

# VUNANI

LIMITED



Annual Report  
2009



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## VUNANI LIMITED – GROUP

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# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

for the year ended 31 December 2009

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## VUNANI LIMITED – GROUP

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The effects of the global recession which was sparked by the global financial crisis, together with a severely indebted consumer combined to make 2009 an extremely difficult environment in which to do business. Whilst South Africa looked like it would only see a mild impact of this phenomenon, 2009 proved that the country had merely lagged the rest of the world and the recession, when it did come, was severe and prolonged. Rigid application of inflation targeting by the Monetary Policy Committee of the South African Reserve Bank didn't help; the repo rate was cut too slowly and without sufficient aggression. The economy stalled as banks tightened credit and despite the measures both inflation and interest rates remained relatively high. The resulting recession lasted four quarters, resulting in the closing down of many businesses and a significant loss of jobs. A strong recovery in the equities market in the second half of the year, driven by improved global trading conditions led by China and India, helped improve sentiment and helped salvage a year most people would like to forget.

The impact these conditions had on Vunani is unavoidable, with Group revenue declining by 44% compared to last year. Nevertheless, the headline loss per share of 11 cents was considerably better than the 58,8 cents loss incurred in the financial year ended 31 December 2008, underscoring the considerable impact that the market downturn had on the Group balance sheet in 2008. Despite this the Group generated operating profit of R8,1 million (2008: R73,1 million), which is laudable given the restructuring that took place throughout the whole year. Were it not for the significant gearing and concomitant finance costs the Company carried throughout the year, the situation would have been significantly better. Investment income at R16,9 million was marginally down on last year (2008: R17,6 million) whilst the R20,4 million contribution from our associate companies was an improvement (2008: R17,7 million).

More importantly the board is pleased to report that fair value adjustments and impairments were a positive R1,1 million compared to negative adjustments of R854,9 million in 2008, indicating that the bulk of the pain has been taken.

The restructuring of the Group balance sheet was the single most important objective in 2009. The level of and cost of gearing on the balance sheet became a significant challenge once asset values plummeted and the ever looming threat of funders calling their loans demanded that significant energy be expended in improving the balance sheet of the Group. Whilst management and the board had hoped that the exercise would have been completed before the financial year end, the complexity of the issues proved to be a deterrent. The restructuring was finally concluded on 27 January 2010, resulting in the injection of R313,6 million into the Group via a rights issue and clawback offer that was concluded during March 2010. Had this issue been completed at 31 December 2009 the net asset value of a Vunani share would have increased from 1,3 cents per share to 7,2 cents per share. Significantly the restructuring was completed in a manner that preserves the Black Economic Empowerment credentials and removes significant doubt about the Group's status as a going concern.

Vunani remains committed to its vision to become the pre-eminent, majority black owned and managed medium sized financial services business in Southern Africa. However even the best vision will be severely tested at some point and for Vunani 2009 was the year in which the business model was challenged. We are pleased to say that our operating businesses held up well under the challenge and we are convinced that we now have a solid platform off which we can make a drive towards growth.

The Group's **Financial Services business** showed resilience in these tough times. The Investment Banking business, incorporating advisory and stock broking, made a R6,8 million loss after tax (2008: R21,1 million profit). The contribution from the various businesses varied:

- Debt capital market advisory continued its success as a joint lead arranger on a number of key parastatal debt origination mandates;
- Equity advisory struggled as low market capitalisations persisted and deal flow dried up in the market segment where they are dominant. The benign conditions meant the business had to be sustained through sponsor

related fee income and ad hoc fees related to client restructuring activities.

- The stock broking activities held up very well after some initial setbacks in the first quarter of the year. The uncertain market conditions and the loss of key management had a significant impact on brokerage commissions. However swift action to stabilise the platform resulted in a very strong second half of the year. Accordingly the businesses finished the year with acceptable profits; and
- Our bond and treasury dealing teams traded relatively well on the secondary market on the back of debt capital market advisory activity.

The **Asset Management** operations performed equally well contributing R5,5 million to after tax profits (2008: R6,1 million). A key element of this performance was the recovery of equity market prices in the second half of the year. The hedge fund of funds and private equity fund of funds, in particular, performed as expected and we saw the first signs of performance fees starting to come through towards the latter part of the year. Our private client wealth management business, IMI, also performed very well on the back of a prudent investment philosophy and management is convinced that we have a solid platform for growth into the future. The exchange traded fund ("ETF") platform continues to grow and had six ETF's on the platform by year end, with a combined market capitalisation of R332 million.

The **Properties business**, a key feature of our operations over the last few years, struggled as rental income came under pressure and developments were deferred, resulting in the business losing R18,3 million (2008: R61,3 million profit). Fortunately the property business was not exposed to incomplete developments which would have exacerbated the situation. Management believes that a more stable economic environment will be fundamental to unlocking some of the opportunities that were deferred in 2009. We envisage these will start to materialise towards the end of 2010 and the first half of 2011.

Whilst the R6,1 million contribution from all our financial services businesses was significantly lower than the R88,5 million generated in 2008, management is particularly pleased that the

core of the business represented by our staff, processes and services remains intact and there is a sustainable operating platform on which the Group can make significant strides going forward. Our medium term objective is to:

- Deliver integrated solutions to our clients as an advisor, financier and market maker, asset manager and co-investor;
- Establish a partnership ethos of collaboration and broad ownership of decisions in the investment banking team; and
- Deliver, throughout the cycle, superior returns to our shareholders.

The **Investment Services** business reflects the on balance sheet investment activities of the Group. A significant amount of this investment is in commercial property with the balance being in investments in listed and unlisted companies. The investment property portfolio as a whole showed improvements in value, but for a single property, as occupancies came under pressure.

On the other hand, the recovery in stock market prices had a limited impact on the listed portfolio as most of our investments are in micro cap companies listed on the AltX exchange of the JSE Limited. A number of these companies operate in the industrial sector and tend to lag the share performance of larger market capitalisation companies.

The effects of gearing used to fund these investments exacerbated the situation, which will be alleviated to some extent by the recapitalisation of the business which has substantially reduced gearing levels.

Management's intention is to ensure that the R139,2 million loss (2008: R872,6 million) in our investment services business will not be repeated to the same extent in the future. To this end the board has implemented an investment committee charter to guide the deliberations and has tightened discipline by appointing an independent director to chair the investment committee. Central to our future investment philosophy will be;

- Access to additional liquidity sources;
- Maintaining significantly higher levels of capital and liquidity;
- Greater sensitivity to illiquid positions; and
- Uncompromising risk management.

# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

A key issue in the future will be positive signs of improvement in the economy. Currently Vunani's activities are strongly correlated with the business environment in the country. The Financial Services businesses service South African financial institutions and individuals whilst Investment Services hold property and industrial companies operating in the mainstream of the South African economy. Prospects for the business will largely be impacted by the recovery in the global economy and the ability of the South African economy to follow suit. Recent developments involving the solvency and indebtedness of certain countries in the European Union, a significant trading partner, have raised the threat to GDP growth. Notwithstanding the urgency with which these events have been dealt with, the required austerity measures are likely to impact global economic activity and the anticipated growth in the year ahead.

The board of directors has faith in management's ability to anticipate and react to emerging challenges to the business. We are pleased that management have demonstrated this by reorganising the team to embrace the challenge. To this end Butana Khoza has been appointed as Group Managing Director with effect from 16 March 2010.

His role will be to coordinate the operations and the organisational structure to ensure the business operates off an optimal platform and to manage the diverse operational, risk management and compliance issues. Ethan Dube will continue as Group Chief Executive Officer and will focus on the strategic direction of the business and

identifying opportunities to de-risk the business by identifying complementary businesses and value enhancing investment opportunities. Ethan and Butana will continue to be supported by a competent and talented team and the board is confident that the business continues to be in very able hands.

This brings us to thank our fellow board members, including the executive directors, for being extremely professional under very demanding circumstances. The guidance they provided to management and the respect for their fiduciary responsibilities was outstanding and Vunani shareholders are very fortunate to have individuals of this calibre representing their Company. In this regard the board welcomes Gordon Nzalo and John Macey who both joined the board on 2 November 2009 and we would particularly like to commend them for their contribution as chairman to the audit committee and investment committee respectively. We would also like to thank Andre Pieterse who resigned from the board on 20 August 2009 for his sterling service to the board over the last four years.

Last but not least we would like to thank our employees at all levels for their commitment and dedication in a trying year.



**WC Ross**  
*Chairman*



**EG Dube**  
*Chief Executive Officer*

The board is committed to an open and disciplined governance process based on integrity, transparency, independence and accountability and recognises that this is a developing process that serves the good of shareholders and stakeholders alike.

During the year under review the board believes that it complied in all respects with the principles set out in the Code of Corporate Governance ("King II") as well as the specific requirements set out in the JSE Listings Requirements.

### **BOARD OF DIRECTORS**

The changes to the board and attendance at meetings during the year are detailed below:

#### **Meetings attended during the year**

##### **Executive directors**

E Dube	5/5
WG Frawley	5/5
BM Khoza	5/5
NM Anderson	5/5
CE Chimombe-Munyororo	5/5

##### **Non-executive directors**

WC Ross* (Chairman)	5/5
AF Pieterse**	2/2
BA Khumalo*	3/5
NS Mazwi*	4/5
G Nzalo*	2/2
Appointed 2 November 2009	
JR Macey*	2/2
Appointed 2 November 2009	

<b>Total number of meetings</b>	<b>5</b>
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As required by the JSE Listings Requirements. The Company's Designated Advisors attended all the board meetings.

\* Independent

\*\* AF Pieterse, who was due to retire by rotation at the Company's annual general meeting held on 20 August 2009, did not make himself available for re-election and accordingly his appointment as a non-executive director terminated on that date.

The board meets at least quarterly to review and monitor the performance of the Group and executive management. The board maintains full and effective control of the Group through senior management and subsidiary boards.

An executive forum ("EXCO") comprising the executive directors is responsible for the day to day running of the business. The board considers and approves Group strategy, corporate

governance, policies and compliance structures, risk management and internal control policies and structures, business continuity plans and board composition. All material decisions are considered by the board or an appropriate sub-committee thereof.

The non-executive directors are independent of management and promote the interests of stakeholders. All the non-executive directors are independent, as defined by the JSE Listings Requirements. The chairman is an independent non-executive director and provides the necessary objectivity for the board's effective functioning.

The board composition reflects people with different skills, knowledge and experience, all of whom are cognisant of the duty to ensure that the Group maintains a high standard of corporate governance and there is a clear division of responsibility to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The roles of the chairman and CEO are separated.

The board undertakes the role of nominations committee and the selection and appointment of new directors is agreed to by the board as a whole. In terms of the Articles of Association, one-third of the directors, excluding the CEO, are required to retire each year by rotation.

Non-executive directors receive fees for services as directors and as members of board committees. Fees are determined and agreed by the board.

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. The board has not adopted a formal charter. It is anticipated that this will be adopted as part of the formal process of self-assessment during the course of the ensuing year.

### **BOARD COMMITTEES**

#### **Audit committee**

The audit committee, established by the board has specific responsibilities. Attendance at the audit committee meetings during the course of the current financial year was as below:

# CORPORATE GOVERNANCE (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### Attendance during the year

#### Current audit committee

G Nzalo (Chairman) 1/1

Appointed 4 December 2009

JR Macey 1/1

Appointed 4 December 2009

NS Mazwi 5/5

#### Previous audit committee

BA Khumalo (Chairman) 4/5

Resigned 4 December 2009

**Total number of meetings** 5

WC Ross attended four of the meetings of the committee by invitation in order to provide continuity and knowledge transfer. As required in terms of the JSE Listings Requirements, the Company's Designated Advisors attended all the audit committee meetings.

The auditors have unrestricted access to all records, assets and employees of the Group as well as to the chairman of the audit committee. The chairman of the audit committee has unrestricted access to the Group's management, employees, minutes and reports of the auditors.

The committee has adopted formal terms of reference which have been adopted by the board. The Group does not have an internal audit function. All internal controls, risk management and compliance are the responsibility of the chief financial officer. This process, however, is reviewed annually and will develop with the natural expansion of the business.

The audit committee is responsible for, *inter alia*:

- setting the principles for recommending the use of the external auditors for audit services
- satisfying itself, on an annual basis, of the appropriateness of the expertise and experience of the Chief Financial Officer.

#### Remuneration committee

The remuneration committee is chaired by WC Ross and includes BA Khumalo. The committee meets annually to review the performance of the executive directors and is responsible for determining conditions of employment and remuneration packages of executives.

#### Investment committee

The investment committee was established on 3 December 2009 in terms of the Investment Committee Charter approved by the board of directors. As a sub-committee of the board its objective is to review, evaluate, approve and recommend to the board investments in excess of R2 million with any investments in excess of R30 million requiring final board approval.

#### Current investment committee

JR Macey (Chairman)

WC Ross

EG Dube

NM Anderson

NP Riley

#### COMPANY SECRETARY

The Company secretary is WG Frawley, who is responsible for ensuring that board procedures and relevant regulations are fully observed. With the assistance of the Group's Designated Advisors, the directors are provided with ongoing guidance on governance, compliance and their responsibilities in terms of the JSE Listings Requirements.

#### DEALING IN SECURITIES

In terms of the JSE Listings Requirements, the Group Company secretary and directors of major subsidiaries require advance approval from the CEO and CFO, of dealings in Vunani shares by the directors. Once executed, appropriate disclosure is made on the Securities Exchange News Service ("SENS").

#### RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for the Group's system of internal control and risk management and is assisted in this regard by the audit committee. These systems of internal control are designed to provide reasonable but not absolute assurance of the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the Group's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

There are inherent limitations to the effectiveness of any system of internal control including the possibility of human error and the circumvention

# CORPORATE GOVERNANCE (continued)

for the year ended 31 December 2009

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## VUNANI LIMITED – GROUP

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or overriding of controls. The systems are therefore designed to manage rather than eliminate risk of failure and opportunity risk. Nothing has come to the attention of the board to indicate that there has been a material breakdown in the internal systems of control during the period.

### RISK MANAGEMENT

The board, together with the audit and investment committees, is responsible for ensuring that appropriate risk management procedures are in place. Management is accountable to the board for implementing and integrating the risk management process into the day-to-day activities of the Group. The Company has an effective ongoing process of identifying risk, measuring its partial impact against a broad set of assumptions and initiating mitigating activities to reduce the exposure to acceptable levels. Additional internal control activities are introduced to assist the process of mitigating risk exposure where appropriate. The board establishes the risk management framework and sets risk limits within which the business units are required to operate.

### AUDITOR INDEPENDENCE

The Group financial statements have been audited by KPMG Inc. and the Company has no reason to believe that the auditors were not independent.

### GOING CONCERN

The directors have reviewed the Group's cash flow forecast for the 12 month period to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future. 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. The Group and Company's ability to continue as a going concern was dependent on the restructuring of its debt (refer note 40).

### ETHICS

The Group pursues a code of conduct for staff designed to provide guidance as to the ethical conduct in all areas, appropriate policies around the safeguarding of assets and information and the appropriate corrective measures to enforce these policies.

### RELATIONS WITH SHAREHOLDERS

The Company has a policy of regular interaction with its institutional shareholders, investment analysts and major shareholders.

### DIRECTORS' CURRICULUM VITAE

#### Executive Directors

#### **EG Dube – (Chief Executive Officer), MSc (Statistics), Executive MBA (Sweden)**

Ethan has an extensive corporate finance and asset management background which he gained at Standard Chartered Merchant Bank, Southern Asset Managers and Infinity Asset Management. Ethan was a founder and has been managing director of Vunani Capital (previously African Harvest Capital) since its inception in the late '90s. He is a director of a number of JSE listed companies.

#### **BM Khoza, BCom, PG Dip (Accounting), CA(SA)**

Butana completed articles with KPMG Inc. in 1994 and spent six months in their office in Vancouver, Canada. He then joined Southern Asset Management and later transferred to Futuregrowth, then a division of Southern Life. He left Southern Life to establish African Harvest Capital with Ethan. Butana served in a number of senior executive roles at African Harvest Capital. He is chairman of Vunani Securities. From August 2007, Butana assumed responsibility for the development of the Vunani Group's alternative asset management products, incorporating the jointly owned Collective Investment Scheme, which houses Exchange Traded Fund products among other products and Vunani Private Equity Partners (Proprietary) Limited.

#### **WG Frawley – (Chief Financial Officer), CA(SA)**

Guy is a Chartered Accountant and his finance and accounting experience extends over twenty-five years. He has held a number of senior positions across a wide range of industries in companies such as AECL, Carlton Paper and Glass South Africa. He joined Vunani in 2004.

## CORPORATE GOVERNANCE (continued)

for the year ended 31 December 2009

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### VUNANI LIMITED – GROUP

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#### **NM Anderson, BCom (Hons), CA(SA)**

Having initiated a number of early BEE deals, Mark formed a corporate finance boutique and then advised on the formation of African Harvest Limited in 1997. Mark is responsible for Vunani Capital's investment activities.

#### **CE Chimombe-Munyoro, BA, LLBLLM (Commercial law/Maritime law)**

Evelyn is an admitted attorney of the High Court of South Africa. She was previously a director and partner of Fairbridges Attorneys. Evelyn initially served on the board of Vunani as a non-executive director and during 2006 she joined Vunani as an executive director.

#### **NON-EXECUTIVE DIRECTORS**

#### **WC Ross – Non-executive Chairman, CTA, CA(SA)**

Willy commenced his merchant banking career in the corporate finance division of the Nedbank Group in 1974. He later became involved in project and structured finance and private equity. At the time of the Nedbank merger with Nedcor Investment Bank, he was an executive director with responsibility for infrastructure, project and structured finance, private equity, risk and legal.

#### **BA Khumalo, DAdmin (hc), MA, AEP, Diploma in Management and MBA (Independent non-executive director)**

Bongani is Chairman of Grey Global (SA) and EDS South Africa. He is the immediate past chairman of Transnet Limited. Bongani, has served as a

Strategic Adviser at the Presidency and is also a former Deputy Chief Executive at Eskom. He is presently Professor Extraordinaire (and Chairman) of the African Centre for HIV/AIDS Management in the Faculty of Economic and Management Sciences at the University of Stellenbosch.

#### **NS Mazwi, BProc, LLB, Dip Company Law, Programme in Business Leadership (Independent non-executive director)**

Nambita is an admitted attorney of the High Court of South Africa. Her experience spans over a decade having worked for the South African Enterprise Development Fund as a Legal Counsel to the CEO. Nambita is currently the Corporate Legal Advisor to South African Airways.

#### **JR Macey, BBus Sci (Hons), BCom (Hons)(FinAcc), CA(SA) (Independent non-executive director)**

John spent five years with Deloitte & Touche where he obtained audit, accounting, financial advisory and taxation experience. He spent five years as the financial director of Gosair Filter Systems (Proprietary) Limited and also lectured for nine years at the University of Cape Town in financial accounting and management accounting.

#### **G Nzalo, BCom, BAcc (Wits), CA(SA) (independent non-executive director)**

Gordon has extensive experience in risk management, corporate governance, external and internal auditing and was previously a partner with both KPMG and PWC. He is a director of a number of companies.

# DIRECTORS' STATEMENT OF RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

VUNANI LIMITED – GROUP

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group and Company as at the end of the financial period and the results of their operations and cash flows for the period then ended, significant accounting policies and the notes to the financial statements, and other explanatory notes and the directors' report, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls,

systems and ethical behaviour are applied and managed within predetermined procedures and constraints. The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the 12 month period to 31 December 2010 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future. On 8 March 2010 a clawback was successfully concluded where the Company issued 3 136 000 000 new shares at an issue price of 10 cents. The proceeds of this offer were used to repay debt and crystallise a moratorium on the repayment of interest and capital on debts funding acquisition of investments until October 2011 further alleviating going concern issues. (refer note 40).

The external auditors are responsible for independently reviewing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on page 11.

The financial statements set out on pages 12 to 83, which have been prepared on the going concern basis, were approved by the board of directors on 8 June 2010 and were signed on its behalf by:



**EG Dube**  
Chief Executive Officer



**WG Frawley**  
Chief Financial Officer

8 June 2010, Sandton

## CERTIFICATION BY THE COMPANY SECRETARY

*for the year ended 31 December 2009*

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VUNANI LIMITED – GROUP

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In terms of section 268G(d) of the Companies Act, as amended, I hereby certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies, for the financial year ended 31 December 2009, all such returns as are required of a public company in terms of this Act and that such returns are true, correct and up to date.



**WG Frawley**

*Company Secretary*

8 June 2010, Sandton

# INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### TO THE SHAREHOLDERS OF VUNANI LIMITED

We have audited the Group annual financial statements and the annual financial statements of Vunani Limited, which comprise the statements of financial position as at 31 December 2009, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 12 to 83.

### Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Vunani Limited as at 31 December 2009, 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 in the manner required by the Companies Act of South Africa.

### KPMG Inc.

*Registered Auditor*



Per **G Parker**  
*Chartered Accountant (SA)*  
*Registered Auditor*  
*Director*

8 June 2010

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg

## DIRECTORS' REPORT

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

The directors submit their report for the year ended 31 December 2009.

#### 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 investments in security trading operations, investment banking, corporate advisory services and property development and holdings.

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.

#### EVENTS AFTER REPORTING DATE

Refer note 40 of financial statements.

#### AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital changed from 2 000 000 000 ordinary shares of R0,0001 each, to 10 000 000 000 ordinary shares of R0,0001 each on 22 June 2009. 1 340 562 216 ordinary shares were in issue at 31 December 2009 (2008: 1 234 250 000).

#### DIVIDENDS

No dividends were declared or paid to shareholders during the 12 month period (2008: R nil).

#### SUBSIDIARIES

The Group's aggregate income and losses after tax of subsidiaries are as follows (in R000's):

	2009	2008
Profit after tax	2 425	43 804
Loss after tax	(102 592)	(685 953)

#### SPECIAL RESOLUTIONS

The following special resolutions have been passed by the board of directors since the previous annual report was published:

1. Approval for the increase in share capital of the Company (22 June 2009).
2. Amendment to the articles of association to allow the Company a nine month period in which to hold an annual general meeting (22 June 2009).

#### GOING CONCERN

Refer to note 40 of financial statements.

#### DIRECTORS

The directors of the Company during the year and to the date of this report are as follows:

##### Executive directors

EG Dube  
WG Frawley  
BM Khoza  
NM Anderson  
CE Chimombe-Munyoro (German)

##### Independent non-executive directors

WC Ross (Chairman)  
BA Khumalo  
JR Macey (appointed 2 November 2009)  
NS Mazwi  
G Nzalo (appointed 2 November 2009)

##### Non-executive directors

AF Pieterse (resigned 20 August 2009)

#### SECRETARY

The secretary of the Company is WG Frawley of:

##### Business address

Vunani House  
Athol Ridge Office Park  
151 Katherine Street  
Sandown, Sandton  
2196

##### Postal address

PO Box 652419  
Benmore  
2010

#### HOLDING COMPANY

The Company's holding company is Vunani Group (Proprietary) Limited incorporated in the Republic of South Africa.

#### AUDITORS

Deloitte and Touche has resigned as auditors of the Group and KPMG Inc. has been appointed and will continue in office in accordance with section 270(2) of the Companies Act.

## AUDIT COMMITTEE REPORT

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

The committee is appointed by the board of directors for each financial year. The committee comprises solely non-executive directors.

The members are:

G Nzalo (Chairman)

Appointed 4 December 2009

BA Khumalo (previous Chairman)

Resigned 4 December 2009

JR Macey

Appointed 4 December 2009

N Mazwi

In order to ensure a smooth transition with the change in the composition of the committee, the previous committee members have attended the audit committee meetings as invitees.

The chief executive officer, financial director and external audit partner attend meetings by invitation.

#### PURPOSE AND DUTIES OF THE COMMITTEE

The main purpose of the committee is:

- to comply with requirements of the Companies Act and any other body, that dictate the duties of the committee;
- to be available to discharge its responsibility to the Group, external auditors and board relating to any issue falling within its ambit;
- to ensure the external auditors meet with the committee at least once a year;
- to annually review the committee's work in terms of the Act's requirements, ensuring compliance and effectiveness;
- to review the annual financial statements and interim reports of the holding and Group companies and recommend that they be adopted by the board;
- to consider material financial and operating issues relating to Group subsidiary companies;
- to assist the board with discharging their director's responsibilities of ensuring adequate controls and reporting, safeguarding of assets and that reporting is prepared in accordance with accounting standards.

*Specific duties of the committee in relation to external auditors:*

- to nominate the external auditor and designated auditor, who should be a registered independent auditor;
- to satisfy itself of the independence of the auditor in terms of the Companies Act;
- to agree the engagement terms and scope of the audit;
- to consider the audit fee based on the audit plan provided and review any increase therein;

The committee properly performed these duties, and nominated KPMG Inc. as external auditor and G Parker as the designated auditor for the 2009 financial year, and for approval at the annual general meeting;

The audit committee is aware of the new listing requirements to appoint a financial director to the board by 30 June 2009. This requirement has already been met and the committee is satisfied that the financial director has the necessary expertise and experience to manage the Group's financial function.

On the recommendations of the committee, the board regularly considers and assesses the going concern assertion in the interpretations of the financial statements.

#### ANNUAL FINANCIAL STATEMENTS

The committee has recommended the financial statements for approval to the board. The board has also approved the financial statements for presentation at the annual general meeting.



**G Nzalo**

*Chairman of the Audit Committee*

8 June 2010, Sandton

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

Figures in Rand 000's	Note	2009	2008
<b>Revenue</b>	5	<b>125 046</b>	223 065
Cost of property developments sold		(177)	(52 097)
<b>Gross profit</b>		<b>124 869</b>	170 968
Other income	6	6 183	5 266
Investment revenue	7	16 876	17 552
Fair value adjustments and impairments	8	1 069	(854 915)
Operating expenses	9	(129 294)	(116 599)
<b>Results from operating activities</b>		<b>19 703</b>	(777 728)
Finance income	10	6 391	13 499
Finance costs	10	(199 746)	(201 505)
<b>Net finance costs</b>		<b>(193 355)</b>	(188 006)
Equity accounted earnings (net of income tax)	15	20 419	17 729
<b>Loss before income tax expense</b>		<b>(153 233)</b>	(948 005)
Income tax expense	11	(5 548)	163 883
<b>Total comprehensive loss for the year</b>		<b>(158 781)</b>	(784 122)
Total comprehensive loss attributable to:			
Owners of the Company		(167 720)	(707 845)
Minority interest		8 939	(76 277)
		<b>(158 781)</b>	(784 122)
<b>Earnings per share</b>			
Basic loss per share (cents)	34	(13,2)	(60,7)
Diluted loss per share (cents)	34	(13,2)	(60,7)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

## VUNANI LIMITED – GROUP

Figures in Rand 000's	Note	2009	Restated 2008	Restated 2007
<b>Assets</b>				
Property, plant and equipment	12	25 963	5 540	4 685
Goodwill	13	39 436	75 596	11 215
Investment property	14	800 398	817 132	700 935
Investments in associates	15	245 812	206 077	65 866
Other investments	16	572 757	488 828	1 927 597
Deferred tax asset	18	99 196	24 517	2 729
Other non current assets	19	2 395	1 891	1 565
Other intangible assets	13	1 250	10 284	–
<b>Total non-current assets</b>		<b>1 787 207</b>	<b>1 629 865</b>	<b>2 714 592</b>
Inventories	20	4 254	6 406	34 458
Other investments	18	44 207	180 531	–
Loan to holding company	21	29	–	–
Taxation prepaid		1 261	–	–
Trade and other receivables	22	20 583	4 890	11 773
Accounts receivable from trading activities	23	34 166	94 959	47 893
Trading securities	24	249	456	–
Cash and cash equivalents	25	10 299	37 588	87 404
<b>Total current assets</b>		<b>115 048</b>	<b>324 830</b>	<b>181 528</b>
<b>Total assets</b>		<b>1 902 255</b>	<b>1 954 695</b>	<b>2 896 120</b>
<b>Equity</b>				
Share capital	26	134	117	118
Share premium	26	277 885	250 146	197 902
Revaluation reserve		4 824	180 524	504 143
Share based payment reserve		3 825	–	–
(Accumulated loss)/retained earnings		(269 152)	(277 132)	107 094
<b>Equity attributable to equity holders</b>		<b>17 516</b>	<b>153 655</b>	<b>809 257</b>
<b>Minority interest</b>		<b>103 667</b>	<b>94 728</b>	<b>171 204</b>
<b>Total equity</b>		<b>121 183</b>	<b>248 383</b>	<b>980 461</b>
<b>Liabilities</b>				
Other financial liabilities	27	1 525 371	1 003 335	1 563 534
Deferred tax liabilities	18	126 049	48 930	186 787
<b>Total non-current liabilities</b>		<b>1 651 420</b>	<b>1 052 265</b>	<b>1 750 321</b>
Other financial liabilities	27	43 746	486 659	28 786
Current tax payable		2 657	3 258	14 984
Trade and other payables	28	42 979	79 799	51 847
Accounts payable from trading activities	29	33 611	84 331	69 721
Trading securities	24	133	–	–
Bank overdraft	25	6 526	–	–
<b>Total current liabilities</b>		<b>129 652</b>	<b>654 047</b>	<b>165 338</b>
<b>Total liabilities</b>		<b>1 781 072</b>	<b>1 706 312</b>	<b>1 915 659</b>
<b>Total equity and liabilities</b>		<b>1 902 255</b>	<b>1 954 695</b>	<b>2 896 120</b>
Shares in issue (000s) (refer to note 26)		1 340 562	1 176 444	1 127 250
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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

Figures in Rand 000's	Share capital	Share premium	Revaluation reserve*	Share based payment reserve	Retained earnings/(loss)	Total attributable to equity holders	Minority interest	Total equity
<b>Balance at</b>								
<b>31 December 2007</b>	118	197 902	504 143	-	107 094	809 257	171 204	980 461
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	(707 845)	(707 845)	(76 277)	(784 122)
<b>Total comprehensive income</b>	-	-	-	-	(707 845)	(707 845)	(76 277)	(784 122)
<b>Transactions with owners, recorded directly in equity</b>								
Issue of shares	5	57 179	-	-	-	57 184	-	57 184
Dividends to non-controlling shareholders	-	-	-	-	-	-	(199)	(199)
Buy back of shares	(6)	(4 935)	-	-	-	(4 941)	-	(4 941)
<b>Total transactions with owners</b>	(1)	52 244	-	-	-	52 243	(199)	52 044
Transfer from revaluation reserve	-	-	(323 619)	-	323 619	-	-	-
<b>Balance at</b>								
<b>31 December 2008</b>	117	250 146	180 524	-	(277 132)	153 655	94 728	248 383

\* Represents the unrealised profits (net of interest and tax) transferred from the revaluation reserve.

Figures in Rand 000's	Share capital	Share premium	Revaluation reserve*	Share based payment reserve	Accumulated loss	Total attributable to equity holders	Minority interest	Total equity
<b>Balance at</b>								
<b>31 December 2008</b>	117	250 146	180 524	-	(277 132)	153 655	94 728	248 383
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	(167 720)	(167 720)	8 939	(158 781)
<b>Total comprehensive income</b>	-	-	-	-	(167 720)	(167 720)	8 939	(158 781)
<b>Transactions with owners, recorded directly in equity</b>								
Issue of shares	17	27 739	-	-	-	27 756	-	27 756
Equity settled share based payments	-	-	-	3 825	-	3 825	-	3 825
<b>Total transactions with owners</b>	17	27 739	-	3 825	-	31 581	-	31 581
Transfer from revaluation reserve	-	-	(175 700)	-	175 700	-	-	-
<b>Balance at</b>								
<b>31 December 2009</b>	134	277 885	4 824	3 825	(269 152)	17 516	103 667	121 183

\* Represents the unrealised profits (net of interest and tax) transferred from the revaluation reserve.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

Figures in Rand 000's	Note	2009	Restated 2008
<b>Cash flows from operating activities</b>			
Net cash generated by operations	32	39 835	134 696
Finance income		6 391	13 499
Dividends received		16 876	30 925
Tax paid	33	(6 230)	(13 980)
<b>Net cash inflow from operating activities</b>		<b>56 872</b>	<b>165 140</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(2 296)	(3 193)
Disposal of property, plant and equipment		107	175
Acquisition of investment property		(11 692)	(198 497)
Disposal of investment property		–	26 764
Acquisition of subsidiaries		–	(6 240)
Disposal of subsidiaries		–	1
Disposal of other investments		74 019	11 367
Acquisition of other investments		–	(1 679)
Increase in investments and loans to associates		(32 100)	(138 418)
Disposal of associates		2 600	24 401
Acquisition of trading division		–	(11 502)
Acquisition of other non-current asset		(673)	(1 201)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>29 965</b>	<b>(298 022)</b>
<b>Cash flows from financing activities</b>			
Increase in loan to holding company		(29)	–
Repayment of share capital or buy back of shares		–	(4 935)
Finance costs		(199 746)	(108 997)
Increase in debentures, long term-borrowings, loans and mortgage bonds		156 012	290 752
Repayment of other financial liabilities		(76 889)	(73 205)
Dividends paid to minorities		–	(20 549)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(120 652)</b>	<b>83 066</b>
Net decrease in cash and cash equivalents		(33 815)	(49 816)
Cash and cash equivalents at the beginning of the year		37 588	87 404
<b>Total cash and cash equivalents at the end of the year</b>	25	<b>3 773</b>	<b>37 588</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 1 BASIS OF PREPARATION

#### 1.1 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act.

#### 1.2 Basis of measurement

The financial statements are prepared on the historical cost basis except for certain financial instruments and investment property, which are stated at fair value.

#### 1.3 Functional and presentation currency

The financial statements are presented in South African Rand, which is the Company's functional currency.

All financial information presented in South African Rand has been rounded to the nearest thousand unless indicated otherwise.

#### 1.4 Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards 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 the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 14 – classification of investment property  
Note 40 – going concern

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:

Note 15 and 22 – impairment losses on loans and advances

Note 8 – fair value of financial instruments

Note 18 – utilisation of tax losses

Note 13 – impairments of goodwill and intangibles

#### 1.5 Changes in accounting policies

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

##### Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial Statements, which became effective as of 1 January 2009. As a result, the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### 2 ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 1.5, which addresses changes in accounting policies.

#### 2.1 Basis of consolidation

The Group financial statements include the assets, liabilities and results of operations of the holding Company, its subsidiaries, special purpose entities ("SPEs") and investments in associates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 2 ACCOUNTING POLICIES (continued)

#### 2.1 Basis of consolidation (continued)

##### 2.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

##### 2.1.2 Special purpose entities

The Group has established a number of SPEs for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

##### 2.1.3 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 presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit and equity movements of equity accounted investees, after adjustments to

align the accounting policies with those of the Group, 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, 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.

##### 2.1.4 Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses 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 Non-derivative financial assets

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 becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

## 2 ACCOUNTING POLICIES (continued)

### 2.2 Financial instruments (continued)

#### 2.2.1 Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

#### Financial assets at fair value through profit or loss

A financial asset is 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 measured at fair value, and changes therein are recognised in profit or loss.

#### 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 receivables comprise trade and receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

#### 2.2.2 Non-derivative 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 or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: other financial liabilities and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method or are recognised at fair value through profit or loss.

Loans to Group companies are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 2 ACCOUNTING POLICIES (continued)

#### 2.2.3 Share 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.

##### Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

##### Treasury shares

Where share capital is repurchased and held by an SPE, 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 Property, plant and equipment

##### 2.3.1 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. 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 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 net within other income in profit or loss.

##### 2.3.2 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 and equipment are recognised in profit or loss as incurred.

##### 2.3.3 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, 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. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Remaining
Leasehold improvements	lease period
Motor vehicles	4 years
Furniture and fixtures	6 years
Office equipment	3 – 5 years
Computer equipment and software	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

## 2 ACCOUNTING POLICIES (continued)

### 2.4 Intangible assets

#### 2.4.1 Goodwill

Goodwill that arises upon the acquisition of business operations is included in intangible assets.

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. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

#### 2.4.2 Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### 2.4.3 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.

#### 2.4.4 Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

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 lives for the current and comparative periods are as follows:

Customer list	3 years
---------------	---------

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### 2.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, nor use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### 2.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value.

#### 2.7 Inventories

Inventories represent property developments under construction and are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Other costs include borrowing costs incurred on financing these property developments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

## 2 ACCOUNTING POLICIES (continued)

### 2.7 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 2.8 Impairment

#### 2.8.1 Financial assets (including receivables)

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.

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. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level.

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.

Impairment losses on available-for-sale investment securities are recognised by

transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### 2.8.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than, investment property, inventories and 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 2 ACCOUNTING POLICIES (continued)

#### 2.8 Impairment (continued)

##### 2.8.2 Non-financial assets (continued)

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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

#### 2.9 Employee benefits

##### 2.9.1 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. 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

##### 2.9.2 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.

##### 2.10 Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become 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.

Share-based payment 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.

##### 2.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 2 ACCOUNTING POLICIES (continued)

#### 2.12 Revenue

##### 2.12.1 Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

##### 2.12.2 Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion (based on services performed as a percentage of total services to be performed) of the transaction at the reporting date.

##### 2.12.3 Commissions

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 made by the Group. This is recognised when the transaction giving rise to the commission is concluded.

##### 2.12.4 Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### 2.13 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-

sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income 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.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, and changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

#### 2.14 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. Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the balance sheet date, and any adjustment of taxation payable for previous years. Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the balance sheet date. Deferred taxation is charged to the profit or loss except to the extent that it relates to a transaction that is recognised directly

**2 ACCOUNTING POLICIES (continued)**

**2.14 Income tax (continued)**

in equity, 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.

Deferred taxation is not recognised for the following temporary differences:

The 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 to the extent that 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 and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and 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 and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Secondary taxation on companies is recognised in the year dividends are declared.

**2.15 Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the weighted average number of ordinary

shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**2.16 Related party transactions**

Related party transactions are transactions which result in a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Related parties refer to entities in which the Group directly or indirectly through one or more intermediaries controls or is controlled by or is in common control with. These include the holding group, subsidiaries, fellow subsidiaries, post employment contribution fund, associates and key management.

**2.17 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and 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 CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**2.18 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2 ACCOUNTING POLICIES (continued)**

**2.19 New standards and interpretations not yet adopted**

In terms of International Financial Reporting Standards, the Group and Company are required to include in their annual financial statements disclosure about the future impact of standards and interpretations issued but not yet effective at the issue date.

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).

Improvements to IFRS 2008 and 2009, IAS 27, IAS 32, IAS 39, IFRS 1, IFRS 2, IFRS 3, IFRIC 14, IFRIC 17 and IFRIC 19 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining standards and interpretations will be as follows:

**IAS 24 (revised)**

IAS 24 (revised) will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

Under IAS 24 (revised) the definition of a related party has been amended with the result that a number of new related party relationships have been identified.

**IFRS 9**

IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The impact on the financial statements for the Group has not yet been estimated.

**3 Determination of fair values**

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. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**3.1 Investment property**

In the prior year an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the Group's investment property portfolio. In the current year, management has performed the valuation. The Group has decided that an external, independent valuation of investment properties will be made every alternate year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 3 DETERMINATION OF FAIR VALUES (continued)

#### 3.1 Investment property (continued)

A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

#### 3.2 Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. In respect of unlisted investments the directors have determined a fair value based on information provided.

#### 3.3 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### 3.4 Non-derivative financial 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Certain liabilities are ring fenced with no financial implications on the Group. Fair value of guarantees are determined by an independent valuer bi-annually using market related information.

### 4 FINANCIAL RISK MANAGEMENT

The Group has 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 committee oversees 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 if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of trade and other receivables and cash and cash

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### 4.2 Credit risk (continued)

equivalents. Loans are granted to Group companies. The loans have no repayment terms however the Group considers all loan balances to be recoverable and therefore no impairment provision is required.

The trade and other receivables relates to trade receivables and VAT due from the South African Revenue Service. The Group considers the balance recoverable and therefore no impairment provision is required.

The Group deposits cash surpluses with major banks of high quality credit standing.

#### 4.3 Equity price risk

The Group is exposed to equity price risk on its BEE listed investments that are not ring fenced through the underlying funding arrangements. All new equity investments of this nature will only be entered into where the Group is not exposed to market price risk.

#### 4.4 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 cash flow interest rate risk as it borrows funds at variable interest rates. The risk is managed by Group policies adopted to ensure all its borrowings are at market related rates. The Group is not exposed to currency risk.

#### 4.5 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence 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, excluding non-redeemable preference shares 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 the other liabilities, loans from the holding company, loans from shareholders and trade and other payables disclosed in notes 21, 27 and 28 and equity as disclosed in the statement of financial position. The Group monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements that the Group has to comply with.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>5 REVENUE</b>		
Sales of property developments	1 035	63 376
Rental income	105 371	91 306
Trading loss	(21 851)	(7 749)
Fees and other revenue		
Property management	2 407	1 712
Advisory	8 535	30 966
Brokerage and asset management	29 549	43 454
	<b>125 046</b>	<b>223 065</b>
<b>6 OTHER INCOME</b>		
Loss on disposal of associates	(3 111)	–
Sundry income	9 294	5 266
	<b>6 183</b>	<b>5 266</b>
<b>7 INVESTMENT REVENUE</b>		
Dividend income from listed investments	4 444	17 552
Dividend income from non-listed investments	12 432	–
	<b>16 876</b>	<b>17 552</b>
<b>8 FAIR VALUE ADJUSTMENTS AND IMPAIRMENTS</b>		
Investment property	(8 878)	(72 713)
Financial assets and liabilities designated at fair value through profit or loss	42 867	(782 202)
Goodwill impairment	(32 920)	–
	<b>1 069</b>	<b>(854 915)</b>
Adjustments on financial assets and liabilities at fair value through profit or loss comprise the following:		
Liabilities	899	436 273
Listed investments	20 197	(1 172 843)
Unlisted investments	21 771	(45 632)
	<b>42 867</b>	<b>(782 202)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
*for the year ended 31 December 2009*

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>9 OPERATING EXPENSES</b>		
Operating expenses are arrived at after taking the following into account:		
Property, plant and equipment		
Depreciation	2 659	1 822
Impairment	3 219	–
Directors' emoluments (refer note 38)		
Directors' fees	562	333
Salaries	6 825	5 843
Provident fund and medical aid	1 333	1 126
Auditor's remunerations		
current year	3 473	1 917
prior year	759	570
other services	207	34
Amortisation of other intangible assets	13 534	10 285
Bad debt expense	1 496	938
Impairment of associates	6 437	–
Profit on sale of property, plant and equipment	(28)	–
Equity-settled share based payments	3 825	–
<b>10 FINANCE INCOME AND FINANCE COSTS</b>		
<b>Recognised in profit and loss</b>		
Interest income on loans and receivables	3 796	13 499
Interest income on bank deposits	2 595	–
Finance income	6 391	13 499
Bank overdraft	(1 795)	(188)
Long-term borrowings	(162 054)	(185 039)
Preference dividend	(20 921)	(12 831)
Debentures	(14 976)	(3 447)
Finance costs	(199 746)	(201 505)
Net finance costs recognised in profit and loss	(193 355)	(188 006)
Interest expense on financial liabilities measured at amortised cost	(76 016)	(124 071)
Net change in fair value of financial assets at fair value through profit or loss	(123 730)	(77 434)
Finance costs	(199 746)	(201 505)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>11 INCOME TAX EXPENSE</b>		
<b>Current tax expense</b>		
Current year	(1 688)	(2 649)
Adjustment for prior periods	(2 559)	396
Secondary tax on companies	(121)	–
	<b>(4 368)</b>	<b>(2 253)</b>
<b>Deferred tax expense</b>		
Current year	(1 180)	172 484
Reduction in tax rate	–	(6 348)
	<b>(1 180)</b>	<b>166 136</b>
Total income tax expense recognised in profit and loss	<b>(5 548)</b>	<b>163 883</b>
<b>Reconciliation of effective tax rate</b>	%	%
Income tax rate	28,0	28,0
Change in tax rate	–	0,8
Disallowed expenditure	(30,9)	(0,4)
Share based payment	(0,7)	–
Impairment of goodwill	(6,0)	–
Equity accounted earnings	3,7	0,9
Tax exempt income	3,1	0,9
Fair value gains or losses at capital gains tax rate	3,1	(13,4)
Net disallowable credits	–	3,0
Assessed losses utilised	–	0,4
Secondary tax on companies (current and deferred)	(2,2)	–
Over provided in prior periods	(1,7)	(2,9)
	<b>(3,6)</b>	<b>17,3</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	Land	Buildings	Leasehold improvement	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment and software	Total
<b>12 PROPERTY, PLANT AND EQUIPMENT</b>								
<b>Cost</b>								
Balance at 31 December 2007	-	-	3 949	79	1 633	1 116	3 457	10 234
Additions	-	-	1 676	-	602	165	750	3 193
Disposals	-	-	(893)	-	-	-	(17)	(910)
Balance at 31 December 2008	-	-	4 732	79	2 235	1 281	4 190	12 517
Additions	-	-	560	2	1 567	40	127	2 296
Transfer from/(to) investment property	2 541	22 864	(2 223)	-	-	-	-	23 182
Disposals	-	-	-	(6)	(13)	-	(60)	(79)
<b>Balance at 31 December 2009</b>	<b>2 541</b>	<b>22 864</b>	<b>3 069</b>	<b>75</b>	<b>3 789</b>	<b>1 321</b>	<b>4 257</b>	<b>37 916</b>
<b>Depreciation and impairment losses</b>								
Balance at 31 December 2007	-	-	(1 202)	(13)	(810)	(799)	(2 725)	(5 549)
Depreciation	-	-	(870)	(20)	(251)	(113)	(568)	(1 822)
Disposals	-	-	394	-	-	-	-	394
Balance at 31 December 2008	-	-	(1 678)	(33)	(1 061)	(912)	(3 293)	(6 977)
Depreciation	-	(686)	(998)	(18)	(300)	(128)	(529)	(2 659)
Impairment loss	-	(3 219)	-	-	-	-	-	(3 219)
Transfer to investment property	-	-	902	-	-	-	-	902
<b>Balance at 31 December 2009</b>	<b>-</b>	<b>(3 905)</b>	<b>(1 774)</b>	<b>(51)</b>	<b>(1 361)</b>	<b>(1 040)</b>	<b>(3 822)</b>	<b>(11 953)</b>
<b>Carrying amounts</b>								
At 31 December 2007	-	-	2 747	66	823	317	732	4 685
At 31 December 2008	-	-	3 054	46	1 174	369	897	5 540
At 31 December 2009	<b>2 541</b>	<b>18 959</b>	<b>1 295</b>	<b>24</b>	<b>2 428</b>	<b>281</b>	<b>435</b>	<b>25 963</b>

The land and buildings consists of Erf 135, which property has been pledged as security to Investec Bank Limited. Refer to note 27.20.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	Goodwill	Other intangible assets	Total
<b>13 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Balance at 31 December 2007	11 215	–	11 215
Acquisitions – trading divisions	53 876	20 569	74 445
Acquisitions – through business combinations	10 505	–	10 505
Balance at 31 December 2008	75 596	20 569	96 165
Transfers	<b>(4 500)</b>	<b>4 500</b>	<b>–</b>
Deferred tax effect on intangible asset	<b>1 260</b>	<b>–</b>	<b>1 260</b>
<b>Balance at 31 December 2009</b>	<b>72 356</b>	<b>25 069</b>	<b>97 425</b>
<b>Accumulated amortisation and impairment</b>			
Balance at 31 December 2007	–	–	–
Amortisation	–	(10 285)	(10 285)
Balance at 31 December 2008	–	(10 285)	(10 285)
Amortisation	–	<b>(13 534)</b>	<b>(13 534)</b>
Impairment	<b>(32 920)</b>	<b>–</b>	<b>(32 920)</b>
<b>Balance at 31 December 2009</b>	<b>(32 920)</b>	<b>(23 819)</b>	<b>(56 739)</b>
<b>Carrying amounts</b>			
At 31 December 2007	11 215	–	11 215
At 31 December 2008	75 596	10 284	85 880
At 31 December 2009	<b>39 436</b>	<b>1 250</b>	<b>40 686</b>

In assessing value in use the expected future pre-tax cash flows from the Vunani Treasury Resources and Vunani Corporate Finance business units are 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 these business units.

Figures in Rand 000's	2009	2008
<b>14 INVESTMENT PROPERTY</b>		
Balance at beginning of year	<b>817 132</b>	700 935
Transfer to property, plant and equipment	<b>(24 084)</b>	–
Transfers from inventory	<b>2 278</b>	32 926
Additions	<b>11 692</b>	165 571
Disposals	–	(12 490)
Fair value adjustments	<b>(8 878)</b>	(72 713)
Operating lease – straight-lining	<b>2 258</b>	2 903
Balance at the end of the year	<b>800 398</b>	817 132

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 14 INVESTMENT PROPERTY (continued)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains non-cancellable periods of between three and 10 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

#### Details of valuation

The effective date of revaluations was 31 December 2009. Revaluations are performed annually. Independent valuers are used in alternate years. In the current year the revaluations were performed internally by Vunani Properties. It is the Group's policy to revalue properties that have been owned for longer than a year. The value of properties owned for less than a year is deemed to approximate cost. In determining the value for fair value purposes, the traditional discounted cashflow ("DCF") method of valuation has been used. The discount and exit capitalisation rates are determined by reference to comparable sales and appropriate surveys prepared by RODE and benchmarked against other comparable valuations after consultation with experienced and informed people in the property industry, including other valuers, brokers and investors. The discount and capitalisation rates are dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenant and the risk inherent in the property.

The investment property at 14 Loop Street (Erf 1570 – 1574) with a cost of R2,278 million has been pledged as security to Standard Bank of South Africa Limited.

A register of investment property is available for inspection at the registered office of the Company.

Figures in Rand 000's

	2009	2008
<b>15 INVESTMENTS IN ASSOCIATES</b>		
Cost of investment in associate companies	177 683	166 434
Impairment against investment in associate	(17 418)	(10 981)
	160 265	155 453
Prior years equity accounted earnings	21 648	17 612
Current year equity accounted earnings	20 419	17 729
/less: Dividends received from associate company during the year	(9 020)	(13 693)
Post acquisition equity earnings	33 047	21 648
Loans to associates	52 500	28 976
Balance at the end of the year	245 812	206 077

The loans to associates are unsecured, interest free and are repayable on demand. The Group does not intend to demand repayment of these loans for the foreseeable future.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**15 INVESTMENTS IN ASSOCIATES (continued)**

Figures in Rand 000's

	Effective ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
<b>for the year ended 31 December 2009</b>							
Basfour 558 (Proprietary) Limited	31,2%	-	-	-	(1)	-	(1)
Baycove Developments (Proprietary) Limited	35,1%	32	-	32	(45)	-	(45)
Baycove Properties 2 (Proprietary) Limited	35,1%	8 090	-	8 090	(373)	(191)	(564)
Blue Age Properties 61 (Proprietary) Limited	26,0%	20	3 472	3 492	(3 622)	-	(3 622)
Cape Gannet Properties 242 (Proprietary) Limited	39,0%	3 210	-	3 210	(3 171)	-	(3 171)
Civils 2000 Holdings (Proprietary) Limited	20,4%	109 772	142 335	252 107	(237 717)	(7 872)	(245 589)
Edge Holdings (Proprietary) Limited	45,0%	27 948	16 241	44 189	(1 839)	-	(1 839)
Glenhove Fund Managers (Proprietary) Limited	29,6%	1 940	3 241	5 181	(4 699)	-	(4 699)
Greenstone Hill Office Park (Proprietary) Limited	31,2%	12 504	61 255	73 759	(1 399)	(51 809)	(53 208)
K & M Investments (Proprietary) Limited	39,0%	-	-	-	-	-	-
Kareebosch Estate (Proprietary) Limited	19,5%	-	-	-	(65)	-	(65)
Lexshell 638 Investments (Proprietary) Limited	39,0%	481	50 876	51 357	(3 637)	(37 327)	(40 964)
Loato Properties (Proprietary) Limited	31,6%	102	28 601	28 703	(4 527)	(26 202)	(30 729)
Amber Falcon Properties 131 (Proprietary) Limited	31,6%	-	-	-	-	-	-
Blue Moonlight Properties 248 (Proprietary) Limited	31,6%	1	-	1	(44)	-	(44)
Day Break Properties 81 (Proprietary) Limited	31,6%	-	-	-	-	-	-
Before Sunset Properties 37 (Proprietary) Limited	25,3%	1	-	1	(39)	-	(39)
Micawber 534 (Proprietary) Limited	47,6%	88	55 103	55 191	(10 577)	(61 859)	(72 436)
Mazars Moores Rowland Corporate Finance (Proprietary) Limited	25,0%	-	-	-	-	-	-
Orion Properties 14 (Proprietary) Limited	39,0%	28 474	13	28 487	(31 085)	-	(31 085)
Papillon In Flight (Proprietary) Limited	26,0%	-	-	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**15 INVESTMENTS IN ASSOCIATES (continued)**

Figures in Rand 000's

	Effective ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
<b>for the year ended 31 December 2009 (continued)</b>							
Royal Albatross Properties 379 (Proprietary) Limited	39,0%	12 902	–	12 902	(14 152)	–	(14 152)
Solethu Investments (Proprietary) Limited	15,3%	20 668	102 100	122 768	(23 205)	(35 010)	(58 215)
Solethu Civils Holdings (Proprietary) Limited	15,3%	1	45 000	45 001	(10 381)	(35 000)	(45 381)
RRL Holdings (Proprietary) Limited	15,3%	28 939	2 222	31 161	(1 478)	–	(1 478)
RRL Investments (Proprietary) Limited	15,3%	29 740	26	29 766	(4 928)	–	(4 928)
Street Spirit Trading 169 (Proprietary) Limited	19,5%	5 708	–	5 708	(5 754)	–	(5 754)
V - Correspond (Proprietary) Limited	40,0%	201	74	275	(1 811)	–	(1 811)
Vunani Private Equity Partners (Proprietary) Limited	25,0%	4 342	30	4 372	(1 394)	–	(1 394)
Wisdom of Africa (Proprietary) Limited	35,0%	–	–	–	–	–	–
		295 164	510 589	805 753	(365 943)	(255 270)	(621 213)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**15 INVESTMENTS IN ASSOCIATES (continued)**

Figures in Rand 000's	Effective ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
<b>for the year ended 31 December 2008</b>							
Basfour 558 (Proprietary) Limited	31,2%	-	54	54	-	-	-
Baycove Developments (Proprietary) Limited	35,1%	505	-	505	(503)	-	(503)
Baycove Properties 2 (Proprietary) Limited	35,1%	16 289	104	16 393	(2 322)	-	(2 322)
Blue Age Properties 61 (Proprietary) Limited	26,0%	431	3 416	3 847	(3 622)	-	(3 622)
Cape Gannet Properties 242 (Proprietary) Limited	39,0%	83	2 929	3 012	(412)	-	(412)
Capital Land Asset Management (Proprietary) Limited	33,3%	-	-	-	-	-	-
Capital Land Development (Proprietary) Limited	26,0%	279	576	855	(1 298)	-	(1 298)
Edge Holdings (Proprietary) Limited	45,0%	19 972	26 242	46 214	(10 557)	-	(10 557)
Glenhove Fund Managers (Proprietary) Limited	29,6%	153	4 421	4 574	(714)	(449)	(1 163)
Greenstone Hill Office Park (Proprietary) Limited	31,2%	46 072	8 221	54 293	(822)	(5 549)	(6 371)
K & M Investments (Proprietary) Limited	39,0%	1	28 849	28 850	(22 513)	(4 242)	(26 755)
Kareebosch Estate (Proprietary) Limited (Previously 8 Mile Investments (Proprietary) Limited)	19,5%	9	21	30	(87)	-	(87)
Lexshell 638 Investments (Proprietary) Limited	29,0%	15 059	29	15 088	(3 233)	(12 014)	(15 247)
Loato Properties (Proprietary) Limited	31,6%	78	25 000	25 078	(4 448)	(23 592)	(28 040)
Amber Falcon Properties 131 (Proprietary) Limited	31,6%	-	-	-	-	-	-
Blue Moonlight Properties 248 (Proprietary) Limited	31,6%	1	-	1	-	-	-
Day Break Properties 81 (Proprietary) Limited	31,6%	-	-	-	-	-	-
Before Sunset Properties 37 (Proprietary) Limited	25,3%	1	-	1	-	-	-
Micawber 534 (Proprietary) Limited	47,6%	155	75 150	75 305	(9 067)	(65 190)	(74 257)
Mazars Moores Rowland Corporate Finance (Proprietary) Limited	25,0%	3 442	3 000	6 442	(645)	(5 267)	(5 912)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**15 INVESTMENTS IN ASSOCIATES (continued)**

Figures in Rand 000's	Effective ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
<b>for the year ended 31 December 2008 (continued)</b>							
Orion Properties 14 (Proprietary) Limited	39,0%	31 631	13	31 644	(6 590)	(25 080)	(31 670)
Papillon In Flight (Proprietary) Limited	26,0%	7 659	5 972	13 631	(5 936)	-	(5 936)
Rudian Investments (Proprietary) Limited	26,0%	-	-	-	-	-	-
Royal Albatross Properties 379 (Proprietary) Limited	39,0%	12 132	38	12 170	(2 952)	(9 313)	(12 265)
Solethu Investments (Proprietary) Limited	30,0%	-	-	-	-	-	-
RRL Holdings (Proprietary) Limited	30,0%	-	-	-	-	-	-
RRL Investments (Proprietary) Limited	30,0%	-	-	-	-	-	-
Sponges Holdings (Proprietary) Limited	29,0%	-	-	-	-	-	-
Street Spirit Trading 169 (Proprietary) Limited	19,5%	201	74	275	(5 754)	-	(5 754)
V - Correspond (Proprietary) Limited	40,0%	204	70	274	-	-	-
Vunani Private Equity Partners (Proprietary) Limited	25,0%	7 715	32	7 747	(1 875)	-	(1 875)
Waterstone Park Development Company (Proprietary) Limited	33,3%	2 162	15 865	18 027	(9 153)	(2 162)	(11 315)
Wisdom of Africa (Proprietary) Limited	35,0%	-	-	-	-	-	-
Other	-	-	-	-	(1 671)	-	(1 671)
		164 234	200 076	364 310	(94 174)	(152 858)	(247 032)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

#### 15 INVESTMENTS IN ASSOCIATES (continued)

Figures in Rand 000's

##### for the year ended 31 December 2009

	Revenue	Profit/ (loss)	Cost of investment	Loans to asso- ciates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
Basfour 558 (Proprietary) Limited	-	(21)	*	-	-	-	-
Baycove Developments (Proprietary) Limited	641	(15)	*	17	-	-	17
Baycove Properties 2 (Proprietary) Limited	-	(566)	*	(104)	-	3 387	3 283
Blue Age Properties 61 (Proprietary) Limited	-	(50)	*	1 248	-	-	1 248
Cape Gannet Properties 242 (Proprietary) Limited	3 420	30	*	363	-	20	383
Capital Land Asset Management (Proprietary) Limited	-	-	*	-	-	-	-
Capital Land Development (Proprietary) Limited	-	(203)	*	-	-	-	-
Civils 2000 Holdings (Proprietary) Limited	289 141	6 508	4	24 996	-	1 389	26 389
Edge Holdings (Proprietary) Limited	73 171	30 533	165 619	-	-	8 340	173 959
Fairview Cheese Company (Proprietary) Limited	-	-	*	-	-	-	-
Glenhove Fund Managers (Proprietary) Limited	2 503	(2 061)	1 150	1 025	-	(1 055)	1 120
Greenstone Hill Office Park (Proprietary) Limited	33 348	22 481	*	57	-	8 221	8 278
Intelleca Voice and Mobile (Proprietary) Limited	-	-	*	-	-	-	-
K & M Investments (Proprietary) Limited	-	-	*	-	-	-	-
Kareebosch Estate (Proprietary) Limited	-	(8)	*	50	-	-	50
Lexshell 638 Investments (Proprietary) Limited	2 220	10 554	*	-	-	5 197	5 197
Loato Properties (Proprietary) Limited	-	936	*	3 547	(3 547)	1 765	1 765
Amber Falcon Properties 131 (Proprietary) Limited	-	-	*	-	-	-	-
Blue Moonlight Properties 248 (Proprietary) Limited	-	(16)	*	-	-	-	-
Day Break Properties 81 (Proprietary) Limited	-	-	*	-	-	-	-
Before Sunset Properties 37 (Proprietary) Limited	-	(11)	*	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**15 INVESTMENTS IN ASSOCIATES (continued)**

Figures in Rand 000's	Revenue	Profit/ (loss)	Cost of investment	Loans to asso- ciates	Impairments	Cumulative equity earnings net of dividends	Net carrying amount
<b>for the year ended 31 December 2009 (continued)</b>							
Micawber 534 (Proprietary) Limited	-	(18 294)	*	5 063	-	(8 212)	(3 149)
Mazars Moores Rowland Corporate Finance (Proprietary) Limited	-	-	25	1 033	-	-	1 058
Orion Properties 14 (Proprietary) Limited	-	(2 572)	*	4 087	-	-	4 087
Papillon In Flight (Proprietary) Limited	-	(1 488)	3 191	-	(3 191)	3 459	3 459
Qlinisile (Proprietary) Limited	-	-	*	-	-	-	-
Royal Albatross Properties 379 (Proprietary) Limited	-	(1 154)	711	2 390	-	(625)	2 476
Rudian Investments (Proprietary) Limited	-	-	*	-	-	-	-
Solethu Investments (Proprietary) Limited	125	(159)	3 583	-	-	10 492	14 075
Solethu Civils Holdings (Proprietary) Limited	-	(380)	*	-	-	-	-
RRL Holdings (Proprietary) Limited	5 833	28 753	*	-	-	-	-
RRL Investments (Proprietary) Limited	243	301	*	-	-	-	-
Sponges Holdings (Proprietary) Limited	-	-	*	2 197	(2 197)	-	-
Street Spirit Trading 169 (Proprietary) Limited	-	(45)	*	1 438	-	-	1 438
V - Correspond (Proprietary) Limited	-	-	*	1 906	(1 906)	-	-
Vunani Private Equity Partners (Proprietary) Limited	11 519	5 672	*	-	-	669	669
Waterstone Park Development Company (Proprietary) Limited	5 851	1 004	*	-	-	-	-
Wisdom of Africa (Proprietary) Limited	-	-	3 400	3 177	(6 577)	-	-
Other	-	-	*	10	-	-	10
	<b>428 015</b>	<b>79 729</b>	<b>177 683</b>	<b>41 673</b>	<b>(6 591)</b>	<b>33 047</b>	<b>245 812</b>

\* less than R1 000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

#### 15 INVESTMENTS IN ASSOCIATES (continued)

Figures in Rand 000's	Revenue	Profit/ (loss)	Cost of investment	Loans to associates	Impair- ments	Cumulative equity earnings net of dividends	Carrying amount
<b>for the year ended 31 December 2008</b>							
Basfour 558 (Proprietary) Limited	–	–	*	–	–	21	21
Baycove Developments (Proprietary) Limited	7 552	2	*	3	–	1	4
Baycove Properties 2 (Proprietary) Limited	16 479	13 904	*	–	–	6 777	6 777
Blue Age Properties 61 (Proprietary) Limited	–	(80)	*	1 384	–	(27)	1 357
Cape Gannet Properties 242 (Proprietary) Limited	342	(17)	*	333	–	89	422
Capital Land Asset Management (Proprietary) Limited	–	–	*	–	–	–	–
Capital Land Development (Proprietary) Limited	–	(1 377)	*	242	–	(242)	–
Edge Holdings (Proprietary) Limited	47 030	17 537	153 470	–	–	(1 329)	152 141
Glenhove Fund Managers (Proprietary) Limited	3 262	(7 142)	1 150	–	–	(445)	705
Greenstone Hill Office Park (Proprietary) Limited	86 387	(1 890)	*	–	–	4 068	4 068
K & M Investments (Proprietary) Limited	3 240	267	*	1 890	–	2 149	4 039
Lexshell 638 Investments (Proprietary) Limited	–	72	*	1 570	–	(80)	1 490
Loato Properties (Proprietary) Limited	–	(2 293)	*	3 468	(3 468)	2 041	2 041
Amber Falcon Properties 131 (Proprietary) Limited	–	–	*	–	–	–	–
Blue Moonlight Properties 248 (Proprietary) Limited	–	–	*	–	–	–	–
Day Break Properties 81 (Proprietary) Limited	–	–	*	–	–	–	–
Before Sunset Properties 37 (Proprietary) Limited	–	–	*	–	–	–	–
Micawber 534 (Proprietary) Limited	–	(969)	*	4 338	–	995	5 333
Mazars Moores Rowland Corporate Finance (Proprietary) Limited	4 719	(87)	25	–	–	135	160
Orion Properties 14 (Proprietary) Limited	–	(6)	*	2 986	–	(13)	2 973

\* less than R1 000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**15 INVESTMENTS IN ASSOCIATES (continued)**

Figures in Rand 000's	Revenue	Profit/ (loss)	Cost of investment	Loans to associates	Impairments	Cumulative equity earnings net of dividends	Carrying amount
<b>for the year ended 31 December 2008 (continued)</b>							
Pacific Eagle Properties (Proprietary) Limited	–	–	*	–	–	–	–
Papillon In Flight (Proprietary) Limited	25 072	7	3 191	–	–	139	3 330
Royal Albatross Properties 379 (Proprietary) Limited	–	(96)	711	1 499	–	(48)	2 162
Rudian Investments (Proprietary) Limited	–	–	*	–	–	416	416
Solethu Investments (Proprietary) Limited	–	–	–	–	–	–	–
Solethu Civils Holdings (Proprietary) Limited	–	–	*	–	–	–	–
RRL Holdings (Proprietary) Limited	–	–	4 487	–	–	–	4 487
RRL Investments (Proprietary) Limited	–	–	*	–	–	–	–
Sponges Holdings (Proprietary) Limited	–	–	*	2 197	(2 197)	2 693	2 693
Street Spirit Trading 169 (Proprietary) Limited	–	–	*	1 438	–	–	1 438
V - Correspond (Proprietary) Limited	167	(33)	*	1 916	(1 916)	1 109	1 109
Vunani Private Equity Partners (Proprietary) Limited	11 264	5 872	*	–	–	1 468	1 468
Waterstone Park Development Company (Proprietary) Limited	7 810	5 559	*	2 500	–	3 901	6 401
Wisdom of Africa (Proprietary) Limited	–	–	3 400	3 177	(3 400)	(3 177)	–
Wolfsberg Arch Investment (Proprietary) Limited	72	(1 155)	–	–	–	1 042	1 042
Other	–	–	–	35	–	(35)	–
	<b>213 396</b>	<b>28 075</b>	<b>166 434</b>	<b>28 976</b>	<b>(11 060)</b>	<b>21 648</b>	<b>206 077</b>

\* less than R1 000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

#### 15 INVESTMENTS IN ASSOCIATES (continued)

All associates are incorporated in the Republic of South Africa. The carrying amounts of associates are shown net of impairment losses. The Group cannot withdraw cash from the associates until such time as the funding to the associates has been repaid.

The following associates have different year ends to the Group, and are equity accounted on the basis of the associates' December management accounts:

Edge Holdings (Proprietary) Limited  
Glenhove Fund Managers (Proprietary) Limited  
K & M Investments (Proprietary) Limited  
Papillon In Flight (Proprietary) Limited  
Rudian Investments (Proprietary) Limited  
Vunani Private Equity Partners (Proprietary) Limited  
Mazars Moores Rowland Corporate Finance (Proprietary) Limited

The Group has accounted for losses incurred by associates to the extent of investments made. The Group has not recognised losses relating to the following associates in 2009, since the Group has no obligation in respect of these losses:

Figures in Rand 000's

#### Associates

Basfour 554 (Proprietary) Limited	6
Baycove Developments (Proprietary) Limited	43
Blue Age Properties 61 (Proprietary) Limited	16
Kareebosch Estate (Proprietary) Limited	1 299
Orion Properties 14 (Proprietary) Limited	11
Street Spirit Trading (Proprietary) Limited	1 375

\*less than R1 000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**16 OTHER INVESTMENTS**

	Number of shares/ % holding	Investments		Fair value	Debt	Related debt secured by underlying investment companies	Secured by Group companies
		Listed	Unlisted				
<b>Figures in Rand 000's</b>							
<b>for the year ended 31 December 2009</b>							
<b>Vunani Limited</b>							
African Legends Limited	2,2 m	-	*	*	-	-	-
Nqoba Gaming (Proprietary) Limited	17,5 %	-	*	*	-	-	-
Qphoto Investment	11,0 %	-	*	*	-	-	-
Gidani(Proprietary) Limited	13,0 %	-	62 350	62 350	-	-	-
Respiratory Care Africa (Proprietary) Limited	1,0 %	-	1 432	1 432	-	-	-
General trading portfolios	Various	2 888	-	2 888	-	-	-
BSI Limited	50,0 m	30 000	-	30 000	(55 677)	-	(55 677)
Esor Limited	10,0 m	36 500	-	36 500	-	-	-
Workforce Holdings Limited	42,9 m	15 015	-	15 015	(13 009)	-	(13 009)
Brikor Limited	0,1 m	25	-	25	-	-	-
Interwaste Holdings Limited	2,3 m	1 157	-	1 157	-	-	-
Lexshell 630 (Proprietary) Limited – Peregrine Quant (Proprietary) Limited	0,1 m	-	14 296	14 296	-	-	-
Sanski Investments 52 (Proprietary) Limited – Iliad Africa Limited	1,4 m	13 332	-	13 332	(12 056)	(12 056)	-
Rapicorp 59 (Proprietary) Limited – Peregrine Holdings Limited	15,0 m	166 802	-	166 802	(117 716)	(117 716)	-
Camden Bay Investments 2 (Proprietary) Limited – Wesizwe Platinum Limited	29,8 m	62 798	-	62 798	(53 567)	(53 567)	-
Georgia Avenue Investments (Proprietary) Limited – Interwaste Holdings Limited	47,5 m	30 875	-	30 875	(30 704)	(24 563)	(6 141)
Anchor Park Investment 42 (Proprietary) Limited – Brikor Limited	130,0 m	22 100	-	22 100	(124 109)	(22 100)	(102 009)
Wonderwall Investments 16 (Proprietary) Limited – PSV Limited	55,0 m	18 150	-	18 150	(16 573)	(16 573)	-
Anchor Park Investments 81 (Proprietary) Limited – Basil Read Limited	5,6 m	73 314	-	73 314	(311 851)	(73 314)	(238 537)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**16 OTHER INVESTMENTS (continued)**

Figures in Rand 000's

	Number of shares/ % holding	Investments		Fair value	Debt	Related debt Secured by underlying investment companies	Secured by Group companies
		Listed	Unlisted				
<b>for the year ended 31 December 2009 (continued)</b>							
Pacific Heights Investment 118 (Proprietary) Limited	8,0 m	57 200	-	57 200	(51 835)	(51 835)	-
- Redefine Income Fund Limited	5,7 m	2 794	-	2 794	(2 721)	(2 721)	-
Aquarella Investments (Proprietary) Limited – Buildworks Limited	20,4 %	-	4 995	4 995	-	-	-
Pahana Investments 93 (Proprietary) Limited – Civils 2000 Holdings (Proprietary) Limited	6,8 %	-	608	608	-	-	-
Waterstone Park Development Company (Proprietary) Limited	-	-	333	333	-	-	-
Other		532 950	84 014	616 964	(789 818)	(374 445)	(415 373)
<b>Disclosed as:</b>							
<b>Non-current</b>		488 743	84 014	572 757	(747 058)	(337 826)	(409 232)
<b>Current**</b>		44 207	-	44 207	(42 760)	(36 619)	(6 141)

\* less than R1 000

\*\* The proceeds on the disposal of the investment will be utilised to settle the corresponding liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**16 OTHER INVESTMENTS (continued)**

Figures in Rand 000's	Number of shares/ % holding	Investments		Fair value	Debt	Related debt	
		Listed	Unlisted			Secured by underlying investment companies	Secured by Group companies
<b>for the year ended 31 December 2008</b>							
<b>Vunani Limited</b>							
African Legends Limited	2,2 m	-	1 870	1 870	-	-	-
Nqoba Gaming (Proprietary) Limited	17,5 %	-	155	155	-	-	-
Ophoto Investment	11,0 %	-	-	-	-	-	-
Gidani (Proprietary) Limited	13,0 %	-	71 666	71 666	-	-	-
Respiratory Care Africa (Proprietary) Limited	1,0 %	-	286	286	-	-	-
General trading portfolios	Various	1 029	-	1 029	-	-	-
BSI Limited	50,0 m	42 500	-	42 500	(57 097)	-	(57 097)
JSE Limited	0,5 m	20 095	-	20 095	-	-	-
Alert Limited	17,5 m	12 600	-	12 600	-	-	-
Esor Limited	10,0 m	33 199	-	33 199	-	-	-
Workforce Holdings Limited	42,9 m	14 586	-	14 586	(24 000)	-	(24 000)
Brikor Limited	0,1 m	16	-	16	-	-	-
Interwaste Holdings Limited	2,3 m	1 157	-	1 157	-	-	-
Placecol Holdings Limited	1,9 m	101	-	101	-	-	-
BESA Limited	0,0 m	-	105	105	-	-	-
Lexshell 630 (Proprietary) Limited – Peregrine Quant (Proprietary) Limited	0,1 m	-	19 066	19 066	-	-	-
Sanski Investments 52 (Proprietary) Limited – Iliad Africa Limited	1,4 m	10 685	-	10 685	(9 219)	(9 219)	-
Rapicorp 59(Proprietary) Limited – Peregrine Holdings Limited	15,0 m	124 726	-	124 726	(78 262)	(78 262)	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

#### 16 OTHER INVESTMENTS (continued)

	Number of shares/ % holding	Investments		Fair value	Debt	Related debt	
		Listed	Unlisted			Secured by underlying investment companies	Secured by Group companies
Figures in Rand,000's							
<b>for the year ended 31 December 2008 (continued)</b>							
Camden Bay Investments 2 (Proprietary) Limited	29,8 m	59 524	-	59 524	(47 676)	(47 676)	-
- Wesizwe Platinum Limited							
Georgia Avenue Investments (Proprietary) Limited	47,5 m	38 000	-	38 000	(39 966)	(31 973)	(7 993)
- Interwaste Holdings Limited							
Anchor Park Investment 42 (Proprietary) Limited	130,0 m	45 500	-	45 500	(103 938)	(26 677)	(77 261)
- Brikor Limited							
Wonderwall Investments 16 (Proprietary) Limited	55,0 m	30 250	-	30 250	(22 320)	(22 320)	-
- PSV Limited							
African Dune Investments 183 (Proprietary) Limited	50,0 m	11 049	-	11 049	-	-	-
- Kaydav Limited							
Anchor Park Investments 81 (Proprietary) Limited	18,1 m	77 945	-	77 945	(301 624)	(78 933)	(222 690)
- TWP Limited							
Pacific Heights Investment 118 (Proprietary) Limited	8,0 m	50 000	-	50 000	(46 909)	(46 909)	-
- Redefine Income Fund Limited							
Aquarella Investments (Proprietary) Limited	5,7 m	3 249	-	3 249	(3 105)	(3 105)	-
- Buildworks Limited							
<b>Non-current assets</b>		576 211	93 148	669 359	(734 116)	(345 074)	(389 041)
Disclosed as:							
Non-current		395 680	93 148	488 828	(247 457)	(239 464)	(7 993)
Current		180 531	-	180 531	(486 659)	(105 610)	(381 048)

#### Notes:

\* The unlisted investments are fair valued annually by the directors. The method used in valuing the Asset management businesses are based on funds under management and the Operating businesses are valued using the discounted cash flow method.

The listed investments' value are determined with reference to the market value of the share price at year-end. Both the listed and unlisted investments are designated at fair value through profit or loss.

The debt related to the investments are measured at fair value as reflected in note 8 and note 27. Debt at fair value includes capitalised interest and attributable profit participation. Details of the debts are detailed in note 27.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's		Holding		Issued share capital	
		2009	2008	2009	2008
<b>17</b>	<b>INVESTMENTS IN SUBSIDIARIES</b>				
	<b>Name of company</b>				
	Vunani Capital (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Securities (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Capital Markets (Proprietary) Limited	100,0%	100,0%	50	50
	Vector Equities (Proprietary) Limited	100,0%	100,0%	1 309	*
	Vunani Properties (Proprietary) Limited	78,0%	78,0%	*	*
	<b>Indirect subsidiaries</b>				
	Vunani Capital (Proprietary) Limited (100% holding)				
	African Dune Investments 183 (Proprietary) Limited	100,0%	100,0%	*	*
	African Partnership Management Company (Proprietary) Limited	100,0%	100,0%	*	*
	Anchor Park Investments 42 (Proprietary) Limited	100,0%	100,0%	*	*
	Anchor Park Investments 81 (Proprietary) Limited	100,0%	100,0%	*	*
	Aquarella Investments 507 (Proprietary) Limited	100,0%	100,0%	*	*
	Before the Wind Investments 244 (Proprietary) Limited	50,0%	50,0%	*	*
	Lucretius Investments Holdings (Proprietary) Limited	50,0%	50,0%	*	*
	Blue Lounge Trading 124 (Proprietary) Limited	100,0%	0,0%	*	–
	Drees & Sommer (Proprietary) Limited	100,0%	100,0%	*	*
	Eagle Creek Investments 651 (Proprietary) Limited	100,0%	100,0%	*	*
	Pahana Investments 93 (Proprietary) Limited	51,0%	0,0%	*	–
	Evening Shade Properties 54 (Proprietary) Limited	100,0%	100,0%	*	*
	Getgood Investments (Proprietary) Limited	100,0%	100,0%	*	*
	Hyrode Investments (Proprietary) Limited	100,0%	100,0%	19 956	19 956
	Imvuno Fund Managers (Proprietary) Limited	55,0%	0,0%	*	–
	Lexshell 630 Investments (Proprietary) Limited	100,0%	100,0%	*	*
	Mayborn Investments 17 (Proprietary) Limited	100,0%	100,0%	*	*
	Newshelf 413 (Proprietary) Limited	100,0%	100,0%	*	*
	Northern Ocean Investments (Proprietary) Limited	100,0%	100,0%	*	*
	Onaghan Investments 20 (Proprietary) Limited	100,0%	100,0%	*	*
	Rapicorp 59 (Proprietary) Limited	100,0%	100,0%	1	1
	Southern Palace Investments 359 (Proprietary) Limited	100,0%	100,0%	*	*
	Tutuni Investments (Proprietary) Limited	100,0%	0,0%	*	–
	Vunani Mining (Proprietary) Limited	100,0%	0,0%	*	–
	Vunani Asset Consulting Services (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Corporate Finance (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Energy (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Bunkers (Proprietary) Limited	51,0%	51,0%	*	*
	Vunani Finance (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Financial Solutions (Proprietary) Limited	100,0%	100,0%	*	–
	Vunani Metals and Minerals (Proprietary) Limited	100,0%	100,0%	1	1
	Camden Bay Investments 2 (Proprietary) Limited	100,0%	100,0%	*	*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's		Holding		Issued share capital	
		2009	2008	2009	2008
<b>17</b>	<b>INVESTMENTS IN SUBSIDIARIES (continued)</b>				
	<b>Indirect subsidiaries (continued)</b>				
	Vunani Resources (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Resources 2 (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Sponsors (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Treasury Resources (Proprietary) Limited	100,0%	100,0%	*	*
	Wonderwall Investments (Proprietary) Limited	100,0%	100,0%	1	1
	Vunani Equity Partners (Proprietary) Limited	70,0%	70,0%	*	*
	Vunani Portfolio Solutions (Proprietary) Limited	70,0%	70,0%	*	*
	Integrated Managed Investments (Proprietary) Limited	51,0%	51,0%	*	*
	Spaciros (Proprietary) Limited	51,0%	51,0%	*	*
	Sanski Investments 52 (Proprietary) Limited	50,0%	50,0%	*	*
	Georgia Avenue Investments 32 (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Mining and Resources (Proprietary) Limited	75,0%	0,0%	*	–
	Quintofoor Investments (Proprietary) Limited	100,0%	0,0%	*	–
	Pacific Heights Investments 118 (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Properties (Proprietary) Limited (78% holding)				
	Amber Falcon Properties 107 (Proprietary) Limited	100,0%	100,0%	*	*
	Cedar Park Properties 31 (Proprietary) Limited	100,0%	100,0%	*	*
	Double Peak Properties 70 (Proprietary) Limited	100,0%	100,0%	*	*
	One Vision Investments 54 (Proprietary) Limited	100,0%	100,0%	*	*
	Pacific Eagle Properties 204 (Proprietary) Limited	100,0%	100,0%	*	*
	Selectria Investments 49 (Proprietary) Limited	100,0%	100,0%	*	*
	Southern Spirit Properties 142 (Proprietary) Limited	100,0%	100,0%	*	*
	Sovereign Seeker Investments 30 (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Properties International (Proprietary) Limited	100,0%	0,0%	*	–
	Vunani Property Asset Managers (Proprietary) Limited	100,0%	100,0%	*	*
	Vunani Property Fund Management Trust	100,0%	100,0%	–	–
	Dreamworks Investments 125 (Proprietary) Limited	85,0%	85,0%	*	*
	Wolfsberg Arch Investments (Proprietary) Limited	51,0%	51,0%	*	*
	Vunani Property Investment Fund (Proprietary) Limited	50,0%	50,0%	143	143
	Vunani Property Investment Trust	100,0%	100,0%	–	–

\* less than R1 000

All subsidiaries are incorporated in the Republic of South Africa. The following subsidiaries are being consolidated as the Group has control through the board of directors of the companies and by agreement with our partners:

Sanski Investments 52 (Proprietary) Limited  
Before the Wind Investments 244 (Proprietary) Limited

The Group cannot withdraw cash from the subsidiaries until such time as the funding to the subsidiaries has been repaid.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>18 DEFERRED TAX</b>		
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Estimated tax losses	15 431	13 592
The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.		
<b>Recognised deferred tax liabilities</b>		
Fair value adjustments	(74 684)	(43 628)
Intangible assets	(350)	–
Trade and other receivables	118	(31)
Trade and other payables	(1 915)	(970)
Secondary tax on companies	(3 298)	–
Tax loss carry-forwards	53 276	20 216
	<b>(26 853)</b>	<b>(24 413)</b>
<b>Movement in temporary differences during the year</b>		
<b>Deferred tax liability</b>		
Deferred tax asset	99 196	24 517
Deferred tax liability	(126 049)	(48 930)
	<b>(26 853)</b>	<b>(24 413)</b>
Based on the forecast of taxable profits, we expect that the deferred tax asset will be utilised in full.		
<b>Reconciliation of deferred tax liability</b>		
Balance at the beginning of the year	(24 413)	(184 058)
Income statement movement	(1 180)	166 136
Business combination	(1 260)	(5 759)
Other	–	(732)
Balance at the end of the year	<b>(26 853)</b>	<b>(24 413)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>19 OTHER NON-CURRENT ASSETS</b>		
<b>Amortisation of initial direct costs of operating lease income</b>		
Balance at the beginning of the year	1 891	1 565
Additions	673	1 201
Amortisation (initial direct cost of operating lease income)	(169)	(875)
Balance at the end of the year	<b>2 395</b>	1 891
<b>20 INVENTORIES</b>		
Selectria Investments 49 (Proprietary) Limited (Blair Athol)	1	–
Southern Spirit Properties 142 (Proprietary) Limited (Hurlingham)	4 253	4 152
Vunani Properties (Proprietary) Limited (14 Loop Street)	–	2 254
Work in progress – Property developments held at lower of cost or net realisable value	<b>4 254</b>	6 406
<b>Reconciliation of work in progress</b>		
Balance at the beginning of the year	6 406	34 458
Expenses capitalised	303	56 971
Transfers to investment property	(2 278)	(32 926)
Transfers to cost of sales	(177)	(52 097)
Balance at the end of the year	<b>4 254</b>	6 406
No borrowing costs were capitalised to inventory during the current or previous year.		
<b>21 LOAN TO HOLDING COMPANY</b>		
Vunani Group (Proprietary) Limited	<b>29</b>	–
The loan to the holding company is unsecured, interest-free and has no fixed terms of repayment.		
<b>22 TRADE AND OTHER RECEIVABLES</b>		
Staff loans	59	637
Sundry accounts receivable	22 287	5 378
Impairment	(1 763)	(1 125)
	<b>20 583</b>	4 890
<b>Reconciliation of impairment</b>		
Balance at the beginning of the year	(1 125)	(1 059)
Utilised	858	872
Increase in impairment	(1 496)	(938)
Balance at the end of the year	<b>(1 763)</b>	(1 125)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008	2007
<b>23 ACCOUNTS RECEIVABLE FROM TRADING ACTIVITIES</b>			
Trading debtors as previously stated	33 539	159 592	150 108
Adjustment (refer note 29 and 41)	–	(66 107)	(102 215)
Trading debtors as restated	33 539	93 485	47 893
Prepaid expenses	627	1 474	–
	<b>34 166</b>	<b>94 959</b>	<b>47 893</b>

These amounts arise primarily from trading activities that the Group, through its subsidiary Vunani Securities (Proprietary) Limited, carries out on behalf of its clients. The amounts that are not provided for, are neither past due nor impaired. No provisions were released during the year.

Figures in Rand 000's	2009	2008
<b>24 TRADING SECURITIES</b>		
Trading securities receivable (held for trading)	249	456
Trading securities payable (held for trading)	(133)	–
	<b>116</b>	<b>456</b>
<b>25 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	10 299	37 588
Bank overdraft	(6 526)	–
Cash and cash equivalents in the statement of cash flows	<b>3 773</b>	<b>37 588</b>
<b>26 SHARE CAPITAL AND SHARE PREMIUM</b>		
<b>Authorised</b>		
10 000 000 000 (2008: 2 000 000 000) ordinary shares of R0,0001 each	1 000	200
99 000 redeemable preference shares of R0,01 each	1	1
	<b>1 001</b>	<b>201</b>
<b>Issued</b>		
<b>Reconciliation of number of shares issued (000s):</b>		
Reported at the beginning of the year	1 176 444	1 127 250
Purchase of treasury shares	–	(8 056)
Issue of shares	114 368	57 250
Shares held by share trust – now vested	49 750	–
	<b>1 340 562</b>	<b>1 176 444</b>
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.		
<b>Issued</b>		
1 340 562 216 (2008:1 234 250 000) ordinary shares at R0,0001 each	134	123
Treasury shares held by employee share trust	–	(6)
	<b>134</b>	<b>117</b>
Share premium	277 885	255 081
Treasury shares	–	(4 935)
	<b>278 019</b>	<b>250 263</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's		2009	2008
<b>27</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
	<b>Non-current liabilities</b>		
	Secured bank loans		
	Loans carried at fair value through profit or loss	562 828	522 008
	Loan capital and accrued interest	761 186	713 807
	Fair value adjustment	(261 190)	(189 677)
	Profit participation	62 832	27 878
	Loans carried at cost	538 821	245 329
	Debentures	100 228	397 307
	Redeemable preference shares	367 240	295 350
		<b>1 569 117</b>	<b>1 489 994</b>
	<b>Carried at fair value through profit or loss (FVTPL)</b>		
	<b>ABSA Bank Limited</b>		
<b>27.1</b>	Cumulative redeemable, participating (35% profit share) preference shares in Camden Bay Investments 2 (Proprietary) Limited with interest at 75% of prime, secured by the investment in Wesizwe Platinum Limited. The preference shares are redeemable on 1 April 2012	53 567	47 676
<b>27.2</b>	Cumulative redeemable participating preference shares in Rapicorp 59 (Proprietary) Limited with interest at 75% of prime, secured by the investment in Peregrine Holdings Limited, with the profit share ranging from 25% – 45% depending on the share price. The preference shares are redeemable on 1 March 2012	104 009	65 332
<b>27.3</b>	Cumulative redeemable participating preference shares in Vunani Capital (Proprietary) Limited attracting interest at 75% of prime and secured by the investment in Peregrine Holdings Limited. The preference shares are redeemable on 1 March 2012	13 707	12 930
	<b>Firefly Investments 61 (Proprietary) Limited</b>		
<b>27.4</b>	The loan in Aquarella Investments (Proprietary) Limited, has no fixed term of repayment, is secured by the investment in Buildworks Limited, and carries interest at prime and a profit participation of 80%	2 721	3 105
	<b>First National Bank Limited</b>		
<b>27.5</b>	Five year term loan issued on 1 February 2008 in Pacific Heights Investment 118 (Proprietary) Limited with interest equivalent to all dividend payments from Redefine Income Fund Limited and secured by the investment in Redefine Income Fund Limited, with a profit share of 23,33%	44 574	40 405
	<b>Investec Bank Limited</b>		
<b>27.6</b>	Renewable term loan in Anchor Park Investments 42 (Proprietary) Limited attracting interest at prime with a profit participation of 30% and secured by the investment in Brikor Limited. The loan is repayable on 31 October 2011	124 109	103 938
<b>27.7</b>	Seven year term loan in Wonderwall Investments 36 (Proprietary) Limited attracting interest at prime less 0.5% and secured by the investment in PSV Limited. The loan is repayable on 31 July 2014	16 573	22 320

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>27 OTHER FINANCIAL LIABILITIES (continued)</b>		
<b>Carried at fair value through profit or loss (FVTPL) (continued)</b>		
<b>Investec Bank Limited (continued)</b>		
<b>27.8</b> Renewable term loan in Anchor Park Investments 81 (Proprietary) Limited attracting interest at prime less 1% with a profit participation of 30% and secured by the investment in Basil Read Limited. The loan is repayable on 31 October 2011	<b>311 851</b>	301 624
<b>Standard Bank Limited</b>		
<b>27.9</b> Three year term loan secured by investment in BSI Limited and carries interest at prime and a 20% profit participation. The loan is repayable on 31 October 2011	<b>55 677</b>	57 097
<b>27.10</b> Five year term loan in Pacific Heights Investment 118 (Proprietary) Limited with 90% of loan attracting interest at 11,74% and the balance at a floating rate of prime less 1,5% and secured by the investment in Redefine Limited. The loan is repayable on 28 February 2013	<b>7 261</b>	6 504
<b>27.11</b> Three year term loan in Vunani Capital (Proprietary) Limited, attracting interest at prime and secured by the investment in Workforce Limited (prime for first two years and prime plus 3% for the last year). The loan is repayable on 31 October 2011	<b>13 009</b>	24 000
<b>Coronation Capital Limited</b>		
<b>27.12</b> Three year cumulative redeemable participating preference shares in Georgia Avenue Investments (Proprietary) Limited with interest at 70% of prime and is secured by the investment in Interwaste Limited, and entitled to a 50% profit share. The preference shares are redeemable on 15 June 2010	<b>30 704</b>	39 966
<b>27.13</b> Cumulative redeemable participating preference shares in Sanski Investments 52 (Proprietary) Limited with interest at 71% of prime less 1.5% and is secured by the investment in Iliad Africa Limited with a profit share of 50% and shall be repaid from the proceeds of the sale of the investment by no later than 1 May 2010	<b>12 056</b>	9 219
<b>Total carried at fair value through profit and loss</b>	<b>789 818</b>	734 116
<b>Carried at amortised cost</b>		
<b>ABSA Bank Limited</b>		
<b>27.14</b> Cumulative redeemable participating preference shares in Pahana Investments 93 (Proprietary) Limited attracting interest at a variable rate of JIBAR and treasury liquidity cost	<b>25 949</b>	–
Capital and interest are repayable from dividends and loan repayments received from Civils 2000 Holdings (Proprietary) Limited		
<b>AIG Limited</b>		
<b>27.15</b> Five year cumulative redeemable preference shares in Northern Ocean Investments 48 (Proprietary) Limited, with interest at 90% of prime and is secured by the investment in Edge Capital (Proprietary) Limited. The preference shares are redeemable on 20 June 2013	<b>41 318</b>	40 465

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### VUNANI LIMITED – GROUP

Figures in Rand 000's	2009	2008
<b>27 OTHER FINANCIAL LIABILITIES (continued)</b>		
<b>Carried at amortised cost (continued)</b>		
<b>Development Bank of South Africa</b>		
<b>27.16</b> Seven year redeemable, cumulative debentures in Vunani Capital (Proprietary) Limited, with interest at 13,75%. The debentures are redeemable on 30 September 2013.	<b>29 304</b>	25 866
<b>Grindrod Bank Limited</b>		
<b>27.17</b> Five year cumulative redeemable preference shares in Southern Palace Investments 359 (Proprietary) Limited, with interest at 75% of prime and is secured by the investment in Edge Capital (Proprietary) Limited. The preference shares are redeemable on 1 July 2011	<b>31 622</b>	32 312
<b>Hyprop Investments Limited</b>		
<b>27.18</b> Loan with no fixed terms of repayment in Vunani Property Investment Fund (Proprietary) Limited, with interest at JIBAR plus 3% and repayable on the 5th anniversary of the loan, October 2011	<b>7 355</b>	26 624
<b>27.19</b> Linked, 25 year debentures with no fixed interest rate in Vunani Property Investment Fund (Proprietary) Limited, redeemable in 2031	<b>70 924</b>	70 924
<b>Investec Bank Limited</b>		
<b>27.20</b> Mortgage bond over Athol Ridge Office Park in Vunani Property (Proprietary) Limited with fixed interest of 10,15%, repayable on 16 April 2011	<b>147 915</b>	140 669
<b>27.21</b> Mortgage bond over land and buildings in Cedar Park Properties 31 (Proprietary) Limited with fixed interest of 10,15%, repayable on 16 February 2011	<b>14 654</b>	18 033
<b>Rand Merchant Bank Limited</b>		
<b>27.22</b> Bond over Erf 562 Blair Athol extension 3 over land and buildings in Selectria Investments 49 (Proprietary) Limited with interest at bank facility rate less 0.35% repayable in 20 years, 12 January 2029	<b>2 754</b>	–
<b>Standard Bank Limited</b>		
<b>27.23</b> Five year renewable loan in Vunani Properties (Proprietary) Limited with interest fixed at 10,72% secured by the investment in Vunani Property Investment Fund (Proprietary) Limited, repayable on 25 December 2011	<b>40 627</b>	40 627
<b>27.24</b> Five year renewable loan in Vunani Properties (Proprietary) Limited with interest fixed at 10,72% secured by the investment in Vunani Property Investment Fund (Proprietary) Limited, repayable on 1 March 2012	<b>19 733</b>	19 733

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>27 OTHER FINANCIAL LIABILITIES (continued)</b>		
<b>Carried at amortised cost (continued)</b>		
<b>Standard Bank Limited (continued)</b>		
<b>27.25</b> Mortgage bond over land and buildings in Vunani Property Investment Trust with fixed interest of 10,72%, repayable 10 October 2013	<b>88 415</b>	88 415
<b>27.26</b> Mortgage bond over land and buildings in Vunani Property Investment Trust with fixed interest fixed of 10,15%, repayable on 21 July 2013	<b>99 418</b>	99 418
<b>27.27</b> Mortgage bond over land and buildings in Vunani Property Investment Trust at a variable interest rate, repayable 20 March 2013	<b>78 651</b>	78 651
<b>27.28</b> Mortgage bond over land and buildings in Vunani Property Investment Trust at a variable interest rate, repayable on 30 May 2013	<b>16 000</b>	16 000
<b>27.29</b> Mortgage bond over 14 Loop Street in Vunani Property (Proprietary) Limited with interest at prime less 1%, repayable on 24 November 2014	<b>22 312</b>	17 662
<b>27.30</b> Five year cumulative redeemable preference shares in Northern Ocean Investments 54 (Proprietary) Limited, with interest at 90% of prime and is secured by the investment in Edge Capital (Proprietary) Limited. The preference shares are redeemable on 20 June 2013	<b>41 318</b>	40 465
<b>Other financial liability</b>		
<b>27.31</b> Loans are unsecured, interest free and have no fixed term of repayment.	<b>1 030</b>	14
<b>Total carried at amortised cost</b>	<b>779 299</b>	755 878
<b>Total liabilities</b>	<b>1 569 117</b>	1 489 994
<b>Disclosed as:</b>		
<b>Current liabilities</b>	<b>43 746</b>	486 659
<b>Non-current liabilities</b>	<b>1 525 371</b>	1 003 335
<b>Carried at fair value through profit or loss (FVTPL)</b>		
Amount included in fair value due to own credit risk: (refer fair value loans only)	<b>275 607</b>	274 708

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's		2009	2008
<b>27</b>	<b>OTHER FINANCIAL LIABILITIES (continued)</b>		
	<b>Outstanding capital amount</b>		
	27.1 ABSA Bank Limited	100 400	100 400
	27.2 ABSA Bank Limited	104 709	104 709
	27.3 ABSA Bank Limited	12 441	12 441
	27.4 Firefly Investments 61 (Proprietary) Limited	7 410	7 410
	27.5 First National Bank Limited	46 400	46 400
	27.6 Investec Bank Limited	132 280	132 280
	27.7 Investec Bank Limited	29 640	29 640
	27.8 Investec Bank Limited	292 387	292 387
	27.9 Standard Bank Limited	44 607	44 607
	27.10 Standard Bank Limited	5 600	5 600
	27.11 Standard Bank Limited	13 009	24 000
	27.12 Coronation Capital Limited	47 500	47 500
	27.13 Coronation Capital Limited	8 965	8 965
	27.14 ABSA Bank Limited	25 000	–
		<b>870 348</b>	<b>856 339</b>

**Breach of loan covenants**

During the 2008 and 2009 financial years, loans relating to the investments in BSI, Workforce, Interwaste, Brikor and TWP were in breach of the respective debt covenant ratios, due to the decline in the listed prices of these underlying investments (refer note 16). The funders (being Standard Bank of South Africa, Investec Bank Limited and Coronation Capital Limited) have not instituted proceedings against the Group. However, subsequent to year-end, the Group raised R313,6 million by way of a clawback offer to all shareholders of which the proceeds were used to repay debt incurred by subsidiaries of Vunani Capital (Proprietary) Limited to Investec Bank.

A significant portion of the Group's financial assets will remain strategic investments in listed companies. These investments will continue to carry the risk associated with all quoted shares on the stock exchange. The Group minimises its risk by ring-fencing its debts with the underlying investments, thereby limiting the liability to the Group. As a result of Debt restructure certain sureties were severed or limited, therefore further minimising the Group's risk.

The funding of Brikor and TWP currently have surety from Vunani Limited. Accordingly, the commitment in terms of these sureties are included in note 35. In 2008, because these loans are in breach, the value of the sureties are provided in terms of IFRS and included in current liabilities, as shown above for the Company.

In terms of the articles of association the directors have unlimited borrowing powers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's		2009	2008
<b>28</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Sundry payables	39 577	72 825
	Accrued leave pay	1 455	5 323
	Accrued audit fees	1 947	1 651
		<b>42 979</b>	<b>79 799</b>

Figures in Rand 000's		2009	2008	2007
<b>29</b>	<b>ACCOUNTS PAYABLE FROM TRADING ACTIVITIES</b>			
	Accounts payable as previously stated	33 611	150 438	171 936
	Prior year restatement (refer note 41)	–	(66 107)	(102 215)
	Accounts payable	<b>33 611</b>	<b>84 331</b>	<b>69 721</b>

These amounts arise primarily from trading activities that the Group, through its stockbroking subsidiary Vunani Securities (Proprietary) Limited, carries out on behalf of its clients. Previously trading accounts receivable and payable from trading activities and cash held with JSE Trustees against client account balances were disclosed on a gross basis. This has been restated to reflect the legal right of set-off.

Figures in Rand 000's		2009	2008
<b>30</b>	<b>RETIREMENT BENEFITS</b>		
	<b>Defined contribution plan</b>		
	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 Pensions Fund Act of 1956.		
	The Group is under no obligation to cover any unfunded benefits.		
	Group contribution to such schemes	<b>4 311</b>	<b>4 187</b>

<b>31</b>	<b>SHARE BASED PAYMENTS</b>		
	Vunani Limited issued 750 shares, which represented 5% of its issued share capital, to the Vunani Capital Holdings Employee Share Plan Trust ("Trust") in 2006. Employees were granted units in the Trust which can be exchanged for shares in three years time. At the date of the share split and the rights issue before the listing these were increased to 49 750 000 shares.		
	The Group has a share-based compensation scheme where employees were issued units in a trust by the board and approved by the shareholders. These units entitled the recipient to shares in the Company upon vesting over a three year service period from May 2006.		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**31 SHARE BASED PAYMENTS (continued)**

**Terms and conditions of share option programme**

	Grant date	Vesting date	Exercise price per share (cents)
Issued May 2006	19 May 2006	19 May 2009	–
Forfeited August 2008	19 May 2006	19 May 2009	–
Reissued August 2008	15 Aug 2008	19 May 2009	–

**Disclosure of share option programme and replacement awards**

The number and weighted average exercise prices of share options is as follows:

	2009		2008	
	Number of shares	Weighted average exercise price (cents)	Number of shares	Weighted average exercise price (cents)
Balance at beginning of year	49 750	–	49 750	–
Forfeited during the year	–	–	(597)	–
Granted during the year	–	–	597	–
Exercised during the year	(49 750)	–	–	–
Balance at the end of the year	–	–	49 750	–
Weighted average remaining vesting period (months)	–	–	5	–

The fair value of shares granted during the year has been measured at the market price of the shares on grant date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>32 CASH GENERATED BY OPERATIONS</b>		
Loss before taxation	(153 233)	(948 005)
Adjusted for:		
Depreciation of property, plant and equipment	2 659	1 822
Amortisation of initial direct costs of operating lease income	169	706
Gain on disposal of investment properties	–	(13 408)
Loss on disposal of associates	3 139	7 842
Loss on disposal of other investments	21 851	3 981
Profit on disposal of property, plant and equipment	(28)	–
Impairments		
Goodwill	32 920	–
Investment in associates	6 437	–
Property, plant and equipment	3 219	–
Equity accounted earnings	(20 419)	(17 729)
Investment revenue	(16 876)	(17 552)
Finance income	(6 391)	(13 499)
Finance costs	199 746	201 505
Fair value adjustments	(42 867)	854 915
Other non-cash items	(81)	(4 102)
Movement in provisions	(1 080)	–
Share-based payments expense	3 825	–
Operating lease assets accrual	(2 258)	(2 903)
Amortisation of other intangible assets	13 534	10 285
Change in fair value of investment property	8 878	–
Cash generated by operations before changes in working capital	53 144	63 858
Changes in working capital:		
(Increase)/decrease in inventories	(126)	28 052
Decrease in trade and other receivables	45 100	6 919
Decrease/(increase) in trading securities	340	(587)
(Decrease)/increase in trade and other payables	(7 903)	68 910
Decrease in accounts payable from trading activities	(50 720)	(32 456)
Cash generated by operations	39 835	134 696
<b>33 TAX PAID</b>		
Balance at beginning of the year	(3 258)	(14 984)
Current tax charge	(4 368)	(2 254)
Balance at end of the year	1 396	3 258
	(6 230)	(13 980)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>34 BASIC AND HEADLINE EARNINGS PER SHARE</b>		
Basic loss per share (cents)	(13,2)	(60,7)
Diluted loss per share (cents)	(13,2)	(60,7)
Headline loss per share (cents)	(11,0)	(58,8)
Diluted headline loss per share (cents)	(11,0)	(58,8)
<b>Basic earnings per share</b>		
The calculation of basic loss per share at 31 December 2009 was based on the loss attributable to ordinary shareholders of R159,509 million (2008: R707,845 million), and a weighted average number of ordinary shares outstanding of 1,274 billion (2008: 1,167 billion), calculated as follows:		
<b>Weighted average number of ordinary shares (000's)</b>		
Issued ordinary shares at the beginning of the year	1 234 250	1 166 516
Effect of own shares held	(8 056)	–
Effect of shares issued	47 941	–
Weighted average number of ordinary shares at end of the year	<b>1 274 135</b>	<b>1 166 516</b>
<b>Headline loss</b>		
Loss as above	(167 720)	(707 845)
<b>Adjust for:</b>		
Revaluation of investment property		
Subsidiaries		
Gross revaluation	8 878	72 713
Deferred tax on revaluation	(2 493)	(20 360)
Non-controlling interest in revaluation	5 111	(31 854)
Associates		
Gross revaluation	(28 644)	–
Deferred tax on revaluation	7 540	–
Non-controlling interest in revaluation	13 724	–
Disposals of investment property		
Profit on disposal	(1 213)	(13 408)
Capital gains tax	145	1 877
Non-controlling interest in revaluation	(298)	7 015
Profit on disposal of associates		
(Loss)/profit on disposal	(228)	7 842
Tax	32	(2 196)
Non-controlling interest	43	
Goodwill		
Impaired	32 920	–
Non-controlling interest	(341)	–
Profit on disposal of non-trading assets		
Profit on disposal	(9 181)	–
Tax	1 285	–
	<b>(140 440)</b>	<b>(686 216)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
*for the year ended 31 December 2009*

**VUNANI LIMITED – GROUP**

Figures in Rand 000's	2009	2008
<b>35 COMMITMENTS</b>		
<b>Guarantees and sureties to funders</b>		
The Group has provided guarantees and sureties to funders of associates in the amount of R160,403 million (2008: R160,997 million). At 31 December 2009 the Group did not expect any liability to arise on these guarantees and sureties. The potential liability in terms of these guarantees and sureties depends on the value of the properties and equities that secure the underlying debt.		
<b>Operating leases – as lessee (expense)</b>		
Minimum lease payments due		
within one year	1 089	344
in second to fifth year inclusive	1 791	1 227
	<b>2 880</b>	<b>1 571</b>
Operating lease payments represent rentals payable by the Group for certain of its office properties and office equipment. Leases are negotiated for an average term of four years. Rentals on the office properties and office equipment escalate at an average rate of 9,5% per annum.		
<b>Operating leases – as lessor (income)</b>		
Minimum lease payments due		
within one year	79 291	56 968
in second to fifth year inclusive	119 205	92 730
later than five years	9 580	2 686
	<b>208 076</b>	<b>152 384</b>

Operating lease income represents rentals received by the Group for certain of its office properties. Leases are negotiated for an average term of four years. Rentals on the office properties escalate at an average rate of 9,5% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

#### 36 OPERATING SEGMENTS

The Group has two reportable segments being Financial services and Investment services, as described below, which are 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 CEO reviews internal management reports on at least a monthly basis.

All segments are located in South Africa. The costs associated with geographical reporting and information concerning products and services would be excessive and the necessary information is not available. There are no single major customers.

The following summary describes the operations in each of the Group's reportable segments:

for the year ended 31 December 2009

Figures in Rand 000's	Asset manage- ment	Invest- ment banking	Proper- ties	Financial services	Invest- ment services	Total
External revenues	6 361	35 938	104 142	146 441	(20 326)	126 115
Interest revenue	711	1 940	2 690	5 341	1 050	6 391
Interest expense	(12 214)	(14 028)	(78 332)	(104 574)	(95 172)	(199 746)
Depreciation	-	(1 931)	(728)	(2 659)	-	(2 659)
Amortisation – intangibles	-	(10 284)	(3 250)	(13 534)	-	(13 534)
<b>Reportable segment profit/(loss) after tax</b>	<b>5 534</b>	<b>(6 806)</b>	<b>(18 268)</b>	<b>(19 540)</b>	<b>(139 241)</b>	<b>(158 781)</b>
Equity accounted earnings	14 548	(15 404)	9 109	8 253	12 166	20 419
Other non-cash items:						
Impairment on assets	-	(1 998)	(4 770)	(6 768)	-	(6 768)
Reportable segment assets	156 884	5 384	37 284	199 552	1 702 703	1 902 255
Investment in associates	174 099	3 018	26 467	203 584	42 228	245 812
Capital expenditure	-	2 382	23 581	25 963	-	25 963
Reportable segment liabilities	(121 345)	(408 807)	-	(530 152)	(1 250 920)	(1 781 072)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**36 OPERATING SEGMENTS (continued)**  
for the year ended 31 December 2008

Figures in Rand 000's	Asset manage- ment	Invest- ment banking	Properties	Financial services	Invest- ment services	Total
External revenues	12 475	54 196	156 394	223 065	(854 915)	(631 850)
Interest revenue	468	7 318	981	8 767	4 732	13 499
Interest expense	(916)	(12 118)	(6 552)	(19 586)	(181 919)	(201 505)
Depreciation	–	(1 305)	(517)	(1 822)	–	(1 822)
Amortisation – intangibles	–	(10 285)	–	(10 285)	–	(10 285)
Reportable segment profit/(loss) after tax	6 099	21 075	61 340	88 514	(872 636)	(784 122)
Equity accounted earnings	5 421	615	11 693	17 729	–	17 729
Reportable segment assets	15 982	167 531	44 421	227 934	1 726 761	1 954 695
Investment in associates	152 141	21 743	32 193	206 077	–	206 077
Capital expenditure	–	1 517	1 676	3 193	–	3 193
Reportable segment liabilities	(165 745)	(160 356)	–	(326 101)	(1 380 211)	(1 706 312)

**Reconciliation of reportable segment revenues to the statement of comprehensive income**

Figures in Rand 000's	2009	2008
<b>Revenues</b>		
Total revenue for reportable segments	<b>126 115</b>	(631 850)
Comprises		
Revenue	<b>125 046</b>	223 065
Fair value adjustments and impairments	<b>1 069</b>	(854 915)
	<b>126 115</b>	(631 850)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

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## VUNANI LIMITED – GROUP

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### 37 RELATED PARTIES

#### Relationships

Ultimate holding Company/parent	Vunani Group (Proprietary) Limited*
Subsidiaries	Refer to note 17
Associates	Refer to note 15
Members of key management	Members of the Vunani Group executive team
Post employment provident fund	Employees

#### Subsidiaries

Vunani Capital (Proprietary) Limited  
Vunani Securities (Proprietary) Limited  
Vunani Resources (Proprietary) Limited  
Vunani Resources 2 (Proprietary) Limited  
Hyprop Investment Limited  
Associates  
Key management  
Directors  
Post employment provident fund

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**38 DIRECTORS EMOLUMENTS**

No loans were made to directors during the year under review. There were no material transactions with directors, other than the following:

Figures in Rand 000's	Directors' fees*	Salary	Employer contributions	Bonus	Share-based payments	Total
<b>for the year ended 31 December 2009</b>						
EG Dube	-	2 181	394	-	-	2 575
NM Anderson	-	1 274	263	-	-	1 537
CE Chimombe-Munyoro	-	828	189	-	831	1 848
BM Khoza	-	1 259	270	-	-	1 529
WG Frawley	-	1 283	217	-	831	2 331
G Nzalo	16	-	-	-	-	16
JR Macey	16	-	-	-	-	16
WC Ross	350	-	-	-	-	350
Dr B Khumalo	90	-	-	-	-	90
N Mazwi	90	-	-	-	-	90
<b>Total</b>	<b>562</b>	<b>6 825</b>	<b>1 333</b>	<b>-</b>	<b>1 662</b>	<b>10 382</b>
<b>for the year ended 31 December 2008</b>						
EG Dube	-	1 903	345	-	-	2 248
NM Anderson	-	1 089	230	-	-	1 319
CE Chimombe-Munyoro	-	675	156	-	-	831
BM Khoza	-	1 075	232	-	-	1 307
WG Frawley	-	983	163	-	-	1 146
AC Nissen	-	118	-	-	-	118
BL Finca	15	-	-	-	-	15
WC Ross	220	-	-	-	-	220
Dr B Khumalo	53	-	-	-	-	53
N Mazwi	45	-	-	-	-	45
<b>Total</b>	<b>333</b>	<b>5 843</b>	<b>1 126</b>	<b>-</b>	<b>-</b>	<b>7 302</b>

\* fees for attendance at meetings

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

## VUNANI LIMITED – GROUP

### 39 FINANCIAL INSTRUMENTS

#### 39.1 Liquidity risk

Figures in Rand 000's	Carrying amount	Un-discounted contractual cash flows	Less than 1 year	1 – 5 years	Greater than 5 years
<b>31 December 2009</b>					
Non-derivative financial liabilities	(1 652 366)	(2 204 663)	(220 568)	(1 841 488)	(142 607)
Non-interest bearing	(148 677)	(148 677)	(77 753)	–	(70 924)
Fixed interest rate instruments	(447 327)	(719 910)	(42 650)	(605 577)	(71 683)
Variable interest rate instruments	(1 056 362)	(1 336 076)	(100 165)	(1 235 911)	–
<b>31 December 2008</b>					
Non-derivative financial liabilities	(1 654 124)	(2 244 880)	(296 081)	(1 806 193)	(142 607)
Non-interest bearing	(235 067)	(235 068)	(164 144)	–	(70 924)
Fixed interest rate instruments	(439 265)	(765 241)	(42 574)	(650 985)	(71 683)
Variable interest rate instruments	(979 792)	(1 244 571)	(89 363)	(1 155 208)	–

Figures in Rand 000's

#### 39.2 Market risk

##### Interest rate risk:

The Company's interest rate exposure is as follows:

	2009	2008
Fixed rate instruments		
Financial liabilities	(447 327)	(439 265)
Variable rate instruments		
Financial assets	10 299	37 587
Financial liabilities	(1 056 362)	(979 792)
	(1 046 063)	(942 205)

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 by the amount shown below. This analysis assumes that all other variables remain constant.

Effect on statement of comprehensive income (profit/(loss))

50 bps increase	(5 230)	(4 711)
50 bps decrease	5 230	4 711

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

Figures in Rand 000's		2009	2008
<b>39</b>	<b>FINANCIAL INSTRUMENTS (continued)</b>		
<b>39.3</b>	<b>Credit risk</b>		
	The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure of credit risk was:		
	Trade and other receivables	20 583	4 890
	Cash and cash equivalents	10 299	37 588
		<b>30 882</b>	<b>42 478</b>

**Impairment losses**

The ageing of accounts receivable at the reporting date was:

Figures in Rand 000's	Total net accounts receivable	Total gross accounts receivable	Past due and Impaired	Past due and not impaired	Not past due and not impaired
Trading accounts receivable	5 684	5 684			5 684
Sundry accounts receivable	12 375	14 138	1 763	311	12 064
Accrued interest	2 465	2 465		2 465	–
Staff loans	59	59			59
Trading accounts	249	249			249
Accounts receivable from trading activities	34 166	34 166			34 166
	<b>54 998</b>	<b>56 761</b>	<b>1 763</b>	<b>2 776</b>	<b>52 222</b>

**Factors considered in impairment**

The Group reviews accounts receivable monthly. Unless customers have good payment records, an impairment allowance is created for any accounts greater than 90 days.

**39.4 Fair values**

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Designated on initial recognition	616 964	616 964	669 359	669 359
Loans and receivables	99 234	99 234	108 181	108 181
Cash and bank balances	10 299	10 299	37 587	37 587
	<b>726 497</b>	<b>726 497</b>	<b>815 127</b>	<b>815 127</b>
<b>Financial liabilities</b>				
Designated on initial recognition	(789 818)	(789 818)	(734 117)	(734 117)
Amortised cost	(856 022)	(856 022)	(920 008)	(920 008)
Bank overdraft	(6 526)	(6 526)	–	–
	<b>(1 652 366)</b>	<b>(1 652 366)</b>	<b>(1 654 125)</b>	<b>(1 654 125)</b>

At 31 December 2009 the fair values of all the financial instruments are substantially identical to the carrying amount reflected in the statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – GROUP

#### 39 FINANCIAL INSTRUMENTS (continued)

##### 39.5 Fair value hierarchy

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 Rand 000's

	Level 1	Level 2	Level 3
<b>31 December 2009</b>			
Financial assets designated at fair value through profit or loss	531 793	64 938	20 233
Financial liabilities designated at fair value through profit or loss	-	(82 393)	(707 425)
	531 793	(17 455)	(687 192)

Figures in Rand 000's

	2009
Level 3 comprises:	
Opening balance	(621 026)
Total gains or losses in profit or loss	(19 945)
Proceeds from loan, interest, repayment	(9 205)
Purchases, sales, issues and settlements	(37 016)
Closing balance	(687 192)

#### 40 EVENTS AFTER REPORTING DATE

##### Debt restructure

Resulting from the decline in prices of the Group's listed investments, certain debt covenants were breached during the 2008 financial year. On 30 June 2009 a heads of agreement for the restructure of the Group's debt was entered into with all providers of funding to the Group that would recapitalise the Group, create a moratorium on both interest and capital repayment obligations until October 2011 and substantially reduce guarantees and sureties to the Company, alleviating the going concern issues. The underlying shares in investments held in wholly owned subsidiaries will remain as security for the loans in the respective subsidiaries.

Subsequent to year-end on 27 January 2010, the Company finalised negotiations with its major funders to restructure its debt in terms of the abovementioned heads of agreement through an underwritten renounceable clawback offer to shareholders. In terms of the agreement, on 15 February 2010 a clawback was successfully concluded where Vunani Group (Proprietary) Limited, with external funding, underwrote the issue of 3 136 000 000 new shares in Vunani Limited at an issue price of 10 cents. On 17 February 2010 a further 145 380 000 shares were issued in lieu of advisor's fees. On 8 March 2010, 7 135 323 shares were transferred to shareholders in terms of the clawback offer.

Pursuant to the above, the number of shares issued increased to 4 621 942 216, Group debt was subsequently reduced by R313,6 million and share premium was charged with R17,3 million (partially settled through the issue of new shares) in respect of the restructure expenses.

Had the above restructure occurred on 31 December 2009 the effect on the balance sheet would have been as follows:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – GROUP**

**40 EVENTS AFTER REPORTING DATE (continued)**  
**Debt restructure (continued)**

	Adjusted 2009	Audited 2009
Net asset value per share (cents)	7,2	1,3
Net tangible asset value per share (cents)	6,3	(1,7)

**Acquisition of investments**

The Group acquired a 51% share in Jala Holdings (Proprietary) Limited, operating in the corporate finance field within the information technology sector for R600 on 19 April 2010.

On 29 April 2010 the Group entered into a fully vendor financed acquisition of a 26% share in Avram International LLC a USA registered company operating in the logistics field in Africa for US\$260 000 (R1 996 800) to be settled from 80% of proceeds derived from the investment over five years.

Litigation has been instituted against Northern Ocean Investments 48 (Proprietary) Limited, a wholly owned subsidiary of the Group, in respect of the agterskot payment for the acquisition of 35% of Edge Capital Holdings (Proprietary) Limited for R43,8 million plus interest and legal defence fees thereon. The claim will be opposed and a counter claim instituted. Vunani Limited issued its shares in settlement of this amounting to R27,4 million which would, in the event of an unsuccessful defence, have to be repaid and thus off-set against the said claim.

**41 RESTATEMENTS OF PRIOR YEAR**

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 R66,107 million (2007: R102,215 million). The comparative figures for 2008 and 2007 are the prior years' audited figures restated.

Figures in Rand 000s	As previously stated	Reclassifica- tion	As restated
<b>for the year ended 31 December 2008</b>			
Accounts receivable from trading activities	161 066	(66 107)	94 959
Accounts payable from trading activities	(150 438)	66 107	(84 331)
<b>for the year ended 31 December 2007</b>			
Accounts receivable from trading activities	150 108	(102 215)	47 893
Accounts payable from trading activities	(171 936)	102 215	(69 721)

**VUNANI LIMITED**  
*for the year ended 31 December 2009*

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## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

### VUNANI LIMITED – COMPANY

Figures in Rand 000's	Note	2009	2008
Investment revenue	42	67	6 500
Fair value adjustments and impairments	43	(70 205)	(299 951)
Operating expenses	44	(5 542)	(9 950)
<b>Results from operating activities</b>		<b>(75 680)</b>	<b>(303 401)</b>
Finance income	45	4 787	9 947
Finance costs	45	(154)	–
<b>Net finance income</b>		<b>4 633</b>	<b>9 947</b>
<b>Loss before taxation</b>		<b>(71 047)</b>	<b>(293 454)</b>
Income tax expense	46	(1)	1
<b>Loss for the year</b>		<b>(71 048)</b>	<b>(293 453)</b>
<b>Total comprehensive loss for the year</b>		<b>(71 048)</b>	<b>(293 453)</b>

# STATEMENT OF FINANCIAL POSITION

at 31 December 2009

## VUNANI LIMITED – COMPANY

Figures in Rand 000's	Note	2009	2008
<b>Assets</b>			
Investments in subsidiaries	47	13 297	11 988
Other investments	48	–	2 025
Deferred tax	49	–	1
<b>Total non-current assets</b>		<b>13 297</b>	<b>14 014</b>
Loan to subsidiary Company	50	275 563	251 106
Trade and other receivables	51	5 500	–
Trading securities		1	1
Cash and cash equivalents	52	2	17
<b>Total current assets</b>		<b>281 066</b>	<b>251 124</b>
<b>Total assets</b>		<b>294 363</b>	<b>265 138</b>
<b>Equity</b>			
Share capital	53	134	123
Share premium	53	277 885	250 226
Accumulated loss		(357 383)	(286 416)
<b>Equity attributable to equity holders (refer to note 40)</b>		<b>(79 364)</b>	<b>(36 067)</b>
<b>Liabilities</b>			
Other financial liabilities	54	368 157	–
<b>Total non-current liabilities</b>		<b>368 157</b>	<b>–</b>
Other financial liabilities	54	–	299 951
Current tax payable		57	1 213
Trade and other payables	55	5 513	41
<b>Current liabilities</b>		<b>5 570</b>	<b>301 205</b>
<b>Total liabilities</b>		<b>373 727</b>	<b>301 205</b>
<b>Total equity and liabilities</b>		<b>294 363</b>	<b>265 138</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

### VUNANI LIMITED – COMPANY

Figures in Rand 000's	Share capital	Share premium	Total share capital	Non-distributable reserve	Retained earnings/ (loss)	Total equity
<b>Balance at 31 December 2007</b>	118	197 902	198 020	1 808	5 229	205 057
<b>Comprehensive income</b>						
Loss for the year	-	-	-	-	(293 453)	(293 453)
<b>Total comprehensive income</b>	-	-	-	-	(293 453)	(293 453)
<b>Transactions with owners, recorded directly in equity</b>						
Issue of shares	5	57 178	57 183	-	-	57 183
Buy back of shares	-	(4 854)	(4 854)	-	-	(4 854)
<b>Total transactions with owners</b>	5	52 324	52 329	-	-	52 329
Transfer from revaluation reserve	-	-	-	(1 808)	1 808	-
<b>Balance at 31 December 2008</b>	123	250 226	250 349	-	(286 416)	(36 067)

Figures in Rand 000's	Share capital	Share premium	Total share capital	Non-distributable reserve	Accumulated loss	Total equity
<b>Balance at 31 December 2008</b>	123	250 226	250 349	-	(286 416)	(36 067)
<b>Comprehensive income</b>						
Loss for the year	-	-	-	-	(71 048)	(71 048)
<b>Total comprehensive income</b>	-	-	-	-	(71 048)	(71 048)
<b>Transactions with owners, recorded directly in equity</b>						
Issue of shares	11	27 740	27 751	-	-	27 751
Adjustment	-	(81)	(81)	-	81	-
<b>Total transactions with owners</b>	11	27 659	27 670	-	81	27 751
<b>Balance at 31 December 2009</b>	134	277 885	278 019	-	(357 383)	(79 364)

**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2009

**VUNANI LIMITED – COMPANY**

Figures in Rand 000's	Note	2009	2008
<b>Cash flows from operating activities</b>			
Cash utilised by operations	56	(5 570)	(15 551)
Finance income		4 787	9 947
Dividends received		67	6 500
Finance costs		(154)	–
Tax paid	57	(1 156)	–
<b>Cash(outflow)/inflow from operating activities</b>		<b>(2 026)</b>	<b>896</b>
<b>Cash flows from investing activities</b>			
Disposal of other investments		26	–
Acquisition of other investments		–	(156)
<b>Cash inflow/(outflow) from investing activities</b>		<b>26</b>	<b>(156)</b>
<b>Cash flows from financing activities</b>			
Proceeds on share issue		–	57 184
Repayment of share capital or buy back of shares		–	(4 856)
Loans advanced to Group companies		1 985	(53 057)
<b>Cash inflow/(outflow) from financing activities</b>		<b>1 985</b>	<b>(729)</b>
Net (decrease)/increase in cash and cash equivalents		(15)	11
Cash and cash equivalents at the beginning of the year		17	6
<b>Total cash and cash equivalents at the end of the year</b>	52	<b>2</b>	<b>17</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2009

**VUNANI LIMITED – COMPANY**

Figures in Rand 000's	2009	2008
<b>42 INVESTMENT REVENUE</b>		
<b>Dividend revenue</b>		
Dividend revenue from investments	67	6 500
<b>43 FAIR VALUE ADJUSTMENTS AND IMPAIRMENTS</b>		
Guarantees	(68 206)	(299 951)
Impairment of other investments	(1 999)	–
	<b>(70 205)</b>	<b>(299 951)</b>
<b>44 OPERATING EXPENSES</b>		
Auditors' remuneration		
Audit service – current year	(155)	(50)
<b>45 FINANCE INCOME AND FINANCE COSTS</b>		
<b>Recognised in profit or loss</b>		
Interest income on bank balances	1	9
Interest income on loans with related parties (refer note 17)		
Dreamworks Investments 125 (Proprietary) Limited	–	1 952
One Vision Investments 54 (Proprietary) Limited	–	134
Southern Spirit Properties 142 (Proprietary) Limited	–	329
Vunani Capital (Proprietary) Limited	4 786	1 895
Vunani Properties (Proprietary) Limited	–	4 035
Vunani Securities (Proprietary) Limited	–	1 593
Finance income	<b>4 787</b>	<b>9 947</b>
Interest expense on financial liabilities measured at amortised cost	(154)	–
Finance costs	<b>(154)</b>	<b>–</b>
<b>46 INCOME TAX EXPENSE</b>		
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1)	1
<b>Reconciliation of effective tax rate</b>	%	%
Income tax rate	28,0	28,0
Tax exempt income	0,1	0,6
Net disallowable credits	<b>(28,1)</b>	<b>(28,6)</b>
	<b>–</b>	<b>–</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – COMPANY**

Figures in Rand 000's	Holding 2009	2008	Cost of investment 2009	2008
<b>47 INVESTMENTS IN SUBSIDIARIES</b>				
<b>Name of company</b>				
Vunani Capital (Proprietary) Limited	100,0%	100,0%	*	*
Vunani Securities (Proprietary) Limited	100,0%	100,0%	8 642	8 642
Vunani Capital Markets (Proprietary) Limited	100,0%	100,0%	4 655	3 346
Vector Equities (Proprietary) Limited	100,0%	100,0%	*	*
Vunani Resources 2 (Proprietary) Limited	100,0%	100,0%	*	*
Vunani Properties (Proprietary) Limited	78,0%	78,0%	*	*
			<b>13 297</b>	<b>11 988</b>

\* Less than R1 000

The Group cannot withdraw cash from the subsidiaries until such time as the funding to the subsidiaries has been repaid.

	Number of shares/% holding	Listed	Unlisted	Fair value
<b>48 OTHER INVESTMENTS</b>				
<b>for the year ended 31 December 2009</b>				
African Legends Limited	2,2 m	-	1 870	1 870
Nqoba Gaming (Proprietary) Limited	17,5 %	-	129	129
Impairment		-	(1 999)	(1 999)
		-	-	-
<b>for the year ended 31 December 2008</b>				
African Legends Limited	2,2 m	-	1 870	1 870
Nqoba Gaming (Proprietary) Limited	17,5 %	-	155	155
		-	2 025	2 025
			<b>2009</b>	<b>2008</b>
<b>Analysis of impairment</b>				
Balance at beginning of year			-	-
Impairment			(1 999)	-
Balance at end of year			(1 999)	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – COMPANY**

**49 DEFERRED TAX**

Movement in temporary differences during the year

Figures in Rand 000's	Opening balance	Recognised in profit and loss	Recognised in other comprehensive income	Closing balance
<b>for the year ended 31 December 2009</b>				
Tax loss carry-forwards	1	(1)	-	-
<b>for the year ended 31 December 2008</b>				
Tax loss carry-forwards	-	1	-	1

Figures in Rand 000's

**50 LOAN TO SUBSIDIARY COMPANY**

Vunani Capital (Proprietary) Limited

The loan to the subsidiary Company is unsecured and attracts interest at 13,75%, has no fixed terms of repayment and is repayable on demand. The carrying amount approximates fair value.

**51 TRADE AND OTHER RECEIVABLES**

Expenditure incurred on debt restructure to be set-off against share premium raised in 2010 (refer note 40)

**52 CASH AND CASH EQUIVALENTS**

Bank balances

Cash and cash equivalents in the statement of cash flows

The carrying amount approximates fair value.

	2009	2008
Vunani Capital (Proprietary) Limited	275 563	251 106
TRADE AND OTHER RECEIVABLES	5 500	-
	5 500	-
CASH AND CASH EQUIVALENTS	2	17
	2	17

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – COMPANY

Figures in Rand 000's		2009	2008
<b>53</b>	<b>SHARE CAPITAL AND SHARE PREMIUM</b>		
	<b>Authorised</b>		
	10 000 000 000 (2008: 2 000 000 000) Ordinary shares of R0.0001 each	1 000	200
	99 000 Redeemable preference shares of R0.01 each	1	1
		<b>1 001</b>	<b>201</b>
	<b>Issued</b>		
	<b>Reconciliation of number of shares issued (000s):</b>		
	Reported at the beginning of the year	1 226 194	1 177 000
	Buy back of shares	–	(8 056)
	Issue of shares	114 368	57 250
		<b>1 340 562</b>	<b>1 226 194</b>
	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.		
	<b>Issued</b>		
	1 340 562 216 (2008:1 234 250 000) Ordinary shares at R0.0001 each	134	123
	Share premium	277 885	250 226
		<b>278 019</b>	<b>250 349</b>
<b>54</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
	<b>Non-current liabilities</b>		
	Guarantees carried at fair value through profit or loss	368 157	–
	<b>Carried at fair value through profit or loss (FVTPL)</b>		
	<b>Investec Bank Limited</b>		
	Guarantee in respect of a renewable term loan in Anchor Park Investments 42 (Proprietary) Limited attracting interest at prime with a profit participation of 30% and secured by the investment in Brikor Limited. The loan is repayable on 31 October 2011.	125 692	77 261
	Guarantee in respect of a renewable term loan in Anchor Park Investments 81 (Proprietary) Limited attracting interest at prime less 1% with a profit participation of 30% and secured by the investment in Basil Read Limited. The loan is repayable on 31 October 2011.	242 465	222 690
		<b>368 157</b>	<b>299 951</b>
	Less: current portion	–	(299 951)
	Non-current portion	<b>368 157</b>	<b>–</b>
	<b>Breach of loan covenants</b>		
	During the 2008 financial year, loans relating to the investments in BSI, Workforce, Interwaste, Brikor and TWP were in breach of their respective debt covenant ratios, due to the decline in the listed prices of the underlying investments (refer note 16). The funders (being Standard Bank of South Africa, Investec Bank Limited and Coronation Capital Limited), subsequent to the 2008 year end agreed to the restructure of the Group debt which allowed for the reclassification of the said breached loans from current to non-current liabilities (refer note 40). In terms of this restructure, capital and interest payments were deferred to October 2011.		
	<b>Fair value hierarchy</b>		
	The fair value hierarchy of the other financial liabilities is considered to be level 3 given the information above and the criteria in note 39.5.		

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 December 2009

**VUNANI LIMITED – COMPANY**

Figures in Rand 000's		2009	2008
<b>55</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Sundry accounts payable (including debt restructuring expenses)	5 513	41
<b>56</b>	<b>CASH UTILISED BY OPERATIONS</b>		
	Loss for the year	(71 047)	(293 454)
	Adjusted for:		
	Investment revenue	(67)	(6 500)
	Finance income	(4 787)	(9 947)
	Finance costs	154	–
	Fair value adjustments	68 206	299 951
	Impairment	1 999	–
		(5 542)	(9 950)
	Changes in working capital:		
	Increase in accounts receivable from trading activities	–	(1)
	Decrease in trade and other receivables	–	74
	Decrease in trade and other payables	(28)	(5 674)
	Cash utilised by operations	(5 570)	(15 551)
<b>57</b>	<b>TAX PAID</b>		
	Balance at beginning of the year	(1 213)	(1 213)
	Current tax charge	–	–
	Balance at end of the year	57	1 213
		(1 156)	–

## ANALYSIS OF SHAREHOLDERS

for the year ended 31 December 2009

### VUNANI LIMITED – COMPANY

	Number of shareholders	Percentage of shares held	Number of shares held (000s)	Percentage of shares held
<b>Analysis of shareholding</b>				
Individuals and corporates	301	91,8%	1 219 455	91,0%
Nominees and trusts	23	7,0%	97 096	7,2%
Investment and insurance companies	2	0,6%	18 461	1,4%
Pension and provident funds	2	0,6%	5 550	0,4%
Shares repurchased by Vunani	0	0,0%	–	0,0%
Shareholding per share register	328	100,0%	1 340 562	100,0%

#### Range of shareholding

1 to 1 000	24	7,3%	13	0,0%
1 001 to 10 000	79	24,1%	447	0,0%
10 001 to 100 000	133	40,5%	5 930	0,4%
100 001 to 1 000 000	57	17,4%	15 938	1,2%
More than 1 000 000	35	10,7%	1 318 234	98,3%
	328	100,0%	1 340 562	100,0%

#### Shareholders spread analysis

To the best knowledge of the directors and after reasonable enquiry, as at 31 December 2009, the spread of shareholders, as defined in the listing requirements of the JSE Limited., was as follows:

#### Type of shareholder

Directors and associates of directors of the Company or its subsidiaries	5	1,5%	691 740	51,6%
Public	323	98,5%	648 822	48,4%
	328	100,0%	1 340 562	100,0%

Shareholdings greater than 5%  
 Vunani Group (Proprietary) Limited  
 Absa Bank Limited

746 250	55,7%
277 597	20,7%
1 023 847	76,4%

## ANALYSIS OF SHAREHOLDERS (continued)

for the year ended 31 December 2009

### VUNANI LIMITED – COMPANY

Shareholdings per director	Number of shares held		Total number of shares held
	Beneficially direct (000s)	Beneficially indirect (000s)	(000s)
E Dube	–	297 882	297 882
NM Anderson	–	186 126	186 126
BM Khoza	–	186 126	186 126
CE Chimombe-Munyoro	–	10 803	10 803
WG Frawley	10 803	–	10 803
	10 803	680 937	691 740

# NOTICE OF ANNUAL GENERAL MEETING

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VUNANI LIMITED – COMPANY

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## VUNANI LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/020641/06)

JSE code: VUN

ISIN: ZAE000110359

("Vunani" or "the company")

**NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF MEMBERS WILL BE HELD IN THE BOARDROOM, VUNANI LIMITED, 151 KATHERINE STREET, SANDTON AT 8:30 ON 19 AUGUST 2010 TO TRANSACT THE FOLLOWING BUSINESS:**

To consider and if deemed fit, to pass with or without modification, the following ordinary and special resolutions:

### **ORDINARY RESOLUTION NUMBER 1**

To resolve that the audited consolidated annual financial statements of the Company, incorporating the reports of the directors, the audit committee, and the external auditors, for the year ended 31 December 2009, be and they are hereby received and adopted.

### **ORDINARY RESOLUTION NUMBER 2**

To resolve that KPMG Inc be re-appointed as auditors of the company for the ensuing year, such auditors having been nominated by the company's audit committee in terms of section 270A(1)(a) of the Companies Act, 61 of 1973, as amended, the designated auditor being G Parker.

### **ORDINARY RESOLUTION NUMBER 3**

To resolve that the following appointments to the Board be confirmed:

G Nzalo – independent, non-executive, appointed 2 November 2009,

JR Macey – independent, non-executive, appointed 2 November 2009.

### **ORDINARY RESOLUTION NUMBER 4**

To resolve that the re-appointment of WG Frawley, who retires by rotation as a director of the company in accordance with the Company's Articles of Association, and being eligible, offers himself for re-appointment in this capacity, be approved.

### **ORDINARY RESOLUTION NUMBER 5**

To resolve that the appointment of BA Khumalo, who retires by rotation as a director of the company in accordance with the Company's Articles of Association, and being eligible, offers himself for re-appointment in this capacity, be approved.

### **ORDINARY RESOLUTION NUMBER 6**

To resolve that the appointment of NS Mazwi, who retires by rotation as a director of the company in accordance with the company's Articles of Association, and being eligible, offers himself for re-appointment in this capacity, be approved.

By virtue of Article 106 of the company's Articles of Association, Mr. E Dube is excluded from the retirement by rotation at annual general meetings.

Refer to page 7 and 8 of this annual report for a brief biography of each director.

### **ORDINARY RESOLUTION NUMBER 7**

To resolve that the remuneration of the executive directors for the financial year ended 31 December 2009, as reflected in note 38 to the annual financial statements, be and it is hereby confirmed.

## NOTICE OF ANNUAL GENERAL MEETING (continued)

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### VUNANI LIMITED – COMPANY

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#### ORDINARY RESOLUTION NUMBER 8

To resolve that the fees payable to non-executive directors for the financial year ending 31 December 2010, as set out below, be approved:

Function	Rand per annum
Chairman of the Board	350 000
Board members	90 000

#### ORDINARY RESOLUTION NUMBER 9

To resolve that, subject to the provisions of section 221 of the Companies Act, 1973 (Act 61 of 1973), as amended, the authority given to the directors to allot and issue, at their discretion, the unissued share capital of the company for such purposes as they may determine, be extended until the company's next annual general meeting.

#### ORDINARY RESOLUTION NUMBER 10

To resolve that, in terms of the Listings Requirements of the JSE Limited ("JSE"), 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:

- That the general authority be valid until the Company's next annual general meeting provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter);
- That the securities be of a class already in issue;
- That securities be issued to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- That issues in the aggregate in any one financial year shall not exceed 50% of the Company's issued share capital of that class;
- That, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities or any other price agreed to by the JSE;
- That this authority include any options/convertible securities that are convertible into an existing class of equity securities;
- That an announcement be released giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share and, if applicable, diluted earnings and diluted headline earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue/s.

#### VOTING

In terms of the Listings Requirements of the JSE, the approval of a 75% majority of the votes cast in favour of such resolution by all equity security holders present or represented by proxy at the annual general meeting (excluding the Designated Adviser and the controlling shareholders together with their associates).

## NOTICE OF ANNUAL GENERAL MEETING (continued)

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### VUNANI LIMITED – COMPANY

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#### SPECIAL RESOLUTION NUMBER 1

To resolve, as a special resolution, that the mandate given to the Company in terms of its Articles of Association (or one of its wholly-owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, ("the Act") and the Listings Requirements of the JSE Limited ("the JSE"), be extended, subject to the following terms and conditions:

- Repurchases by the Company in aggregate in any one financial year may not exceed 20% of the Company's issued share capital as at the date of passing of this special resolution or 10% of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- This general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is shorter);
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
- At any point in time, the Company may only appoint one agent to effect any repurchase;
- An announcement be published as soon as the Company has cumulatively repurchased 3% of the initial number (the number of that class of shares 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, containing full details of such repurchases;
- Repurchases may not be made by the Company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE 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; and
- The Company may not enter the market to proceed with the repurchase of its ordinary shares 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.

The directors, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of the notice of this annual general meeting, must be of the opinion that if such repurchase is implemented:

- 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 audited annual Group financial statements;
- The share capital and reserves are adequate for the ordinary business purposes of the Company and the Group;
- The working capital of the Company and the Group will be adequate for ordinary business purposes.

## NOTICE OF ANNUAL GENERAL MEETING (continued)

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### VUNANI LIMITED – COMPANY

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The effect of the special resolution and the reason therefor is to extend the general authority given to the directors in terms of the Act and the JSE Listings Requirements for the acquisition by the Company and/or its subsidiaries of the company's securities, which authority shall be used at the directors' discretion during the period it is so authorised.

#### **Disclosures in terms of the Listings Requirements of the JSE relating to special resolution number 1:**

At the present time the directors have no specific intention with regard to the utilisation of the general authority set out in special resolution number 1, which will only be used if and when circumstances are appropriate.

#### **Litigation statement**

Other than as disclosed or accounted for in this annual report, the directors are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened of which the Company is aware, which may have, or have had, in the recent past, being at least the previous 12 months from date of this annual report, a material effect on the Group's financial position.

#### **Directors' responsibility statement**

The directors, whose names are given on page 5 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution number 1 contains all the information required by the JSE Limited.

#### **MATERIAL CHANGE**

Other than the facts and developments reported on in this 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 Annual Report.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out on the pages as referenced in the annual report of which this notice forms part:

	Page
Directors and management	5
Major shareholders	82
Directors interest in securities	82
Share capital	53

#### **ORDINARY RESOLUTION 11**

To resolve that any director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 10 and special resolution number 1, each of which resolutions is set out in the notice convening the general meeting at which this ordinary resolution number 11 is proposed.

#### **VOTING**

On a show of hands every shareholder present in person or by proxy and if a member is a body corporate, its representative, shall have one vote and on a poll, every shareholder present in person or by proxy and if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her.

## NOTICE OF ANNUAL GENERAL MEETING (continued)

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VUNANI LIMITED – COMPANY

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### PROXIES

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, to vote in his/her stead.

A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own-name registration who are unable to attend the annual general meeting in person. Forms of proxy must be completed and received by the transfer secretaries, by no later than 8h30 on 17 August 2010. Registered certificated shareholders and dematerialised shareholders with own-name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting to the exclusion of their appointed proxy/(ies) should such member wish to do so. Dematerialised shareholders, other than with own-name registrations, must inform their CSDP or broker of their intention to attend the annual general meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

By order of the Board



**WG Frawley**

*Company Secretary*

Sandton

8 June 2010

## VUNANI LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/020641/06)

JSE code: VUN

ISIN: ZAE000110359

("Vunani" or "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 8:30 in the boardroom, Vunani Limited, 151 Katherine Street, Sandton on 19 August 2010

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 agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters)

of (address)

Telephone (work)

Telephone (home)

being the holder(s) of  ordinary shares in the Company, appoint (see note 1):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. \_\_\_\_\_ the chairman of the 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 special and ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution number 1 – to receive and adopt the company's audited consolidated annual financial statements for the year ended 31 December 2009			
Ordinary resolution number 2 – to re-appoint KPMG Inc as auditors of the company for the ensuing year			
Ordinary resolution number 3 – to confirm the appointment of directors			
Ordinary resolution number 4 – to approve the re-appointment of WG Frawley as a director of the company			
Ordinary resolution number 5 – to approve the re-appointment of BA Khumalo as a director of the company			
Ordinary resolution number 6 – to approve the re-appointment of NS Mazwi as a director of the company			
Ordinary resolution number 7 – to approve the executive directors' remuneration for the year ended 31 December 2009			
Ordinary resolution number 8 – to approve the fees payable to the non-executive directors for the year ending 31 December 2010			
Ordinary resolution number 9 – to place the unissued shares under the control of the directors			
Ordinary resolution number 10 – directors' general authority to issue shares for cash			
Special resolution number 1 – directors' general authority to repurchase the company's shares			
Ordinary resolution number 11 – authority to effect the resolutions			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable).

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 general meeting.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2010

Signature(s)

Capacity

**Please read the notes on the reverse side hereof.**

## NOTES TO FORM OF PROXY

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 the 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 they wish their votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of ordinary shares than they own in the Company, they should insert the number of ordinary shares held in respect of which they wish 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/she deems fit in respect of all the member's votes exercisable at the annual general meeting. A member is not obliged to use all the votes exercisable by the member, 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 general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
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 agreement entered into between the shareholder 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 the 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. Forms of proxy should be lodged at or posted to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at Ground Floor, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107) so as to be received by no later than 8h30 on 17 August 2010.



