

VUNANI

LIMITED

Unaudited condensed consolidated interim results

for the six-month period ended 31 August 2021

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



Focus. Commitment. Purpose

Condensed consolidated statement of comprehensive income

for the six-month period ended 31 August 2021

SALIENT FEATURES

REVENUE FROM CONTINUING OPERATIONS OF

R321.5 million

compared to R271.2 million at 31 August 2020

EBITDA FOR THE PERIOD OF

R70.0 million

compared to R57.6 million at 31 August 2020

OPERATING PROFIT FROM CONTINUING OPERATIONS OF

R54.4 million

compared to R41.1 million at 31 August 2020

Figures in R'000	Notes	Unaudited 31 August 2021	Re-presented Unaudited 31 August 2020
Continuing operations			
Revenue from trading activities	1	321 522	271 248
Other income	2	15 659	7 822
Investment revenue		2 710	1 997
Interest received from investments		10 486	8 121
Fair value adjustments	4	(15 629)	(14 551)
Impairments		(119)	(12)
Bargain purchase	3	954	–
Operating expenses		(281 204)	(233 561)
Operating profit		54 379	41 064
Finance income		3 125	4 907
Finance costs		(3 221)	(4 174)
Net finance cost		(96)	733
Profit before income tax		54 283	41 797
Income tax expense		(13 624)	(3 842)
Profit for the period from continuing operations		40 659	37 955
Loss from discontinued operations (net of taxation)	6	–	(1 984)
Profit for the period		40 659	35 971
Other comprehensive income			
Items that are or may be reclassified to profit or loss		(250)	(3 716)
Exchange differences on translating foreign continuing operations		(250)	526
Exchange differences on translating foreign discontinued operations		–	(4 242)
Total comprehensive income for the period		40 409	32 255
Profit for the period attributable to:			
Equity holders of Vunani Limited		34 871	31 605
Non-controlling interest		5 788	4 366
		40 659	35 971
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		34 721	29 301
Non-controlling interest		5 688	2 954
		40 409	32 255
Basic and diluted earnings per share (cents)		21.7	19.7
Basic and diluted earnings per share from continuing operations (cents)		21.7	21.7
Basic and diluted loss per share from continuing operations (cents)		–	(2.0)
Basic and diluted headline earnings per share (cents)	5	21.7	19.7
Basic headline earnings per share from continuing operations (cents)		21.7	21.7
Basic headline loss per share from discontinued operations (cents)		–	(2.0)

The comparative figures have been re-presented to reflect the impact of the discontinued operation. Refer to note 6 for more details on the discontinued operations.

Condensed consolidated statement of financial position

at 31 August 2021

		6 months Unaudited 31 August 2021	12 months Audited 29 February 2021
Figures in R'000	Notes		
Assets			
Property, plant and equipment*		23 069	17 964
Goodwill		139 766	139 766
Intangible assets		128 153	136 315
Investments in associates		553	553
Other investments	8	10 009	11 307
Insurance-related investments		428 612	398 084
Deferred tax asset		54 294	56 485
Total non-current assets		784 456	760 474
Other investments	8	3 172	3 265
Taxation prepaid		991	1 799
Reinsurance assets		25 832	24 689
Loans to associates		1 210	1 210
Trade and other receivables		109 965	80 754
Accounts receivable from trading activities		35 500	105 700
Trading securities		236	162
Cash and cash equivalents		219 264	213 235
Total current assets		396 171	430 814
Total assets		1 180 627	1 191 288
Equity			
Stated capital		696 497	696 497
Treasury shares		(439)	(675)
Share-based payments reserve		2 185	426
Foreign currency translation reserve		(2 516)	(2 366)
Accumulated loss		(391 031)	(413 830)
Equity attributable to equity holders of Vunani Limited		304 696	280 052
Non-controlling interest		60 645	53 452
Total equity		365 341	333 504
Liabilities			
Other financial liabilities	8	14 784	23 494
Lease liabilities		8 898	4 499
Investment contracts		398 747	367 380
Insurance contract liabilities		91 735	89 472
Deferred tax liabilities		32 542	34 841
Total non-current liabilities		546 705	519 686
Other financial liabilities	8	32 250	33 387
Lease liabilities		8 475	10 433
Taxation payable		8 837	9 959
Insurance contract liabilities		13 796	13 796
Trade and other payables		142 644	147 039
Accounts payable from trading activities		36 246	105 998
Trading securities		3	3
Bank overdraft		26 330	17 483
Current liabilities		268 581	338 098
Total liabilities		815 286	857 784
Total equity and liabilities		1 180 627	1 191 288
Shares in issue (000s)	9	161 156	161 156
Net asset value per share (cents)		189.1	173.8
Net tangible asset value per share (cents)		22.8	2.5

* Included in property, plant and equipment is the right-of-use assets recognised in terms of IFRS 16.

Net asset value per share (cents)

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

Net tangible asset value per share (cents)

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

Condensed consolidated statement of changes in equity

for the six-month period ended 31 August 2021

	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders	Non-controlling interest	Total equity
Figures in R'000								
Balance as at 29 February 2020 – Audited	696 497	(748)	5 624	(9 509)	(204 775)	487 089	70 674	557 763
Total comprehensive income for the period								
Profit for the period	–	–	–	–	31 605	31 605	4 366	35 971
Other comprehensive income for the period	–	–	–	(2 304)	–	(2 304)	(1 412)	(3 716)
Total comprehensive income for the period	–	–	–	(2 304)	31 605	29 301	2 954	32 255
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 382	–	–	2 382	–	2 382
Acquisition of treasury shares	–	(1 205)	–	–	–	(1 205)	–	(1 205)
Total transactions with owners, recorded directly in equity	–	(1 205)	2 382	–	–	1 177	–	1 177
Balance as at 31 August 2020 – Unaudited	696 497	(1 953)	8 006	(11 813)	(173 170)	517 567	73 628	591 195
Total comprehensive income for the period								
Profit for the period	–	–	–	–	(10 938)	(10 938)	(25 192)	(36 130)
Other comprehensive income for the period	–	–	–	(1 186)	–	(1 186)	(212)	(1 398)
Total comprehensive income for the period	–	–	–	(1 186)	(10 938)	(12 124)	(25 404)	(37 528)
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	913	–	–	913	–	913
Transfer of treasury shares	–	6 844	(6 844)	–	–	–	–	–
Acquisition of treasury shares	–	(5 566)	–	–	–	(5 566)	–	(5 566)
Acquisition of non-controlling interests	–	–	–	–	(1 820)	(1 820)	1 820	–
Transfer between reserves	–	–	(1 492)	–	1 492	–	–	–
Dividends paid	–	–	–	–	(8 055)	(8 055)	(102)	(8 157)
Dividends paid – in specie	–	–	–	–	(210 863)	(210 863)	–	(210 863)
Disposal of subsidiary	–	–	(157)	10 633	(10 476)	–	3 510	3 510
Total transactions with owners, recorded directly in equity	–	1 278	(7 580)	10 633	(229 722)	(225 391)	5 228	(220 163)
Balance as at 28 February 2021 – Audited	696 497	(675)	426	(2 366)	(413 830)	280 052	53 452	333 504
Total comprehensive income for the period								
Profit for the period	–	–	–	–	34 871	34 871	5 788	40 659
Other comprehensive income for the period	–	–	–	(150)	–	(150)	(100)	(250)
Total comprehensive income for the period	–	–	–	(150)	34 871	34 721	5 688	40 409
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	1 995	–	–	1 995	–	1 995
Transfer of treasury shares	–	236	(236)	–	–	–	–	–
Business combination*	–	–	–	–	–	–	1 505	1 505
Dividends paid	–	–	–	–	(12 072)	(12 072)	–	(12 072)
Total transactions with owners, recorded directly in equity	–	236	1 759	–	(12 072)	(10 077)	1 505	(8 572)
Balance as at 31 August 2021 – Unaudited	696 497	(439)	2 185	(2 516)	(391 031)	304 696	60 645	365 341

* Refer to note 7 on the business combination.

DIVIDENDS

	Unaudited 31 August 2021	Unaudited 31 August 2020
Figures in R'000		
Ordinary dividend paid		
Ordinary dividend number 7 of 7.5 cents (6.00 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 28 June 2021 (net of treasury shares). 2020: nil.	12 072	–
	12 072	–

Condensed consolidated statement of cash flows

for the six-month period ended 31 August 2021

		6 months Unaudited 31 August 2021	12 months Audited 28 February 2021	6 months Unaudited 31 August 2020
Figures in R'000	Note			
Cash flows from operating activities				
Net cash generated by operating activities	7	47 225	95 688	41 797
Investment revenue received		–	157	–
Finance income received		3 125	7 190	2 391
Finance costs paid		(3 221)	(8 541)	(4 115)
Dividends paid to shareholders		(12 072)	(8 055)	–
Dividends paid to non-controlling interest		–	(102)	–
Income tax paid		(13 532)	(14 891)	(8 733)
Net cash generated by operating activities		21 525	71 446	31 340
Cash flows from investing activities				
Disposal of subsidiaries, net of cash		–	(8 126)	–
Acquisition of property, plant and equipment		(3 319)	(2 162)	(913)
Proceeds on disposal of property, plant and equipment		–	380	–
Dividends received from associates		–	–	2 474
Proceeds from repayment of loans to associates		–	1 535	–
Increase in investment and loans to associates		–	–	(3 054)
Acquisition of intangible assets – computer software		–	(5 209)	–
Acquisition of other investments		–	(1 955)	(116)
Dividends received from associates		–	5 572	–
Proceeds on disposal of other investments		–	1 982	–
Proceeds on disposal of insurance-related investments		–	298 849	348 166
Acquisition of insurance-related investments		(3 500)	(367 651)	(472 918)
Net cash inflow/(outflow) from investing activities		(6 819)	(76 785)	(126 361)
Cash flows from financing activities				
Acquisition of treasury shares		–	(4 659)	(1 205)
Advances of other financial liabilities		–	608	528
Repayments of other financial liabilities		(14 398)	(25 063)	(10 853)
Increase in insurance liabilities		–	–	4 315
Repayment of lease liabilities – capital repayment		(3 738)	(6 444)	(3 706)
Net cash outflow from financing activities		(18 135)	(35 558)	(10 921)
Net (decrease)/increase in cash and cash equivalents		(3 429)	(40 897)	(94 064)
Cash and cash equivalents acquired/(disposed) during the period		611	–	(7 861)
Exchange rate differences on foreign balances		*	(29)	*
Cash and cash equivalents at the beginning of the period		195 752	236 678	236 678
Total cash and cash equivalents at end of the period		192 934	195 752	134 753

* Less than R1 000.

Segmental reporting

for the six-month period ended 31 August 2021

The group has five reportable segments being fund management, asset administration, advisory services, institutional securities broking and insurance. The fund management and other investment segments are geographically located in South Africa and, on a smaller scale, in Botswana. The institutional securities broking, asset administration and advisory services segments are geographically located in South Africa. The insurance segment is located in Eswatini.

Following the decision to restructure the group's assets, the fund management operations in Malawi, Zimbabwe and the private equity segments has been shown as a discontinued operation. Comparative segmental disclosures have been adjusted to reflect the impact of the discontinued operations.

Figures in R'000	Reportable segment			
	Revenue	profit/(loss)	Total	Total
	Unaudited	after tax	assets	liabilities
	31 August 2021	31 August 2021	31 August 2021	31 August 2021
Fund management	80 920	21 225	107 695	(38 570)
Asset administration	80 114	11 345	225 792	(53 572)
Insurance	126 711	7 147	699 848	(617 578)
Investment banking	14 908	460	77 270	(55 212)
Advisory services	18 869	482	70 022	(50 354)
Institutional securities broking				
Total	321 522	40 659	1 180 627	(815 286)

Re-presented

Figures in R'000	Reportable segment			
	Revenue	profit/(loss)	Total	Total
	Unaudited	after tax	assets	liabilities
	31 August 2020	31 August 2020	29 February 2021	29 February 2021
Continuing operations				
Fund management	66 304	9 251	93 024	(34 322)
Asset administration	69 899	10 342	217 589	(52 377)
Insurance	107 141	5 711	661 652	(588 708)
Investment banking	5 305	6 894	78 009	(61 539)
Advisory services	22 599	5 757	141 014	(120 838)
Institutional securities broking				
Total	271 248	37 955	1 191 288	(857 784)
Discontinued operations				
Fund management	588	(320)	–	–
Private equity	12 825	(1 884)	–	–
Commodities trading	3 530	220	–	–
Other investments	16 943	(1 984)	–	–

Notes to the condensed consolidated interim financial statements

(all figures in R'000)

BASIS OF PREPARATION

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

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

The unaudited condensed consolidated interim financial statements of the group at and for the period ended 31 August 2021 comprise the company and its subsidiaries (the "group") and the group's interests in associates. Results of subsidiaries and associates are included from the effective date of acquisition up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

NOTES

1. Revenue

Revenue from continuing operations include trading revenue, fees earned from advisory services, brokerage, fund management fees, asset administration fees and insurance premiums. Due to the VCP unbundling certain revenue segments have been shown as part of discontinued operations, these are fund management, commodities trading and revenue from other investments.

The revenue relating to the core business operations of the group has been disaggregated as follows:

	Unaudited 31 August 2021	Re-presented Unaudited 31 August 2020
Continuing operations		
Figures in R'000		
Continuing operations		
Fund management	80 920	66 304
Asset administration	80 114	69 899
Insurance premiums	126 711	107 141
Advisory services	14 908	5 305
Institutional securities broking	18 869	22 599
	321 522	271 248
The group's revenue generated from the fund management, asset administration, insurance and advisory services has improved despite Covid-19.		
Discontinued operations		
Fund management	–	588
Commodities trading	–	12 825
Other investments	–	3 530
	–	16 943
2. Other income		
Sundry income	8 227	1 729
Directors' fees	–	246
Reinsurance recoveries	7 432	5 847
	15 659	7 822

Other income has improved due to once off expense recoveries recognised as sundry income.

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

Figures in R'000		Unaudited 31 August 2021	Re-presented Unaudited 31 August 2020
3. Bargain purchase		954	–
Vunani acquired an effective 39% of Medscheme Holdings Proprietary Limited ("Medscheme") through Oracle Insure on 31 May 2021. The consideration for the investment amounted to R1, resulting in a bargain purchase of R0.95 million. Refer to note 7 for additional information.			
4 Fair value adjustments			
Fair value adjustments on financial assets and liabilities at fair value through profit or loss		(3 534)	(4 798)
Fair value adjustments on insurance-related investments		19 272	7 519
Fair value adjustments to investment contract liabilities		(31 367)	(17 272)
		(15 629)	(14 551)
5 Reconciliation of headline earnings for the period			
Profit for the period attributable to equity holders of Vunani		34 871	34 866
		34 871	34 866
Headline earnings per share (cents)		21.7	19.7
Basic and diluted headline earnings per share		21.7	21.7
Basic headline and diluted loss per share from discontinued operations		–	(2.0)

6. Discontinued operations

A strategic decision was made in October 2020 to dispose of the group's private equity segment and a smaller portion of the fund management business. This culminated in the group unbundling its private equity business to Vunani Capital Partners, through an internal restructuring process. As this unbundling related to a major line of the group's business, the related activities have been presented as a discontinued operation.

The comparative information for the period ended 31 August 2020 consolidated statement of comprehensive income and related notes have been presented to disclose the discontinued operations separately from continuing operations.

Figures in R'000	Unaudited 31 August 2020
Revenue	16 943
Other income	1 452
Fair value adjustments	816
Equity-accounted earnings (net of income tax)	3 108
Commodities trading-related costs	(10 526)
Operating expenses	(13 420)
Results from operating activities	(1 627)
Finance income	–
Finance costs	(1)
Net finance costs	(1)
Loss before income tax	(1 628)
Income tax expense	(356)
Loss for the year	(1 984)
Other comprehensive income	
Items that are or may be subsequently reclassified to profit or loss	(4 242)
Exchange differences on translating foreign operations	(4 242)
Total comprehensive income for the year	(6 226)
Discontinued operations profit/(loss) for the year attributable to:	
Equity holders of Vunani Limited	(3 261)
Non-controlling interest	1 277
	(1 984)

6. Discontinued operations (continued)

	Unaudited 31 August 2020
Figures in R'000	
Discontinued operations total comprehensive income for the period attributable to:	
Equity holders of Vunani Limited	(6 018)
Non-controlling interest	(208)
	(6 226)
Basic loss per share (cents) from discontinued operations	
Basic loss per share from discontinued operations (cents)	(2.0)
Basic headline loss per share (cents) from discontinued operations	
Basic headline loss per share from discontinued operations (cents)	(2.0)
Cash flows from discontinued operations	
Net cash utilised by operating activities	(1 468)
Net cash outflow from investing activities	(7 268)
Net cash inflow from financing activities	875
Net cash outflow for the period	(7 861)

7. Business combination

Acquisition of Medscheme Holdings Proprietary Limited

Vunani acquired an effective 39% of Medscheme Holdings Proprietary Limited ("Medscheme") through Oracle Insure on 31 May 2021. The acquisition is in line with the group's strategy to expand its footprint in the health insurance services business in Eswatini. The consideration for the investment amounted to R1.

An after tax loss of R2.4 million has been included in Vunani's profit or loss for the period ended 31 August 2021. R1.5 million of this profit is attributable to non-controlling interests. R2.1 million has been included in Vunani's revenue since the acquisition of Medscheme for the period 1 June 2021 to 31 August 2021.

The acquisition resulted in the recognition of a bargain purchase gain of R0.9 million at acquisition date which has been presented separately as part of other income in the statement of comprehensive income.

Trade receivables acquired are at fair value and are expected to be collected in their entirety. No contingent liabilities arose as a result of the business combination. The valuation of the non-controlling interest was based on the fair value of the net asset value of Medscheme at acquisition date and amounted to R1.5 million.

A preliminary purchase price allocation in terms of IFRS 3 is presented below:

	Medscheme
Figures in R'000	
Net assets acquired	
Trade and other receivables	850
Other investments	2 034
Deferred tax	722
Cash and cash equivalents	611
Other financial liabilities	(650)
Income tax liability	(29)
Trade and other payables	(1 080)
Non-controlling interest	(1 505)
Net assets acquired	954
Purchase price	*
Bargain purchase	954

* less than R1000

8. Other investments and other financial liabilities

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

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

For additional information on the fair values of other investments and other financial liabilities, please refer to note 11 of these financial results.

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

9. Authorised and issued stated capital

The authorised stated capital at 31 August 2021 was 500 million ordinary shares of no par value (2020: 500 million ordinary shares of no par value). 161 155 915 shares were in issue at 31 August 2021 (2020: 161 155 915).

	Unaudited 31 August 2021	Audited 29 February 2021	Unaudited 31 August 2020
Weighted average number of ordinary shares (000s)			
Issued ordinary shares at the beginning of the period	161 156	161 156	161 156
Effect of own shares held	(223)	(941)	(584)
Weighted average number of shares in issue during the period	160 933	160 215	160 572
Number of shares in issue at the end of the period (000s)	161 156	161 156	161 156
Dilutive weighted average number of ordinary shares (000s)			
Issued ordinary shares at the beginning of the period	161 156	161 156	161 156
Effect of own shares held	(223)	(941)	(584)
Effect of dilutive shares	–	–	–
Diluted weighted average number of shares in issue during the period	160 933	160 215	160 572
Number of shares in issue at the end of the period (000s)	161 156	161 156	161 156

The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. In the current period, the employee shares have an anti-dilutive effect.

10. Net cash generated by operating activities

	6 months Unaudited 31 August 2021	12 months Audited 29 February 2021	6 months Unaudited 31 August 2020
Figures in R'000			
Profit before income tax expense from continuing operations	54 283	9 988	41 797
Loss before income tax expense from discontinued operations	–	(18 691)	(1 628)
Adjusted for:			
Depreciation of property, plant and equipment	735	2 822	1 067
Depreciation of right-of-use assets	3 566	7 719	3 979
Equity-accounted earnings (net of income tax)	–	(17 678)	(3 108)
Fair value adjustments	(18 001)	883	(3 537)
Fair value adjustments to third party insurance liabilities	2 263	11 124	–
Fair value adjustments to investment contract liabilities	31 367	56 795	17 272
Change in reinsurance assets movement	262	2 580	–
Short-term insurance: Incurred but not reported (IBNR)	–	(997)	–
Short-term insurance: Unearned premiums	–	4 400	–
Short-term insurance: DAC	–	(1 206)	–
Profit on disposal of subsidiaries	–	(17 831)	–
Bargain purchase gain	(954)	(530)	–
Impairment of investment in associates	–	2 811	–
Impairment loss on trade and other receivables	119	9 412	12
Impairment on VIF asset	–	41 502	–
Inventory write-off	–	1 517	–
Amortisation of intangible assets	8 163	16 316	8 163
Share-based payments expense	1 995	3 295	2 382
Recycling of foreign currency translation reserve through profit or loss	–	(7 263)	–
Foreign currency translation loss	*	29	345
IAS 19 Employee benefit costs	–	4 551	–
Interest received from investments and finance income	(13 611)	(25 511)	(13 028)
Dividends received	(2 710)	(4 458)	(1 997)
Finance costs	3 221	8 567	4 175
Changes in working capital:			
(Increase)/Decrease in trading securities	(74)	(31)	88
Decrease/(Increase) in inventory	–	–	(2 358)
Decrease/(Increase) in trade and other receivables	(16 966)	(19 922)	(15 726)
Decrease/(Increase) in reinsurance assets	(1 405)	(7 134)	16 047
Decrease in insurance liabilities	–	–	3 468
(Decrease)/Increase in trade and other payables	(5 475)	32 777	(4 816)
Increase/(Decrease) in accounts receivable and payable from trading activities	448	(148)	1 078
Cash generated by operating activities	47 225	95 688	53 675

* less than R1000

11. Financial instruments carried at fair value

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

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The appropriate quoted market price for an asset held or a liability to be issued is usually the current bid price and, for an asset to be acquired or a liability held, the asking price.

The existence of published price quotations in an active market is the best evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. Financial instruments fair valued using quoted prices would generally be classified as level 1 in terms of the fair value hierarchy and when fair valued indirectly (i.e. derived from prices) will be classified as level 2.

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

In applying valuation techniques, the group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

Valuation techniques applied by the group would result in financial instruments being classified as level 2 or level 3 in terms of the fair value hierarchy. The determination of whether a financial instrument is classified as level 2 or level 3 is dependent on the significance of observable inputs *versus* unobservable inputs in relation to the fair value of the financial instrument.

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

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

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

	Unaudited 31 August 2021		Audited 28 February 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Figures in R'000				
Financial assets measured at fair value				
Other investments	13 181	13 181	14 572	14 572
Insurance-related investments	428 612	428 612	398 084	398 084
Trading securities	236	236	162	162
Financial assets measured at amortised cost				
Loans to associates	1 210	1 110	1 210	1 110
	443 240	443 139	414 028	413 928
Financial liabilities measured at fair value				
Trading securities	(3)	(3)	(3)	(3)
Insurance contracts	(398 747)	(398 747)	(367 380)	(367 380)
Insurance contract liabilities	(91 735)	(91 735)	(89 472)	(89 472)
Financial liabilities measured at amortised cost				
Other financial liabilities at amortised cost	(47 034)	(50 901)	(56 881)	(53 845)
Insurance liabilities	(13 796)	(13 796)	(13 796)	(13 796)
	(551 314)	(555 181)	(527 532)	(524 496)

The carrying amounts of cash and cash equivalents, accounts receivable from trading activities, trade and other receivables, insurance assets, reinsurance assets, bank overdraft, accounts payable from trading activities and trade and other payables reasonably approximate their fair values and are therefore not included in the table above, due to their short-term nature.

Notes to the condensed consolidated interim financial statements

(all figures in R'000) (continued)

11. Financial instruments carried at fair value (continued)

Fair value hierarchy

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

The different levels are defined as follows:

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

Unaudited 31 August 2021

Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	15 215	426 578	–	441 794
Financial assets measured at fair value	53	–	–	53
Financial assets at amortised cost	–	–	1 110	1 110
Financial liabilities at fair value through profit or loss	(13)	(490 481)	–	(490 494)
Financial liabilities at amortised cost	–	–	(64 697)	(64 697)
	15 255	(63 903)	(63 588)	(112 236)

Audited 28 February 2021

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	268 699	143 957	–	412 656
Financial assets measured at fair value	162	–	–	162
Financial assets at amortised cost	–	–	1 110	1 110
Financial liabilities at fair value through profit or loss	(3)	(367 380)	–	(367 383)
Financial liabilities at amortised cost	–	–	(157 113)	(157 113)
	268 858	(223 423)	(156 003)	(110 568)

Figures in R'000

Level 3 comprises:

	Unaudited 31 August 2021	Audited 29 February 2021
Balance at beginning of period	–	124 324
Total gains or losses in profit or loss (disclosed in fair value adjustments)	–	(25 859)
Purchases, transfers, sales, issues and settlements	–	(98 465)
Balance at end of the period	–	–

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

	Unaudited 31 August 2020	Audited 28 February 2021
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
Free cash flow		
10% increase	(1 438)	(5 274)
10% decrease	7 876	5 274
Foreign exchange movement		
10% increase	755	69
10% decrease	(755)	(69)

12. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2021 took place during the period.

13. Events after reporting date

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

14. Dividends

Dividend declared

Notice is hereby given that a gross ordinary dividend of 6.5 cents per share has been declared out of income reserves on 6 October 2021 and are payable to ordinary shareholders in accordance with the following timetable.

In terms of dividend tax effective since 1 April 2012, the following additional information is disclosed:

- The local Dividends Tax rate is 20%
- 161 155 915 shares are in issue
- The gross ordinary dividend is 6.50000 cents per share for shareholders exempt from paying Dividends Tax
- The net ordinary dividend is 5.20000 cents per share for ordinary shareholders who are not exempt from Dividends Tax
- Vunani Limited's tax reference number is 9841003032

Timetable	2021
Declaration and finalisation date announcement	Wednesday, 6 October
Last day to trade <i>cum</i> dividend	Tuesday, 9 November
Shares commence trading <i>ex-dividend</i>	Wednesday, 10 November
Record date	Friday, 12 November
Dividend payment date	Monday, 15 November

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 10 November 2021 to Friday, 12 November 2021, both dates inclusive.

Dividends are declared in the currency of the Republic of South Africa. The directors have confirmed that the company will satisfy the liquidity and solvency requirements immediately after the payment of the dividend.

Ordinary dividend

Ordinary dividend number 7 of 7.5 cents (6.00 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 28 June 2021 (net of treasury shares). Total cash of R12.1 million (net of treasury shares held) was paid to ordinary shareholders.

15. Going concern

The unaudited financial statements have been prepared on a going concern basis. The group has recognised a net profit after tax of R40.7 million (2020: R36.0 million) for the period ended 31 August 2021, and as at that date current assets exceed current liabilities by R127.9 million (2020: R79.0 million).

Management has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and that the group will extinguish liabilities in the normal course of business at the amounts stated in the condensed consolidated financial statements.

The board is of the view that, based on its knowledge of the group, assumptions regarding the outcome of the key processes under way and specific inquiries it has made, the group has adequate resources at their disposal to settle obligations as they fall due and the group will continue as going concern for the foreseeable future. The group continues to monitor the impact of COVID-19 on its revenue and will adjust its cost base if required.

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

Overview and prospects

Vunani's 2021/22 financial year commenced at the tail-end of South Africa's second COVID-19 wave and under relatively mild Level 1 lockdown conditions. By May the country entered the third wave though, prompting progressively stricter lockdown restrictions up to Level 4 which would be eased by late July only, and eventually adjusted to Level 2 by mid-September. Consequently, economic activity generally remained depressed over the first half of the prevailing financial year, suffering from the lagged impact of COVID-related disruption over the course of the past financial year, and aggravated by renewed tightening of lockdown restrictions as the year progressed.

Despite technical adjustment of historical economic data which suggests economic growth contraction at -6.4% for 2020 was less pronounced than previously reported, the magnitude of the COVID-related adverse impact is evident from the fact that the size of the South African economy was still smaller in the second quarter of 2021 than in the fourth quarter of 2017. Quarterly economic growth rates did improve somewhat from the low base caused by the hard lockdown conditions in 2020, but besides technical rebound prevailing underlying growth impetus remained muted. Business confidence was further dented by the impact of the attempted insurrection in KwaZulu-Natal and Gauteng in July.

Nevertheless, surging global commodity prices did render a fillip for commodity exporters and a resultant healthy trade surplus bolstered the current account into a sizeable surplus, which underpinned the Rand-exchange rate. That culminated in a better-than-expected performance by the Rand amidst trying domestic economic conditions and escalating concerns about South Africa's fiscal affairs in particular.

Vunani's positioning predominantly in financial services businesses shielded it somewhat from the impact of lockdown restrictions and essentially allowed for business operations to continue. Even though the business hasn't been left unscathed by prevailing economic conditions, Vunani remains well positioned and confident to participate in the growth and recovery of the South African and regional economy in a post-Covid era.

Vunani's performance for the six-month period to 31 August 2021 has improved in comparison to the prior period. The group generated total comprehensive income for the period of R40.4 million (2020: R32.3 million), while total profit attributable to equity holders of the company amounted to R34.9 million (2020: R31.6 million).

The group's reportable segments are as follows:

Continuing operations

- Fund management
- Asset administration
- Insurance
- Investment banking
- Advisory services
- Institutional securities broking

Discontinued operations

- Private equity
- Commodities trading
- Other investments

CONTINUING OPERATIONS

Fund management

The fund management segment includes the group's investments in Vunani Fund Managers Proprietary Limited ("VFM"), Vunani Fund Managers Botswana Proprietary Limited ("VFMB"). As part of the restructure completed in February 2021 the investments in Purpose Vunani Asset Management (Private) Limited ("PVAM") and Alliance Capital Limited ("Alliance") were unbundled to shareholders. The segment reported revenue of R80.9 million for the period (2020: R66.3 million), which is an increase of 22%. The reportable segment profit amounted to R21.2 million for the period compared to a profit of R9.3 million at 31 August 2020.

VFM's performance and profitability improved during the period as a result of an increase in assets under management. The assets under management increased by R5.8 billion from R51.5 billion at 28 February 2021 to R57.3 billion at 31 August 2021. The increase in assets under management will boost VFM's profitability going forward.

VFMB's assets under management was R5.5 billion as at 31 August 2021 compared to R5.9 billion at 28 February 2021. The decrease in AUM is due to the impact of the pandemic which resulted in clients withdrawing funds.

Insurance

The insurance segment includes the group's investment in Oracle Insurance and Oracle Life. On the 31st of May 2021 Oracle Insure acquired 75% of Medscheme Holdings Proprietary Limited for a nominal consideration. The segment contributed revenue of R126.7 million (2020: R107.1 million) and profit of R7.1 million in the current period compared to R5.7 million in August 2020.

Asset administration

The asset administration segment includes the group's investment in Fairheads Beneficiary Services Proprietary Limited ("Fairheads") and Fairheads Financial Services Proprietary Limited ("FFS"). Fairheads assets under administration amounted to R8.9 billion at 31 August 2021 from R7.3 billion at 28 February 2021. The increase in AUA is a result of the acquisition of the Nedbank beneficiary administration book in July 2021. The segment contributed R11.3 million to the group's results for the period ended 31 August 2021 compared to R10.3 million in the prior period.

Advisory services

The segment includes Vunani Corporate Finance which offers a full range of advisory services and JSE, A2X sponsor services. Included in this segment is the team providing management services to Vunani Capital Partners Limited which was the vehicle the private equity assets were unbundled into. As a result of this, the revenue has increased from R5.3 million in 2020 to R14.9 million. The segment reported a profit for the period of R0.5 million (2020: R6.9 million).

Institutional securities broking

The segment includes equity, derivative and capital market trading services to institutional clients. As a result of the tough markets the segment had a decline in performance, resulting in revenue decreasing by 12% from R22.6 million to 31 August 2020 to R19.9 million in the current period. This has resulted in the segment contributing profit of R0.5 million compared to a R5.8 million in 2020.

DISCONTINUED OPERATIONS

As a result of the unbundling of the private equity assets that was finalised in February 2021, the other investments, commodities trading, and a small portion of the fund management segment have been disclosed as a discontinued operation in the prior year. The discontinued operations generated revenue of R16.9 million in 2020 and contributed a loss of R2.0 million in 2020.

Financial performance

Revenue from operations increased by 19% to R321.5 million (2020: R271.2 million) for the period ended 31 August 2021. Revenue has increased compared to the prior period due to the increase in AUM and AUA for the fund management and asset administration segments as well as the insurance segment.

Other income increased to R15.6 million (2020: R7.8 million) for the period ended 31 August 2021. Other income comprises insurance recoveries, once-off income from VFMB and sundry income.

Investment income is received in the form of dividends. Total investment

Overview and prospects (continued)

income for the current period amounted to R2.7 million compared to R2.0 million for the period ended 31 August 2020. This is due to the increase in dividends from the insurance-related investments.

Negative **fair value adjustments** of R15.9 million (2020: R14.6 million). The increase relates mainly to the adjustments on the insurance investment contract liabilities and third-party liabilities, which amounted to R33.9 million (2020: R33.6 million). The group's listed and insurance-related investments generated positive fair value adjustments of R18.0 million compared to R9.0 million in the prior year.

Equity-accounted earnings for the period amounted to nil (2020: R0.4 million) as result of the group's disposal of its investment in Phakamani Impact Capital Proprietary Limited in February 2021.

Operating expenses increased by 20% from R233.6 million to R281.2 million. The increase relates to an increase in insurance related claims that have been paid in the period as a result of the impact of the COVID-19 pandemic. The insurance related claims increased by 26% when compared to the prior year. The group remains focused on cost containment and monitors spending on an ongoing basis.

Finance income has decreased from R4.9 million to R3.1 million as a result of a change in the group's cash investment positions compared to the prior year. **Interest from investments** has increased to R10.5 million compared to R8.1 million mainly due to the returns on the insurance segment's insurance related investments. **Finance costs** have decreased from R4.1 million in 2020 to R3.2 million as result of a decrease in the group's external financial liabilities.

The **Intangible assets** decreased by R8.2 million as a result of the monthly amortisation, which is included in operating expenses. The net decrease in **other investments** was due to negative fair value adjustments on the listed investments.

Insurance related investments increased from R398.1 million at February 2021 to R428.6 million as a result of the returns generated from the investments by Oracle Insurance. **Investment contracts and third-party liabilities** were fair valued at 31 August 2021 which has resulted in an increase from R456.9 million to R490.5 million with corresponding negative fair value adjustments.

The **treasury shares** have decreased due to the transfer of shares to staff in terms of the staff share scheme. The **share-based payments reserve** movement of R2.0 million is attributable to the current period IFRS 2 charge (2020: R2.4 million). The **foreign currency translation reserve** is attributable to the group's investments outside of South Africa. Profit attributed to **non-controlling interest** amounted to R5.8 million compared to 4.4 million in the prior year.

Prospects

Despite the impact of COVID-19 on the global and local economy the first six months of the year has seen an improvement in the performance when compared to the prior period. The group believes that it is in a position to benefit from the improved growth prospects of the local economy driven by improved performance and profitability in the operating businesses. The group will continue its focus on improving the synergies of its operating businesses as a key growth strategy. Vunani will continue to look at acquisitions that are in line with creating a diversified financial services business. In order to ensure that Vunani's staff are safe and healthy through these times are paramount the group has adopted a hybrid work from home strategy which has enabled it to continue to service its client diligently.

FORWARD-LOOKING STATEMENTS AND DIRECTORS' RESPONSIBILITY

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

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

Signed on behalf of the board of directors by BM Khoza and T Mika on 6 October 2021.

CORPORATE INFORMATION

Executive Directors

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

Non-Executive Directors

LI Jacobs – Independent Chairman
NS Mazwi – independent
G Nzalo – independent
JR Macey – independent
S Mthethwa
M Golding

After serving on the Vunani Limited board for eight years Dr XP Guma resigned from the board on 13 May 2021. The Company thanks Dr Guma, for his dedication and support throughout his tenure on the Vunani board.

Company Secretary

CIS Company Secretaries Proprietary Limited

Sponsor

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Singular Systems Proprietary Limited

RESULTS PRESENTATION

Vunani will be hosting the interim results presentation by CEO Butana Khoza and CFO Tafadzwa Mika, followed by a question and answer session on Monday 11 October 2021, at 11:00 via a web/audio cast. Shareholders and investors wishing to join the Vunani Interim Results presentation should email IR@Singular.co.za for the link and relevant details.



(Incorporated in the Republic of South Africa)

(Registration number: 1997/020641/06)

JSE code: VUN

ISIN: ZAE000163382

Listed on the JSE Limited ("JSE") and secondary listing on A2X
("Vunani" or "the company" or "the group")

vunanilimited.co.za