

VUNANI

LIMITED

Unaudited condensed consolidated interim results for the six-month period ended 31 August 2023

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 2023

SALIENT FEATURES

REVENUE AND PREMIUM REVENUE

R336.7 million

compared to R322.6 million at 31 August 2022

OPERATING PROFIT OF

R67.9 million

compared to R73.5 million at 31 August 2022

DIVIDEND DECLARED OF

9.0c

compared to 9c at 31 August 2022

Figures in R'000	Notes	* Restated	
		Unaudited 31 August 2023	Unaudited 31 August 2022
Revenue	1	213 645	224 164
Net written premium	2	97 937	76 753
Insurance revenue		123 008	98 430
Less: Reinsurance written premium		(25 071)	(21 677)
Investment revenue		6 212	4 643
Interest received from investments	5	16 657	12 579
Other income	3	10 082	7 824
Total income		344 533	325 963
Operating expenses	7	(184 875)	(179 796)
Net insurance benefits and claims		(91 725)	(72 705)
Insurance service expenses		(107 380)	(84 238)
Insurance benefits and claims recovered from reinsurers		15 655	11 533
Operating profit		67 933	73 462
Impairments of financial assets		(185)	(18)
Fair value adjustments	4	(18 015)	(17 743)
Equity-accounted loss (net of income tax)		(689)	–
Results from operating activities		49 044	55 701
Finance income		4 944	2 525
Finance costs		(4 039)	(3 025)
Net finance income/(costs)		905	(500)
Profit before income tax		49 949	55 201
Income tax expense		(13 822)	(16 287)
Profit for the period		36 127	38 914
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		(218)	420
Exchange differences on translating foreign operations		(218)	420
Total comprehensive income for the period		35 909	39 334
Profit for the period attributable to:			
Equity holders of Vunani Limited		28 874	32 312
Non-controlling interest		7 253	6 602
		36 127	38 914
Total comprehensive income for the period attributable to:			
Equity holders of Vunani Limited		28 743	32 563
Non-controlling interest		7 166	6 771
		35 909	39 334
Basic and diluted earnings per share (cents)		18.2	20.4
Basic and diluted earnings per share (cents)		18.2	20.4
Basic and diluted headline earnings per share (cents)	7	18.2	20.4
Basic headline earnings per share (cents)		18.2	20.4

* Refer to note 11 for information on the restatement of the transactions relating to the implementation of IFRS 17.

Condensed consolidated statement of financial position

at 31 August 2023

Figures in R'000	Notes	6 months Unaudited 31 August 2023	#Restated 12 months Audited 28 February 2023	*Restated 12 months Audited 28 February 2022
Assets				
Property, plant and equipment*		40 841	40 294	23 508
Goodwill		139 766	139 766	139 766
Intangible assets		126 561	133 860	134 475
Investments in jointly controlled ventures		12 019	12 708	–
Investments in associates		–	–	1 300
Other investments	10	9 138	10 819	11 345
Insurance-related investments		599 994	507 030	453 357
Deferred tax asset		59 086	56 389	53 865
Total non-current assets		987 405	900 866	817 616
Other investments	10	–	–	3 198
Taxation prepaid		171	21	1 059
Reinsurance assets#		1 509	24 957	20 658
Trade and other receivables		105 215	100 564	89 046
Accounts receivable from trading activities		124 847	65 719	60 583
Trading securities		429	408	353
Cash and cash equivalents		184 226	266 897	252 852
Total current assets		416 397	458 566	427 749
Total assets		1 403 802	1 359 432	1 245 365
Equity				
Stated capital		696 497	696 497	696 497
Treasury shares		(7 864)	(7 156)	(6 166)
Share-based payments reserve		6 074	4 104	3 660
Foreign currency translation reserve		(2 119)	(1 988)	(2 535)
Accumulated loss#		(349 858)	(361 218)	(374 728)
Equity attributable to equity holders of Vunani Limited		342 730	330 239	316 728
Non-controlling interest		72 414	67 679	67 010
Total equity		415 144	397 918	383 738
Liabilities				
Other financial liabilities	10	29 630	28 025	13 356
Lease liabilities		15 312	19 350	10 645
Investment contracts#		501 292	467 156	432 179
Insurance contract liabilities		74 054	82 900	70 011
Deferred tax liabilities		25 489	28 756	31 838
Total non-current liabilities		645 777	626 187	558 029
Other financial liabilities	10	13 412	24 988	20 902
Lease liabilities		3 607	2 019	7 060
Taxation payable		16 934	17 096	12 494
Insurance contract liabilities		52 413	21 376	17 059
Trade and other payables#		101 710	181 939	156 855
Accounts payable from trading activities		123 842	65 150	60 853
Trading securities		5	4	3
Bank overdraft		30 958	22 755	28 372
Current liabilities		342 881	335 327	303 598
Total liabilities		988 658	961 514	861 627
Total equity and liabilities		1 403 802	1 359 432	1 245 365
Shares in issue (000s)	8	161 156	161 156	161 156
Net asset value per share (cents)		212.7	204.9	196.5
Net tangible asset value per share (cents)		47.4	35.1	26.4

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

Refer to note 11 for information on the restatement of the transactions and balances relating to the implementation of IFRS 17.

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 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 28 February 2022 – Audited	696 497	(6 166)	3 660	(2 535)	(375 445)	316 011	66 341	382 352
Adjustment on initial application of IFRS 17, net of tax	–	–	–	–	717	717	669	1 386
Restated opening balance	696 497	(6 166)	3 660	(2 535)	(374 728)	316 728	67 010	383 738
Total comprehensive income for the period								
Profit for the period	–	–	–	–	32 312	32 312	6 602	38 914
Other comprehensive income for the period	–	–	–	251	–	251	169	420
Total comprehensive income for the period	–	–	–	251	32 312	32 563	6 771	39 334
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)
Dividend 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 – Restated Unaudited	696 497	(7 245)	6 440	(2 284)	(364 630)	328 778	73 781	402 559
Total comprehensive income for the period								
Profit for the period	–	–	–	–	16 002	16 002	(359)	15 643
Other comprehensive income for the period	–	–	–	68	–	68	43	111
Total comprehensive income for the period	–	–	–	68	16 002	16 070	(316)	15 754
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 281	–	–	2 281	–	2 281
Transfer of treasury shares	–	2 782	(2 782)	–	–	–	–	–
Acquisition of treasury shares	–	(2 693)	–	–	–	(2 693)	–	(2 693)
Transfer between reserves	–	–	(1 835)	228	1 607	–	–	–
Dividends paid	–	–	–	–	(14 197)	(14 197)	(5 786)	(19 983)
Total transactions with owners, recorded directly in equity	–	89	(2 336)	228	(12 590)	(14 609)	(5 786)	(20 395)
Balance as at 28 February 2023 – Restated Audited	696 497	(7 156)	4 104	(1 988)	(361 218)	330 239	67 679	397 918
Total comprehensive income for the period								
Profit for the period	–	–	–	–	28 874	28 874	7 253	36 127
Other comprehensive income for the period	–	–	–	(131)	–	(131)	(87)	(218)
Total comprehensive income for the period	–	–	–	(131)	28 874	28 743	7 166	35 909
Transactions with owners, recorded directly in equity								
Share-based payments	–	–	2 357	–	–	2 357	–	2 357
Transfer of treasury shares	–	387	(387)	–	–	–	–	–
Acquisition of treasury shares	–	(1 095)	–	–	–	(1 095)	–	(1 095)
Dividends paid	–	–	–	–	(17 514)	(17 514)	(2 431)	(19 945)
Total transactions with owners, recorded directly in equity	–	(708)	1 970	–	(17 514)	(16 252)	(2 431)	(18 683)
Balance as at 31 August 2023 – Unaudited	696 497	(7 864)	6 074	(2 119)	(349 858)	342 730	72 414	415 144

Condensed consolidated statement of cash flows

for the six-month period ended 31 August 2023

Figures in R'000	Note	6 months Unaudited 31 August 2023	Restated 6 months Unaudited 31 August 2022
Cash flows from operating activities			
Net cash generated by operating activities	9	35 628	47
Investment revenue received		736	74
Finance income received		4 805	3 565
Finance costs paid		(3 913)	(2 734)
Dividends paid to shareholders		(17 514)	(22 214)
Dividends paid to non-controlling interest		(2 431)	–
Income tax paid		(13 466)	(18 979)
Net cash generated/(utilised) by operating activities		3 845	(40 241)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4 817)	(10 582)
Acquisition of jointly controlled venture		(5 000)	–
Acquisition of insurance-related investments		(71 367)	(45 406)
Net cash outflow from investing activities		(81 184)	(55 988)
Cash flows from financing activities			
Acquisition of treasury shares		(1 095)	(1 079)
Advances of other financial liabilities		2 850	17 729
Repayments of other financial liabilities		(13 370)	(6 065)
Repayment of lease liabilities – capital repayment		(1 920)	(4 083)
Net cash (outflow)/inflow from financing activities		(13 535)	6 502
Net decrease in cash and cash equivalents		(90 874)	(89 727)
Cash and cash equivalents at the beginning of the period		244 142	224 480
Total cash and cash equivalents at end of the period		153 268	134 753

DIVIDENDS

Figures in R'000	Unaudited 31 August 2023	Unaudited 31 August 2022
Ordinary dividend paid		
Ordinary dividend number 11 of 11.0 cents (8.80 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 26 June 2023 (net of treasury shares) (2022: 14.0 cents (11.20 cents net of dividend withholding tax)).	17 514	22 214
	17 514	22 214

Segmental reporting

for the six-month period ended 31 August 2023

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 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 2023	profit/(loss) after tax Unaudited 31 August 2023	Total assets Unaudited 31 August 2023	Total liabilities Unaudited 31 August 2023
Fund management	83 304	9 692	149 331	(80 453)
Asset administration	101 909	19 973	211 298	(37 771)
Insurance	123 008	8 149	813 364	(693 080)
Investment banking	14 869	1 743	75 905	(40 496)
<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; width: 100px; height: 15px; margin-right: 5px;"></div> <div style="margin-left: 5px;"> Advisory services Institutional securities broking </div> </div>	13 563	(3 430)	153 904	(136 858)
Total	336 653	36 127	1 403 802	(988 658)

Figures in R'000	Restated			
	Restated Revenue/ gross premium Unaudited 31 August 2022	Reportable segment profit after tax Unaudited 31 August 2022	Restated Total assets Audited 28 February 2023	Restated Total liabilities Audited 28 February 2023
Continuing operations				
Fund management	95 207	18 282	154 230	(87 267)
Asset administration	95 433	18 959	224 777	(46 446)
Insurance	98 430	5 970	795 775	(688 745)
Investment banking	19 707	(3 361)	84 509	(57 519)
<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; width: 100px; height: 15px; margin-right: 5px;"></div> <div style="margin-left: 5px;"> Advisory services Institutional securities broking </div> </div>	13 817	(936)	100 141	(81 537)
Total	322 594	38 914	1 359 432	(961 514)

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 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, except for the implementation of IFRS 17 in the current year, refer to note 11 for more information. 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 2023 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 2023	Restated Unaudited 31 August 2022
Fund management	83 304	95 207
Asset administration	101 909	95 433
Advisory services	14 869	19 707
Institutional securities broking	13 563	13 817
	213 645	224 164
The group's revenue generated from the fund management, asset administration, and advisory services has declined as a result of the tough economic environment.		
2. Net written premium		
Insurance premium revenue	123 008	98 430
Less: Reinsurance written premium	(25 071)	(21 677)
Net written premium	97 937	76 753
3. Other income		
Sundry income	9 881	7 668
Directors' fees	201	156
	10 082	7 824
4. Fair value adjustments		
Fair value adjustments on financial assets and liabilities at fair value through profit or loss	(1 680)	(1 123)
Fair value adjustments on insurance-related investments	454	(22 554)
Fair value adjustments to investment contract and insurance liabilities	(16 789)	5 934
	(18 015)	(17 743)

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

Figures in R'000	Unaudited 31 August 2023	Restated Unaudited 31 August 2022
5. Interest received from investments		
Interest received from insurance related investments	16 546	12 507
Interest from loans and other receivables	111	72
	16 657	12 579
6. Operating expenses		
Operating expenses increased by 3% in the reporting period, this was due to an increase in professional and administration fees. Net insurance service expenses have increased by 26% due to the increase in insurance related claims.		
The below expenses details the significant operating expenses when compared to prior year:		
Staff costs	122 812	127 729
Insurance service expenses	107 380	84 238
Reinsurance premium	25 071	21 677
7. Reconciliation of headline earnings for the period		
Profit for the period attributable to equity holders of Vunani	28 874	32 312
	28 874	32 312
Headline earnings per share (cents)	18.2	20.4
Basic and diluted headline earnings per share	18.2	20.4

8. Authorised and issued stated capital

The authorised stated capital at 31 August 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 31 August 2023 (2022: 161 155 915).

	Unaudited 31 August 2023	Audited 28 February 2023	Unaudited 31 August 2022
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	(2 486)	(1 607)	(2 238)
Weighted average number of shares in issue during the period	158 670	159 549	158 918
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	(2 486)	(1 607)	(2 238)
Effect of dilutive shares	–	–	–
Diluted weighted average number of shares in issue during the period	158 670	159 549	158 918
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.

9. Net cash generated by operating activities

Figures in R'000	6 months Unaudited 31 August 2023	Restated 6 months Unaudited 31 August 2022
Profit before income tax expense	49 949	55 201
Adjusted for:		
Depreciation of property, plant and equipment	2 137	1 172
Depreciation of right-of-use assets	2 731	3 769
Equity-accounted earnings (net of income tax)	689	–
Fair value adjustments	1 226	23 677
Fair value adjustments to third party insurance liabilities	2 875	898
Fair value adjustments to investment contract liabilities	13 914	(6 833)
Change in reinsurance assets movement	(2 001)	(1 116)
Short-term insurance: Unearned premiums	1 246	13 005
Short-term insurance: DAC	137	(1 037)
Impairment loss on trade and other receivables	185	483
Amortisation of intangible assets	7 300	7 889
Share-based payments expense	2 357	2 780
Foreign currency translation loss	–	*
IAS 19 Employee benefit costs	–	1 500
Interest received from investments and finance income	(21 601)	(15 104)
Dividends received	(6 212)	(4 643)
Finance costs	4 039	3 025
Changes in working capital:		
Increase in trading securities	(20)	(50)
Increase in trade and other receivables	(3 922)	(17 188)
Decrease/(increase) in reinsurance assets	24 023	790
Increase/(decrease) in insurance liabilities	31 037	(5 017)
(Decrease)/increase in trade and other payables	(70 965)	(63 594)
Increase/(decrease) in accounts receivable and payable from trading activities	(3 496)	440
Cash generated by operating activities	35 628	47

* less than R1000

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

10. Financial instruments carried at fair value

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

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

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

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

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

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

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

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

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

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

	Unaudited 31 August 2023		Audited 28 February 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Figures in R'000				
Financial assets measured at fair value				
Other investments	9 138	9 138	10 819	10 819
Insurance-related investments	599 994	599 994	507 030	507 030
Trading securities	429	429	408	408
	609 561	609 561	518 257	518 257
Financial liabilities measured at fair value				
Trading securities	(5)	(5)	(4)	(4)
Insurance contracts	(501 292)	(501 292)	(467 156)	(467 156)
Insurance contract liabilities	(74 054)	(74 054)	(82 900)	(82 900)
Financial liabilities measured at amortised cost				
Other financial liabilities	(43 042)	(29 822)	(53 013)	(40 474)
Insurance liabilities	(52 413)	(52 413)	(21 376)	(21 376)
	(670 806)	(657 586)	(624 449)	(611 910)
Total	(61 245)	(48 025)	(106 192)	(93 653)

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.

10. Financial instruments carried at fair value continued

Fair value hierarchy

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

The different levels are defined as follows:

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

Unaudited 31 August 2023

Figures in R'000	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	238 480	371 081	–	609 561
Financial assets measured at fair value	429	–	–	429
Financial liabilities at fair value through profit or loss	(4)	(575 346)	–	(575 350)
Financial liabilities at amortised cost	–	–	(82 235)	(82 235)
	238 905	(204 265)	(82 235)	(47 595)

Audited 28 February 2023

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	260 774	257 075	–	517 849
Financial assets measured at fair value	408	–	–	408
Financial liabilities at fair value through profit or loss	(4)	(550 056)	–	(550 060)
Financial liabilities at amortised cost	–	–	(61 850)	(61 850)
	261 178	(292 981)	(61 850)	(93 653)

	Unaudited 31 August 2023	Audited 28 February 2023
Effect on statement of comprehensive income (profit/(loss)) and equity before taxation		
Free cash flow		
10% increase	(2 982)	(3 927)
10% decrease	2 982	3 927
Foreign exchange movement		
10% increase	3 399	2 080
10% decrease	(1 435)	(878)

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

11. Standards, amendments to standards and interpretations adopted in the 2023 unaudited condensed consolidated interim financial statements

The Group has applied IFRS 17 Insurance Contracts, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts. IFRS 17 is required to be retrospectively applied for the first date of adoption, being 1 March 2023. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 28 February 2022.

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these condensed consolidated interim financial statements.

The nature and effects of the key changes in the Group's accounting policies as a result of adopting IFRS 17 are summarised below.

Implementation of IFRS 17 Insurance Contracts (IFRS 17)

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts that governs recognition, measurement, presentation and disclosure. The objective of IFRS 17 is to increase the comparability of information reported by all entities issuing insurance contracts and increase the transparency of financial information which will give stakeholders more confidence in understanding the insurance industry.

Overview

The definition and scope of insurance contracts under IFRS 17 is aligned with that of IFRS 4 with only a few differences. The main revenue recognition principle under IFRS 17 is to recognise as revenue the amount charged for insurance coverage when it is earned rather than received, over the duration of the contracts in a manner that best reflects the provision of insurance contract services in the relevant reporting period. The total recognised profit/loss arising from insurance contracts over the duration of the contract remains largely unchanged compared to IFRS 4, however, the year-by-year profit/loss outcomes will change.

Some of the significant changes of the Standard are:

- The Standard does not allow for profits to arise on inception of a contract, i.e. day one, while the losses arising from onerous contracts are to be recognised immediately in profit/loss.
- The treatment and disclosure of non-distinct investment components (NDIC) where such amounts are excluded from the insurance service results as they do not relate to the provision of insurance services.
- IFRS 17 measurement principles depend heavily on the terms and conditions of underlying contracts, contract boundaries, coverage periods, etc as opposed to just the type of the insurance license (ie. Life or non-life).
- IFRS 17 requires the determination of portfolios for insurance contracts with similar risks and determination of onerous contracts.
- The Standard includes three measurement models, all the measurement models will include the following:
 - » A liability for remaining coverage (LRC) – the obligation where the insured event has not yet occurred.
 - » A liability for incurred claims (LIC) – the obligation to pay claims for insured events that have already occurred.

The general measurement model (GMM) is applicable to longer contract durations that are not substantially investment related service contracts.

The Standard requires the recognition of fulfilment cash flows and the contractual service margin (CSM) on the balance sheet, these fulfilment cash flows are to be updated at each reporting date. The fulfilment cash flows represent the present value of future cash flows and an adjustment for the risk and timing of those cash flows (risk adjustment). The CSM represents the unearned profit on the contract which is expected to be earned in the future. The CSM is released over the duration of the contract.

The Standard requires that the interest rate used to discount the cash flows and establish the CSM be determined at inception of the contract.

IFRS 17 also allows the optional simplified premium allocation approach (PAA) for insurance contracts with a coverage period that is 12 months or less. Contracts measured under this approach do not have a CSM.

IFRS 17 requires the company to disclose the profits earned from Insurance Contracts, where the company will recognise the insurance service result which depicts profit earned from providing insurance service and the financial result which depicts investment income and insurance finance expenses.

Key revenue recognition changes between IFRS 17 and IFRS 4 as applied by Oracle

Key changes are as follows:

- The establishment of the CSM which results in a different pattern of revenue recognition compared to the current accounting policies.
- The establishment of the non-financial risk adjustment resulting in a deferral of profit.
- Discount rates used are those applicable at inception of the contracts.
- The disallowance for recognition of day one profits on initial recognition.
- Changes in best estimate assumptions being absorbed into remaining margins as opposed to being recognised in full in profit/loss in the year of the change.

The CSM is likely to result in lower volatility in insurance results between the reporting periods over time. Under IFRS 4, changes to estimates of future contractual fulfilment cash flows would impact profit/loss in the year of change as opposed to impacting future margin releases under IFRS 17.

Contracts measured under GMM

The current estimate of future cash flows is based on the relevant cash flows which are directly related to the fulfilment of the contract within the contract boundary. This is aligned with the estimation of future cash flows under IFRS 4, with the exception of IFRS 17 requiring inclusion of only portfolio incremental acquisition costs.

11. Standards, amendments to standards and interpretations adopted in the 2023 unaudited condensed consolidated interim financial statements (continued)

Contracts measured under PAA

This approach is available for short-term contracts of one year or less, the LRC on initial recognition is measured as premiums received less acquisition costs. This model for the LRC is similar to the unearned premium model under existing accounting policies. The difference, however, is that IFRS 17 requires inclusion of claims handling expenses to be incurred in the LIC and the calculation of a risk adjustment. The company has elected this approach for annually renewable contracts. Therefore, the PAA approach is not expected to result in a material difference compared to the current basis.

Transition approaches

The Standard requires retrospective application prior to the transition date unless it is impractical to do so. If it is impractical to do so, an entity can choose either a modified retrospective or a fair value approach to measure the transitional balances as at 1 March 2022.

The group has used a combination of all the transition approaches depending on the extent of availability of the required data. Where the group has determined it is impractical to use the full retrospective approach, it is due to the lack of accessibility or reliability of the data.

A summary of the main product lines and measurement models are as follows:

Product lines	Measurement model
Credit life	GMM
Voluntary Group Funeral	PAA
Group Life Assurance	PAA
Permanent Health Insurance	PAA
Group Funeral	PAA
Annuities	GMM
Digital fully and simply underwritten	GMM
Digital Funeral	GMM
Sitanani Funeral	GMM
Lihawu Funeral	GMM
Oracle Health	PAA
STI Motor – Private	PAA
STI Motor – Commercial	PAA
STI Non-Motor – Private	PAA
STI Non-Motor – Commercial	PAA

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

11. Standards, amendments to standards and interpretations adopted in the 2023 unaudited condensed consolidated interim financial statements (continued)

Included below is the reconciliation of the consolidated statement of financial position and statement of comprehensive income from IFRS 4 to IFRS 17 at transition:

Figures in R'000	12 months		Restated
	Audited	IFRS 17	12 months
	28 February	Transitional	28 February
	2022	Adjustments	2022
Assets			
Property, plant and equipment	23 508	–	23 508
Goodwill	139 766	–	139 766
Intangible assets	134 475	–	134 475
Investments in associates	1 300	–	1 300
Other investments	11 345	–	11 345
Insurance-related investments	453 357	–	453 357
Deferred tax asset	53 865	–	53 865
Total non-current assets	817 616	–	817 616
Other investments	3 198	–	3 198
Taxation prepaid	1 059	–	1 059
Reinsurance assets	21 357	(699)	20 658
Trade and other receivables	89 046	–	89 046
Accounts receivable from trading activities	60 583	–	60 583
Trading securities	353	–	353
Cash and cash equivalents	252 852	–	252 852
Total current assets	428 448	(699)	427 749
Total assets	1 329 314	(699)	1 328 615
Equity			
Stated capital	696 497	–	696 497
Treasury shares	(6 166)	–	(6 166)
Share-based payments reserve	3 660	–	3 660
Foreign currency translation reserve	(2 535)	–	(2 535)
Accumulated loss	(375 445)	717	(374 728)
Equity attributable to equity holders of Vunani Limited	316 011	717	316 728
Non-controlling interest	66 341	669	67 010
Total equity	382 352	1 386	383 738
Liabilities			
Other financial liabilities	13 356	–	13 356
Lease liabilities	10 645	–	10 645
Investment contracts	432 179	–	432 179
Insurance contract liabilities	73 682	(3 671)	70 011
Deferred tax liabilities	31 838	–	31 838
Total non-current liabilities	561 700	(3 671)	558 029
Other financial liabilities	20 902	–	20 902
Lease liabilities	7 060	–	7 060
Taxation payable	12 494	–	12 494
Insurance contract liabilities	17 059	–	17 059
Trade and other payables	155 269	1 586	156 855
Accounts payable from trading activities	60 853	–	60 853
Trading securities	3	–	3
Bank overdraft	28 372	–	28 372
Current liabilities	302 012	1 586	303 598
Total liabilities	863 712	(2 085)	861 627
Total equity and liabilities	1 246 064	(699)	1 245 365

The changes brought about by IFRS 17 did not change the underlying economics of our business or our strategy. While IFRS 17 does result in changes to the timing of profit recognition from insurance contracts, it does not change the overall level of profit.

11. Standards, amendments to standards and interpretations adopted in the 2023 unaudited condensed consolidated interim financial statements (continued)

Statement of comprehensive income impact

	6 months Unaudited 31 August 2022	IFRS 17 Transitional Adjustments	Restated 6 months Unaudited 31 August 2022
Revenue	224 164	–	224 164
Net written revenue	117 100	(40 347)	76 753
Insurance premium revenue	152 667	(54 237)	98 430
Less: Reinsurance written premium	(35 567)	13 889	(21 678)
Investment revenue	5 438	(795)	4 643
Interest from investments	12 004	575	12 579
Other income	6 664	1 160	7 824
Total income	365 370	(39 407)	325 963
Operating expenses	(218 232)	38 437	(179 795)
Net insurance benefits and claims	(44 760)	(27 945)	(72 705)
Insurance service expenses	(56 293)	(27 945)	(84 238)
Insurance benefits and claims recovered from reinsurers	11 533	–	11 533
Operating profit	102 378	(28 916)	73 462
Impairment of assets	(483)	465	(18)
Fair value adjustments	(46 948)	29 205	(17 743)
Results from operating activities	54 947	754	55 701
Finance income	3 566	(1 041)	2 525
Finance costs	(2 860)	(165)	(3 025)
Net finance income	706	(1 206)	(500)
Profit before tax	55 653	(452)	55 201
Income tax	(16 285)	(2)	(16 287)
Profit after tax	39 368	(454)	38 914

Notes to the condensed consolidated financial statements

(all figures in R'000) (continued)

12. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2023 took place during the period.

13. Events after reporting date

The company declared a dividend of 9.0c, refer to note 14 for more details.

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

14. Dividends

Dividend declared

Notice is hereby given that a gross ordinary dividend of 9.0 cents per share has been declared out of income reserves on 19 October 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 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

2023

Declaration and finalisation date announcement	Thursday, 19 October
Last day to trade <i>cum</i> dividend	Tuesday, 21 November
Shares commence trading <i>ex-dividend</i>	Wednesday, 22 November
Record date	Friday, 24 November
Dividend payment date	Monday, 27 November

No dematerialisation or rematerialisation of shares will be allowed for the period from Wednesday, 22 November 2023 to Friday, 24 November 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.

Ordinary dividend

Ordinary dividend number 11 of 11.0 cents (8.8 cents net of dividend withholding tax) per share was paid to ordinary shareholders on 26 June 2023 (net of treasury shares). Total cash of R17.5 million (net of treasury shares held) was paid to ordinary shareholders.

15. 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 R36.1 million (2022: R38.9 million) for the period ended 31 August 2023, and as at that date current assets exceed current liabilities by R73.5 million (2022: R123.2 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 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 Limited's 2023/24 financial year commenced amidst an aggressive global interest rate tightening cycle as central banks continued to battle surging inflation brought about by spiralling global energy prices in the wake of Russia's invasion of Ukraine. The South African Reserve Bank also found itself firmly in tightening mode and the inevitable cumulative dampening impact of rising interest rates on demand further suppressed already weak domestic economic activity, as the economy struggled to pull out of the post-Covid slump whilst hamstrung by persistent electricity load shedding.

Business conditions remained challenging throughout the reporting period and in fact, deteriorated further as slowing global economic activity resulted in commodity prices coming under pressure. Activity in some of South Africa's key trading partners such as China, also slowed, detrimentally affecting South Africa's export performance. Whilst export proceeds were somewhat buffered by a weakish Rand, it could not fully compensate for the slump in demand.

The fact that the Rand did hold its own reasonably well at weaker levels, recovering to about R 18.87 against the US Dollar from circa R20 at some stage, did however enable the Reserve Bank to limit its further interest rate tightening over the course of the six months to a cumulative 100 basis points, culminating in a prime rate of 11.75% by the end of August. Moreover, headline inflation gradually moderated from 7% to dip into the Bank's target band to below 5%, signalling that the domestic rate-hiking cycle might have peaked or was nearing a cyclical peak.

Nevertheless, prospects for domestic company earnings growth amidst overall benign domestic economic growth were weak. Consequently, asset prices weren't left unaffected by prevailing conditions. The JSE's All Share Index weakened by 3.6% over the reporting period as investor sentiment for riskier assets was dampened and liquidity dried up. Vunani's positioning predominantly in financial services businesses, therefore, did mean that the business was materially affected by prevailing weak economic and financial conditions. Nevertheless, Vunani remains well positioned to grow its underlying businesses as conditions improve and to also take advantage of new business opportunities.

Vunani's performance for the six-month period to 31 August 2023 was slightly down in comparison to the prior period. The group generated total comprehensive income for the period of R35.9 million (2022: R39.3 million), while total profit attributable to equity holders of the company amounted to R28.9 million (2022: R32.3 million).

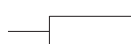
The group's reportable segments are as follows:

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 R83.3 million for the period (2022: R95.2 million), which is a decrease of 13%. The reportable segment profit amounted to R9.7 million for the period compared to a profit of R18.3 million at 31 August 2022.

VFM's performance and profitability decreased during the period because of a decrease in assets under management compared to the prior year. The assets under management were R46.2 billion at 31 August 2023 compared to R53.9 billion at 31 August 2022.

VFMB's assets under management was R10.9 billion as at 31 August 2023 compared to R11.3 billion at 28 February 2023.

Insurance

The insurance segment includes the group's investment in Oracle Insurance and Oracle Life. The segment contributed revenue of R123.0 million (2022: R98.4 million) and profit of R8.1 million in the current period compared to R6.0 million in August 2022. The segment was impacted by negative fair value adjustments to its insurance assets and liabilities of R16.3 million (2022: R16.6 million). During the period Oracle implemented the new accounting standard, IFRS 17, refer to note 11 for more detail.

Asset administration

The asset administration segment includes the group's investment in Fairheads Beneficiary Services Proprietary Limited ("Fairheads"), Fairheads Financial Services Proprietary Limited ("FFS") and Verso Group Proprietary Limited. Fairheads' assets under administration amounted to R10.3 billion at 31 August 2023 from R9.9 billion at 28 February 2023. The segment contributed revenue of R101.9 million (2022: R95.4 million) for the period. The segment contributed a profit of R20.0 million to the group's results for the period ended 31 August 2023 compared to R19.0 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 for managing Vunani Capital Partners. Revenue has decreased from R19.7 million in 2022 to R14.9 million for the current period. The segment reported a profit for the period of R1.7 million (2022: loss of R3.4 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 R13.8 million at 31 August 2022 to R13.6 million in the current period. The segment contributed a loss of R3.4 million compared to a loss of R0.9 million in 2022.

Overview and prospects

(continued)

Financial performance

Revenue from operations decreased by 5% to R213.6 million (2022: R224.2 million) for the period ended 31 August 2022. Revenue has decreased compared to the prior period due to the decrease in AUM for the fund management segment, as well as decreased revenue from the advisory segment. Gross insurance premiums increased by 25% to R123.0 compared to R98.4 in August 2023.

Other income increased to R10.1 million (2022: R7.8 million) for the period ended 31 August 2023. 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 R6.2 million compared to R4.6 million for the period ended 31 August 2022. This is due to the increase in dividends from the insurance-related investments.

Negative fair value adjustments of R18.0 million (2022: R17.7 million). The increase relates mainly to the adjustments on the insurance investment contract liabilities and third-party liabilities, which amounted to R16.8 million (2022: positive R5.9 million) as result of the impact of IFRS 17. The group's listed and insurance-related investments generated negative fair value adjustments of R1.2 million compared to R23.7 million in the prior year.

Operating expenses increased by 3% from R179.8 million to R184.9 million. The increase relates to the impact of inflation on other operating costs. **Insurance benefits and claims** of R107.4 million (2022: R84.2 million), have increased in the current year, due to the impact of IFRS 17 on how the expenses are accounted for.

Finance income has increased from R2.5 million to R4.9 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 R16.7 million compared to R12.6 million mainly due to the returns on the insurance segment's insurance related investments.

Finance costs have increased from R3.0 million in 2022 to R4.0 million as result of an increase in the interest rates and group's external financial liabilities.

The **Intangible assets** decreased by R7.3 million as a result of the 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 R507.0 million at February 2023 to R600.0 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 2023 which has resulted in an increase from R550.0 million to R575.3 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 R2.4 million is attributable to the current period IFRS 2 charge (2022: R2.8 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 R7.3 million compared to R6.6 million in the prior year.

Prospects

The impact of the war in Ukraine, inflation and interest rate hiking cycle on the global and local economy, has resulted in a decrease in performance for first six months of the year when compared to the prior period. With the end of interest rate hiking cycle in sight, 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 E Dube and T Mika on 19 October 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

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