VUNANI

LIMITED

Provisional condensed consolidated results

for the year ended 28 February 2023

Agility. Endurance. Performance

Condensed consolidated statement of comprehensive income

for the year ended 28 February 2023

SALIENT FEATURES

REVENUE & PREMIUMS FROM OPERATIONS

R752.4 million

compared to R687.0 million at 28 February 2022

OPERATING PROFIT FOR THE YEAR OF

R150.1 million

compared to profit of R113.0 million at 28 February 2022

EARNINGS PER SHARE OF

32.6c

compared to 37.9c at 28 February 2022

DIVIDEND DECLARED OF

11.0c

compared to 14.0c at 28 February 2022

Figures in R'000	Note	Reviewed 28 February 2023	Audited 28 February 2022
Continuing operations			
Revenue	1	**448 764**	415 104
Net written premium	2	**237 660**	215 373
Gross written premium		**303 618**	271 871
Less: Reinsurance written premium		**(65 958)**	(56 498)
Investment revenue		**10 945**	7 924
Interest received from investments	5	**26 351**	21 716
Other income	3	**16 649**	16 588
Total income		**740 369**	676 705
Operating expenses	8	**(474 655)**	(427 690)
Net insurance benefits and claims		**(115 567)**	(136 050)
Insurance benefits and claims paid		**(131 074)**	(149 511)
Insurance benefits and claims recovered from reinsurers		**15 507**	13 461
Operating profit		**150 147**	112 965
Bargain purchase gain	4, 10	**–**	1 362
Reversal of impairments of non-financial assets	6	**12 300**	10 283
Impairments of financial assets	6	**(7 236)**	328
Fair value adjustments	7	**(53 660)**	(18 432)
Equity-accounted (loss)/earnings (net of income tax)		**(2 292)**	882
Results from operating activities		**99 259**	107 388
Finance income		**7 903**	7 787
Finance costs		**(6 413)**	(6 438)
Net finance income		**1 490**	1 349
Profit before income tax		**100 749**	108 737
Income tax expense	9	**(39 031)**	(37 033)
Profit for the year		**61 718**	71 704
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		**531**	(281)
Exchange differences on translating foreign continuing operations		**531**	(281)
Total comprehensive income for the year		**62 249**	71 423
Profit for the year attributable to:			
Equity holders of Vunani Limited		**52 018**	60 785
Non-controlling interest		**9 700**	10 919
		61 718	71 704
Total comprehensive income for the year attributable to:			
Equity holders of Vunani Limited		**52 337**	60 616
Non-controlling interest		**9 912**	10 807
		62 249	71 423
Basic earnings per share (cents)		**32.6**	37.9
Basic and diluted earnings per share (cents)		**32.6**	37.9
Basic headline earnings per share (cents)	11	**29.7**	34.7
Basic headline earnings per share (cents)		**29.7**	34.7

The reviewed provisional condensed consolidated results have been prepared under the supervision of the Chief Financial Officer, Tafadzwa Mika CA(SA).

Condensed consolidated statement of financial position

at 28 February 2023

Figures in R'000	Note	Reviewed 28 February 2023	Audited 28 February 2022
Assets			
Property, plant and equipment*		**40 294**	23 508
Goodwill		**139 766**	139 766
Intangible assets	16	**133 860**	134 475
Investments in associates		**–**	1 300
Investments in jointly controlled ventures	13	**12 708**	–
Other investments	14	**10 819**	11 345
Insurance related investments	17, 19	**507 030**	453 357
Deferred tax asset		**56 389**	53 865
Total non-current assets		**900 866**	817 616
Other investments	14	**–**	3 198
Taxation prepaid		**21**	1 059
Reinsurance assets		**25 531**	21 357
Trade and other receivables		**100 564**	89 046
Accounts receivable from trading activities		**65 719**	60 583
Trading securities		**408**	353
Cash and cash equivalents		**266 897**	252 852
Total current assets		**459 140**	428 448
Total assets		**1 360 006**	1 246 064
Equity			
Stated capital	12	**696 497**	696 497
Treasury shares	12	**(7 156)**	(6 166)
Share-based payments reserve		**4 104**	3 660
Foreign currency translation reserve		**(1 988)**	(2 535)
Accumulated loss		**(358 231)**	(375 445)
Equity attributable to equity holders of Vunani Limited		**333 226**	316 011
Non-controlling interest		**70 467**	66 341
Total equity		**403 693**	382 352
Liabilities			
Other financial liabilities	14, 19	**28 025**	13 356
Lease liabilities	15	**19 350**	10 645
Investment contracts	14, 19	**464 426**	432 179
Insurance contract liabilities	14, 19	**83 200**	73 682
Deferred tax liabilities		**28 756**	31 838
Total non-current liabilities		**623 757**	561 700
Other financial liabilities	14, 19	**24 988**	20 902
Lease liabilities	15	**2 019**	7 060
Taxation payable		**17 096**	12 494
Insurance contract liabilities	19	**21 376**	17 059
Trade and other payables		**179 168**	155 269
Accounts payable from trading activities		**65 150**	60 853
Trading securities		**4**	3
Bank overdraft		**22 755**	28 372
Current liabilities		**332 556**	302 012
Total liabilities		**956 313**	863 712
Total equity and liabilities		**1 360 006**	1 246 064
Shares in issue (000s)	12	**161 156**	161 156
Net asset value per share (cents)		**206.8**	196.1
Net tangible asset value per share (cents)		**37.0**	25.9

* Included in property, plant and equipment is the right-of-use assets recognised in terms of IFRS 16. Refer to note 15.

Net asset value per share (cents)
Net asset value per share is the equity attributable to equity holders of Vunani Limited, utilising all shares in issue, including treasury shares.

Net tangible asset value per share (cents)
Net tangible asset value per share is the equity attributable to equity holders of Vunani Limited, (excluding goodwill and intangible assets) utilising all shares in issue, including treasury shares.

Condensed consolidated statement of changes in equity

for the year ended 28 February 2023

Figures in R'000	Stated capital	Treasury shares	Share-based payment reserve	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders	Non-controlling interest	Total equity
Balance as at 29 February 2021 – Audited	696 497	(675)	426	(2 366)	(413 830)	280 052	53 452	333 504
Total comprehensive income for the year								
Profit for the year	–	–	–	–	60 785	60 785	10 919	71 704
Other comprehensive income for the year	–	–	–	(169)	–	(169)	(112)	(281)
Total comprehensive income for the year	–	–	–	(169)	60 785	60 616	10 807	71 423
Transactions with owners, recorded directly in equity								
Acquisition of treasury shares	–	(5 727)	–	–	–	(5 727)	–	(5 727)
Transfer of treasury shares	–	236	(236)	–	–	–	–	–
Share-based payments	–	–	3 470	–	–	3 470	–	3 470
Dividends paid	–	–	–	–	(22 400)	(22 400)	(66)	(22 466)
Business combination *	–	–	–	–	–	–	2 148	2 148
Total transactions with owners, recorded directly in equity	–	(5 491)	3 234	–	(22 400)	(24 657)	2 082	(22 575)
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 year								
Profit for the year	**–**	**–**	**–**	**–**	**52 018**	**52 018**	**9 700**	**61 718**
Other comprehensive income for the year	**–**	**–**	**–**	**319**	**–**	**319**	**212**	**531**
Total comprehensive income for the year	**–**	**–**	**–**	**319**	**52 018**	**52 337**	**9 912**	**62 249**
Transactions with owners, recorded directly in equity								
Acquisition of treasury shares	**–**	**(3 772)**	**–**	**–**	**–**	**(3 772)**	**–**	**(3 772)**
Transfer of treasury shares	**–**	**2 782**	**(2 782)**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**5 061**	**–**	**–**	**5 061**	**–**	**5 061**
Dividends paid	**–**	**–**	**–**	**–**	**(36 411)**	**(36 411)**	**(5 786)**	**(42 197)**
Transfer between reserves	**–**	**–**	**(1 835)**	**228**	**1 607**	**–**	**–**	**–**
Total transactions with owners, recorded directly in equity	**–**	**(990)**	**444**	**228**	**(34 804)**	**(35 122)**	**(5 786)**	**(40 908)**
Balance as at 28 February 2023 – Reviewed	**696 497**	**(7 156)**	**4 104**	**(1 988)**	**(358 231)**	**333 226**	**70 467**	**403 693**

* The business acquired an effective 39% interest in Medscheme Holdings Proprietary Limited in the prior year, refer to note 10.

DIVIDENDS

Figures in R'000	Note	Reviewed 28 February 2023	Audited 28 February 2022
Ordinary dividend	22		
Ordinary dividend number 9 and 10 of 14.0 cents and 9.0 cents respectively, (11.2 cents and 7.2 cents net of dividend withholding tax) per share were paid to ordinary shareholders on 27 June 2022 and 14 November 2022 respectively, (net of treasury shares), (Ordinary dividend number 7 and 8 of 7.5 cents and 6.5 cents respectively, (6.00 cents and 5.2 cents) net of dividend withholding tax) per share were paid to ordinary shareholders on 28 June 2021 and 15 November 2021 respectively, (net of treasury shares).		**36 411**	22 400

Condensed consolidated statement of cash flows

for the year ended 28 February 2023

Figures in R'000	Note	Reviewed 28 February 2023	Audited 28 February 2022
Cash flows from operating activities			
Net cash generated by operating activities	18	**150 214**	121 201
Investment revenue received		**814**	–
Finance income received		**8 192**	7 471
Finance costs paid		**(6 287)**	(6 244)
Dividends paid to shareholders		**(36 411)**	(22 400)
Dividends paid to non-controlling interest		**(5 786)**	(66)
Income tax paid		**(43 484)**	(31 139)
Net cash generated by operating activities		**67 252**	68 823
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**–**	611
Acquisition of property, plant and equipment		**(16 111)**	(5 708)
Proceeds from repayment of loans to associates		**–**	319
Acqusition of jointly controlled entity		**(7 500)**	–
Acquisition of intangible assets – computer software		**(3 370)**	(3 791)
Proceeds on disposal of other investments		**3 217**	–
Proceeds on disposal of insurance investments		**90 589**	4 964
Acquisition of insurance investments		**(120 345)**	–
Net cash outflow from investing activities		**(53 520)**	(3 605)
Cash flows from financing activities			
Acquisition of treasury shares		**(3 772)**	(5 727)
Advances of other financial liabilities		**31 085**	2 500
Repayments of other financial liabilities		**(14 356)**	(27 673)
Repayment of lease liabilities – capital repayment		**(7 027)**	(5 590)
Net cash inflow/(outflow) from financing activities		**5 930**	(36 490)
Net increase in cash and cash equivalents		**19 662**	28 728
Cash and cash equivalents at the beginning of the year		**224 480**	195 752
Total cash and cash equivalents at end of the year		**244 142**	224 480

Segmental reporting
for the year ended 28 February 2023

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		Revenue/gross premium Reviewed 28 February 2023	Reportable segment profit/(loss) after tax Reviewed 28 February 2023	Total assets Reviewed 28 February 2023	Total liabilities Reviewed 28 February 2023
Fund management		**188 502**	**21 190**	**154 230**	**(87 267)**
Asset administration		**191 712**	**33 700**	**224 777**	**(46 446)**
Insurance		**303 618**	**14 626**	**796 349**	**(683 544)**
Investment banking	Advisory services	**43 127**	**1 292**	**84 509**	**(57 519)**
	Institutional securities broking	**25 423**	**(9 090)**	**100 141**	**(81 537)**
Total		**752 382**	**61 718**	**1 360 006**	**(956 313)**

Figures in R'000		Revenue/gross premium Audited 28 February 2022	Reportable segment profit after tax Audited 28 February 2022	Total assets Audited 28 February 2022	Total liabilities Audited 28 February 2022
Fund management		180 684	37 412	124 117	(48 373)
Asset administration		172 730	19 840	216 745	(42 367)
Insurance		271 871	11 750	729 715	(638 835)
Investment banking	Advisory services	30 754	1 262	77 168	(61 624)
	Institutional securities broking	30 936	1 440	98 319	(72 513)
Total		686 975	71 704	1 246 064	(863 712)

Notes to the condensed consolidated financial statements

(all figures in R'000)

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The reviewed condensed consolidated provisional 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 condensed consolidated financial statements are presented in South African Rand, rounded to the nearest thousand, which is the group's presentation currency.

These reviewed condensed consolidated provisional financial statements incorporate the financial statements of the company, its subsidiaries and entities that, in substance, are controlled by the group, the group's interest in jointly controlled entities where joint control is excercised. and the group's interest in associates where significant influence is excercised. Results of subsidiaries, jointly controlled entities 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.

Estimates and judgements

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2022. The areas of significant judgements are the determination of fair value of financial instruments, impairment testing of goodwill and intangibles, utilisation of tax losses, impairment losses on loans to associates, measurement of expected credit loss allowances for trade and other receivables, measurement of investment contract liabilities and third party insurance liabilities.

NOTES

1. Revenue

Revenue includes trading revenue, fees earned from advisory services, brokerage, fund management fees, asset administration fees and insurance premiums. Refer to the accounting policies in the consolidated annual financial statements for the year ended 28 February 2022 for an indication as to how revenue is recognised for each of the revenue streams.

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

Figures in R'000	Reviewed 28 February 2023	Audited 28 February 2022
Fund management	**188 502**	180 684
Asset administration	**191 712**	172 730
Advisory services	**43 127**	30 754
Institutional securities broking	**25 423**	30 936
	448 764	415 104

The increase in revenue is due to the increase in assets under administration and advisory revenue during the year.

2. Net written premium

	Reviewed 28 February 2023	Audited 28 February 2022
Gross written premium	**303 618**	271 871
Less: Reinsurance written premium	**(65 958)**	(56 498)
Net written premium	**237 660**	215 373

3. Other income

	Reviewed 28 February 2023	Audited 28 February 2022
Sundry income	**16 015**	15 827
Directors' fees	**634**	761
	16 649	16 588

Sundry income relates to non-routine income generated in the various segments. Included in sundry income is revenue from non-routine research and non-routine revenue from running the training academy.

4. Bargain purchase

	Reviewed 28 February 2023	Audited 28 February 2022
Bargain purchase	**–**	1 362

In the prior year 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 R1.4 million. Refer to note 10 for additional information.

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

Figures in R'000	Reviewed 28 February 2023	Audited 28 February 2022
5. Interest received from investments		
Interest received from insurance related investments	**26 062**	21 639
Interest from loans and other receivables	**289**	77
	26 351	21 716

Interest received from insurance related investments has increased due to improved returns from the underlying investments.

6. Impairments		
Impairments of financial assets		
Impairment (loss)/reversal on trade and other receivables	**(6 858)**	1 219
Impairment loss on loans to associates	**(378)**	(891)
	(7 236)	328
Impairments of non-financial assets		
Impairment reversal of value of in-force business ("VIF")	**12 300**	10 283
	5 064	10 611

In the current year the group has impairment reversal of R5.1 million due to the expected credit losses raised on trade and other receivables and the impairment reversal on the VIF intangible asset that arose on the acquisition of Oracle.

The VIF asset acquired is reviewed for impairment through a discounted cash flow (DCF) valuation. This valuation method references the results of the EV calculations for the relevant products. This embedded value methodology uses a number of assumptions relating to future cash flows.

The underlying assumptions of the VIF asset were reviewed by the statutory actuary using historical GLA (group life assurance) and PHI (permanent health insurance) data. This resulted in improved profit margins for both lines of business which led to an increase in the VIF asset.

7. Fair value adjustments		
Fair value adjustments on financial assets and liabilities	**(11 895)**	30 577
Fair value adjustments to third party insurance liabilities	**(9 721)**	15 790
Fair value adjustments to insurance investment contract liabilities	**(32 044)**	(64 799)
	(53 660)	(18 432)

The increase in insurance contract liabilities is due to the acturial adjustments made in the ordinary course of business. The movement in third party insurance liabilities relates to the release of Covid 19 provisions and increase in permanent health insurance provisions.

The liabilities relating to insurance contracts and investment contracts with DPF (Discretionary participation features) are measured in accordance with the financial soundness valuation ("FSV") basis as set out in professional guidance note SAP 104: Calculation of the value assets, liabilities and Capital Adequacy Requirement ("CAR") of long-term insurers. The FSV basis uses best estimate assumptions regarding future experience together with compulsory and discretionary margins for prudence and deferral of profit emergence.

8. Operating expenses

Operating expenses increased by 12% in the reporting period. This increase was due to the increase in staff costs and reinsurance premiums.

The below expenses have contributed to the increase in operating expenses when compared to prior year:

Staff costs	**279 463**	257 203
Claims incurred	**131 074**	149 511
Reinsurance premium	**65 958**	56 498

9. Income tax expense		
Current tax expense	**(44 643)**	(36 514)
Deferred tax movement	**5 612**	(519)
	(39 031)	(37 033)

The current tax expense has increased compared to the prior year as result of the improved performance of the underlying businesses.

10. Business combination

Acquisition of Medscheme Holdings Proprietary Limited

In the prior year Vunani acquired 75% of Medscheme Holdings Proprietary Limited ("Medscheme") through Oracle Insure on 31 May 2021, giving the group an effective 39% shareholding. The acquisition was 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 R3.8 million has been included in Vunani's profit or loss for the period ended 28 February 2022. R2.3 million of this loss is attributable to non-controlling interests. R6.6 million has been included in Vunani's revenue since the acquisition of Medscheme for the period 1 June 2021 to 28 February 2022.

The acquisition resulted in the recognition of a bargain purchase gain of R1.4 million at acquisition date which has been presented separately in the statement of comprehensive income.

Trade receivables acquired are at fair value of R0.6 million are expected to be collected in their entirety. The gross contractual amounts of the receivables amounted to R0.9 million, with an expected impairment allowance of R0.3 million recognised at acquisition date. 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 R2.1 million. There were no significant inputs used in measuring the fair value of the net asset value of Medscheme.

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

Figures in R'000	Audited 28 February 2022
Net assets acquired	
Trade and other receivables	**612**
Other investments	**2 034**
Deferred tax	**920**
Cash and cash equivalents	**611**
Other financial liabilities	**(225)**
Income tax liability	**–**
Trade and other payables	**(442)**
Non-controlling interest	**(2 148)**
Net assets acquired	**1 362**
Purchase price	*****
Bargain purchase	**1 362**

* Less than R1 000.

Figures in R'000	Reviewed 28 February 2023	Audited 28 February 2022
11. Reconciliation of headline earnings for the year		
Profit for the year attributable to equity holders of Vunani	**52 018**	60 785
Adjusted for:		
Business combination		
Bargain purchase gain	**–**	(1 362)
Impairment of intangible assets		
Impairment reversal of VIF asset	**(12 300)**	(10 283)
Non-controlling interest	**4 304**	3 598
Deferred taxation	**3 383**	2 828
	47 405	55 566
Headline and diluted headline earnings per share (cents)	**29.7**	34.7
Basic headline and diluted earnings per share from operations	**29.7**	34.7

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

12. Authorised and issued stated capital

The authorised stated capital at 28 February 2023 was 500 million ordinary shares of no par value (2022: 500 million ordinary shares of no par value). 161 155 915 shares were in issue at 28 February 2023 (2022: 161 155 915).

Weighted average number of ordinary shares (000s)	Reviewed 28 February 2023	Audited 28 February 2022
Issued ordinary shares at the beginning of the year	**161 156**	161 156
Effect of own shares held	**(1 607)**	(952)
Weighted average number of shares in issue during the year	**159 549**	160 204
Number of shares in issue at the end of the year	**161 156**	161 156
Dilutive weighted average number of ordinary shares (000s)		
Issued ordinary shares at the beginning of the year	**161 156**	161 156
Effect of own shares held	**(1 607)**	(952)
Diluted weighted average number of shares in issue during the year	**159 549**	160 204
Number of shares in issue at the end of the year	**161 156**	161 156

The shares issued as part of the employee share incentive scheme could potentially dilute basic earnings in the future. The employee shares do not have a dilutive effect in the current year.

13. Investments in jointly controlled entities

On 1 October 2022 the group acquired 33% of the shares and 50% of the economic interests in Verso Group Proprietary Limited ("Verso"), for an acquisition price of R15 million. The acquisition is in line with the group's strategy to expand its footprint in the asset administration business in South Africa. * The acquisition was made at a premium of R2.9 million over the net assets acquired.

The group determined that it had joint control of Verso, because the group is entitled to 50% of the economic and voting rights from acquisition date. Secondly, the MOI requires more than 50% of the votes to pass a resolution, therefore resolutions cannot pass without unanimous consent.

There were no dividends received from Verso during the year. At 28 February 2023 Verso had non-current assets of R18.0 million, current assets of R12.5 million, current liabilities of R5.7 million. The company had revenue of R15.8 million and made a loss of R4.4 million and comprehensive income of R4.4 million. An after tax loss of R2.2 million has been included in Vunani's equity accounted earnings for the period ended 28 February 2023.

The preliminary purchase price allocation at the date of acquisition is detailed below:

Figures in R'000	Reviewed 28 February 2023
Property, plant and equipment	**2 093**
Investments in associates and loans to associates	**4 552**
Other investments	**225**
Intangible assets	**10 122**
Cash and cash equivalents	**4 811**
Trade and other receivables	**4 769**
Trade and other payables	**(2 394)**
Non-controlling interests	**(12 089)**
Net assets acquired	**12 089**
Premium *	**2 911**
Purchase price	**15 000**

14. Other investments and other financial liabilities

Listed investment prices are determined with reference to the share price at period-end.

Listed investments are measured at fair value through profit or loss. Financial liabilities are either accounted for at amortised cost or classified at fair value through profit or loss.

For additional information on the fair values of other investments, insurance related investments and other financial liabilities, please refer to note 19 of these financial results.

15. Right-of-use asset and lease liability

Figures in R'000	Right-of-use asset	Lease liability
Balance as at 1 March 2022	15 610	(17 705)
Modifications	7 031	(4 178)
Payments	–	8 963
Depreciation expense	(7 262)	–
Interest expense	–	(1 519)
Additions	3 964	(6 930)
	19 343	(21 369)
Balance as at 1 March 2021	13 038	(14 932)
Forex movements	(996)	(18)
Payments	–	6 975
Depreciation expense	(7 647)	–
Interest expense	–	(1 386)
Additions	11 215	(8 344)
	15 610	(17 705)

The leases relate to the lease of buildings by the companies in the group.

16. Intangible assets

The intangible assets arose on the acquisition of Mandlalux Proprietary Limited, Oracle Insurance Eswatini Limited and the group's has internally generated computer software intangible assets. Intangibles assets are tested for impairment when there is an indicator the asset is impaired. The VIF asset acquired is reviewed for impairment losses through the liability adequacy test and written down for impairment if necessary.

As at 28 February 2023, the intangible assets comprised:	2023	2022
Opening balance	**134 475**	136 315
Additions – internally generated software	**3 370**	3 791
Amortisation	**(16 285)**	(15 914)
Impairment reversal of VIF asset*	**12 300**	10 283
	133 860	134 475
Deferred tax impact on impairment	**(3 383)**	(2 828)

* In the current year the VIF asset impairment was reversed by R12.3 million (2022: R10.3 million), due to the improved profitability of certain revenue lines in the insurance business.

17. Insurance related investments

A break down of the movement in insurance related investments is detailed below:

Figures in R'000	2023	2022
Opening balance	**453 357**	398 084
Additions through business combinations	**–**	2 110
Fair value adjustments	**(11 386)**	30 488
Interest and investment income	**35 303**	27 639
Additions	**120 345**	–
Disposals	**(90 589)**	(4 964)
Closing balance	**507 030**	453 357

The additions and disposals of the insurance related investments were done in the normal course of business, in terms of maintaining the required portfolio in terms of the insurance business investment policy. The group is in the process of finalising the impact of IFRS 17 on the insurance operations. Details of the impact will be included in the integrated report.

18. Net cash generated by operating activities

Figures in R'000	Reviewed 28 February 2023	Audited 28 February 2022
Profit before income tax expense	**100 749**	108 737
Adjusted for:		
Depreciation of property, plant and equipment	**3 059**	2 736
Depreciation of right-of-use assets	**7 262**	7 647
Equity-accounted earnings (net of income tax)	**2 292**	(882)
Fair value adjustments	**11 895**	(30 577)
Fair value adjustments to third party insurance liabilities	**9 721**	(15 790)
Fair value adjustments to investment contract liabilities	**32 044**	64 799
Change in reinsurance assets movement	**(2 945)**	2 088
Short-term insurance: Incurred but not reported (IBNR)	**(903)**	172
Short-term insurance: Unearned premiums	**10 185**	3 681
Short term Insurance: DAC	**(1 075)**	(694)
Bargain purchase gain	**–**	(1 362)
Impairment on loans to associates	**378**	891
Impairment (reversal)/loss on trade and other receivables	**6 858**	(1 219)
Impairment (reversal)/loss on VIF asset	**(12 300)**	(10 283)
Amortisation of intangible assets	**16 285**	15 914
Share-based payments expense	**5 061**	3 470
Foreign currency translation loss	**–**	150
IAS 19 – employee benefit costs	**556**	(2 029)
Interest received from investments and finance income	**(34 253)**	(29 503)
Investment revenue	**(10 945)**	(7 924)
Finance costs	**6 413**	6 438
Changes in working capital:		
Increase in trading securities	**(54)**	(191)
Increase in trade and other receivables	**(19 307)**	(6 603)
Increase in trade and other payables	**23 970**	9 816
(Increase)/decrease in reinsurance assets	**(4 174)**	3 332
(Decrease)/increase in insurance liabilities	**(3 890)**	105
Decrease/(increase) in accounts receivable and payable from trading activities	**3 332**	(1 718)
Cash generated by operating activities	**150 214**	121 201

19. Financial instruments carried at fair value

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

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

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

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

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

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

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

19. Financial instruments carried at fair value (continued)

The following table sets out the group's principal valuation techniques used in determining the fair value of financial assets and financial liabilities classified as level 2 and 3 in the fair value hierarchy:

Assets	Valuation technique	Key inputs
Loans and advances	Discounted cash flows	Discount rates
Investments in associates	Discounted cash flows, earnings multiples, dividend yields	Discount rates, valuation multiples, dividend growth
Insurance related investments	Discounted cash flows, adjusted quoted prices	Market related yields, nominal discount rate, quoted prices
Liabilities		
Other financial liabilities	Earnings multiples, dividend yields	Earnings, dividend growth

Fair values Figures in R'000	Reviewed 28 February 2023 Carrying amount	Reviewed 28 February 2023 Fair value	Audited 28 February 2022 Carrying amount	Audited 28 February 2022 Fair value
Financial assets measured at fair value				
Other investments	**10 819**	**10 819**	14 543	14 543
Insurance related investments	**507 030**	**507 030**	453 357	453 357
Trading securities	**408**	**408**	353	353
	518 257	**518 257**	468 253	468 253
Financial liabilities measured at fair value				
Trading securities	**(4)**	**(4)**	(3)	(3)
Investment contracts	**(464 426)**	**(464 426)**	(432 179)	(432 179)
Insurance contract liabilities	**(83 200)**	**(83 200)**	(73 682)	(73 682)
Financial liabilities not measured at fair value				
Other financial liabilities at amortised cost	**(53 013)**	**(40 474)**	(34 258)	(36 395)
Insurance contract liabilities	**(21 376)**	**(21 376)**	(17 059)	(17 059)
	(622 019)	**(609 480)**	(557 181)	(559 318)
Total	**(103 762)**	**(91 223)**	(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.

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).

Reviewed 28 February 2023 Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	**249 955**	**257 075**	**–**	**507 030**
Financial assets measured at fair value	**408**	**–**	**–**	**408**
Financial liabilities designated at fair value through profit or loss	**(4)**	**(464 426)**	**–**	**(464 430)**
Financial liabilities at amortised cost	**–**	**–**	**(145 050)**	**(145 050)**
	250 359	**(207 351)**	**(145 050)**	**(102 042)**

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 designated 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)

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

19. Financial instruments carried at fair value (continued)

The level 3 unobservable inputs for the assets and liabilities at amortised cost instruments is an after-tax discount rate of 9.58% (2022: 9.40%). A significant increase in the rate would result in a decrease in the fair value of these assets or liabilities.

A change of 10% in the unobservable inputs (expected future cash flows) of the loans to associates and financial liabilities at amortised cost at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

Effect on statement of comprehensive income (profit/(loss)) and equity before taxation	Reviewed 28 February 2023	Audited 28 February 2022
Cash flow		
10% increase	(3 927)	(451)
10% decrease	3 927	451
Foreign exchange movement		
10% increase	2 080	5 123
10% decrease	(878)	(2 163)

20. 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 under review. The only changes to related parties is the acqusition of a jointly controlled entity that occured during the year as disclosed in note 13. There have been no other changes in transactions and balances other than those disclosed in note 13.

21. Events after reporting date

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

22. Dividends

Dividends paid

A final dividend for the 2022 financial year of 14.0 cents per share per share was paid to ordinary shareholders in June 2022, (2022: 7.5 cents (6.00 cents net of dividend withholding tax). Total cash of R22.4 million (2021: R8.1 million) (net of treasury shares) was paid to ordinary shareholders. An interim dividend of 9.0 cents per share per share was paid to ordinary shareholders in November 2022, (2022: 6.5 cents (5.20 cents net of dividend withholding tax). Total cash of R14.5 million (2022: R10.5 million) (net of treasury shares held) was paid to ordinary shareholders.

Dividend declared

Notice is hereby given that a gross ordinary dividend of 11.0 cents per share (2022: 14.0 cents per share) has been declared out of income reserves on 24 May 2023 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 Dividend Withholding Tax rate is 20%
- 161 155 915 shares are in issue
- The gross ordinary dividend is 11.00000 cents per share for shareholders exempt from paying Dividend Withholding Tax
- The net ordinary dividend is 8.80000 cents per share for ordinary shareholders who are not exempt from Dividend Withholding Tax
- Vunani Limited's tax reference number is 9841003032

Timetable	2023
Declaration and finalisation date announcement	Wednesday, 24 May
Last day to trade *cum* dividend	Tuesday, 20 June
Shares commence trading *ex*-dividend	Wednesday, 21 June
Record date	Friday, 23 June
Dividend payment date	Monday, 26 June

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 21 June 2023 to Friday, 23 June 2023, 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.

23. Going concern

The condensed consolidated financial statements have been prepared on a going-concern basis. The group has recognised a net profit after tax of R61.7 million for the year ended 28 February 2023, and as at that date current assets exceed current liabilities by R126.6 million.

The board undertook processes to ensure that the going-concern principle applies, which include:

- the group's financial budgets and a 12-month rolling cash flow forecast;
- the performance of underlying business operations and their ability to make a positive contribution to the group's objectives;
- the capital structure, liabilities and quality of the assets underpinning the statement of financial position; and
- the banking facilities and the group's assets to ensure that these are sufficient to fund imminent liabilities and meet the group's working capital requirements.

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 enquiries 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.

COVID-19 IMPLICATIONS

The group has been successfully operating with no restrictions and has been able to adjust to the "new normal". The board and management continue to actively engage, communicate and monitor the impact of Covid-19 on the group's businesses to ensure the sustainability of the group given the conceivable adverse consequence on the economy. The group continues to carefully monitor the impact of Covid-19 on its businesses and has put strategic plans in place to ensure minimum disruptions.

Management continue to stringently monitor debtors to ensure the appropriate credit lines are expanded and are focused on cost containment. Given the abovementioned, management believes the company is a going concern and will continue to operate into the foreseeable future.

REVIEW CONCLUSION

The condensed consolidated financial statements for the year ended 28 February 2023 have been reviewed by BDO South Africa Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from the issuer's registered office and on the company's website.

Overview and prospects

Prospects for the post-Covid recovery of the world economy were dealt a blow early into the new financial year while policy makers were still struggling to figure out how best to support the post-Covid recovery. The Russian invasion of Ukraine dashed all hopes of a swift post-Covid recovery, as it triggered a spike in global energy prices, forcing central banks to pre-emptively tighten policy rates to combat spiraling inflation. Moreover, prospects of an early resolution of the conflict also faded as the year progressed and as it became clear that it would become a protracted affair, eventually lasting throughout the financial year.

While the aftershocks of the COVID-19 pandemic continued to reverberate through the world economy, conditions were aggravated further by disruptions of global oil and food supply as a result of the conflict in Ukraine. Counteracting policy response on the back of the concomitant worst inflation surge witnessed in more than a generation dampened demand, elevating the risk of global stagflation.

The sharp increases in interest rates particularly the Fed rate hikes, significantly strengthened the US dollar, depreciating emerging market currencies. The Rand was no exception in this regard. As global financial conditions have tightened, portfolio flows have become more sensitive to risk-adjusted real interest rate differentials.

Consequently, the South African Reserve Bank's Monetary Policy Committee (MPC) was left with little choice amid high and persistent domestic inflation risks and rising inflation expectations, but to also raise the domestic repurchase (repo) rate by a cumulative 325 basis points over the course of the financial year, bringing the nominal repo rate to 7.25% and pushing prime lending rates to 10.75%. Headline inflation remained elevated and well-above the 6% upper level of the target band at 7.1% in March 2023. That implies risk of further interest rate hikes in the new financial year.

Clearly, prevailing macroeconomic conditions were less than optimal and posed significant challenges as business conditions continued to deteriorate over the course of the year. Unreliable electricity supply proved to be a key hampering factor for business in this regard. Conditions are expected to remain challenging for business over the next financial year.

Vunani's profit for the year ended 28 February 2023, has decreased by 14% compared to the prior period to 28 February 2022. This was due to the impact of negative fair value adjustments related to the insurance business which was negatively impacted by the volatility in the markets as well as permanent health insurance claims. On an operating profit line the group showed a 33% improvement compared to the prior year.

Vunani generated total comprehensive income for the year of R62.2 million (2022: R71.4 million), while total comprehensive income attributable to equity holders of the company amounted to R52.3 million (2022: R60.6 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 R188.5 million for the year ended 28 February 2023 (2022: R180.7 million). The reportable segment profit amounted to R21.2 million for the year compared to R37.4 million at 28 February 2022.

VFM's performance declined during the year as result of the decrease in assets under management. VFM's assets under management decreased from R61.9 billion at 28 February 2022 to R45.6 billion at 28 February 2023.

VFMB's assets under management was R11.3 billion at 28 February 2023 compared to R10.1 billion at 28 February 2022.

Asset administration

The asset administration segment includes the group's investment in Fairheads Benefit Services Proprietary Limited ("Fairheads") which is held through Mandlalux Proprietary Limited ("Mandlalux") and the group's investment in Verso. The segment contributed revenue of R191.7 million to February 2023, compared to R172.7 million to February 2022. The segment reported a profit of R33.7 million compared to R19.8 million in 2022. Fairheads' assets under administration amounted to R9.9 billion at 28 February 2023 (2022: R9.2 billion).

Insurance

In the prior year Oracle Insurance was negatively affected by the impact of the wave is Eswatini, as it incurred significantly higher death claims in the period. The impact of Covid-19 has been significantly less as the population got vaccinated, which has improved the profitability of the business. The segment generated revenue of R303.6 million for the year (2022: R271.9 million) and made a profit of R14.6 million (2022: R11.8 million). In the current year there was an impairment reversal of the value in-force intangible asset of R12.3 million (2022: R10.3 million). The reversal was a result of improved profitability of certain income streams.

Advisory services

The segment generated revenue of R43.1 million compared to R30.8 million for the year ended 28 February 2022. This segment includes fees earned and expenses incurred from the management services provided to Vunani Capital Partners Limited. The segment reported a profit of R1.3 million (2022: R1.3 million) during the year.

Institutional securities broking

This segment includes equity, derivative and capital market trading services to institutional clients. The segment generated revenue of R25.4 million to February 2023 compared to R30.9 million in 2022. The decrease in revenue is due to a decrease in trading volumes in the markets. The segment was negatively affected by impairments of financial assets. As a result of this the segment reported a loss for the year of R9.1 million (2022: Profit R1.4 million).

Financial performance

Revenue for the group increased by 8% to R448.8 million (2022: R415.1 million) for the year ended 28 February 2023. The increase is due to the improved revenue generated from asset administration and advisory segments. Net insurance premium increased by 10% to R237.7 million (2022: R215.4 million) as the business increased its client base.

Other income relates to non-core income generated from the group's various businesses. Other income remained flat at R16.6 million.

The **interest received from investments** increased from R21.7 million to R26.4 million in the current year due to increased returns from the Oracle Insurance assets.

Investment income is income received in the form of dividends. Total investment income for the year amounted to R10.9 million compared to R7.9 million for the year ended 28 February 2022. The improvement is as a result of an increase in dividends from the insurance related investments.

Negative **fair value adjustments** of R53.7 million (2022: R18.4 million) relate to an increase in insurance related liabilities which had negative fair value adjustments of R41.7 million (2022: R49.0 million). A decrease in the value of the group's listed investment portfolio that is carried at fair value through profit or loss, resulted in negative fair value adjustments of R11.9 million (2022: positive R30.6 million).

Impairments reversal of R5.1 million (2022: R10.6 million) relate to the impairment reversal of the value in force intangible asset of R12.3 million (2022: R 10.3 million) and the balance is a result of the expected credit losses on the group's financial assets of R7.2 million (2022: reversal R0.2 million).

Negative equity-accounted earnings for the year amounted to R2.3 million (2022 positive: R0.9 million).

Operating expenses increased by 11% from R427.7 million to R474.7 million. The increase is due to the impact of inflation on operating costs as well as increase in asset administration costs as a result of the increase in assets under administration. The group remains focused on cost containment and monitors spending on an ongoing basis.

Insurance related expenses of R131.1 million (2022: R149.5 million) and R20.5 million (2022: R18.1 million), incurred for insurance claims and commissions respectively, have been included in operating expenses. Due to the reduction of the impact of the pandemic, there was a decrease in insurance claims incurred.

Finance income increased to R7.9 million for the year compared to R7.8 million for the year ended 28 February 2022, as result of an increase in interest rates**.**

Finance costs remained flat at R6.4 million for the current year compared to R6.4 million for the year ended 28 February 2022.

Right-of-use assets of R19.3 million (2022: R15.6 million) and a corresponding **lease liability** of R21.4 million (2022: R17.7 million) have been included in property, plant and equipment in terms of the leasing standard IFRS 16. The standard requires a lessee to recognise assets and liabilities for all leases.

In the current year there was an impairment reversal of the value in-force **intangible assets** of R12.3 million compared to R10.3 million in 2022. Included in the movement was amortisation costs of R16.3m (2022: R15.9m). As a result intangible assets decreased to R133.9 million from R134.5 million after amortisation and impairment reversals.

Investments in jointly controlled ventures relates to the acquisition of 50% of Verso Group Proprietary Limited that finalised during the year, that was acquired for R15 million.

Insurance assets of R507.0 million (2022: R453.4 million) have increased as a result of an increase in returns from the assets and additional investments made in the year. **Insurance liabilities** have increased as a result of fair value actuarial adjustments.

The **share-based payments reserve** increased due to the current year IFRS 2 charge of R5.1 million (2022: R3.5 million) and the vesting of shares at 28 February 2023. The profit for the year attributed to **non-controlling interest** amounted to R9.9 million (2022: R10.8 million). The increase in **treasury shares** during the year is due to shares acquired for the staff share scheme.

Prospects

Despite the various challenges faced by the local and global economies, the group continues to focus on growing its financial services businesses. The increased focus on maximising synergies within the group is starting to help with the growth of the underlying businesses in the group. This strategy will continue with a focus on ensuring the right people are placed in the businesses to execute the group's vision. The group continues to see numerous opportunities in the market, however, each emerging opportunity will be evaluated on its merits to ensure that it augments the Vunani platform and is accretive to the group. Vunani is cautiously optimistic that the performance of the last year can be built upon and that it can fuel growth in the immediate and long-term future.

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 provisional financial statements.

Signed on behalf of the board of directors by E Dube and T Mika
24 May 2023.

CORPORATE INFORMATION

Executive directors

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

Non-executive directors

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

Company secretary

CIS Company Secretaries Proprietary Limited

JSE Sponsor

Grindrod Bank Limited

Financial communications adviser

Singular Systems Proprietary Limited

Transfer secretaries

Singular Systems Proprietary Limited
25 Scott Street
Waverly
2090

(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")

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