

VUNANI

LIMITED

Unaudited condensed consolidated interim results for the six-month period ended 31 August 2022

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



Agility. Endurance. Performance

Condensed consolidated statement of comprehensive income

for the six-month period ended 31 August 2022

SALIENT FEATURES

REVENUE AND PREMIUM REVENUE

R376.8 million

compared to R321.5 million at 31 August 2021

OPERATING PROFIT OF

R102.4 million

compared to R69.2 million at 31 August 2021

DIVIDEND DECLARED OF

9.0c

compared to 6.5c at 31 August 2021

Figures in R'000	Notes	Re-presented	
		Unaudited 31 August 2022	Unaudited 31 August 2021
Revenue	1	224 164	194 811
Net written premium	2	117 100	99 320
<i>Gross written premium</i>		152 667	126 711
<i>Less: Reinsurance written premium</i>		(35 567)	(27 391)
Investment revenue		5 438	2 710
Interest received from investments	6	12 004	10 486
Other income	3	6 664	8 227
Total income		365 370	315 554
Operating expenses	7	(218 232)	(189 331)
Net insurance benefits and claims		(44 760)	(57 050)
Insurance benefits and claims paid		(56 293)	(64 482)
Insurance benefits and claims recovered from reinsurers		11 533	7 432
Operating profit		102 378	69 173
Bargain purchase gain	4	–	954
Impairments of financial assets		(483)	(119)
Fair value adjustments	5	(46 948)	(15 629)
Results from operating activities		54 947	54 379
Finance income		3 566	3 125
Finance costs		(2 860)	(3 221)
Net finance income/(costs)		706	(96)
Profit before income tax		55 653	54 283
Income tax expense		(16 285)	(13 624)
Profit for the period		39 368	40 659
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		420	(250)
Exchange differences on translating foreign operations		420	(250)
Total comprehensive income for the period		39 788	40 409
Profit for the period attributable to:			
Equity holders of Vunani Limited		32 305	34 871
Non-controlling interest		7 063	5 788
		39 368	40 659
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		32 556	34 721
Non-controlling interest		7 232	5 688
		39 788	40 409
Basic and diluted earnings per share (cents)		20.3	21.7
Basic and diluted earnings per share (cents)		20.3	21.7
Basic and diluted headline earnings per share (cents)	8	20.3	21.7
Basic headline earnings per share (cents)		20.3	21.7

The comparative figures have been re-presented and the layout of the statement of comprehensive income has been enhanced to provide better disclosure on the impact of the insurance related operations on the group's performance.

Condensed consolidated statement of financial position

at 31 August 2022

Figures in R'000	Notes	6 months Unaudited 31 August 2022	12 months Audited 28 February 2022
Assets			
Property, plant and equipment*		29 523	23 508
Goodwill		139 766	139 766
Intangible assets		126 587	134 475
Investments in associates		1 300	1 300
Other investments	9	10 199	11 345
Insurance-related investments		492 785	453 357
Deferred tax asset		51 401	53 865
Total non-current assets		851 561	817 616
Other investments	9	2 051	3 198
Taxation prepaid		2 903	1 059
Reinsurance assets		20 566	21 357
Trade and other receivables		100 268	89 046
Accounts receivable from trading activities		112 811	60 583
Trading securities		403	353
Cash and cash equivalents		211 214	252 852
Total current assets		450 216	428 448
Total assets		1 301 777	1 246 064
Equity			
Stated capital		696 497	696 497
Treasury shares		(7 245)	(6 166)
Share-based payments reserve		6 440	3 660
Foreign currency translation reserve		(2 284)	(2 535)
Accumulated loss		(365 354)	(375 445)
Equity attributable to equity holders of Vunani Limited		328 054	316 011
Non-controlling interest		73 573	66 341
Total equity		401 627	382 352
Liabilities			
Other financial liabilities	9	20 234	13 356
Lease liabilities		6 603	10 645
Investment contracts		452 152	432 179
Insurance contract liabilities		76 980	73 682
Deferred tax liabilities		29 828	31 838
Total non-current liabilities		585 797	561 700
Other financial liabilities	9	28 375	20 902
Lease liabilities		7 472	7 060
Taxation payable		8 824	12 494
Insurance contract liabilities		24 009	17 059
Trade and other payables		119 635	155 269
Accounts payable from trading activities		112 420	60 853
Trading securities		4	3
Bank overdraft		13 614	28 372
Current liabilities		314 353	302 012
Total liabilities		900 150	863 712
Total equity and liabilities		1 301 777	1 246 064
Shares in issue (000s)	10	161 156	161 156
Net asset value per share (cents)		203.6	196.1
Net tangible asset value per share (cents)		38.3	25.9

* 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 2022

	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 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 acquisition	–	–	–	–	–	–	1 505	1 505
Dividend 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
Total comprehensive income for the period								
Profit for the period	–	–	–	–	25 914	25 914	5 131	31 045
Other comprehensive income for the period	–	–	–	(19)	–	(19)	(12)	(31)
Total comprehensive income for the period	–	–	–	(19)	25 914	25 895	5 119	31 014
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	1 475	–	–	1 475	–	1 475
Transfer of treasury shares	–	–	–	–	–	–	–	–
Acquisition of treasury shares	–	(5 727)	–	–	–	(5 727)	–	(5 727)
Business combination	–	–	–	–	–	–	643	643
Dividends paid	–	–	–	–	(10 328)	(10 328)	(66)	(10 394)
Total transactions with owners, recorded directly in equity	–	(5 727)	1 475	–	(10 328)	(14 580)	577	(14 003)
Balance as at 28 February 2022 – Audited	696 497	(6 166)	3 660	(2 535)	(375 445)	316 011	66 341	382 352
Total comprehensive income for the period								
Profit for the period	–	–	–	–	32 305	32 305	7 063	39 368
Other comprehensive income for the period	–	–	–	251	–	251	169	420
Total comprehensive income for the period	–	–	–	251	32 305	32 556	7 232	39 788
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 780	–	–	2 780	–	2 780
Acquisition of treasury shares	–	(1 079)	–	–	–	(1 079)	–	(1 079)
Dividends paid	–	–	–	–	(22 214)	(22 214)	–	(22 214)
Total transactions with owners, recorded directly in equity	–	(1 079)	2 780	–	(22 214)	(20 513)	–	(20 513)
Balance as at 31 August 2022 – Unaudited	696 497	(7 245)	6 440	(2 284)	(365 354)	328 054	73 573	401 627

DIVIDENDS

	Unaudited 31 August 2022	Unaudited 31 August 2021
Figures in R'000		
Ordinary dividend paid		
Ordinary dividend number 9 of 14.0 cents (11.20 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 27 June 2022 (net of treasury shares). 2021: 7.5 cents (6.00 cents net of dividend withholding tax).	22 214	12 072
	22 214	12 072

Condensed consolidated statement of cash flows

for the six-month period ended 31 August 2022

Figures in R'000	Note	6 months Unaudited 31 August 2022	12 months Audited 28 February 2022	6 months Unaudited 31 August 2021
Cash flows from operating activities				
Net cash generated by operating activities	11	62 894	121 201	47 226
Investment revenue received		74	–	–
Finance income received		3 565	7 471	3 125
Finance costs paid		(2 734)	(6 244)	(3 221)
Dividends paid to shareholders		(22 214)	(22 400)	(12 072)
Dividends paid to non-controlling interest		–	(66)	–
Income tax paid		(18 979)	(31 139)	(13 532)
Net cash generated by operating activities		22 606	68 823	21 526
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash		–	611	–
Acquisition of property, plant and equipment		(10 582)	(5 708)	(3 319)
Proceeds from repayment of loans to associates		–	319	–
Acquisition of intangible assets – computer software		–	(3 791)	–
Proceeds on disposal of insurance-related investments		–	4 964	–
Acquisition of insurance-related investments		(45 406)	–	(3 500)
Net cash outflow from investing activities		(55 988)	(3 605)	(6 819)
Cash flows from financing activities				
Acquisition of treasury shares		(1 079)	(5 727)	–
Advances of other financial liabilities		17 729	2 500	–
Repayments of other financial liabilities		(6 065)	(27 673)	(14 398)
Repayment of lease liabilities – capital repayment		(4 083)	(5 590)	(3 738)
Net cash inflow/(outflow) from financing activities		6 502	(36 490)	(18 136)
Net (decrease)/increase in cash and cash equivalents		(26 880)	28 728	(3 429)
Cash and cash equivalents acquired/(disposed) during the period		–	–	611
Exchange rate differences on foreign balances		–	–	*
Cash and cash equivalents at the beginning of the period		224 480	195 752	195 752
Total cash and cash equivalents at end of the period		197 600	224 480	192 934

* Less than R1 000.

Segmental reporting

for the six-month period ended 31 August 2022

The group has five reportable segments being fund management, asset administration, advisory services, institutional securities broking and insurance. The fund management segment is 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.

Figures in R'000		Reportable segment			
		Revenue/ gross premium Unaudited 31 August 2022	profit/(loss) after tax Unaudited 31 August 2022	Total assets Unaudited 31 August 2022	Total liabilities Unaudited 31 August 2022
Fund management		95 207	18 282	108 221	(44 908)
Asset administration		95 433	18 959	210 282	(39 115)
Insurance		152 667	6 423	755 905	(657 164)
Investment banking	<ul style="list-style-type: none"> — Advisory services — Institutional securities broking 	19 707	(3 360)	79 552	(33 107)
		13 817	(936)	147 817	(125 856)
Total		376 831	39 368	1 301 777	(900 150)

Figures in R'000		Reportable segment			
		Revenue/ gross premium Unaudited 31 August 2021	profit after tax Unaudited 31 August 2021	Total assets Audited 28 February 2022	Total liabilities Audited 28 February 2022
Continuing operations					
Fund management		80 920	21 225	124 117	(48 373)
Asset administration		80 114	11 345	216 745	(42 367)
Insurance		126 711	7 147	729 715	(638 835)
Investment banking	<ul style="list-style-type: none"> — Advisory services — Institutional securities broking 	14 908	460	77 168	(61 624)
		18 869	482	98 319	(72 513)
Total		321 522	40 659	1 246 064	(863 712)

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, insurance-related 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 2022 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 operations include trading revenue, fees earned from advisory services, brokerage, fund management fees, asset administration fees and insurance premiums.

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

Figures in R'000	Unaudited 31 August 2022	Re-presented Unaudited 31 August 2021
Fund management	95 207	80 920
Asset administration	95 433	80 114
Advisory services	19 707	14 908
Institutional securities broking	13 817	18 869
	224 164	194 811
The group's revenue generated from the fund management, asset administration, and advisory services has improved despite Covid-19 and tough economic environment.		
2. Insurance premium revenue		
Gross written premium	152 667	126 711
Less: Reinsurance written premium	(35 567)	(27 391)
Net written premium	117 100	99 320
3. Other income		
Sundry income	6 508	7 714
Directors' fees	156	513
	6 664	8 227
4. Bargain purchase	-	954
On 31 May 2021 Vunani acquired an effective 39% of Medscheme Holdings Proprietary Limited ("Medscheme") through Oracle Insure. The consideration for the investment amounted to R1, resulting in a bargain purchase of R0.95 million.		
5. Fair value adjustments		
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	(1 123)	(3 534)
Fair value adjustments on insurance-related investments	(22 554)	19 272
Fair value adjustments to investment contract and insurance liabilities	(23 271)	(31 367)
	(46 948)	(15 629)

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

Figures in R'000	Unaudited 31 August 2022	Re-presented Unaudited 31 August 2021
6. Interest received from investments		
Interest received from insurance related investments	11 932	10 486
Interest from loans and other receivables	72	–
	12 004	10 486
7. Operating expenses		
Operating expenses increased by 15% in the reporting period. This increase was due to the increase in staff costs and insurance related expenses.		
The below expenses have contributed to the increase in operating expenses when compared to prior year:		
Staff costs	127 882	114 253
Claims incurred	56 293	64 482
Reinsurance premium	35 567	27 391
8. Reconciliation of headline earnings for the period		
Profit for the period attributable to equity holders of Vunani	32 305	34 871
	32 305	34 871
Headline earnings per share (cents)	20.3	21.7
Basic and diluted headline earnings per share	20.3	21.7

9. 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 12 of these financial results.

10. Authorised and issued stated capital

The authorised stated capital at 31 August 2022 was 500 million ordinary shares of no par value (2021: 500 million ordinary shares of no par value). 161 155 915 shares were in issue at 31 August 2022 (2021: 161 155 915).

Weighted average number of ordinary shares (000s)	Unaudited 31 August 2022	Audited 29 February 2022	Unaudited 31 August 2021
Issued ordinary shares at the beginning of the period	161 156	161 156	161 156
Effect of own shares held	(2 238)	(952)	(223)
Weighted average number of shares in issue during the period	158 918	160 204	160 933
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	(2 238)	(952)	(223)
Effect of dilutive shares	–	–	–
Diluted weighted average number of shares in issue during the period	158 918	160 204	160 933
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.

11. Net cash generated by operating activities

Figures in R'000	6 months	12 months	6 months
	Unaudited 31 August 2022	Audited 28 February 2022	Unaudited 31 August 2021
Profit before income tax expense	55 653	108 737	54 283
Adjusted for:			
Depreciation of property, plant and equipment	1 172	2 736	735
Depreciation of right-of-use assets	3 769	7 647	3 566
Equity-accounted earnings (net of income tax)	–	(882)	–
Fair value adjustments	23 677	(30 577)	(18 001)
Fair value adjustments to third party insurance liabilities	3 298	(15 790)	2 263
Fair value adjustments to investment contract liabilities	19 973	64 799	31 367
Change in reinsurance assets movement	(1 116)	2 088	262
Short-term insurance: Incurred but not reported (IBNR)	–	172	–
Short-term insurance: Unearned premiums	13 005	3 681	–
Short-term insurance: DAC	(1 037)	(694)	–
Bargain purchase gain	–	(1 362)	(954)
Impairment of investment in associates	–	891	–
Impairment loss on trade and other receivables	483	(1 219)	119
Impairment on VIF asset	–	(10 283)	–
Amortisation of intangible assets	7 889	15 914	8 163
Share-based payments expense	2 780	3 470	1 995
Foreign currency translation loss	*	150	*
IAS 19 Employee benefit costs	1 500	(2 029)	–
Interest received from investments and finance income	(15 570)	(29 503)	(13 611)
Dividends received	(5 438)	(7 924)	(2 710)
Finance costs	2 860	6 438	3 221
Changes in working capital:			
Increase in trading securities	(50)	(191)	(74)
Increase in trade and other receivables	(17 188)	(6 603)	(16 966)
Decrease/(increase) in reinsurance assets	790	3 332	(1 405)
Increase/(decrease) in insurance liabilities	(5 017)	105	–
(Decrease)/increase in trade and other payables	(28 979)	9 816	(5 475)
Increase/(decrease) in accounts receivable and payable from trading activities	440	(1 718)	448
Cash generated by operating activities	62 894	121 201	47 226

* less than R1000

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

12. 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.

Figures in R'000	Unaudited 31 August 2022		Audited 28 February 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value				
Other investments	12 250	12 250	14 543	14 543
Insurance-related investments	492 785	492 785	453 357	453 357
Trading securities	403	403	353	353
	505 438	505 438	468 253	468 253
Financial liabilities measured at fair value				
Trading securities	(4)	(4)	(3)	(3)
Insurance contracts	(452 152)	(452 152)	(432 179)	(432 179)
Insurance contract liabilities	(76 980)	(76 980)	(73 682)	(73 682)
Financial liabilities measured at amortised cost				
Other financial liabilities at amortised cost	(48 609)	(46 097)	(34 258)	(36 395)
Insurance liabilities	(24 009)	(24 009)	(17 059)	(17 059)
	(601 754)	(599 242)	(557 181)	(559 318)
Total	(96 316)	(93 804)	(88 928)	(91 065)

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.

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 2022

Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	247 681	257 354	–	505 035
Financial assets measured at fair value	403	–	–	403
Financial liabilities at fair value through profit or loss	(4)	(529 132)	–	(529 136)
Financial liabilities at amortised cost	–	–	(70 106)	(70 106)
	248 080	(271 778)	(70 106)	(93 804)

Audited 28 February 2022	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	247 642	220 258	–	467 900
Financial assets measured at fair value	353	–	–	353
Financial liabilities at fair value through profit or loss	(3)	(432 179)	–	(432 182)
Financial liabilities at amortised cost	–	–	(127 136)	(127 136)
	247 992	(211 921)	(127 136)	(91 065)

	Unaudited 31 August 2022	Audited 28 February 2022
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
Free cash flow		
10% increase	(4 610)	(451)
10% decrease	4 610	451
Foreign exchange movement		
10% increase	2 442	5 123
10% decrease	(1 031)	(21)

13. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2022 took place during the period.

14. Events after reporting date

The group has concluded agreements to acquire 50% of Verso Group Proprietary Limited with effect from 1 October 2022.

The company declared a dividend of 9.0c, refer to note 15 for more details.

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

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

15. Dividends

Dividend declared

Notice is hereby given that a gross ordinary dividend of 9.0 cents per share has been declared out of income reserves on 6 October 2022 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 9.00000 cents per share for shareholders exempt from paying Dividends Tax
- The net ordinary dividend is 7.20000 cents per share for ordinary shareholders who are not exempt from Dividends Tax
- Vunani Limited's tax reference number is 9841003032

Timetable

2022

Declaration and finalisation date announcement	Thursday, 6 October
Last day to trade <i>cum</i> dividend	Tuesday, 8 November
Shares commence trading <i>ex-dividend</i>	Wednesday, 9 November
Record date	Friday, 11 November
Dividend payment date	Monday, 14 November

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 9 November 2022 to Friday, 11 November 2022, 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 9 of 14.0 cents (11.2 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 27 June 2022 (net of treasury shares). Total cash of R22.2 million (net of treasury shares held) was paid to ordinary shareholders.

16. Going concern

The unaudited interim financial statements have been prepared on a going concern basis. The group has recognised a net profit after tax of R39.4 million (2021: R40.7 million) for the period ended 31 August 2022, and as at that date current assets exceed current liabilities by R136.0 million (2021: R126.4 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 2022/23 financial year commenced at the tail-end of the domestic National State of Disaster, which was eventually terminated at midnight on 4 April 2022, leaving some transitional Covid-19-related provisions and restrictions in place. A subsequent limited fifth Covid wave was essentially "ignored" as businesses scrambled to restore stability and return to some degree of "business-as-usual".

Despite the gradual lifting of restrictions globally since the beginning of the year, the damage to the world economy was already done. Global economic output remained under pressure and the lagged detrimental economic impact of Covid-related restrictions is to be felt for many years to come. The economic recovery was further disrupted by the direct effects of, and indirect repercussions from Russia's invasion of the Ukraine in February 2022. Unsurprisingly, global energy and fuel prices have subsequently surged, and the hands of monetary authorities were forced into aggressively tightening interest rates to stem spiralling global inflation. The US Federal Reserve set the tone by commencing a steep hiking cycle, which culminated in the US Dollar strengthening and pushing the exchange rate of cross-currencies like the Rand weaker.

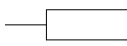
The concomitant risk of additional currency-related inflationary pressure left South African monetary authorities with little choice, but to follow suit, despite a still very depressed domestic economy. The domestic economy was further hampered by disruption from unreliable electricity supply as escalating loadshedding measures had to be introduced as the year progressed. Consequently, the size of the domestic economy which recovered in the first quarter of 2022 to marginally above the pre-Covid level registered in the fourth quarter of 2019, shrunk in the second quarter, leaving the aggregate value of output in the South African economy in quarter two of 2022 below the level attained in the last quarter of 2019.

Vunani's positioning predominantly in financial services businesses continued to shield it somewhat from the impact of Covid-related disruption and essentially allowed for business operations to continue. Challenging global and domestic economic conditions amidst a cycle of rising interest rates does, however, imply that the business hasn't been left totally unscathed. Nevertheless, being cognisant of the need for a cautious approach amidst the backdrop of prevailing business conditions, Vunani remains well positioned to grow its existing underlying businesses and to also take advantage of the opportunities that do come our way.

Vunani's earnings for the six-month period to 31 August 2022 was flat in comparison to the prior period. The group generated total comprehensive income for the period of R39.8 million (2021: R40.4 million), while total profit attributable to equity holders of the company amounted to R32.3 million (2021: R34.9 million).

The group's reportable segments are as follows:

Fund management
Asset administration
Insurance
Investment banking



Advisory services
Institutional securities broking

Fund management

The fund management segment includes the group's investments in Vunani Fund Managers Proprietary Limited ("VFM") and Vunani Fund Managers Botswana Proprietary Limited ("VFMB"). The segment reported revenue of R95.2 million for the period (2021: R80.9 million), which is an increase of 12%. The reportable segment profit amounted to R18.3 million for the period compared to a profit of R21.2 million at 31 August 2021.

VFM's performance and profitability decreased during the period as a result of a decrease in assets under management. The assets under management decreased by R8.0 billion from R61.9 billion at 28 February 2022 to R53.9 billion at 31 August 2022.

VFMB's assets under management was R10.9 billion as at 31 August 2022 compared to R9.2 billion at 28 February 2022. The increase in AUM will help improve profitability going forward.

Insurance

The insurance segment includes the group's investment in Oracle Insurance and Oracle Life. The segment contributed revenue of R152.7 million (2021: R126.7 million) and profit of R6.4 million in the current period compared to R7.1 million in August 2021. The segment was impacted by negative fair value adjustments to its insurance assets and liabilities of R45.8 million (2021: R12.1 million).

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 R9.5 billion at 31 August 2022 from R9.2 billion at 28 February 2022. The segment contributed revenue of R95.4 million (2021: R80.1 million) for the period. The segment contributed a profit of R19.0 million to the group's results for the period ended 31 August 2022 compared to R11.3 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. The segment also includes the groups' management services to underlying subsidiaries and associates, including the private equity company, Vunani Capital Partners. Performance of the segment includes fees earned, operating costs and expenses incurred. Revenue has increased from R14.9 million in 2021 to R19.7 million. The segment reported a loss for the period of R3.4 million (2021: profit of R0.5 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 from R18.9 million to 31 August 2021 to R13.8 million in the current period. This has resulted in the segment contributing a loss of R0.9 million compared to a profit of R0.5 million in 2021.

Financial performance

Revenue from operations increased by 15% to R224.2 million (2021: R194.8 million) for the period ended 31 August 2022. Revenue has increased compared to the prior period due to the increase in AUM and AUA for the Botswana fund management and asset administration segments. Net insurance premiums increased by 18% to R117.1 compared to R99.3 in August 2021.

Other income decreased to R6.7 million (2021: R8.2 million) for the period ended 31 August 2022. Other income comprises once-off income, sundry income and directors' fees.

Investment revenue is received in the form of dividends. Total investment revenue for the current period amounted to R5.4 million compared to R2.7 million for the period ended 31 August 2021. This is due to the increase in dividends from the insurance-related investments.

Negative fair value adjustments of R46.9 million (2021: R15.6 million). The increase relates mainly to the adjustments on the insurance investment contract liabilities and third-party liabilities, which amounted to R23.3 million (2021: R31.4 million). The group's listed and insurance-related investments generated negative fair value adjustments of R22.6 million compared to positive fair value adjustments of R19.3 million in the prior year.

Operating expenses increased by 15% from R189.3 million to R218.2 million. The increase relates to an increase in insurance related operating costs incurred to increase premium income as well the impact of inflation on other operating costs. **Insurance benefits and claims** of R56.3 million (2021: R64.5 million), have come down in the current year, due to lower claims, as the impact of Covid reduces in Eswatini.

Finance income has increased from R3.1 million to R3.6 million as a result of an increase in returns from the group's cash investment positions compared to the prior year. **Interest from investments** has increased to R12.0 million compared to R10.5 million mainly due to the returns on the insurance segment's insurance related investments.

Finance costs have decreased from R3.2 million in 2021 to R2.9 million as result of a decrease in the group's external financial liabilities.

Overview and prospects (continued)

The **Intangible assets** decreased by R7.9 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 R453.4 million at February 2022 to R492.8 million as a result of the acquisitions and returns generated from the investments by Oracle Insurance.

Investment contracts and third-party liabilities were fair valued at 31 August 2022 which has resulted in an increase from R505.9 million to R529.1 million with corresponding negative fair value adjustments.

The **treasury shares** have increased due to the acquisition of shares for staff in terms of the staff share scheme. The **share-based payments reserve** movement of R2.8 million is attributable to the current period IFRS 2 charge (2021: R2.0 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 R7.1 million compared to R5.8 million in the prior year.

Prospects

Despite the impact of Covid-19 and the war in Ukraine on the global and local economy, the first six months of the year has seen an improvement in the operational performances of the group 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.

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 2022.

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

Company Secretary

CIS Company Secretaries Proprietary Limited

Sponsor

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Singular Systems Proprietary Limited

(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