009, 8,055,709 shares were cancelled. At 31 December 2009 there were 1,340,562,216 (2008: 1,176,444,291) ordinary shares in issue. Subsequent to year end a further 3 281 380 000 shares were issued pursuant to the Claw-back offer.

DIVIDENDS

No dividends were declared or paid to shareholders during the year ended 31 December 2009.

SUBSEQUENT EVENTS AND CAPITAL COMMITMENTS

There were no material subsequent events other than the debt restructuring referred to earlier in the report. There were no significant capital commitments within the Group.

PROSPECTS

The finalisation of the Group's debt restructure, albeit subsequent to the year end, has re-enforced the Group's resolve. The recovery in the equity markets experienced in the latter part of the year has had a positive impact on the economy; however the full impact of this recovery has not yet materialised. Vunani remains committed to deliver on its vision to become the pre-eminent medium sized black owned and managed financial services business. The directors expect trading conditions to remain volatile in the short to medium term and will use this as an opportunity to continue to build a platform for the sustainable future growth in the core businesses.

CHANGES TO THE BOARD OF DIRECTORS

Mr AF Pieterse, who was due to retire by rotation at the company's annual general meeting held on 20 August 2009, decided not to make himself available for re-election and accordingly his appointment as non-executive director of the company terminated on that date. Mr G Nzalo and Mr JR Macey were appointed as non-executive directors with effect from 1 November 2009. On the 16 March 2010 BM Khoza was appointed Managing Director.

REVIEW REPORT

The Group's auditors KPMG Inc. have reviewed the financial information for the year ended 31 December 2009. Their unmodified review report is available for inspection at the registered office of the company.

EG Dube (Chief Executive Officer)

31 March 2010

WG Frawley (Chief Financial Officer)

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

E Dube
WG Frawley
BM Khoza
NM Anderson
CE Chimombe-Munyoro

NON-EXECUTIVE DIRECTORS

WC Ross (Chairman) (Independent)
BA Khumalo (Independent)
NS Mazwi (Independent)
G Nzalo (Independent)
JR Macey (Independent)